

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Financial Statements and
Independent Auditor's Report
2024 and 2023

Company Address: 99 Zhongxing Rd., Tongluo Township, Miaoli County
TEL: (037)236-988

**(In case of any discrepancy between the Chinese and English versions,
the Chinese version shall prevail.)**

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Declaration

The Company and its subsidiaries that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2024 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Declared by

Company Name: G-TECH Optoelectronics

Corporation

Chairman of the Board: Chung, Chih-Ming

Date: March 7, 2025

Independent Auditor's Report

The Board of Directors G-TECH Optoelectronics Corporation

Audit opinion

We have audited the accompanying consolidated financial statements of G-TECH Optoelectronics Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and international Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC

Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We are entrusted to conduct the audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norms for Professional Ethics for Certified Public Accountants and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the audit of the financial statements are stated as follows:

I. Revenue Recognition

For the accounting policy on revenue recognition, please refer to Note 4 (16) Revenue Recognition of the consolidated financial reports; for the explanation on revenue recognition, please refer to Note 6(19) of the consolidated financial reports.

Description of Key Audit Matters:

The revenue of the Group mainly comes from product sales to customers, and the sales contract with customers involve different types of transaction terms. For the recognition of sales revenue, the product control transfer status is determined according to the transaction terms of each individual sales contract. Accordingly, the test of the recognition of revenue is identified as a key audit matter for the execution of the audit of the financial statements of the Group.

Corresponding Audit Procedures:

- Evaluate the appropriateness of the accounting policy for revenue recognition;
- Understand and test the effectiveness of the design and implementation of internal control over the main revenue types, transaction models, contract terms and transaction conditions of the Group;
- Conduct detailed tests on samples and check various forms to ensure the authenticity of transactions; perform cut-off testing before and after the financial reporting date, select samples and verify against relevant documents to determine if the timing of recognition of transactions is reasonable;
- Meanwhile, select a period of time around the financial reporting date to check the allowance and discount that the Group is required to provide to customers in accordance with the sales contract to determine whether there are any significant sales returns and discounts, in order to confirm the authenticity of the transaction;
- Obtain the discounted amount to be accrued as imputed by the management and check it with relevant internal or external information to assess the reasonableness of the relevant parameters and key assumptions; check the accuracy of the discount estimates of the previous year to assess whether the discounted amount to be accrued as imputed by the management is appropriate.

II. Investment Property Fair Value Evaluation

For the accounting policy regarding the fair value valuation of investment properties, please refer to Note 4 (10) to the consolidated financial reports; for the uncertainty of accounting estimates and assumptions regarding the fair value of investment properties, please refer to Note 5 (2) to the

consolidated financial reports; for the details of investment properties, please refer to Note 6 (7) to the financial reports.

Description of Key Audit Matters:

The investment property is an important asset for operations of the Company, and accounts for 25% of the total consolidated assets. The accounting of the Company is performed according to International Accounting Standard 40 at fair value, and subsequent changes in fair value are recognized as profit or loss of the current period. Since the Group uses the recommendations of external real estate appraiser reports as the basis for the evaluation of the investment property fair value, the neighborhood rental market prices referenced and financial information related to the investment property rental provided by the Group for the execution of the appraisal procedure may involve material judgment and estimation uncertainty. Accordingly, any inappropriate evaluation of the fair value change may result in misstatement of the financial statements. Accordingly, the investment property fair value evaluation is identified as a key audit matter for the execution of the audit of the financial statements of the Group.

Corresponding Audit Procedures:

- Assess the professionalism, objectiveness and experience of the real estate appraiser retained by the Group to be in charge of the fair value measurement.
- Verify the rationality of the material assumptions and critical judgments adopted in its appraisal report, and review the lease agreements and comparison with relevant market information, in order to determine whether the future cash flow, income and discount rate have been handled according to the regulations.
- Verify the appraisal report and relevant accounting records in order to determine the accuracy of accounting procedures.

Other Matters

The Company has prepared the parent company only financial statements for the years ended December 31, 2024 and 2023, with disqualified independent auditor's opinion for reference.

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

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

In preparing the consolidated financial statements, the responsibilities of the management also include

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of material misstatement in the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, then relevant disclosures of the consolidated financial statements are required to be provided in our audit report to allow users of consolidated financial statements to be aware of such events or circumstances, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the financial information of individual entities of the Group and provide an opinion on the consolidated financial statements. We handle the guidance, supervision and execution of the audit on the Group and are responsible for preparing the opinion on the Group.

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

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2024, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

CPA:

Certificate No. Approved by
the Competent Authority of
Securities

March 7, 2025

Jin Guan Zheng Liu Zi
: No.0940129108
Jin Guan Zheng Shen Zi
No.1020000737

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2024 and 2023

Unit: NTD thousand

Asset		2024.12.31		2023.12.31		Liabilities and Equity		113.12.31		112.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and Cash Equivalents (Notes 6 (1) and (21))	\$ 999,623	21	558,226	14	2100	Short-term borrowings (Notes 6 (9) and (21))	\$ 700,748	15	382,000	10
1110	Financial assets at fair value through profit or loss - current (Notes 6 (2) & (21))	4,354	-	324	-	2130	Contract liabilities - current (Note 6 (19))	16,107	-	5,582	-
1170	Notes and accounts receivable, net (Notes 6 (3), (19) and (21))	393,972	9	430,799	11	2170	Notes and accounts payable, net (Note 6 (21))	372,655	8	289,551	7
1180	Notes and accounts receivable - related parties, net (Notes 6 (3), (19), (21) and 7)	3,829	-	3,077	-	2180	Notes and accounts payable - related parties, net (Notes 6 (21) and 7)	24,497	1	10,639	-
1220	Current income tax assets	1,376	-	1,597	-	2219	Other payables (Notes 6 (21) and 7)	84,068	2	83,885	2
130X	Inventories (Note 6 (4))	173,919	4	152,794	4	2213	Equipment payable (Notes 6 (21) and (24))	6,921	-	2,133	-
1476	Other financial assets - current (Notes 6 (8), (21), and 8)	342,479	7	387,794	9	2250	Liability reserve - current (Note 6 (13))	10,483	-	16,459	-
1479	Other current assets - others	48,111	1	14,816	-	2280	Lease liabilities - current (Note 6 (21))	27,994	1	1,008	-
Total current assets		1,967,663	42	1,549,427	38	2321	Corporate bonds due or resale right exercised within one year or one business cycle (Notes 6 (11) and (21))	-	-	498,614	12
Non-current assets:						2322	Long-term borrowings due within one year or one business cycle (Notes 6 (10) and (21))	184,491	4	201,701	5
1510	Financial assets at fair value through profit or loss - current (Notes 6 (11) and (21))	99,960	2	-	-	2399	Other current liabilities - others	47	-	315	-
1551	Investment by the equity method (Note 6 (5))	58,393	1	53,727	1	Total current liabilities		1,428,011	31	1,491,887	36
1600	Property, plant and equipment (Notes 6 (6), (24), 8 and 9)	1,182,444	26	1,248,299	30	Non-current liabilities:					
1755	Right-of-use assets	101,079	2	29,204	1	2540	Long-term borrowings (Notes 6 (10) and (21))	1,156,259	25	1,167,876	29
1760	Investment properties, net (Notes 6 (7) and 8)	1,148,336	25	1,147,256	28	2550	Liability reserve - non-current	16,549	-	17,280	-
1780	Intangible assets	2,723	-	2,122	-	2570	Deferred income tax liabilities (Note 6 (14))	63,326	1	57,425	1
1840	Deferred income tax assets (Note 6 (14))	12,466	-	8,617	-	2580	Lease liabilities - non-current (Note 6 (21))	50,339	1	668	-
1915	Prepayments for equipment (Notes 8 and 9)	94,298	2	33,832	1	Total non-current liabilities		1,286,473	27	1,243,249	30
1980	Other financial assets - non-current (Notes 6 (8), (21), and 8)	8,972	-	28,845	1	Total liabilities		2,714,484	58	2,735,136	66
Total non-current assets		2,708,671	58	2,551,902	62	Equity attributable to owners of the parent company (Notes 6 (15) and (16))					
Total Assets		<u>\$ 4,676,334</u>	<u>100</u>	<u>4,101,329</u>	<u>100</u>	3110	Ordinary share capital	1,862,336	40	1,443,296	35
						3140	Capital collected in advance	-	-	2,760	-
						3200	Capital surplus	436,690	9	22,614	1
						3300	Losses to be covered	(821,325)	(17)	(581,144)	(14)
						3400	Other equities	484,149	10	478,667	12
						Total equity		1,961,850	42	1,366,193	34
						Total liabilities and equity		<u>\$ 4,676,334</u>	<u>100</u>	<u>4,101,329</u>	<u>100</u>

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Tai-Chiu Wu

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended December 31, 2024 and 2023

Unit: NTD thousand

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenues (Notes 6 (19) and 7)	\$ 2,163,181	100	1,859,041	100
5000	Operating costs (Notes 6 (4), (13) and 7)	2,138,719	99	1,796,468	97
	Gross profit	24,462	1	62,573	3
	Operating expenses (Notes 6 (3), (13) and (16))				
6100	Selling and marketing expenses	47,554	2	38,473	2
6200	Administrative expenses	169,190	8	124,891	7
6300	Research and development expenses	118,777	5	97,581	5
6450	Expected credit impairment loss (reversed gains)	(21,946)	(1)	867	-
	Total operating expenses	313,575	14	261,812	14
	Net operating loss	(289,113)	(13)	(199,239)	(11)
	Non-operating income and expense:				
7100	Interest income (Note 6(20))	20,407	1	13,234	1
7020	Other gains and losses (Notes 6 (7), (11), (12) and (20))	73,834	3	116,583	6
7050	Long-term borrowings (Notes 6 (11) and (20))	(46,359)	(2)	(50,465)	(3)
7060	Share of profit or loss of associates or joint venture using the equity method (Note 6 (5))	2,526	-	2,051	-
	Total non-operating income and expenses	50,408	2	81,403	4
	Net loss before tax from continuing operating segments	(238,705)	(11)	(117,836)	(7)
7950	Less: income tax assets (Note 6 (14))	2,054	-	-	-
	Net loss of current period	(240,759)	(11)	(117,836)	(7)
8300	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Difference in exchange from the conversion of financial statements of overseas operating entities	5,716	-	(1,099)	-
8370	Share of other comprehensive income of associated companies and joint ventures accounted for using the equity method	(234)	-	(282)	-
8399	Less: Income tax related to items that may be reclassified to profit or loss	-	-	-	-
	Total of items that may subsequently be reclassified to profit or loss	5,482	-	(1,381)	-
8300	Other comprehensive income (loss) of current period	5,482	-	(1,381)	-
8500	Total comprehensive income of current period	<u>\$ (235,277)</u>	<u>(11)</u>	<u>(119,217)</u>	<u>(7)</u>
	Losses per share (Note 7 (17))				
9710	Basic loss per share (Unit: NT\$)	<u>\$ (1.45)</u>		<u>(0.82)</u>	

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Tai-Chiu Wu

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years ended December 31, 2024 and 2023

Unit: NTD thousand

					Other equity			
	Share capital				Difference in exchange from the conversion of financial statements of overseas operating entities	Revalued amount of property	Total	Total equity
	Ordinary share capital	Capital collected in advance	Capital surplus	Losses to be covered				
Balance on December 31, 2023	\$ 2,241,856	-	196,778	(1,440,223)	167,361	312,687	480,048	1,478,459
Net loss of current period	-	-	-	(117,836)	-	-	-	(117,836)
Other comprehensive income (loss) of current period	-	-	-	-	(1,381)	-	(1,381)	(1,381)
Total comprehensive income of current period	-	-	-	(117,836)	(1,381)	-	(1,381)	(119,217)
Share-based compensation	-	-	1,052	-	-	-	-	1,052
Covering loss from capital surplus	-	-	(176,915)	176,915	-	-	-	-
Capital reduction to make up for losses.	(800,000)	-	-	800,000	-	-	-	-
Issuance of new shares for employees’ exercise of stock options	1,440	2,760	1,699	-	-	-	-	5,899
Balance on January, 2023	1,443,296	2,760	22,614	(581,144)	165,980	312,687	478,667	1,366,193
Net loss of current period	-	-	-	(240,759)	-	-	-	(240,759)
Other comprehensive income (loss) of current period	-	-	-	-	5,482	-	5,482	5,482
Total comprehensive income of current period	-	-	-	(240,759)	5,482	-	5,482	(235,277)
Covering loss from capital surplus	-	-	(578)	578	-	-	-	-
Issuance of new shares for employees’ exercise of stock options	19,040	(2,760)	9,054	-	-	-	-	25,334
Cash capital increase	400,000	-	384,000	-	-	-	-	784,000
Costs of employee subscription compensation for capital increase in cash	-	-	21,600	-	-	-	-	21,600
Balance on December 31, 2024	\$ 1,862,336	-	436,690	(821,325)	171,462	312,687	484,149	1,961,850

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Tai-Chiu Wu

G-TECH Optoelectronics Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years ended December 31, 2024 and 2023

	Unit: NTD thousand	
	2024	2023
Cash Flows from Operating Activities:		
Net loss before tax in the period	\$ (238,705)	(117,836)
Adjustments:		
Income/expenses items		
Depreciation expense	135,213	133,779
Amortizations	1,152	1,373
Expected credit impairment loss (reversed gains)	(21,946)	867
Net loss on financial asset or financial liability at fair value through profit or loss	10,625	1,130
Investment income recognized under the equity method	(2,526)	(2,051)
Gains from disposal of and scrapping property, plant and equipment	-	(2,022)
Interest expense	46,359	50,465
Interest income	(20,407)	(13,234)
Share-based payment cost	21,600	1,052
Gain on fair value adjustment of investment property	(1,080)	(1,265)
Gains on lease modification	(4)	-
Others	-	32
Total adjustments to reconcile profit and loss	168,986	170,126
Change in assets/liabilities relating to operating activities:		
Net changes in assets related to operating activities:		
Decrease in notes and accounts payable (related parties included)	59,096	27,899
(Increase) decrease in Inventory	(21,125)	34,467
Increase in other current assets	(33,135)	(867)
Decrease in other financial assets	3,344	2,328
Total net changes in assets related to operating activities	8,180	63,827
Net changes in liabilities related to operating activities:		
Increase (decrease) in contract liabilities - current	10,366	(7,878)
Increase (decrease) in notes and accounts payable (including related parties)	95,461	(16,604)
Decrease in other payables	(945)	(21,228)
Decrease in provision for liability	(6,707)	(9,715)
Increase (decrease) in other current liabilities - others	(269)	281
Decrease in other non-current liabilities - others	-	(1,020)
Total net changes in liabilities related to operating activities	97,906	(56,164)
Total net changes in assets and liabilities related to operating activities	106,086	7,663
Total adjustments	275,072	177,789
Cash inflow generated by operating activities	36,367	59,953
Interest received	18,039	13,204
Dividends received	1,285	-
Interest paid	(42,186)	(44,899)
Income tax paid	(977)	(1,194)
Net cash inflow generated by operating activities	12,528	27,064

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Cash Flows (continued)
Years ended December 31, 2024 and 2023

Unit: NTD thousand

	2024	2023
Cash flow from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(167,001)	(12,114)
Disposal of financial assets at fair value through profit or loss	52,386	10,660
Property, plant and equipment acquired	(39,850)	(38,981)
Disposal of property, plant and equipment	-	2,000
Acquisition of intangible assets	(1,753)	(1,091)
Decrease (increase) in other financial assets	65,423	(10,921)
Increase in prepayments for equipment	(60,455)	(5,289)
Net cash used in investing activities	<u>(151,250)</u>	<u>(55,736)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	1,287,748	874,000
Decrease in short-term borrowings	(969,000)	(885,792)
Repayment of corporate bonds	(500,000)	-
Proceeds from long-term borrowings	370,000	470,000
Repayments of long-term borrowings	(398,827)	(543,263)
Lease principle repayment	(21,188)	(15,078)
Cash capital increase	784,000	-
Employees' exercise of stock options	25,334	5,899
Net cash generated from (used in) financing activities	<u>578,067</u>	<u>(94,234)</u>
Effect of exchange rate changes on cash and cash equivalents	2,052	(1,143)
Increase (decrease) of cash and cash equivalents in current period	441,397	(124,049)
Balance of cash and cash equivalents at beginning of period	558,226	682,275
Balance of cash and cash equivalents at end of period	<u><u>\$ 999,623</u></u>	<u><u>558,226</u></u>

(For details, please refer to the notes attached to the consolidated financial statements)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Tai-Chiu Wu

G-TECH Optoelectronics Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
2024 and 2023

(Unless otherwise specified, all amounts shall be denominated in NT\$ thousand)

I. Company History

G-TECH Optoelectronics Corporation (“the Company”) was established on June 27, 1996 with the approval of the Ministry of Economic Affairs, with the registered place at No. 99 Zhongxing Rd., Tongluo Township, Miaoli County. The main businesses of the Company and its subsidiaries (hereinafter collectively referred to as “the consolidated company”) are manufacturing glass, glass products and electronic components as well as conducting international trade, etc.

II. Approval of Dates and Procedures of Financial Statements

The consolidated financial reports were approved by the Board of Directors for release on March 7, 2025.

III. Application of New, Amended and Revised Standards and Interpretations

- (I) Effects of adopting the amendments to the IFRSs endorsed and issued into effect by the FSC
The Group has applied the following new amendments to IFRSs since January 1, 2024, without material effects on the consolidated financial reports.
- 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 Liabilities in a Sale and Leaseback”
- (II) Effects of not adopting IFRSs endorsed by the FSC
The Group has assessed that the application of the following new amendments to IFRSs since January 1, 2025, without material effects on the consolidated financial reports.
- Amendments to IAS 21 “Lack of Convertibility”
 - The amendment regarding the application guidance in Section 4.1 in IFRS 9 and disclosure requirement in IFRS 7 in the amendment to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- (III) New, amended and revised standards and interpretations not endorsed by the FSC
The standards and interpretations issued by the IASB but not yet endorsed and issued into effect by the FSC that may be relevant to the Group are as follows:

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Newly promulgated or amended standards	Main amendments	Effective date of publication by FSC
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two subtotals of income statement, and one single note about the management performance measurement (MPM). These three amendments and enhancements provide a guide for how to disaggregate information in financial statements, and lay a foundation to provide users with better and more consistent information, and will affect all companies.	January 1, 2027
IFRS 18 “Presentation and Disclosure in Financial Statements”	• The more structured income statement: pursuant to the current standard, a company uses different formats to present its operating results, so that investors cannot easily compare the financial performance of different companies. The new standard uses a more structured income statement, and introduces the subtotal "operating profits" newly defined, while specifying all incomes and expenses are classified into three new categories based on the Company's main business activities. • Management Performance Measurement (MPM): The new standard introduces the definition of management performance measurement, and requires companies to provide the information on each measurement indicator in a single note to the financial statements, explaining why the indicator provides useful information, how to calculate, and how to reconcile between the MPM and the the amount recognized by the IFRS accounting standards. • More disaggregated information: the new standard include the guides to enhance the information grouping in the financial statement. This include whether information shall be included in the main financial statements or further disaggregated in the notes.	January 1, 2027

The Group is currently assessing the impact of the aforementioned standards and interpretations on the financial status and business results of the Group, and relevant impacts

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

will be disclosed after the completion of the assessment.

The following newly promulgated and amended standards not yet approved are not expected to have material impact on the consolidated financial statements of the Group.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contracts” and IFRS 17
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- The amendment regarding the application guidance in Sections 3.1 and 3.3 in IFRS 9 and disclosure requirement in IFRS 7 in the amendment to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards
- Amendment to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

IV. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(I) Statement of compliance

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

(II) Basis of preparation

1. Measurement bases

The consolidated financial statements have been prepared on the historical cost basis, except for the following significant balance sheet items.

- (1) Financial assets at fair value through profit or loss measured at fair value
- (2) Investment properties measured at fair value
- (3) Net defined benefit liabilities are measured at the present value of the defined benefit obligation less the fair value of the pension fund plan assets

2. Functional currencies and presenting currency

The functional currency of each entity of the consolidated company is determined based on the currency of the primary economic environment in which it operates. These consolidated financial statements are presented in New Taiwan Dollars, which is the consolidated company’s functional currency. All financial information is presented in NTD thousand.

(III) Consolidation basis

1. Principles of preparing the consolidated financial reports

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. subsidiaries). The Company controls an invested entity when the Company is exposed, or has rights, to variable returns from its involvement with the invested entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date when the consolidated company obtains control of the subsidiaries and ceases on the date when the consolidated company

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

loses control of the subsidiaries. Transactions, balances or any unrealized gains and losses among the consolidated companies have been eliminated during the preparation of the consolidated financial statements. The total comprehensive income/loss of the subsidiaries are attributed to the owners and non-controlling interests of the Company respectively, and the same is true when the non-controlling interests consequently become loss balance.

Appropriate adjustments have been made to the financial statements of subsidiaries to allow their accounting policies to be consistent with those used by the consolidated company.

Changes to the ownership interest of the subsidiaries made by the consolidated company that have not caused the loss of the control over such subsidiaries, are handled as interest transactions with the owner. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity of the owner of the Company.

2. Subsidiaries included in the consolidated financial reports

The subsidiaries included in the consolidated financial statements are:

Name of Investee	Subsidiaries	Business Nature	Shareholding ratio		Explanation
			2024.12.31	2023.12.31	
The Company	Fast Achievement Global Ltd.	Holding	100.00%	100.00%	
”	Golden Start Global Corp.	”	100.00%	100.00%	
”	G-TECH OPTOELECTRONICS (VIETNAM) CO., LTD	Sales, design, production and processing of optical glass and accessories	100.00%	- %	Note:
Golden Global	Charmtex Global Corp.	Holding	100.00%	100.00%	
Charmtex Global	Ruizhida Optoelectronics (Chengdu) Co., Ltd.	Produce and sell TFT - LCD materials	100.00%	100.00%	

Note: This company is newly established and has completed capital injection as of December 31, 2024.

3. Subsidiaries not included in the consolidated financial reports: none

(IV) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transactions. At the end of each subsequent reporting period (referred to as the “report date”), foreign currency items are translated to the functional currency at the exchange rate at that date. Non-monetary items measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

The foreign exchange difference arising from the conversion is typically recognized in profit or loss; however, it shall be recognized under other comprehensive income for the following conditions:

- (1) Equity instruments designated as measured at fair value through other comprehensive income;
- (2) Financial liabilities designated as net investment hedges for foreign operations

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
Statements (continued)**

within the effective extent of hedging; or

(3) Eligible cash flow hedging is within the effective extent of hedging.

2. Foreign operation

The assets and liabilities of foreign operations include the reputation and fair value adjustment at the time of acquisition, and it is converted into NTD according to the exchange rate on the report date. The profit and loss items are converted into NTD according to the average exchange rate of the current period. The exchange difference generated is recognized as other comprehensive income.

In case of disposal of a foreign operation leading to loss of control, joint control or material impact, the accumulated exchange difference related to the foreign operation shall be reclassified as profit or loss in full. During partial disposal of subsidiaries involving foreign operations, relevant accumulated exchange difference shall be reclassified as non-controlling interest proportionally. During partial disposal of affiliated enterprise or joint venture investment involving foreign operations, relevant accumulated exchange difference shall be reclassified as profit or loss proportionally.

For monetary accounts receivable or payable of a foreign operation, if there is no repayment plan and repayment cannot be made in the foreseeable future, the foreign exchange profit or loss arising therefrom shall be treated as part of the net investment on such foreign operation and shall be recognized as other comprehensive income.

(V) Criteria for classifying assets and liabilities as current or non-current

The Group classifies assets as current assets if meeting any of the following criteria, and classifies all other assets that are not current assets as non-current assets:

1. Assets expected to be realized, or intended to sell or consume such within its normal business cycle;
2. Assets held primarily for the purpose of trading;
3. Assets expected to be realized within 12 months after the reporting period; or
4. Cash and cash equivalents (as defined in IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

The Group classifies liabilities as current liabilities if meeting any of the following criteria, and classifies all other liabilities that are not current assets as non-current liabilities:

1. Liabilities expected to be settled within its normal business cycle;
2. Liabilities held primarily for the purpose of trading;
3. Liabilities due to be settled within 12 months after the reporting period; or
4. Liabilities without substantial right on the balance sheet date to defer settlement for at least 12 months on the end date of reporting period.

(VI) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents refer to short-term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amounts of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short-term cash commitment rather than investment, to be classified as cash equivalents.

(VII) Financial Instruments

Accounts receivable and debt securities are initially recognized upon receipt. All other financial assets and financial liabilities are initially recognized when the consolidated company becomes a party to the contractual provisions of the instruments. Financial assets not measured at fair value through profit or loss (excluding account receivables not containing a significant financial component) or financial liabilities were initially measured

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

at fair value plus the transaction cost directly attributed to the acquisition or issuance thereof. Accounts receivable not containing a significant financial component were initially measured at the transaction price.

1. Financial asset

For the purchase or sale of financial assets complying with regular trading, the consolidated company uses the same method to classify the financial assets. All of the purchases and sales of financial assets are recognized using trade-date or settlement-date accounting.

During the initial recognition, the financial assets are classified as: financial assets measured at amortized cost or financial assets at fair value through profit or loss.

The consolidated company reclassifies all affected financial assets starting on the first day of the next reporting period only when it changes its business model for managing its financial assets.

(1) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

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

Such assets subsequently use the initially recognized amount plus or less the accumulated amortized value using the effective interest method, and adjust any allowance loss measured at amortized cost. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Gains or losses on derecognition are recognized in profit or loss.

(2) Financial assets at fair value through profit or loss

The financial instruments that are not measured at amortized cost or measured at fair value through other comprehensive income as described above are measured at fair value through profit or loss, including derivative financial assets. When making initial recognition, the consolidated company may irrevocably recognize the financial assets that qualify as financial assets measured at amortized cost as financial assets at fair value through profit or loss in order to eliminate or significantly reduce the accounting mismatch.

Such assets are subsequently measured at fair value, and the gain or loss (including any dividends and interest income) is recognized as profit or loss.

(3) Impairment of financial assets

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

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured at 12-month ECL:

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

increased significantly since initial recognition.

Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs.

To determine whether the credit risk has significantly increased after the initial recognition, the Group considers reasonable and verifiable information (information that can be obtained without excessive cost or investment), including qualitative and quantitative information, and the analysis conducted by the Group based on past experience, credit assessment and prospective information.

The consolidated company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligation to the Group in full.

Where credit risk of financial instruments belong to the globally defined “investment grade” (BBB- - Standard & Poor’s investment grade, Baa3 - Moody’s investment grade or twA - investment grade of Taiwan Ratings, or a higher grade), the credit risk of such debt securities will be deemed low by the consolidated company.

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

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

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

Expected credit losses are a probability-weighted estimate of credit losses during the expected lifetime of the financial instrument. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the consolidated company in accordance with contracts and the cash flows that the consolidated company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the consolidated company assess whether financial assets measured at amortized cost are subject to credit impairment. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observation data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- For economic or contractual reasons related to the borrower’s financial difficulty, having granted to the borrower a concession that the consolidated company would not otherwise consider;
- It is probable that the borrower will file for bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security due to financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off, either in full or

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

partially, to the extent that there is no realistic prospect of recovery for the consolidated company. For corporate accounts, the consolidated company individually analyzes the write-off timing and amount based on whether it is reasonably expected to be recovered. The consolidated company expects that the written off amount will not have any significant reversal. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(4) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights of the cash flows from the asset are terminated, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party, or when nearly all risks and rewards of ownership are not transferred and not retained and the control of the financial asset is not retained.

When the Group signs a transaction for transferring financial assets, if all or nearly all of the risks and rewards of the ownership of the assets transferred are retained, then it is still continued to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The debts and equity instruments issued by the consolidated company are classified as financial liabilities or equity according to the substance of contract agreements and the definition of financial liabilities and equity instruments.

(2) Equity transactions

Equity instrument refers to any contract representing the consolidated company with remaining equity from assets after all liabilities have been subtracted. The equity instruments issued by the consolidated company are recognized based on the amount obtained from the payment amount less the direct issuance cost.

(3) Compound financial instrument

The compound financial instruments issued by the consolidated company refer to convertible corporate bonds (valued in NTD) of options held by the owner for converting into capital share, and the quantity of the shares issued does not change along with changes of the fair value.

For the liability component of compound financial instruments, its amount initially recognized is measured at the fair value of similar liabilities excluding the equity conversion right. The initially recognized amount of the equity component is measured based on the difference between the overall compound financial instrument fair value and the liability component fair value. Any transaction costs that can be attributed directly are amortized to the liability and equity component according to the initial carrying amount ratio of the liability and equity.

After initial recognition, the liability component of the compound financial instruments is subsequently measured at amortized cost calculated using the effective interest method. For the equity component of compound financial instruments, it shall not be remeasured after initial recognition.

The interest related to the financial liabilities is recognized in profit or loss. When financial liabilities are reclassified as equity during the conversion, such conversion is not recognized in profit or loss.

(4) Financial liability

Financial liabilities are subsequently measured either at amortized cost or at fair

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

value through profit or loss. Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading, is a derivative instrument, or is designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, with any relevant net gains or losses, including any interest expense, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost calculated using the effective interest method. Interest expense and exchange gain and loss are recognized in the profit or loss. On derecognition, any profits or losses are recognized in profit or loss.

(5) Derecognition of financial liabilities

The consolidated company derecognizes a financial liability when its contractual obligation has been discharged, canceled or has expired. When there are changes in the terms of the financial liabilities and there is significant difference in the cash flow of liabilities after revision, then the original financial liabilities are derecognized, and the revised terms are used as the basis for the recognition of the new financial liabilities at fair value.

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

(6) Offsetting financial assets and liabilities

The consolidated company only presents financial assets and liabilities on a net basis when the Company currently has the legally enforceable right to offset them, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(VIII) Inventories

Inventory is measured based on the lower of the cost and the net realizable value. The cost of inventories consists of all costs of acquisition, production or processing costs and other costs arising from the location and state of use, and the weighted average method is used. The costs of finished products and work in process include the manufacturing expense amortized according to the appropriate ratio under normal production capacity.

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

(IX) Investments in Associates

Associate refers to an entity where the consolidated company has material impact on its financial and operational policies, but has no control or joint control over.

The consolidated company adopts the equity method for the equity of an associate. Under the equity method, it is recognized at cost during the initial acquisition, and the investment cost includes the transaction cost. The carrying amount of the invested associate includes the goodwill identified during the initial investment, less any accumulated impairment loss.

The consolidated financial statements includes the amount of profit or loss and the amount of other comprehensive income of each invested associate, from the date of having material impact to the date of losing material impact, after adjustments to make the accounting policy consistent with the consolidated company, recognized by the consolidated company according to the equity ratio. When the associate is subject to equity change not for profit or loss or other comprehensive income and when the shareholding percentage of the Group in the associate is not affected, the Group then recognizes the equity change under the share of the associate for the Group as capital reserve according to the shareholding percentage.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The unrealized profit and loss arising from the transactions between the Group and associates is recognized in the company's financial statements only within the equity scope of the non-related party on the associate. When the loss amount of the associate required for recognition proportionally by the consolidated company is equal to or exceeds its equity in the associate, its loss is no longer recognized, and additional loss and relevant liabilities are recognized only within the scope of occurrence of statutory obligation, presumed obligation or payments made on behalf of the investee.

(X) Investment Property

Investment property refers to property held for the purpose of earning rents or capital value increase or both, and excluding property provided for normal business sales, for production, for product or labor or for administrative management purposes. Investment property is measured at cost initially, and subsequently measured at fair value. Any change thereof is recognized in profit or loss.

The profit or loss from disposition of investment property (calculated based on the difference between the net disposition amount and the carrying amount of such item) is recognized in profit or loss. If an investment property for sale was previously classified as property, plant and equipment, any relevant "Other equity - revalued amount of property" is changed to be recognized as retained earnings.

The rental income from investment property is recognized as non-operating income under the straight-line method during the lease period, and the lease incentive offered during the lease period is recognized as part of the rental income.

(XI) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) less subsequent accumulated depreciation and any subsequent accumulated impairment loss.

When the useful lifetimes of the major components of the property, plant and equipment are different, then it is handled as an independent item (main component) of the property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent costs

Subsequent expenditure is capitalized only when it is possible that the future economic benefits associated with the expenditure will flow to the consolidated company.

3. Depreciation

The depreciation of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight-line method over its useful life in order to be recognized in profit or loss.

Land is not depreciated.

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

(1) Houses and buildings	7~25 years
(2) Machinery and equipment	6~7 years
(3) Other equipment	2~5 years
(4) Leasehold improvement	1~10 years

The houses and buildings mainly include factory buildings, electromechanical power equipment, engineering and dust-free clean room systems. Their depreciation is accrued

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

according to their useful life of 25 years, 10 years and 10 years respectively.

Depreciation methods, useful lives and residual values are reviewed by the consolidated company at each reporting date, and are adjusted appropriately when it is determined necessary.

4. Reclassified to investment properties

When the purpose of a property for own use is changed to an investment property, such property is reclassified to investment property based on the fair value at the time of change of its purpose. The profit generated is then remeasured, and it is recognized in profit or loss within the scope of the accumulated impairment previously recognized for such property. The remaining difference is then recognized under other comprehensive income, and it is cumulated to "Other equity - revalued amount of property". Any loss is recognized in profit or loss; however, if the reduced value is still within the revalued amount of the property, then the reduced amount is recognized in other comprehensive income, and the revalued amount in the equity is offset and reduced.

(XII) Leases

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

1. Lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the consolidated company periodically assesses whether the right-of-use asset has any impairment and handles any impairment loss already incurred, and under the condition where remeasurement on the lease liability occurs, the right-of-use-asset is adjusted.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. If the interest rate implicit in the lease is easy to determine, the discount rate is the interest rate. If it is not easy to determine, the consolidated company's incremental borrowing rate shall apply. Generally, the consolidated company uses its incremental borrowing rate as the discount rate.

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

- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (3) Amounts expected to be payable under a residual value guarantee; and
- (4) The exercise price under a purchase option or lease termination that the Group is reasonably certain to exercise, or penalties required for a lease.

The lease liability is measured at amortized cost using the effective interest method, and it is remeasured under the following conditions:

- (1) When there is a change in future lease payments arising from a change in index or

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

rate;

- (2) When there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- (3) When there is change in the assessment of whether to exercise a purchase option of the underlying asset;
- (4) If there is a change in the assessment of whether to exercise an extension or termination option, and a change to the assessment of the lease period;
- (5) When there is change to the lease subject matter, scope or other terms.

When the lease liability is remeasured due to the aforementioned change in future lease payments arising from a change in an index or rate, change in residual value guarantee and change in purchase, extension or termination option assessment, a corresponding adjustment is made to the carrying amount of the right-of-use asset, and it is recorded in profit or loss when the carrying amount of the right-of-use asset has been reduced to zero.

For change of lease in the reduction of the scope of lease, the carrying amount of the right-of-use asset is reduced in order to reflect the termination of all or a portion of the lease, and the amount of difference with the lease liability is remeasured for recognition in profit or loss.

The consolidated company presents right-of-use assets and lease liability that do not meet the definition of investment property in single items in the balance sheets respectively.

For short-term leases of other equipment and low-value underlying asset leases, the Group chooses not to recognize them as right-of-use assets or lease liabilities, but recognizes relevant lease payments associated with these leases as expenses on a straight-line basis over the lease term.

2. Lessor

For transactions with the Group as the lessor, the lease contracts are classified on the lease establishment date depending on whether nearly all of the risks and remunerations associated with the underlying asset ownership are transferred. If true, it is classified as financial lease; if false, it is classified as operating lease. During evaluation, the consolidated company considers relevant specific indicators including whether the lease period covers the key components of the underlying asset economic lifetime.

If the consolidated company is a sub-lessor, the primary lease and sub-lease transactions are dealt with separately, and the right-of-use assets generated from the primary lease are used to evaluate the classification of the sub-lease transactions. If the primary lease refers to a short-term lease and is exempted for recognition, then the sub-lease transaction shall be classified as operating lease.

If the agreement includes lease and non-lease components, the consolidated company uses the consideration for an amortization contract specified in IFRS 15.

For operating lease, the Group adopts the straight-line basis to recognize the lease payment collected during the lease period as the rental income.

(XIII) Intangible assets

1. Recognition and measurement

Research and development activity related expenses are recognized in profit or loss when such expenses are incurred.

A development expense is capitalized only when it can be measured reliably, product or process technology or commercial feasibility has been reached, future economic benefit

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

is likely to flow into the consolidated company, and the consolidated company has the intention and sufficient resources to complete such development and has further used or sold the asset. Other development expenses are recognized in profit or loss when such expenses are incurred. After the initial recognition, the capitalized development expense is measured based on the amount obtained from the cost less the accumulated amortization and cumulative impairment.

Other intangible assets with limited useful life acquired by the Group, including computer software and other intangible assets, etc., are measured by the cost less the cumulative amortization and cumulative impairment.

2. Subsequent expenditures

Subsequent expenditure is only capitalized when future economic benefits can be added to relevant specific assets. All other expenses are recognized in profit or loss when such expenses are incurred, including internally developed goodwill and brands.

3. Amortisation

Amortization is calculated according to the asset cost less the estimated residual value, and starting from the available-for-use state of the intangible asset, the straight-line approach is used to recognize it in profit or loss for its estimated useful life.

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

- | | |
|-----------------------------|-----------|
| (1) Computer software | 1~3 years |
| (2) Other intangible assets | 10 years |

Amortization methods, useful lives and residual values of the intangible assets are reviewed by the consolidated company at each reporting date, and are adjusted appropriately when it is determined necessary.

(XIV) Impairment of non-financial assets

The consolidated company assesses whether there is any indication that there might be an impairment in the carrying amount of non-financial assets (excluding inventory, deferred income tax assets and investment property measured at fair value) on each reporting day. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

For the purpose of testing the impairment, a group of assets of most of the cash inflow that is independent from the cash inflow of other individual assets or asset groups is used as the smallest identifiable asset group. The goodwill obtained from the merger of enterprises is amortized to each cash generating unit or cash generating unit consolidated company that is expected to gain benefits from the synergy of the merger.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs of disposal or its value in use. During the assessment of the use value, the future cash flow estimation uses a pre-tax discount rate for calculating the current value, and the discount rate shall reflect the current market assessment on the currency time value and the unit specific risk arising from the asset or cash.

If the recoverable amount of an asset is less than its carrying amount, it is recognized as an impairment loss.

An impairment loss shall be recognized immediately in profit or loss, and the carrying amount of each of the assets is reduced proportionally to the carrying amount of other assets in the unit.

Non-financial assets are reversed only in the range not exceeding the carrying amount (less depreciation or amortization) of the asset that has not been determined during the recognition of the impairment loss in the previous year.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(XV) Provision for liability

Provisions for liabilities are recognized when the Group has an obligation as a result of past events, and the Group is likely to be subject to an outflow of economic resources that will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions for liabilities are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as interest expense.

1. Restore

According to applicable contracts, when the consolidated company bears the obligation to disassemble, remove or restore the site location for parts of the property, plant and equipment, the present value of cost expected to be incurred due to the disassembly, removal or restoration of the site location is recognized as provision for liabilities.

2. Return and discount of goods

Possible goods return and allowance are estimated according to the empirical value, and they are recognized as the deduction of the sales revenue at the year when the goods are sold. For current obligations arising from past events, the amount and time of occurrence are uncertain; therefore, it is classified as provision for liabilities.

(XVI) Recognition of revenue

1. Revenue from Contracts with Customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering services to its customers. Revenue is recognized in the reporting period when the consolidated company satisfies a performance obligation by transferring its control over the product or service to the customer. The main revenue items of the consolidated company are explained as follows:

(1) Merchandise sales

The consolidated company manufactures panel display screen materials and glass products, and also sells such products. The consolidated company recognizes revenue when the control of products is transferred. Product control transfer refers to when the product has been delivered to the customer, and the customer has the full discretion on the sales channel and price of the product, and the unfulfilled obligations of the customer for accepting the product have not been affected. Delivery refers to a product being transferred to a specific location, and its obsolete and loss risks have been transferred to the customer, and the customer has accepted the product according to the sales contract, the acceptance clauses have become invalid, or the consolidated company has objective evidence to consider that all acceptance criteria have been satisfied.

The consolidated company recognizes the accounts receivable upon the delivery of goods since the consolidated company has the right to collect consideration unconditionally at such time point.

(2) Components of finance

The consolidated company expects that the time period between the time in the customer contract of transferring products or services to the customer and the time when the customer makes payment for such products or services is less than one year; therefore, the consolidated company has not adjusted the currency time value of the transaction price.

(XVII) Employee benefits

1. Defined contribution plans

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees.

2. defined benefit plan

The Group's net obligation under defined benefit plans are determined as the present value of employees' future benefits earned from current or previous services rendered for each benefit plan, and deduct any fair value of plan assets.

Defined benefit obligations are estimated by a qualified actuary using the Projected Unit Credit Method on a yearly basis. Where actuarial results are likely favorable to the Group, the asset recognized is limited to the refunded contribution from the plan, or the present value of economic benefits available in the form of lowering the future contributions to the plan. When calculating present value of economic benefit, the Group takes the minimum contribution requirement of all applicable plans into consideration.

Remeasurement of net defined benefit obligation includes actuarial gains/losses, return on plan assets (excluding interests), and any changes in the effect of the asset ceiling (excluding interests), and such is immediately recognized in other comprehensive income, and accumulated in the retained earnings. When the Group determines the net interest expense (income) of the net defined benefit liability (asset), the net defined benefit liability (asset) and discount rate determined at the beginning of the annual reporting period are adopted. The net interest expenses and gains/losses on defined benefit plan are recognized in profit or loss.

When the plan is amended or reduced, the benefit changes related to the prior service cost or reduced profits or losses are recognized immediately in profit or loss. The Group recognizes gain or loss on the settlement of defined benefit plan at the time it takes place.

3. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses in the period when services are provided. When the consolidated company is required to bear current statutory or presumed payment obligation due to the service previously provided by an employee, and when such obligation can be estimated reliably, such amount is recognized as liabilities.

4. Termination benefits

Separation benefits refer to when the consolidated company cannot cancel the offer of such benefits or recognizes relevant restructuring costs, and whichever occurs first is recognized as expense. When the separation benefits are not expected to be fully repaid within 12 months after the report date, they are discounted.

(XVIII) Share-based compensation

Equity-settled share-based payment agreements are recognized as expenses based on the fair value of the provision date and within the receipt period of such compensation, and the relative equity is increased. The expense recognized is adjusted based on the expected compensation amount satisfying the service conditions and the non-market vesting conditions. In addition, the amount finally recognized uses the compensation amount complying with the service conditions and the non-market vesting conditions on the vesting date as the basis for measurement.

The non-vesting conditions of share-based compensation have been reflected in the measurement of the share-based payments and payment date fair value, and it is not required to make verified adjustments for the difference between the expected result and actual result.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The fair value amount of cash-settled share appreciation rights offered to employees is recognized as expense and the relative liabilities are increased during the period when the employees satisfy the condition for obtaining the compensation. The liabilities are remeasured according to the fair value of the share appreciation rights on each report date and settlement date, and any change thereof is recognized in profit or loss.

The payment date for the share-based payments of the Group refers to the subscription price approved by the board of directors and the date when employees are permitted to subscribe the shares.

(XIX) Income Taxes

Income tax includes both current tax and deferred tax. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

The Group determined that the supplementary taxes payable under the GloBE-Pillar 2 fall within the scope of IAS 12 “Income Taxes” and has applied the temporary mandatory exemption from the accounting treatment of deferred income taxes related to the supplementary taxes. The supplementary taxes actually incurred are recognized as current income taxes.

Current taxes comprise the expected tax payable or receivable on the taxable income (or loss) for the year and any adjustment to tax payable or receivable in respect of previous years. The amount is measured according to the statutory rate or the substantive legislative rate on the reporting date in order to present the most optimal estimation value of the expected payment or receipt amount.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Temporary differences resulting from the following circumstances shall not be recognized as deferred taxes:

1. An asset or liability recognized initially in a transaction that is not a business combination and that, at the time of the transaction (i) does not affect accounting profit and taxable income (loss) and (ii) does not give rise to equivalent taxable and deductible temporary differences;
2. Temporary differences arising from equity investments in subsidiaries, associates and joint ventures, where the Group is able to control the reversal of the temporary difference and where there is a high probability that such temporary differences will not reverse in the future; and
3. Taxable temporary difference arising from initial recognition of goodwill.

A deferred tax asset shall be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is possible that future taxable profit will be available against which it can be utilized. In addition, such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; or the originally reduced amount is reversed within the scope that it is likely to become sufficient taxable income.

Deferred tax shall be measured at the tax rates that are expected to apply to the period when expected temporary difference is reversed, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax assets and liabilities of the Group are only offset against each other when the following criteria are met:

1. The Group has the legal right to settle tax assets and liabilities on a net basis; and

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
Statements (continued)**

2. The taxing of deferred tax assets and liabilities is related to one of the following taxing authorities of one identical taxation agent for the income tax:

- (1) Levied by the same taxing authority; or
- (2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities of significant amounts on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation matches with each other.

(XX) Earnings per Share

The consolidated company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of the basic earnings per share of the consolidated company is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding. The calculation of the diluted earnings per share is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after the adjustment of the effects of all dilutive potential ordinary shares.

Potential diluted common shares of the Group include convertible corporate bonds and employee stock options.

(XXI) Segment Information

As parts of the consolidated company, the operating segments embark on business activities which create revenues and incur expenses (including revenues and expenses related to the transactions with other components of the consolidated company). The operating results of all operating segments are reviewed by the main operation decision maker of the consolidated company in order to make decision on the allocation of resource for the segments and to evaluate their performance. Each operating segment is equipped with independent financial information.

V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates and Assumptions

When preparing the consolidated financial statements, the management is required to make judgments and estimates for the future (including climate-related risks and opportunities). These judgments, estimates, and assumptions may affect the types of accounting policies adopted and amounts of asset, liability, income, and expense reported. Actual results may differ from these estimates.

The management examines its estimates and basic assumptions on an ongoing basis, whether they are consistent to the Group's risk management and climate-related commitments. Changes in estimate are deferred to recognize in the period when the changes take place and in future periods when impacts materialize.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

The following assumptions and uncertainties have major risks that may lead to material adjustments in assets and liability carrying amounts in the next fiscal year, and relevant information is as follows:

(I) Loss allowance for accounts receivable

The loss allowance for accounts receivable of the consolidated company is estimated based on the assumption of the risk of breach and the expected loss rate. The consolidated company considers the historical experience, current market condition and prospective estimation on each reporting date in order to determine the assumption required to be

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

adopted and selection of inputs during the calculation of impairment loss. Changes in the economic and industrial environment may cause material adjustment in the loss allowance for accounts receivable. Please refer to Note 6(3) for detailed descriptions of related assumptions and input values.

(II) Fair value of investment properties

The subsequent measurement of investment property of the Group adopts the discounted cash flow analysis method under the income approach for valuation. The input used in the fair value valuation technique is Level 3.

Valuation process

The accounting policies and disclosures of the consolidated company include the use of fair value to measure its financial, non-financial assets and liabilities. The consolidated company establishes a relevant internal control system for the fair value measurement, and the Financial Department is responsible for verifying all material fair value measurements (including Level 3 fair value) and periodically verifies the material inputs and adjustment that cannot be observed. If the inputs used in the measurement of fair value use external third party information, the Financial Department evaluates the evidence that supports the inputs provided by the third party in order to determine that the valuation and its fair value level classification comply with the requirements of the IFRSs. For the property of the Group, it is assumed that the Group has retained an external appraiser to perform appraisal according to the valuation method and parameters announced by the FSC.

When the Group measures its assets and liabilities, it uses the observable inputs in the market as much as possible. The levels of fair value are classified in the following different levels according to the inputs used in the valuation technique:

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input parameters 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: Input parameters of assets or liabilities not based on the observable market information (non-observable parameters).

In case of any transfer event or condition of fair value among levels, the Group recognizes such transfer at the report date.

Please refer to Note 6(7) Investment Property for relevant information on the assumption used for measurement of fair value.

VI. Description of Material Accounting Items

(I) Cash and cash equivalents

	<u>2024.12.31</u>	<u>2023.12.31</u>
Cash on hand and petty cash	\$ 844	726
Demand deposits	523,564	397,075
Checking accounts	40	40
Time deposits	475,175	160,385
	<u>\$ 999,623</u>	<u>558,226</u>

1. The above-mentioned cash and cash equivalents are not collateralized. The pledged time deposits have been transferred to other financial assets. Please refer to Note 8 for details.
2. Please refer to Note 6 (21) for disclosure of interest rate risk and sensitivity analysis of the Group's financial assets and liabilities.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(II) Financial assets at fair value through profit or loss

	<u>2024.12.31</u>	<u>2023.12.31</u>
Designated as financial assets at fair value through profit or loss:		
Domestic TWSE/TPex listing shares	\$ 3,963	324
Foreign unlisting shares	24,133	-
Beneficiary certificates	391	-
Simple Agreement for Future Equity (SAFE)	75,827	-
Total	<u><u>\$ 104,314</u></u>	<u><u>324</u></u>

1. Please refer to Note 6 (20) for the amounts remeasured at fair value and recognized in profit or loss.

2. The above-mentioned financial assets have not been provided as collateral.

(III) Notes and accounts payable (related parties included)

	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes receivable	\$ 18,428	23,884
Accounts receivable	414,472	662,185
Accounts receivable - related parties	3,829	3,077
Less: Allowance for loss	(38,928)	(255,270)
	<u><u>\$ 397,801</u></u>	<u><u>433,876</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all notes and account receivables. To measure the expected credit losses, the notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including overall economic and relevant industry information. The expected credit loss analysis for notes and accounts receivables of the consolidated company is as follows:

	<u>2024.12.31</u>		
	Carrying amounts of notes receivable and accounts receivable	Weighted average expected credit loss rate	Estimated credit loss during existence of allowances
Not overdue	\$ 353,233	0%~0.56%	1,882
Overdue for less than 90 days	33,504	0%~18.50%	436
Overdue for more than 91 days	49,992	0%~100%	36,610
	<u><u>\$ 436,729</u></u>		<u><u>38,928</u></u>

	<u>2023.12.31</u>		
	Carrying amounts of notes receivable and accounts receivable	Weighted average expected credit loss rate	Estimated credit loss during existence of allowances
Not overdue	\$ 408,214	0%~0.68%	2,760

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
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Overdue for less than 90 days	18,450	0%~21.28%	1,600
Overdue for more than 91 days	<u>262,482</u>	0%~100%	<u>250,910</u>
	<u>\$ 689,146</u>		<u>255,270</u>

The movement in the allowance for impairment with respect to notes and accounts receivable of the Group is as follows:

	2024	2023
Beginning retained earnings	\$ 255,270	255,381
Impairment loss recognized	-	867
Amount written off due to irrecoverability during the year	(195,965)	-
Impairment loss reversed	(21,946)	-
Foreign currency translation gains or losses	<u>1,569</u>	<u>(978)</u>
Balance at end of the period	<u>\$ 38,928</u>	<u>255,270</u>

1. The amount written off due to irrecoverability during the year is accounts receivable that are overdue for 90 days or more; mainly from a major customer. The customer purchased optical adhesive products from the Group and sold them to large-scale manufacturers of various types of liquid crystal displays in Shenzhen, China. Due to the impact of the COVID-19 pandemic outbreak on the upstream and downstream supply chain operations, payment of the goods was suspended. In order to protect its own rights and interests, the Group has filed a civil lawsuit with the Intermediate People's Court of Xiamen, China, and made a loss allowance.

The Intermediate People's Court of Xiamen City, China rendered the judgment in favor of the consolidated company on March 23, 2023. That is, the customer was required to repay the original loan plus the interest for overdue payment. The customer was declared bankrupt by the court on August 23, 2022. Therefore, the relevant interest is calculated from the original due date to the date when the bankruptcy takes effect. As of December 31, 2024, the bankruptcy distribution funds had been obtained and the unrecoverable amounts had been written off.

2. As of December 31, 2024 and 2023, the notes receivable and accounts receivable of the Group were not pledged for collaterals.

(IV) Inventories

	2024.12.31	2023.12.31
Raw materials and supplies	\$ 42,567	39,973
Work in progress	8,176	12,463
Finished goods	110,735	100,358
Merchandise inventory	<u>12,441</u>	<u>-</u>
	<u>\$ 173,919</u>	<u>152,794</u>

1. Below are details of the Group's expenses related to inventories recognized for 2024 and 2023:

	2024	2023
Inventory sale recognition	\$ 2,136,915	1,805,430

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(Reversal of) write-down of inventories	1,804	(8,962)
	<u><u>\$ 2,138,719</u></u>	<u><u>1,796,468</u></u>

2. None of the Group's inventory was pledged as collaterals as of December 31, 2024 and 2023.

(V) Investment by the equity method

The investments of the Group accounted for using the equity method at the report date are as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Associate	<u><u>\$ 58,393</u></u>	<u><u>53,727</u></u>

1. Associate

For associates of the Group using the equity method that are not material, the summary financial information is as follows, and the financial information refers to the amount included in the consolidated financial statements of the Group:

	<u>2024.12.31</u>	<u>2023.12.31</u>
The summary carrying amount at the end of the period for equity of individual non-material associates	<u><u>\$ 237,683</u></u>	<u><u>218,759</u></u>

	<u>2024</u>	<u>2023</u>
Amount attributable to the Group:		
Net profit for the current period for continuing business units	\$ 2,526	2,051
Other comprehensive income	(234)	(282)
Total comprehensive income	<u><u>\$ 2,292</u></u>	<u><u>1,769</u></u>

2. Collateral

As of December 31, 2024 and 2023, the investments of the Group using equity method have not been pledged for collaterals.

(VI) Property, plant and equipment

The details of movement of costs, depreciation and impairment losses for property, plant and equipment of the Group during 2024 and 2023 are as below:

	<u>Land</u>	<u>Houses and buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Leasehold improvement</u>	<u>Uncompleted projects and equipment to be inspected</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2024	\$ 319,648	1,375,883	258,358	81,552	16,518	43,324	2,095,283
Additions	-	8,208	21,825	898	450	13,239	44,620
Disposals and retirements	-	(29,353)	(23,349)	(810)	-	-	(53,512)
Reclassifications	-	37,469	-	-	-	(37,469)	-
Impact of changes in foreign exchange rate	-	-	-	1,540	-	-	1,540
Balance on December 31, 2024	<u><u>\$ 319,648</u></u>	<u><u>1,392,207</u></u>	<u><u>256,834</u></u>	<u><u>83,180</u></u>	<u><u>16,968</u></u>	<u><u>19,094</u></u>	<u><u>2,087,931</u></u>
Balance on January 1, 2023	\$ 319,648	1,398,154	951,169	51,225	16,518	55,171	2,791,885

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Additions	-	1,412	5,987	12,976	-	15,770	36,145	
Disposals and retirements	-	(27,675)	(761,202)	(8,560)	-	-	(797,437)	
Reclassifications	-	3,992	62,404	26,646	-	(27,617)	65,425	
Impact of changes in foreign exchange rate	-	-	-	(735)	-	-	(735)	
Balance on December 31, 2023	\$	319,648	1,375,883	258,358	81,552	16,518	43,324	2,095,283
Depreciation and impairment loss:								
Balance on January 1, 2024	\$	-	723,260	67,610	39,596	16,518	-	846,984
Depreciation	-	-	68,640	29,517	12,578	215	-	110,950
Disposals and retirements	-	-	(29,353)	(23,349)	(810)	-	-	(53,512)
Impact of changes in foreign exchange rate	-	-	-	-	1,065	-	-	1,065
Balance on December 31, 2024	\$	-	762,547	73,778	52,429	16,733	-	905,487
Balance on January 1, 2023	\$	-	682,388	792,746	37,930	16,518	-	1,529,582
Depreciation	-	-	68,547	36,088	10,771	-	-	115,406
Disposals and retirements	-	-	(27,675)	(761,224)	(8,560)	-	-	(797,459)
Impact of changes in foreign exchange rate	-	-	-	-	(545)	-	-	(545)
Balance on December 31, 2023	\$	-	723,260	67,610	39,596	16,518	-	846,984
Carrying value:								
December 31, 2024	\$	319,648	629,660	183,056	30,751	235	19,094	1,182,444
January 1, 2023	\$	319,648	715,766	158,423	13,295	-	55,171	1,262,303
December 31, 2023	\$	319,648	652,623	190,748	41,956	-	43,324	1,248,299

As of December 31, 2024 and 2023, part of the property, plant and equipment has been provided to financial institutions as collaterals. Please refer to Note 8 for details.

(VII) Investment Property

Investment properties are the sel-owned assets held by the Group. Details of changes are as follows:

	<u>Proprietary assets</u>		
	<u>Land</u>	<u>Houses and buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2024	\$ 469,576	677,680	1,147,256
Net gain (loss) arising from fair value adjustments	48,812	(47,732)	1,080
End balance on December 31, 2024	<u>\$ 518,388</u>	<u>629,948</u>	<u>1,148,336</u>
Beginning balance on January 1, 2023	\$ 419,368	726,623	1,145,991
Net gain (loss) arising from fair value adjustments	50,208	(48,943)	1,265
Balance on December 31, 2023	<u>\$ 469,576</u>	<u>677,680</u>	<u>1,147,256</u>

The inputs used in the fair value valuation technique for the subsequent measurement of investment property of the Company belongs to Level 3. Please refer to the aforementioned statement of change for details of the adjustment of carrying amounts at the beginning and end of the period for Level 3.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

For the subsequent measurement of investment property of the Group adopting the discounted cash flow analysis method under income approach for valuation, relevant important contract terms and valuation information is as follows:

1. December 31, 2024

The lease of the underlying property was terminated in November 2024, and a tenant was still being recruiting as of December 31, 2024, with no new lease having been established.

<u>Subject property</u>	<u>Land and buildings of three factories in</u>
Important contract terms	1. Rent: NT\$5,867 thousand/ month 2. Lease term: 136 months 3. The total amount of taxes and levies that the lessor will bear each year in the future: NT\$2,771 thousand
Local rent status	NT\$ 130~NT\$ 160/m2/month
Rent status of similar property	NT\$ 140/m2/month
Current condition	Normal use
Past income amount	NT\$ 140/m2/month
Income capitalization rate	5.416%
Discount rate	4.120%
Outsourced or own appraisal	Outsourced appraisal
Appraisal firm	Hua Shin Appraisers Firm
Name of appraiser	Chen-Hsu Chiang, Chih-Ming Cheng
Date of appraisal	2024/9/30
Outsourced appraisal fair value	NT\$ 1,148,336 thousand

2. December 31, 2023

<u>Subject property</u>	<u>Land and buildings of three factories in</u>
Important contract terms	1. Rent: NT\$5,867 thousand/ month 2. Lease term: 136 months 3. The total amount of taxes and levies that the lessor will bear each year in the future: NT\$2,806 thousand
Local rent status	NT\$ 130~NT\$ 160/m2/month
Rent status of similar property	NT\$ 140/m2/month
Current condition	Normal use
Past income amount	NT\$ 140/m2/month
Income capitalization rate	5.467%
Discount rate	4.345%
Outsourced or own appraisal	Outsourced appraisal
Appraisal firm	Hua Shin Appraisers Firm
Name of appraiser	Chen-Hsu Chiang, Chih-Ming Cheng
Date of appraisal	September 30, 2023
Outsourced appraisal fair value	NT\$ 1,147,256 thousand

According to Article 34 of the Technical Rules for Real Estate Valuation, the valuation procedures of the equity method include calculating effective gross income, total expenses, net profit, discount rate and earnings price. The estimation of the

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

aforementioned parameters refers to relevant data of the subject property for appraisal and comparable property with identical or similar characteristics in the most recent three years. Adjustment is made through comprehensive determination of the continuity, stability and growth status in order to confirm the availability and reasonableness of the data. The change status of the income (cash inflow) and expense (cash outflow) of each period is determined based on the past income and expense (cash flow) of the subject property, comparable property income and expense (cash flow) in the same industry or substituting comparable property, idle or loss ratio and present or possible planned income and expense in the future. The objective net income after the deduction of total expense from the total revenue is based on the objective net income of the subject property under the most effective use, and the incomes of similar properties in the neighborhood under the most effective use conditions are used as a reference for the estimation.

The determination of the discount rate adopts the risk premium method, and it considers the factors of the time deposit interest rate of the bank, government bond interest rate, risk of property investment, currency change status and change trend of property price, etc., in order to determine the likely rate of return on the most common investment, thereby adjusting the differences of individual characteristics between the investment and the subject property. The discount rate for this is based on the flexible interest rate of small-amount deposit under the two-year postal time deposit announced by Chunghwa Post Corporation, plus 0.75 percentage point as the base interest rate, 2.470%, while taking the underlying asset's yield, liquidity, risk, appreciation, and management difficulty into account, a risk premium of 1.65% and 2.0% was added as of December 31, 2024 and 2023, respectively, to determine the underlying asset's discount rates as 4.120% and 4.345%, respectively. For estimation of revenue capitalization, after dividing the net profit of the subject property for comparison by the price, the revenue capitalization rate as of December 31, 2022 and 2021 was calculated as 5.416% and 5.467% respectively by weighted average.

The aforementioned fair value valuation technique and material unobservable inputs are explained in the following table:

Fair value valuation technique	Material unobservable inputs	Relationships between material unobservable inputs and fair value measurements
Perform discounted cash flow analysis under income approach for evaluation based on the contract rent provided by the consolidated company during the lease term, and after the lease term expires, the evaluation is performed based on the market rent. Discounted cash flow analysis under income approach: This refers to the net income and value at the end of the period during the	Discount rate after risk adjustment On December 31, 2024 and 2023, the discount rates are 4.120% and 4.345%, respectively.	The estimated fair value will be increased (or decreased) if: Discount rate after risk adjustment decreases (increases).

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

future discounted cash flow of the subject property analysis period, and after discount at appropriate discount rate the sum of the estimated subject property values are added. Such method is applicable to the property investment evaluation for the purpose of investment.		
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For the investment properties of the Group pledged as collaterals as of December 31, 2024 and 2023, please refer to Note 8.

(VIII) Other financial assets (including non-current)

	2024.12.31	2023.12.31
Time deposit- Pledged as collateral	\$ 336,432	63,978
Restricted demand deposit	-	342,000
Accrued rent receivable	-	4,316
Income tax refund receivable	3,477	1,456
Refundable deposits - non-current	8,972	4,845
Others	2,570	44
	<u>\$ 351,451</u>	<u>416,639</u>

Please refer to Note 8 for the other financial assets pledged as collateral.

(IX) Short-term borrowings

Statement of short-term borrowings of the Group is as follows:

	2024.12.31	2023.12.31
Unsecured bank loans	\$ 367,748	132,000
Secured bank loans	333,000	250,000
Total	<u>\$ 700,748</u>	<u>382,000</u>
Unused amount	<u>\$ -</u>	<u>140,000</u>
Interest rate interval	<u>2.21%~2.968%</u>	<u>2.47%~2.67%</u>

Please refer to Note 8 for details of the use of partial assets of the Group as collateral for bank loans.

(X) Long-term loan

Statement, criteria and terms of long-term borrowings of the Group are as follows:

	2024.12.31			
	Currency type	Interest rate interval	Maturity year	Amount
Unsecured bank loans	NTD	2.22%~2.41%	2025~2026	\$ 43,250
Secured bank loans	NTD	2.22%~2.59%	2027~2031	1,297,500
				1,340,750
Less: Portion with maturity due in one year				<u>(184,491)</u>
Total				<u>\$ 1,156,259</u>
Unused amount				<u>\$ 200,000</u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

	2023.12.31			
	Currency type	Interest rate interval	Maturity year	Amount
Unsecured bank loans	NTD	2.095%~2.29%	2025~2026	\$ 139,125
Secured bank loans	NTD	2.095%~2.67%	2027~2028	1,230,452
				1,369,577
Less: Portion with maturity due in one year				(201,701)
Total				\$ 1,167,876
Unused amount				\$ -

Please refer to Note 8 for details of the use of partial assets of the Group as collateral for bank loans.

(XI) Corporate bonds payable

Information on the consolidated company's issuance of secured convertible bonds is as follows:

	2023.12.31
Total amount of issued convertible bonds	\$ 500,000
Unamortized amount of discount on bonds payable	(1,386)
Less: Portion with maturity due in one year	(498,614)
Ending balance of bonds payable	\$ -
Equity component-conversion right (accounted as capital reserve - stock option)	\$ 12,724

	2024	2023
Interest expense	\$ 1,386	\$ 5,817

On March 26, 2021, the Group issued 5,000 three-year secured convertible corporate bonds with coupon rate of 0% and carrying value of NT\$ 100 thousand at an effective interest rate of 1.33%.

At the time of issuance, the conversion price was determined as NT\$ 35.86 per share. Where the consolidated company issued ordinary shares in compliance with the issuance clauses on adjustment of conversion price, the conversion price shall be adjusted as per the formula specified under the issuance clauses. No terms are re-established for these bonds.

In May 2022, the consolidated company handled formalities for capital increase in cash. According to Article 11 of the Rules Governing Domestic Third Issuance and Conversion of Secured Convertible Corporate Bonds, the conversion price shall be adjusted. >From May 23, 2022, the conversion price was adjusted from NT\$ 35.86 to NT\$ 35.57.

The Group decreased its capital in August 2023 to offset its accumulated losses. According to Article 11 of the Third Domestic Secured Convertible Corporate Bond Issuance and Conversion Procedures, the conversion price shall be adjusted. Effective on August 17, 2023, the conversion price was adjusted from NT\$35.57 to NT\$55.29.

The Company has redeemed the above-mentioned corporate bonds on April 8, 2024, at a repayment amount of NT\$500,000 thousand.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(XII) Operating lease

For the lease on the investment property and a portion of the facilities of the Group, since nearly all of the risks and remunerations associated with the ownership of the underlying asset are not transferred, the lease contracts are classified as operating lease. Please refer to Note 6(7) Investment Property for details.

The due lease payment is analyzed based on the undiscounted lease payment total amount that will be collected after the report date, as described in the following table:

	2023.12.31
Less than one year	\$ 72,762
One to two years	72,762
Two to three years	72,762
Three to four years	72,762
Four to five years	68,133
More than five years	<u>206,730</u>
Undiscounted lease payment total amount	<u>\$ 565,911</u>

The rental income generated from investment properties in 2024 and 2023 was NT\$54,000 thousand and NT\$72,762 thousand respectively.

The original lessee signed a settlement agreement with the Company on November 19, 2024 and completed the lease termination on November 25. As of December 31, 2024, there was no new tenant for the Group's investment properties.

(XIII) Employee benefits

1. defined benefit plan

The reconciliation of the present value of the Group's defined benefit obligations and the fair value of plan assets is as follows:

	2024.12.31
Present value of defined benefit obligation	\$ 637
Fair value of plan assets	<u>(6)</u>
Net defined benefit liabilities (assets)	<u>\$ 631</u>

The details of the Group's employee benefit liabilities are as below:

	2024.12.31	2023.12.31
Short-term leave with pay liabilities	<u>\$ 8,457</u>	<u>9,070</u>

Contributions for defined benefit plan are made to a dedicated pension fund account opened with Bank of Taiwan. For retirees who opted for the pension scheme mentioned in the Labor Standards Act, the amount of pension benefit is calculated based on average salary for the six months preceding their retirement and the number of basis points accumulated over the duration of their service.

(1) Composition of plan assets

Pension fund contributions that the Consolidated Entity has made in accordance with the Labor Standards Act are collectively managed by the Bureau of Labor Funds (BLF), Ministry of Labor. Pursuant to "Regulations for Revenues, Expenditures,

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Safeguard and Utilization of the Labor Retirement Fund," plan assets can only be allocated to investments that offer annual yields higher than the 2-year time deposit rate quoted by local banks.

As at the reporting date, balance of the Group's labor pension reserve account held with Bank of Taiwan totaled NT\$6 thousand. Please visit the BLF website for more information such as fund yield and allocation of fund assets.

(2) Changes in present value of defined benefit obligations

The Group's changes in present value of defined benefit obligations for 2024 and 2023 are explained below:

	<u>2024</u>
Defined benefit obligations as at January 1	\$ -
Service cost and interest in the current period	6
Service cost in the current period	<u>631</u>
Defined benefit obligation on December 31	<u><u>\$ 637</u></u>

(3) Changes in the present fair value of plan assets

The Group's changes in present fair value of defined benefit plan assets for 2024 are as below:

	<u>2024</u>
Fair value of plan assets on January 1	\$ -
Interest income	-
Amount contributed to the plan	<u>6</u>
Fair value of plan assets on December 31	<u><u>\$ 6</u></u>

(4) Expenses recognized as profit and loss

Details of these recognized as expenses by the Group for 2024 are explained below:

	<u>2024</u>
Service cost in the current period	\$ 6
Past service cost	<u>631</u>
	<u><u>\$ 637</u></u>
Operating costs	<u><u>\$ 637</u></u>

(5) Actuarial assumptions

Key actuarial assumptions that the Consolidated Entity had made to determine the present value of defined benefit obligations as at the reporting date are as follows:

	<u>2024.12.31</u>
Discount rate	1.75%
Future salary increase rate	2.00%

The Group expects to contribute NT\$76 thousand to the defined benefit plan within

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

one year from the 2024 reporting date.

The defined benefit plan has a weighted average duration of 24 years.

(6) Sensitivity analysis

The following shows impact of changes in actuarial assumption on the present value of defined benefit obligations as at December 31, 2024

	Impact on defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2024		
Discount rate	\$ (37)	39
Future salary increase	39	(36)

The above sensitivity analysis assumes changes to one variable at a time while keeping all other variables constant. In reality, however, multiple assumptions may change at the same time and are related to each other. The sensitivity analysis was conducted using the same method as how net pension liabilities are presented in the balance sheet.

2. Defined contribution plans

According to the defined contribution plan of the consolidated company, 6.00% and 19.00% shall be appropriated from the labor workers' monthly salaries to their individual pension accounts as specified by the Rules on Labor Workers' Pensions, Chinese basic endowment insurance laws and regulations. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance and the Social Insurance Bureau without additional legal or constructive obligations.

The pension expense confirmed and appropriated by the consolidated company according to the pension regulations and the retirement premium recognized under each subsidiary of the consolidated financial statements are as follows:

	2024	2023
Operating costs	\$ 7,611	8,550
Selling and marketing expenses	1,155	1,194
Administrative expenses	2,569	2,523
Research and development expenses	2,000	1,980
	\$ 13,335	14,247

(XIV) Income Taxes

1. Below are details of the Group's income tax expenses for 2024 and 2023:

	2024	2023
Current tax expenses		
Incurred during the period	\$ 2	-
Deferred tax expenses		
The occurrence and incurrence of the temporary differences	2,052	-
Current tax expenses	\$ 2,054	-

2. The Group's reconciliation of income tax expense and net loss before tax for 2024 and

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
Statements (continued)**

2023:

	2024	2023
Loss before tax	\$ (238,705)	(117,836)
Income tax calculated according to the domestic tax rate of the country of the Company	(47,741)	(23,567)
Permanent differences	1,134	-
Effect of foreign jurisdiction tax rate differences	(2,580)	(611)
Change of unrecognized deductible temporary differences	51,241	24,178
	<u>\$ 2,054</u>	<u>-</u>

3. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

The items not recognized as deferred tax assets by the Group are as follows:

	2024.12.31	2023.12.31
Deductible temporary differences	\$ 3,705	41,709
Tax loss	1,089,270	1,234,338
	<u>\$ 1,092,975</u>	<u>1,276,047</u>

Regarding tax losses, according to the provisions of the Income Tax Act specifying that losses of the past ten years approved by the taxation authority may be deducted from the net profit of the current year, followed by the payment of the income tax. These items are not recognized as deferred tax assets because it is not very probable that the Group will have sufficient future taxable income to use the temporary differences.

As at December 31, 2024, the tax losses that were not recognized as deferred income tax asset by the Group, can be deducted until the following dates :

Year with loss	Non-deducted loss	Final year for deduction
Approved value for 2015	\$ 1,073,944	2025
Approved value for 2016	457,378	2026
Approved value for 2017	1,862,692	2027
Approved value for 2018	337,430	2028
Approved value for 2019	346,172	2029
Approved value for 2020	254,791	2030
Approved value for 2021	245,323	2031
Amount assessed of 2022	464,316	2032
Amount reported of 2023	194,362	2033
Amount expected of 2024	209,940	2034
	<u>\$ 5,446,348</u>	

(2) Recognized deferred income tax assets and liabilities

Below are changes in the Group's income tax assets and liabilities for 2024 and 2023:

Deferred tax assets:

	<u>Loss deduction</u>
January 1, 2024	\$ 8,617

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Recognized in income statement	3,849
December 31, 2024	<u><u>\$ 12,466</u></u>
January 1, 2023	\$ 5,037
Recognized in income statement	3,580
December 31, 2023	<u><u>\$ 8,617</u></u>

Deferred income tax liabilities:

	Unrealized exchange gains	Investment Property	Total
January 1, 2024	\$ -	57,425	57,425
Recognized as profit or loss	2,051	3,850	5,901
December 31, 2024	<u><u>\$ 2,051</u></u>	<u><u>61,275</u></u>	<u><u>63,326</u></u>
January 1, 2023	\$ -	53,846	53,846
Recognized as profit or loss	-	3,579	3,579
December 31, 2023	<u><u>\$ -</u></u>	<u><u>57,425</u></u>	<u><u>57,425</u></u>

4. The Company's profit-seeking enterprise income tax returns have been assessed by the tax authority up till 2022.

(XV) Capital and other equity

1. Ordinary share

As of December 31, 2024 and 2023, the total authorized capital of the Company was NT\$5,000,000 thousand, with a par value of NT\$10 per share and 500,000 thousand shares. All shares concerned in the foregoing authorized share capital were ordinary shares, and 186,234 thousand and 144,330 thousand shares were issued respectively. All proceeds from shares issued have been collected.

On March 5, 2024, the Board of Directors resolved to issue new shares for cash capital increase. The proposed issuance of 40,000 thousand common shares was approved by the Financial Supervisory Commission on April 24, 2024, and the Board of Directors authorized the Chairperson to determine the issue price to be NT\$19.6, with a total issue price of NT\$784,000 thousand. June 19, 2024 was the base date for the capital increase, and the statutory registration procedures were completed on July 17 of the same year. In addition, the Company reserves 10% of the new shares issued in the capital increase for employee subscription in accordance with Article 267 of the Company Act, and recognizes the compensation costs of NT\$21,600 thousand on the grant date.

On June 21, 2023, the Company, upon the resolution of the shareholders' meeting, decrease the capital to offset losses. The amount of capital decrease was NT\$800,000 thousand, and 80,000 thousand issued shares were cancelled, with a capital decrease ratio of 35.68%. The Financial Supervisory Commission approved the filing and took effect on August 9, 2023. August 17, 2023 was set as the base date for capital decrease. The change registration has been completed with the Ministry of Economic Affairs.

The Company's employees exercised 1,628 thousand employee warrants in 2024, of which 585 thousand shares, 350 thousand shares, and 693 thousand shares were

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

completed with the change registrations on June 6, October 4, and November 26, 2024, respectively.

2. Capital surplus

The capital surplus balance content of the Company is as follows:

	2024.12.31	2023.12.31
Share premium	\$ 408,883	3,258
Share-based Payment	15,083	6,632
Convertible corporate bonds	12,724	12,724
	<u>\$ 436,690</u>	<u>22,614</u>

In accordance with the Company Act, after having first offset losses using capital surplus, the realized capital surplus can be used to issue new shares or cash dividends according to the original percentage of shares of shareholders. The aforementioned realized capital surplus includes share premiums from the outstanding shares issued at a price above the par value and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to increase share capital shall not exceed 10% of the paid-in capital amount.

On May 27, 2024 and June 21, 2023, the Company, upon the resolution of the shareholders' meeting, to offset the losses in 2023 and 2022, by using capital reserves of NT\$578 thousand and NT\$176,915 thousand, respectively. Relevant information can be found at the MOPS and other channels.

3. Retained earnings

According to the Company's Articles of Incorporation, the Company's surplus distribution or loss allowance may be made after the end of each half of the fiscal year. If there is a surplus in the final accounts for each half of the fiscal year, the Company shall first pay off taxes, make up for accumulated losses, estimate and reserve employee compensation, and then set aside 10% as legal reserve. However, this provision shall not apply if the statutory surplus reserve has reached the total capital of the Company. Meanwhile, the special reserve shall be allocated or reverse according to the laws and regulations or the competent authority's regulations. If there is any surplus, the balance plus the accumulated undistributed earnings in the first half of the fiscal year shall be distributed as the shareholder dividends subject to the distribution plan proposed by the Board of Directors. If the dividends are distributed in the form of new shares, the distribution shall be subject to the resolution of a shareholders' meeting, while if they are distributed in cash, the distribution shall be subject to the resolution of the Board of Directors.

If there is a surplus in the Company's annual final accounts, the Company shall first pay off the taxes, make up for the accumulated losses and allocate 10% as statutory surplus reserve. However, this provision shall not apply if the statutory surplus reserve has reached the total capital of the Company. Meanwhile, the special reserve shall be allocated or reverse according to the laws and regulations or the competent authority's regulations. If there is any surplus, the balance plus the accumulated undistributed earnings in the first half of the fiscal year shall be distributed as the shareholder dividends subject to the distribution plan proposed by the Board of Directors. If the dividends are distributed in the form of new shares, the distribution shall be subject to the resolution of a shareholders' meeting.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

If the Company intends to distribute all or part of the dividends, bonuses, statutory surplus reserve or capital reserve in cash, the proposal shall be authorized by a board of directors meeting with over 2/3 of the entire board members attending and approval of over half of those present at the meeting and then submit the proposal to the shareholders' meeting for resolution.

The Company is currently in a growing phase, and will strive for business development and expansion in the future. The Company's surplus distribution shall be made based on its future capital expenditure budget and capital needs. However, the distribution of shareholders' dividends shall not be less than 20% of the lower value of the earnings after tax or distributable earnings of the current period. Among the dividends distributed in the current year, the cash dividends shall not be less than 50%.

(1) Statutory reserves

When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash; however, it shall be limited to the portion of legal reserve exceeding 25% of the issued share capital.

(2) Earning distribution

On May 27, 2024, and on June 21, 2023, the Company, upon the resolutions of the shareholders' meetings, offset the losses of 2023 and 2022. Relevant information can be found at the MOPS and other channels.

The Company had accumulated losses as of June 30, 2024 and 2023, and therefore it did not intend to distribute earnings for the first half of 2024 and 2023.

4. Other equity (net after tax)

	Difference in exchange from the conversion of financial statements of overseas operating entities	Revalued amount of property	Total
Balance on January 1, 2024	\$ 165,980	312,687	478,667
Exchange differences arising from the translation of net assets of foreign operations	5,716	-	5,716
Share of translation difference of associates accounted for using the equity method	(234)	-	(234)
Balance on December 31, 2024	<u>\$ 171,462</u>	<u>312,687</u>	<u>484,149</u>
Balance on January 1, 2023	\$ 167,361	312,687	480,048
Exchange differences arising from the translation of net assets of foreign operations	(1,099)	-	(1,099)
Share of translation difference of associates accounted for using the equity method	(282)	-	(282)
Balance on December 31, 2023	<u>\$ 165,980</u>	<u>312,687</u>	<u>478,667</u>

(XVI) Share-based Payment

1. As of December 31, 2024 and 2023, the Company had the following share-based

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
Statements (continued)**

payment transactions:

	Equity transactions
	Employee stock option
Type	
Grant date	2020-09-17
Grant quantity (thousand/unit)	3,000
Contract period	4 years
Vesting conditions	Immediate vesting
Actual turnover rate of current period	0%
Estimated turnover rate for the future	0%

On August 21, 2020, the Company issued employee stock options as resolved by the Board of Directors, and a total of 3,000 thousand ordinary shares. The closing price of the Company's ordinary shares on the issue date was determined as the subscription price. The employee stock options were issued within one year after the competent authority's notice regarding declaration effectiveness expired, once or twice dependent upon the actual needs. The aforementioned issued employee stock options took effect on September 16, 2020 after declaration to the Securities and Futures Bureau, Financial Supervisory Commission. On September 17, 2020, all the employee stock options were issued as resolved by the Board of Directors at fair value of NT\$ 10.4 on the grant date. On May 23, 2022, capital was increased, and the fair value was adjusted as NT\$ 10.3. For the capital decrease to offset losses on August 17, 2023, the fair value was adjusted to NT\$16.0.

For the cash capital increase on June 19, 2024, the fair value was adjusted to NT\$15.2.

Except that subscribers shall comply with the transfer suspension period of two years after the grant of employee stock options according to the law, the accumulated exercisable subscription rights ratio is as follows:

Stock warrants grant period	2020
Matured for two years	60%
Matured for three years	100%

2. Parameters for measuring fair value on the grant date

The Company estimated the fair value of the share-based payments on the grant date with Black-Scholes option evaluation mode. The inputs of this mode are as follows:

	2020
Dividend rate (Note)	-%
Expected volatility (%)	45.77%
Expected life of stock options (years)	4 years
Risk-free interest rate (%)	0.2916%

Note: According to the Company's 2020 measures for issuing employee stock options, the subscription price was adjusted to the same extent with the distributed dividends (anti-dilution price adjustment), so it was not taken into account in calculation.

3. The detailed information of the above-mentioned employee warrant certificates is as

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

follows:

	2024		2023	
	Weighted average strike price (NT\$)	Number of stock options (thousand)	Weighted average strike price (NT\$)	Number of stock options (thousand)
Outstanding on January 1	\$ 16.00	1,788	10.30	2,208
Loss quantity of current period	15.20	(160)	-	-
Quantity exercised in the period (before capital increase)	16.00	(735)	-	-
Quantity exercised in the period (after capital increase)	15.20	(893)	-	-
Execution quantity in the current period (before capital reduction)	-	-	10.30	(144)
Execution quantity in the current period (after capital reduction)	-	-	16.00	(276)
Outstanding on December 31	<u>\$ -</u>	<u>-</u>	<u>10.30</u>	<u>1,788</u>

The information on the outstanding warrants of the Company as of December 31, 2024 and 2023 is as follows:

	2024.12.31	2023.12.31
Exercise price interval	15.20~16.00	10.30 ~ 16.00
Weighted-average remaining contractual life (years)	-	0.75

4. Employee expenses

Below are details of the Group's expenses generated from the share-based payment for 2024 and 2023:

	2024	2023
Expenses arising from employee stock options	<u>\$ -</u>	<u>1,052</u>

(XVII) Losses per share

	2024	2023
Basic loss per share		
Loss attributable to common shareholders of the Company	<u>\$ (240,759)</u>	<u>(117,836)</u>
Weighted average number of outstanding ordinary shares	<u>166,483</u>	<u>144,280</u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Basic losses per share \$ (1.45) (0.82)

1. The Company has designated August 17, 2023 as the base date for capital decrease, and shall retrospectively present the loss per share of the current and comparative periods in accordance with paragraph 64 of IAS 33, "Earnings per Share."
2. The Company suffered losses in both 2024 and 2023, and there was no dilution effect, so no diluted earnings per share were disclosed.

(XVIII) Compensation of employees and directors

According to the Company's Articles of Incorporation, if the Company makes a profit during the year (the so-called profit refers to the pre-tax profit before the distribution of remuneration to employees and directors), 8% thereof shall be allocated as the remuneration to employees and no more than 0.01% thereof as the remuneration to directors. However, if the Company still has accumulated losses, profits shall be reserved for making up the accumulated losses first. The employee remuneration may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of the affiliated companies meeting certain specific criteria and the board of directors shall be authorized to establish said specific criteria. The preceding two paragraphs shall be executed in accordance with the resolution of the Board of Directors meeting and shall be reported to the shareholder meeting.

The Company had losses to be offset in both 2024 and 2023, so it is not required to estimate employees and directors' remuneration. Relevant information can be found at the MOPS.

(XIX) Revenue from Contracts with Customers

1. Disaggregation of revenue

		2024			
		Smart cars	Smart buildings	Others	Total
Primary regional markets:					
Taiwan	\$	467,810	213,369	22,841	704,020
Mainland China		11,036	-	372,523	383,559
United States		91,983	-	930,549	1,022,532
Others		28,375	-	24,695	53,070
	\$	599,204	213,369	1,350,608	2,163,181

Main products:

Photoelectric glass	\$	599,204	-	-	599,204
Green building glass		-	213,369	-	213,369
Others		-	-	1,350,608	1,350,608
	\$	599,204	213,369	1,350,608	2,163,181

		2023			
		Smart cars	Smart buildings	Others	Total
Primary regional markets:					

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Taiwan	\$	446,491	224,927	48,978	720,396
Mainland China		28,483	-	654,207	682,690
United States		62,538	-	306,364	368,902
Others		65,802	-	21,251	87,053
	\$	603,314	224,927	1,030,800	1,859,041

Main products:

Photoelectric glass	\$	603,314	-	-	603,314
Green building glass		-	224,927	-	224,927
Others		-	-	1,030,800	1,030,800
	\$	603,314	224,927	1,030,800	1,859,041

2. Balance of contract

		2024.12.31	2023.12.31	2023.1.1
Notes and accounts receivable (including related parties)	\$	436,729	689,146	718,576
Less: Allowance for loss		(38,928)	(255,270)	(255,381)
Total	\$	397,801	433,876	463,195
Contract liabilities	\$	16,107	5,582	13,518

Please refer to Note 6 (3) for disclosure of notes and accounts receivable and their impairment losses.

The amounts of contract liabilities on January 1, 2024 and 2023 recognized as revenues in 2024 and 2023 were NT\$5,582 thousand and NT\$12,391 thousand, respectively.

(XX) Non-operating income and expense

1. Interest income

Statement of interest income of the Group is as follows:

		2024	2023
Interest income	\$	20,407	13,234

2. Other gains and losses

Statement of other gains and losses of the Group is as follows:

		2024	2023
Foreign currency exchange gains	\$	29,933	(154)
Gains from disposal of and scrapping property, plant and equipment		-	2,022
Gain on fair value adjustment of investment property		1,080	1,265
Net loss from financial assets and liabilities at fair value through profit or loss:		(10,625)	(1,130)
Rental income		57,885	78,617
Other income		4,982	40,396
Other expenses		(9,421)	(4,433)
	\$	73,834	116,583

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

3. Financial costs

Statement of financial costs of the consolidated company is as follows:

	<u>2024</u>	<u>2023</u>
Interest expense		
Bank borrowings	\$ 43,262	44,490
Corporate bonds payable	1,386	5,817
Others	1,711	158
	<u>\$ 46,359</u>	<u>50,465</u>

(XXI) Financial Instruments

1. Credit risk

The main potential credit risk of the Group comes from the financial commodities of cash and cash equivalents and accounts receivable. The cash of the consolidated company is deposited at different financial institutions. The consolidated company controls the credit risk of each financial institution exposed, and believes that there is no likelihood of obvious concentration of material credit risk in the cash and cash equivalents of the consolidated company.

Customers of the Group are concentrated in the optoelectronics industry, and to reduce accounts receivable credit risk, the Group continues to evaluate the financial status of customers, and periodically evaluates the feasibility of recovery of accounts receivable and appropriates allowance for doubtful accounts. As of December 31, 2024 and 2023, these customers accounted for 11% and 23% of the Group's accounts receivable, respectively, resulting in a significant concentration of credit risk for the Group.

(1) Credit risk of accounts receivable and debt securities

Please refer to Note 6 (3) for more information on credit risk exposure of notes receivable and accounts receivable. Other financial assets measured at amortized cost include other accounts receivable and time deposit certificates.

The aforementioned financial assets refer to financial assets with low credit risk; therefore, the allowance for losses for such periods is measured according to the 12-month expected credit loss amount (please refer to Note 4(7) for details on how the Group makes the judgment on credit risk).

The changes in loss allowance in 2024 and 2023 are as follows:

	<u>Other receivables</u>
Balance on January 1, 2024	\$ 980
Impairment loss reversed	(343)
Impact of changes in foreign exchange rate	9
Balance on December 31, 2024	<u>\$ 646</u>
Balance on January 1, 2023	\$ 986
Impact of changes in foreign exchange rate	(6)
Balance on December 31, 2023	<u>\$ 980</u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

2. Liquidity risk

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

	Carrying amount	contractual cash flows	Less than 1 year	1-3 years	3-5 years	Over 5 years
December 31, 2024						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,630,500	1,722,474	524,610	722,443	475,421	-
Unsecured bank loans	410,998	416,829	401,045	15,784	-	-
Notes and accounts payable (including related parties)	397,152	397,152	397,152	-	-	-
Other payables	84,068	84,068	84,068	-	-	-
Payables on equipment	6,921	6,921	6,921	-	-	-
Lease liabilities (current and non-current)	78,333	87,344	31,630	51,343	4,371	-
	\$ 2,607,972	2,714,788	1,445,426	789,570	479,792	-
December 31, 2023						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,480,452	1,580,117	425,264	359,948	794,905	-
Unsecured bank loans	271,125	275,830	191,966	83,864	-	-
Convertible corporate bonds	498,614	500,000	500,000	-	-	-
Notes and accounts payable (including related parties)	300,190	300,190	300,190	-	-	-
Other payables	83,885	83,885	83,885	-	-	-
Payables on equipment	2,133	2,133	2,133	-	-	-
Lease liabilities (current and non-current)	1,676	1,709	1,034	675	-	-
	\$ 2,638,075	2,743,864	1,504,472	444,487	794,905	-

The Group does not expect that the timing of the occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, or that the actual cash flow amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk

The consolidated company's financial assets and liabilities exposed to significant exchange rate risk are as follows:

	2024.12.31			2023.12.31			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
<u>Financial asset</u>							
<u>Monetary items</u>							
USD : NTD	\$	21,682	32.79	710,854	20,975	30.71	644,039
USD: VND		500	25,814.96	16,392	-	-	-
EUR : NTD		6	34.14	214	14	33.98	476
JPY : NTD		16,938	0.2099	3,555	7,427	0.2172	1,613
<u>Non-monetary items</u>							
USD : NTD		1,781	32.79	58,393	1,750	30.71	53,727
<u>Financial liability</u>							
<u>Monetary items</u>							
USD : NTD		9,785	32.79	320,788	7,531	30.71	231,237

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(2) Sensitivity analysis

The consolidated company's exposure to foreign currency risk mainly comes from cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currencies, and foreign exchange gain or loss occurs during the translation. On December 31, 2024 and 2023, when the New Taiwan Dollar depreciated or appreciated by 1% against the USD, VND, EUR and JPY, and all other factors remained unchanged, the net profit after tax for 2024 and 2023 increased or decreased by NT\$3,282 thousand and NT\$3,319 thousand, respectively. The analysis for the two periods adopted the same basis.

(3) Exchange gains and losses on monetary items

The information on the amount of exchange gain or loss (including realized and unrealized) of monetary items of the Group translated to the functional currency of NTD (i.e. the presentation currency of the Company) is as follows:

	2024		2023	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	\$ 29,933	32.17	(154)	31.12

4. Interest rate analysis

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

The sensitivity analyses below were determined based on the exposure to interest rates for non-derivative instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the report date was outstanding throughout the year. The interest rate increased or decreased by 1% when the consolidated company internally reported the interest rate to the main management. This represented the evaluation of the reasonable change range of the interest rate by the management.

If the interest rate increases or decreases by 1%, with all other variables remaining unchanged, the net loss before tax of the Group in 2024 and 2023 will decrease or increase by NT\$10,427 thousand and NT\$11,941 thousand, respectively. This is mainly due to the Group's variable interest rate demand deposits, time deposits and loans.

5. Information on fair value

(1) Types and fair values of financial instruments

The financial assets at fair price through profit or loss of the consolidated are measured at fair price based on the repetitiveness. The information on the carrying amount and fair value of various financial assets and financial liabilities (including fair value and level information; however, for the carrying amount of financial instruments not measured at fair value as the reasonable close value of fair value, and lease liabilities, their fair values are not required to be disclosed according to the regulations) is as follows:

Carrying amount	2024.12.31			
	Fair value			
	Level 1	Level 2	Level 3	Total

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Financial assets at fair value through profit or loss

Domestic TWSE/TPex listing shares	\$	3,963	3,963	-	-	3,963
Foreign unlisting shares		24,133	-	-	24,133	24,133
Beneficiary certificates		391	391	-	-	391
SAFE		75,827	-	-	75,827	75,827
Subtotal		104,314	4,354	-	99,960	104,314

Financial assets at amortized cost

Cash and cash equivalents		999,623	-	-	-	-
Notes and accounts receivable (including related parties)		397,801	-	-	-	-
Other financial assets - (current and non-current)		351,451	-	-	-	-
Subtotal		1,748,875	-	-	-	-

Total	\$	1,853,189	4,354	-	99,960	104,314
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Financial liabilities measured at amortized cost

Short-term borrowings	\$	700,748	-	-	-	-
Notes and accounts payable (including related parties)		397,152	-	-	-	-
Other payables		84,068	-	-	-	-
Payables on equipment		6,921	-	-	-	-
Lease liabilities (current and non-current)		78,333	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)		1,153,940	-	-	-	-
Total	\$	2,421,162	-	-	-	-

2023.12.31

		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
TWSE/TPEx-list company stocks	\$ 324	324	-	-	324
Financial assets at amortized cost					
Cash and cash equivalents	558,226	-	-	-	-
Notes and accounts receivable (including related parties)	433,876	-	-	-	-
Other financial assets - (current and non-current)	416,639	-	-	-	-
Subtotal	1,408,741	-	-	-	-
Total	<u>\$ 1,409,065</u>	<u>324</u>	<u>-</u>	<u>-</u>	<u>324</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 382,000	-	-	-	-
Notes and accounts payable (including related parties)	300,190	-	-	-	-
Other payables	83,885	-	-	-	-

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
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Payables on equipment	2,133	-	-	-	-
Lease liabilities (current and non-current)	1,676	-	-	-	-
Corporate bonds payable (including the portion with maturity in one year)	498,614	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)	1,369,577	-	-	-	-
Total	<u>\$ 2,638,075</u>	-	-	-	-

(2) Fair value valuation techniques for financial instruments not measured at fair value

The methods and assumptions the consolidated company adopted to estimate the instruments not measured at fair value are as follows:

(2.1) Financial assets at amortized cost

Financial instruments that are openly quoted in an active market will have fair value determined at the openly quoted price. If no market price to be referred to, the estimates by valuation methods or the counterparty's quotation is adopted.

(2.2) Financial liabilities measured at amortized cost

If there is transaction or quote information from a market maker, then the latest transaction price and quote information are used as the basis for the evaluation of the fair value. If no market price is available for reference, then a valuation method is used for estimation. The estimation and assumption adopted for the valuation method refers to the discounted value of the cash flow estimated fair value.

(3) Fair value valuation techniques for financial instruments measured at fair value

(3.1) Non-derivative instruments

When a financial instrument has an active market open quote, then the open quote of the active market is used for the fair value. For the market price of the main exchange and announced by the exchange center of the central government determined to be on-the-run securities, the publicly listed equity instruments and debt instruments with an active market open quote are determined to have a basis for fair value.

If an open quote of a financial instrument can be timely and frequently obtained from an exchange, broker, underwriter, industry association, pricing service institution or competent authority, and the price represents an actual and frequently occurring fair market transaction, then the financial instrument has an active market open quote. If the aforementioned criteria are not met, then the market is deemed to be inactive. In general, when the bid-ask spread is great, and the bid-ask spread obviously increases or the trading volume is small, then it serves as indicators of an inactive market.

Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. Fair value by valuation technique may be obtained by making reference to the prevailing fair value of financial instruments that share similar terms and characteristics or using valuation techniques such as the discounted cash flow method in conjunction with

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

market information available as at the balance sheet date (e.g. The reference yield curve of Tpx or average quotations of commercial paper by Reuters).

If a financial instrument held by the consolidated company has no active market, then its fair value is determined according to the following category and attribute:

- Equity instruments without open quotations: fair value is estimated using the market comparable companies approach, with the main assumption based on the earnings multiplier derived from the estimated earnings before interest, tax, depreciation and amortization of the investee and the market quotations of comparable TWSE/TPex listing companies. For the estimated value, the discount effect of the lack of market liquidity of such equity security has been adjusted.

(3.2) Derivative financial instruments

The valuation is based on the valuation model widely used and accepted by users in the market, such as discount method and option pricing model. Forward exchange agreement is typically evaluated based on the current forward exchange rate.

(4) Transfer between level 1 and level 2

There had been no transfer of the Group's financial assets and liabilities during 2024 and 2023.

(5) Details of changes in Level 3

	Measured at fair value through profit or loss designation as at fair value through profit or loss
January 1, 2024	\$ -
Total profit or loss	
Recognized as profit or loss	(11,351)
Purchase	<u>111,311</u>
December 31, 2024	<u><u>\$ 99,960</u></u>

(6) Quantified information of fair value measurement for the material unobservable inputs (Level 3)

The Group's fair value measurement classified as Level 3 mainly includes financial assets measured at fair value through profit or loss - equity securities investment.

Most of the fair values of the Group are classified as Level 3 with only a single significant unobservable input. Only the equity instrument investments without an active market have multiple significant unobservable inputs. Significant unobservable inputs for investments in equity instruments without an active market are independent of each other and therefore not correlated with each other.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

The quantified information of fair value measurement for the material unobservable inputs is listed below:

Item	Valuation technique	Material unobservable inputs	Relationship between the material unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss - investment in the equity instrument without active market	Comparable company method	- Equity-to-book ratio multiplier (3.57 times on December 31, 2024) - Discount due to lack of market liquidity (30% on December 31, 2024)	- The higher the multiplier, the higher the fair value. - The higher the discount due to lack of market liquidity, the lower the fair value
Financial assets at fair value through profit or loss - SAFE	Binary Tree Model	Volatility (56.09% on December 31, 2024)	The higher the volatility, the lower the fair value

(7) Sensitivity analysis of fair value to reasonably possible alternative assumptions for Level 3 fair value measurements

The fair value measurements of the Group's financial instruments are deemed reasonable, but the use of different valuation models or valuation parameters may lead to different valuation results. For financial instruments classified as Level 3, if the valuation parameters change, the impact on the profit or loss of the current period or other comprehensive income is as follows:

			Changes in fair value reflected in current profit or loss		Changes in fair value reflected in other comprehensive income	
	inputs	Change upward or downward	Favorable changes	Adverse changes	Favorable changes	Adverse changes
December 31, 2024						
Financial assets at fair value through profit or loss						
Investment in the equity instrument without active market	Equity-to-Net-Val ue Multiplier	±5%	\$ 1,207	(1,207)	-	-
Investment in the equity instrument without active market	Liquidity discount	±5%	1,724	(1,724)	-	-
SAFE	Volatility	±5%	32	(55)	-	-

Favorable and adverse changes of the Group represent fluctuations in fair value, which is calculated using valuation techniques based on input parameters that are unobservable to varying degrees. If the fair value of a financial instrument is affected by more than one input, the table above only reflects the impact of changes in a single input and without considering the correlation and variability between the inputs.

(XXII) Financial risk management

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

1. Summary

The consolidated company is exposed to the following risks arising from the use of financial instruments:

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

This note discloses information about the consolidated company's exposure to the aforementioned risks, and its goals, policies and procedures with regard to the consolidated company's measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the consolidated financial statements.

2. Architecture of risk management

The Board of Directors is fully responsible for the establishment and oversight of the risk management framework of the consolidated company. For the Board of Directors, the Chairman Office is responsible for the development and control of the financial risk management policies of the consolidated company and to provide reports on the operation thereof to the Board of Directors periodically.

The establishment of the financial risk management policy of the consolidated company is to identify and analyze the financial risk faced by the consolidated company, and to set up appropriate financial risk limits and control, as well as to monitor risk and risk limit compliance. The financial risk management policy is reviewed periodically to reflect market conditions and changes in the operation of the consolidated company. The Group, through training, management standards and operation procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Group oversees how the Group's financial risk management policies and procedures are complied with, and reviews the appropriateness of the Group's financial risk management architecture in relation to the risks it faces. The internal auditing personnel of the consolidated company provides assistance to the board of directors of the consolidated company to perform their role of supervision. Such personnel undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results thereof are reported to the board of directors.

3. Credit risk

Credit risk refers to the risk of financial loss of the consolidated company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the consolidated company's receivables from customers' notes and accounts as well as bank deposits.

(1) Accounts receivable and other receivables

The credit risk exposure of the consolidated company is mainly affected by the individual condition of each customer. However, the management considers the basic statistical data of customers of the consolidated company, including the industry of customers and country default risk since such factors may affect the credit risk.

The consolidated company has established a credit policy, and according to such policy, before the consolidated company makes standard payment and delivery terms, it is necessary to analyze the credit rating of each new customer

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
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individually.

The consolidated company has set up an allowance for bad debt account to reflect the estimated losses arising from notes receivable and others receivable as well as investments. The allowance for debt account mainly consists of a specific loss component relating to individually significant exposure, and a combinational loss component established for losses already occurred but not yet identified in similar asset groups. The combinational loss account allowance account is determined based on the statistical data of past payments of similar financial assets.

(2) Investment

The credit risk of bank deposits and other financial instruments are measured and monitored by the financial department of the consolidated company. Since the transaction counterparties and the contract performance parties of the Group are banks with excellent credit standing, there are no non-compliance issues; therefore, there is no significant credit risk.

(3) Guarantee

The Group's policy is executed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. As of December 31, 2024 and 2023, the Group had not provided any endorsement and guarantees.

4. Liquidity risk

Liquidity risk refers to the risk that the consolidated company is unable to deliver cash or other financial assets for repayment of financial debts, and the risk of failure to perform relevant obligations. The consolidated company's liquidity management method is to ensure that under general conditions and conditions of pressure, the consolidated company is still able to have sufficient working capital capable of paying liabilities that are due for payment, such that unacceptable loss would not occur or the risk of the reputation of the consolidated company being damaged would not occur.

The unused borrowing facilities of the Group as of December 31, 2024 and 2023 was NT\$200,000 thousand and NT\$140,000 thousand, respectively.

5. Market risk

Market risk refers to the risk in the change of market prices, such as foreign exchange rates and interest rates, affecting the consolidated company's income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within an acceptable range, and to optimize investment returns.

To manage market risks, the consolidated company engages in derivative instrument transactions and also generates financial assets and liabilities accordingly. The all transactions were executed in accordance with the instructions of the board of directors.

(1) Exchange rate risk

The consolidated company is exposed to currency risk on transactions of sales, purchases and loans that are denominated in a currency other than the respective functional currencies of the consolidated company. The functional currencies of the consolidated company are mainly NTD and USD. The main pricing currency for such transactions is NTD and USD.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

In addition, based on the principle of natural hedging, the consolidated company performs hedging according to the capital demand of each currency and the net position with respect to the market exchange condition.

(2) Interest rate risk

The Group's policy is to ensure that the loan interest rate change risk exposure is evaluated according to the international economic status and market interest rates.

(XXIII) Capital management

The Group's capital management objective is to safeguard the Group's ability to continue as a going concern in order to continue to provide returns for shareholders and interests of other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated company may adjust the amount of dividends paid to shareholders, execute capital reduction to return share capital to shareholders, issue new shares or sell assets in order to repay debts.

The consolidated company, similar to others in the same industry, uses the debt-to-capital ratio as the basis for capital control and monitoring. Such ratio is calculated by dividing the net liabilities by the total capital. The net liabilities refer to the total liabilities indicated on the balance sheet less cash and cash equivalents. Total capital refers to all components (i.e. share capital, capital surplus, retained earnings and other equity) of equity plus net liabilities.

The capital management strategy for the Group in 2024 was committed to ensuring that the Group can obtain financing at a reasonable cost. Debt-to-capital ratio at report date is as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Total liabilities	\$ 2,714,484	2,735,136
Less: Cash and cash equivalent	<u>(999,623)</u>	<u>(558,226)</u>
Net liabilities	1,714,861	2,176,910
Total equity	<u>1,961,850</u>	<u>1,366,193</u>
Capital after adjustment	<u>\$ 3,676,711</u>	<u>3,543,103</u>
Debt-to-capital ratio	<u>46.64%</u>	<u>61.44%</u>

The Group increased its capital in cash in 2024 to repay loans and replenish funds, resulting in a decrease in its debt-to-equity ratio.

(XXIV) Non-cash investment and financing activities

The non-cash transaction investment activities of the Group in 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Purchase of property, plant and equipment in the current period	\$ 44,620	36,145
Add: Equipment and construction payables at beginning of the period	2,133	4,977
Less: Equipment and construction payables at end of the period	(6,921)	(2,133)
Add: Impact of changes in foreign exchange rate	<u>18</u>	<u>(8)</u>

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
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\$ 39,850 38,981

(XXV) To enhance financial planning

Due to rapid changes in the industry, the Group has suffered continuous losses in recent years, and the management of the Group has consecutively adopted the following measures in order to ensure the operation of the Group and to improve the financial structure and cash flow in a positive direction. In response to these circumstances, the consolidated company plans to adopt the following plans:

1. Operating aspect

- (1) Actively combining various core technical developments for integrated applications in order to satisfy high customization demands and new technologies for terminal products, and continuing to enhance and adjust market order acceptance capability, thereby strengthening and expanding the market while satisfying customer demands and enhancing the foundation to improve the market share.
- (2) Extending the diverse operations of industrial on-board vehicle control and smart building related industries, reducing reliance on consumer electronics and continuing to develop new products and adjusting market position, in order to acquire sales of niche products.
- (3) To expand customer base and extend core capability-related product applications, and achieve goals of speed, service, cost and quality.
- (4) Promotion plan for glass processing products
 - (a) E-beam vapor deposition technology combined with ion-assisted deposition technology for precise optical thin film quality.
 - (b) Design, development and promotion of thermoforming of multi-curved glass for automotive displays, interior trims, etc.
 - (c) Application and promotion of electrochromic curtain glass.
- (5) In terms of energy-saving and carbon reduction policies, in addition to replacement with energy-saving equipment, we also make planned production schedules for high-energy-consuming production equipment to control electricity expenses.

2. Management aspect

- (1) To implement the policy of streamlining the organizational structure and make full use of the advantages of outsourcing to strictly control cost expenditure.
- (2) To improve production management efficiency, reduce material loss, strictly control inventory management, and reduce sluggish losses.
- (3) Improving the accuracy of sales forecasts, rigorously controlling raw material purchases, enhancing the flexibility of capital use, improving efficiency and reducing operating costs.
- (4) To accelerate the introduction of second source materials to effectively control and reduce material costs.
- (5) To strictly control the review of expense and expenditure, to reduce expense and expenditure and unnecessary waste.
- (6) In the future, the focus will be on the introduction of new technologies or manufacturing processes, and the necessary capital expense for improving machinery and equipment production efficiency will be increased. In addition, rigorous investment benefit analysis will also be thoroughly executed in order

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

to maximize the capital expenditure effect.

3. Financial aspect

- (1) To implement cost reduction plans for saving expenses, maintaining a safe level of capital, and reducing inventory backlogs.
- (2) Continue negotiating bank quotas and limits, and enhancing the business dealings with banks in order to ensure sufficient working capital. Also plan to increase medium- and long-term financing and repay short-term liabilities to improve its financial structure.

VII. Related party transaction

(I) Names and relationships of related parties

The related parties that have had transactions with the consolidated company during the periods covered in the financial statements are as follows:

Related party name	Relationship with the Group
Chin Ming Glass Co., Ltd.	The chairperson of this company is a relative within the first degree of kinship of the chairperson of the Company
Chung, Chih-Ming	Chairperson of the Company
Brave Advance	Associates of the consolidated company
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	"

(II) Major transactions with related parties

1. Operating income

The significant sales of the consolidated company to related parties are as follows:

	2024	2023
Other related parties	\$ 18,562	19,453

The prices and payment terms of the Group's sales to related parties are 60-day monthly settlement, which are not significantly different from those of general customers.

2. Purchase

Purchase costs of the Group from related parties were as follows:

	2024	2023
Other related parties	\$ 95,468	39,378

The purchases of goods from related parties by the Group is through a single supplier, whose payment terms are 60-day monthly settlement. The payment terms for general suppliers are 120 days LC and 30 to 90-day monthly settlement.

3. Amounts receivable from related parties

Statement of receivables from related parties of the consolidated company is as follows:

Item	Types of related parties	2024.12.31	2023.12.31
Accounts receivable - related parties	Other related parties	\$ 3,829	3,077

4. Amounts payable to related parties

Statement of payables to related parties of the consolidated company is as follows:

Item	Types of related parties	2024.12.31	2023.12.31
Accounts payable -	Other related parties	\$ 24,497	10,639

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

related parties				
Other payables	Other related parties	\$	19	298
	Key management of the parent company		30	-
		\$	49	298
(III) Transactions with key management				
Remuneration of key management includes:				
			2024	2023
Short-term employee benefits		\$	15,718	13,887
Share-based Payment			-	280
		\$	15,718	14,167

VIII. Assets Pledged

Statement of the carrying amount of the consolidated company's assets pledged as collateral is as follows:

Asset name	Pledged or secured subject matter	2024.12.31	2023.12.31
Other financial assets - current	Custom bond, corporate bonds payable and bank borrowings	\$ 336,432	381,978
Other financial assets - non-current	Bank borrowings	-	24,000
Property, plant and equipment	Bank borrowings	978,889	930,221
Investment Property	Bank borrowings	1,148,336	1,147,256
Prepayments for equipment	Bank borrowings	29,610	29,610
		\$ 2,493,267	2,513,065

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

The contract prices for the Group's equipment purchases were as follows:

	2024.12.31	2023.12.31
Signed contract prices	\$ 298,485	174,925
Paid amount	\$ 108,992	77,123

X. Losses from Major Disaster : none.

XI. Material Events after the Reporting Period : none.

XII. Others

A summary of employee benefits, depreciation, depletion and amortization expenses, by function, is as follows:

By function	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
By nature						
Employee benefit expense						
Salary expense	186,566	142,845	329,411	203,109	107,982	311,091
Labor and health	20,782	10,546	31,328	22,734	10,533	33,267

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

insurance expense						
Pension expense	8,248	5,724	13,972	8,550	5,697	14,247
Remuneration of Directors	-	3,024	3,024	-	-	-
Other employee benefit expenses	10,661	6,869	17,530	8,271	4,120	12,391
Depreciation expense	111,494	21,178	132,672	113,127	17,986	131,113
Amortization expense	229	923	1,152	42	1,331	1,373

The Group recorded depreciation of other gains and losses under non-operating income and expenses of NT\$2,541 thousand and NT\$2,666 thousand in 2024 and 2023, respectively.

XIII. Disclosures in Notes

(I) Information on significant transactions

As required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall again disclose the following information on significant transactions for 2024:

1. Loaning funds to others: None.
2. Endorsements/guarantees made for others: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures):

Unit: NTD thousand

Company held	Name and type of securities		Relationship with the securities issuer	Presentation account	End of period				Remarks
					Shares	Carrying amount	Shareholding ratio	Market price	
The Company	Zhen Ding Technology Holding Limited	Shares	-	Financial assets at fair value through profit or loss-current	10,000	1,200	- %	1,200	
"	QUANTA COMPUTER INC.	Shares	-	"	3,000	861	- %	861	
"	KAORI HEAT TREATMENT CO., LTD.	Shares	-	"	6,000	1,902	- %	1,902	
"	Yuanta/P-shares Taiwan Top 50 ETF	Fund	-	"	2,000	391	- %	392	
"	AERKOMM INC.	Shares	-	Financial assets at fair value through profit or loss - non-current	175,000	24,133	0.98 %	24,133	
"	IX ACQUISITION CORP.	SAFE	-	"	-	75,827	- %	75,827	

4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital: none.
8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments: None.
10. Business relationships and significant transactions between parent and subsidiaries:

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

None.

(II) Information on investees :

Information about the Group's business investments in 2024 (excluding Mainland investees):
Unit: NTD thousand/USD thousand

Investors	Name of investee	Location	Main business items	Original investment amount		Shareholding at the end of the period			Highest shareholding ratio or capital contribution in the current period	Investees' profit/loss in the period	Current investment profit/loss recognized	Remarks
				End of the period	End of the preceding year	Shares	Ratio	Carrying amount				
The Company	Fast Achievement Global Ltd.	Cayman Islands	Holding	17,704 (USD540)	17,704 (USD540)	540,000	100.00%	59,475	100.00%	2,303 (USD72)	2,303 (USD72)	
The Company	Golden Start Global Corp.	Samoa	Holding	2,340,566 (USD71,391)	2,340,566 (USD71,391)	71,391,373	100.00%	69,705	100.00%	6,020 (USD187)	6,020 (USD187)	
The Company	G-TECH OPTOELECTRONICS (VIETNAM) CO., LTD.	Vietnam	Sales, design, production and processing of optical glass and accessories	65,570 (USD2,000)	- (USD0)	2,000,000	100.00%	57,659	100.00%	(6,303) (VND(4,962,971))	(6,303) (VND(4,962,971))	
Fast Achievement Global Ltd.	Brave Advance International Corp.	Samoa	Holding	16,393 (USD500)	16,393 (USD500)	500,000	25.00%	58,393 (USD1,781)	25.00%	10,106 (USD314)		
Golden Start Global Corp.	Charmtex Global Corp.	Samoa	Holding	2,339,910 (USD71,371)	2,339,910 (USD71,371)	71,371,373	100.00%	69,705 (USD2,126)	100.00%	6,020 (USD187)	6,020 (USD187)	

Note: Except for Brave Advance International Corp., all above transactions were written off in preparing the consolidated financial statements.

(III) Information on investments in mainland China :

1. Name, main business activities, and relevant information of Mainland investments:

Unit: NTD thousand/USD thousand

Names of the investees in Mainland China	Main business items	Paid-in capital	Investment method	Opening aggregate investment amount remitted out from Taiwan	Remitted or recovered investment amount of the period		Closing aggregate investment amount remitted out from Taiwan	Investees' profit/loss in the period	Ratio of shareholding directly or indirectly invested by the Company	Highest shareholding ratio or capital contribution in the current period	Recognized returns and losses on investments in the period	Closing carrying value of investments	Remitted returns on investments as of the end of the period
					Outward remittance	Recovery							
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	Produce and sell TFT-LCD materials	778,316 (USD23,740)	Note 1	778,316 (USD23,740)	-	-	778,316 (USD23,740)	5,940 (USD185)	25.00%	25.00%	1,485 (USD46)	19,445 (USD593)	-
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	Produce and sell TFT-LCD materials	2,294,950 (USD70,000)	Note 2	2,294,950 (USD70,000)	-	-	2,294,950 (USD70,000)	5,785 (USD180)	100.00%	100.00%	5,785 (USD180)	60,840 (USD1,856)	-

Note 1: The Company indirectly invested in Win World Opto-Glass (Dongguan) Co., Ltd in mainland China through Brave Advance International Corp., an investee of Fast Achievement Global Ltd., a third-place investment company.

Note 2: The Company indirectly invested in G-TECH Optoelectronics (Chengdu) Co., Ltd. in Mainland China, through Charmtex Global Corp., an investee of Golden Start Global Corp., a third-place investment company.

Note 3: Fast Achievement Global Ltd., Golden Start Global Corp., Charmtex Global Corp. and G-TECH Optoelectronics (Chengdu) Co., Ltd. recognize investment gains and losses based on the financial reports audited by the parent company's attesting CPAs.

Note 4: The conversion is based on the exchange rate of USD1 to NT\$32.79 on December 31, 2024.

Note 5: Except for World Opto-Glass (Dongguan) Co., Ltd., the above-mentioned transactions have been offset when preparing the consolidated financial reports.

2. Limit of investment in Mainland China

Aggregate amount remitted from Taiwan for investments in Mainland China in the period	Investment amount approved by the Investment Commission, Ministry of Economic Affairs	Limit of investments in Mainland China specified by the Investment Commission, Ministry of Economic Affairs
3,073,266 (USD93,740)	3,073,266 (USD93,740)	-
(Including machine prices of NT\$ 281,394) (USD8,583)	(Including machine prices of NT\$ 298,409) (USD9,276)	-

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Note: On August 23, 2022, the Group has already obtained proof of operational headquarters from the Industrial Development Bureau, Ministry of Economic Affairs, and therefore is not subject to the Mainland investment limit.

3. Significant transactions with investees in Mainland China: none.

(IV) Information on major shareholders: none

XIV. Segment Information

(I) General information

The Group has been conducting organizational departmental adjustments since April 2016. As a result, the reportable segment and their operations after the departmental adjustments are the Smart Vehicle Business Unit (hereinafter referred to as the “Smart Vehicle Department”) and the Smart Building Business Unit (hereinafter referred to as the “Smart Building Department”). The Smart Vehicle Department is mainly engaged in the research and development, design, manufacture and sales of general consumer electronics, automotive glass and protective touch glass for industrial computers. The Smart Building Department is mainly engaged in the research and development and sales of green building glass, and provides various architectural glass surface treatment, strengthening, special-shaped and other processing services.

(II) Reportable information on segment profits and losses, assets, liabilities, and their measurement bases and reconciliations

The consolidated company uses the income before tax of segments (excluding gain/loss occurred infrequently and exchange gain/loss) from the internal management reports reviewed by key operating decision makers as a basis for management resource allocation and performance evaluation. Since the income tax, gain/loss occurred infrequently and exchange gain/loss are managed with the consolidated company as the basis, the consolidated company does not amortize the income tax expense (profit), gain/loss occurred infrequently and exchange gain/loss to the reportable segments. In addition, not all of the gain/loss of reportable segments includes material non-monetary items other than the depreciation and amortization. The amounts reported and the reports used by the operating decision makers are consistent.

The pension expense of each operating segment is recognized and measured based on the pension program paid in cash, and the accounting policies of operating segments are the same as Note 4 “Summary of Significant Accounting Policies”.

The consolidated company treats the sales and transfers among segments as transactions with third parties. The transactions are measured at current market prices.

Information and adjustment of operating segments of the Group are as follows:

<u>2024</u>	<u>Smart cars</u>	<u>Smart buildings</u>	<u>Others</u>	<u>Adjustment and offset</u>	<u>Total</u>
Revenue					
Revenue from external customers	\$ 599,204	213,369	1,350,608	-	2,163,181
Inter-segment revenue	-	-	-	-	-
Interest income	20,407	-	-	-	20,407
Total revenue	<u>\$ 619,611</u>	<u>213,369</u>	<u>1,350,608</u>	<u>-</u>	<u>2,183,588</u>
Interest expense	\$ (46,359)	-	-	-	(46,359)

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
Statements (continued)**

Depreciation and amortization	(103,869)	(32,496)	-	-	(136,365)
Investment gain	2,526	-	-	-	2,526
Segment profit or loss	<u>\$ (275,142)</u>	<u>9,164</u>	<u>27,273</u>	<u>-</u>	<u>(238,705)</u>
Segment total assets	<u>\$ 4,056,492</u>	<u>619,842</u>	<u>-</u>	<u>-</u>	<u>4,676,334</u>
Segment liabilities	<u>\$ 2,492,087</u>	<u>222,397</u>	<u>-</u>	<u>-</u>	<u>2,714,484</u>

<u>2023</u>					
Revenue					
Revenue from external customers	\$ 603,314	224,927	1,030,800	-	1,859,041
Inter-segment revenue	-	-	-	-	-
Interest income	13,234	-	-	-	13,234
Total revenue	<u>\$ 616,548</u>	<u>224,927</u>	<u>1,030,800</u>	<u>-</u>	<u>1,872,275</u>
Interest expense	\$ (50,465)	-	-	-	(50,465)
Depreciation and amortization	(94,027)	(41,125)	-	-	(135,152)
Investment gain	2,051	-	-	-	2,051
Segment profit or loss	<u>\$ (193,823)</u>	<u>30,024</u>	<u>45,963</u>	<u>-</u>	<u>(117,836)</u>
Segment total assets	<u>\$ 3,460,795</u>	<u>640,534</u>	<u>-</u>	<u>-</u>	<u>4,101,329</u>
Segment liabilities	<u>\$ 2,380,177</u>	<u>354,959</u>	<u>-</u>	<u>-</u>	<u>2,735,136</u>

Note: The information on segment assets and liabilities of the Group is provided to key management for reference in making decisions, so there is no need to disclose departmental assets and liabilities.

(III) Information by products and services

Information on revenue from external customers of the consolidated company is as follows:

<u>Product name</u>	<u>2024</u>	<u>2023</u>
Photoelectric glass	\$ 599,204	603,314
Green building glass	213,369	224,927
Others	1,350,608	1,030,800
Total	<u>\$ 2,163,181</u>	<u>1,859,041</u>

(IV) Information by region

The geographical information of the consolidated company is as follows. The income described in the following is classified according to the geographical location of customers. In addition, non-current assets are classified according to the geographical location of assets.

<u>By location</u>	<u>2024</u>	<u>2023</u>
Revenue from external customers:		
Taiwan	\$ 704,020	720,396
Mainland China	383,559	682,690
United States	1,022,532	368,902
Others	53,070	87,053

**Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial
Statements (continued)**

	<u>\$ 2,163,181</u>	<u>1,859,041</u>
Non-current assets:		
Taiwan	\$ 2,368,670	2,426,881
Vietnam	<u>65,912</u>	<u>-</u>
Total	<u>\$ 2,434,582</u>	<u>2,426,881</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, investment property and other assets; however, financial instruments, deferred income tax assets, assets of retirement benefits and non-current assets arising from rights of insurance policies are excluded.

(V) Information on major customers

Operating revenue:

	<u>2024</u>	<u>2023</u>
Customer D	\$ 881,512	305,599
Customer C	363,636	342,898
Customer E	<u>171,059</u>	<u>64,777</u>
	<u>\$ 1,416,207</u>	<u>713,274</u>