

Actron Technology Corporation

Financial Statements with Independent Auditors' Report

For the Years Ended December 31, 2023 and 2022

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

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Independent Auditors' Report

To the Board of Directors and Shareholders of Actron Technology Corporation:

Opinion

We have audited the accompanying balance sheets of Actron Technology Corporation (the "Company") as of December 31, 2023 and 2022, and the related statements of comprehensive income, the statements of changes in equity and cash flows for the years then ended, the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors, as described in the other matter section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the Company's 2023 financial statements. The matter was addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on the matter.

Key audit matter for the Company's 2023 financial statements is stated as follows:

Sales revenue

Description of key audit matter

Manufacturing and sales of automotive electronic parts constitute the majority of the Company's sales revenue, which fluctuates with the sales to some particular customers. In consideration of the significant impact of sales revenue on financial performance, we focused on the occurrence of the Company's sales revenue from some particular customers as the key audit matter of our annual audit of this year.

The audit procedures for the matter included:

1. We understood and evaluated the accounting policies in recognition of sales revenue.
2. We understood and evaluated the effectiveness of internal control relevant to the occurrence of sales revenue.
3. We conducted the sample testing on the said particular sales revenue by examining relevant internal and external documents to prove the fact of shipping and testing for any irregularity of subsequent cash receipts to confirm the actual occurrence of the year's sales revenue.

Other Matters

As disclosed in Note 11, we did not audit the financial statements of investees accounted for using the equity method included in the aforesaid parent company only financial statements, which were audited by other auditors. Therefore, the amounts and the share of profit (loss) related to the said investments accounted for using the equity method in our opinion expressed herein are recognized solely based on the reports of the auditors. The aforementioned investments accounted for using the equity method as of December 31, 2023 and 2022, which were audited by other auditors, amounted to NT\$3,342,028 thousand and \$1,480,011 thousand, representing 26% and 15% of the total

assets, respectively. For the years ended December 31, 2023 and 2022, the share of profit (loss) in subsidiaries, associates and joint ventures accounted for using equity method with respect to the aforementioned investees amounted to NT\$7,522 thousand and \$103,112 thousand, accounting for 0.6% and (32)% of the total comprehensive income, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction,

supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the Company's 2023 financial statements and is therefore the key audit matter. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan

Partner Meng Chieh Chiu

Partner Ming Hsien Liu

Financial Supervisory Commission Certificate
Jin-Guan-Zheng-Shen-Zi No. 1020025513

Financial Supervisory Commission Certificate
Jin-Guan-Zheng-Shen-Zi No. 1100356048

February 23, 2024

Notes to Readers

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

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

Actron Technology Corporation

Balance sheets

December 31, 2023 and 2022

Unit: NT\$ thousand

Code	Asset	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current asset				
1100	Cash and cash equivalents (Note 6)	\$ 735,811	6	\$ 441,477	5
1136	Financial assets at amortized cost - current (Note 8 and 30)	12,250	-	14,250	-
1170	Trade receivables (Note 9)	791,119	6	683,562	7
1200	Other receivables	35,166	-	26,917	-
1210	Other payables - related parties (Note 29)	2,430	-	3,487	-
130X	Inventories (Note 10)	862,407	7	690,592	7
1470	Other current assets (Note 15 and 29)	<u>63,567</u>	<u>1</u>	<u>153,938</u>	<u>2</u>
11XX	Total current assets	<u>2,502,750</u>	<u>20</u>	<u>2,014,223</u>	<u>21</u>
	non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 7)	967,094	8	626,125	7
1550	Investments accounted for using the equity method (Note 11)	5,458,091	43	3,273,095	34
1600	Property, Plant and Equipment (Note 12 and 30)	3,204,894	25	2,815,004	29
1755	Right-of-use assets (Note 13)	450	-	894	-
1780	Intangible assets (Note 14)	4,739	-	7,603	-
1840	Deferred tax assets (Note 22)	94,293	1	38,414	-
1915	Prepayments for equipment	369,517	3	587,895	6
1990	Other non-current assets (Note 15, 19 and 29)	<u>17,066</u>	<u>-</u>	<u>242,307</u>	<u>3</u>
15XX	Total non-current assets	<u>10,116,144</u>	<u>80</u>	<u>7,591,337</u>	<u>79</u>
1XXX	Total assets	<u>\$ 12,618,894</u>	<u>100</u>	<u>\$ 9,605,560</u>	<u>100</u>
Code	Liabilities and Equity	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current liabilities				
2100	Short-term borrowings (Note 16)	\$ 1,350,000	11	\$ 1,700,000	18
2150	Notes payable	156	-	267	-
2170	Trade payables	453,831	3	207,410	2
2180	Trade payables - related parties (Note 29)	354,342	3	349,199	4
2200	Other payables (Note 17)	370,844	3	321,703	3
2230	Current tax liabilities (Note 22)	95,378	1	101,854	1
2280	Lease liabilities - current (Note 13)	390	-	444	-
2320	Long-term borrowings - current portion (Note 16 and 30)	196,667	1	190,588	2
2399	Other current liabilities	<u>76,170</u>	<u>1</u>	<u>36,099</u>	<u>-</u>
21XX	Total current liabilities	<u>2,897,778</u>	<u>23</u>	<u>2,907,564</u>	<u>30</u>
	non-current liabilities				
2530	Corporate bonds payable (Note 18)	762,039	6	-	-
2540	Long-term borrowings (Note 16 and 30)	753,333	6	1,179,412	13
2570	Deferred tax liabilities (Note 22)	101,906	1	19,925	-
2580	Lease liabilities - non-current (Note 13)	<u>63</u>	<u>-</u>	<u>453</u>	<u>-</u>
25XX	Total non-current liabilities	<u>1,617,341</u>	<u>13</u>	<u>1,199,790</u>	<u>13</u>
2XXX	Total liabilities	<u>4,515,119</u>	<u>36</u>	<u>4,107,354</u>	<u>43</u>
	Equity (Note 20 and 24)				
	Share capital				
3110	Ordinary shares	<u>1,014,475</u>	<u>8</u>	<u>914,470</u>	<u>9</u>
3200	Capital surplus	<u>3,317,903</u>	<u>26</u>	<u>1,747,491</u>	<u>18</u>
	Retained earnings				
3310	Legal reserve	763,987	6	706,576	7
3350	Undistributed earnings	<u>1,901,258</u>	<u>15</u>	<u>1,590,158</u>	<u>17</u>
3300	Total retained earnings	<u>2,665,245</u>	<u>21</u>	<u>2,296,734</u>	<u>24</u>
	Other equity				
3410	Exchange difference on translating foreign operations	(23,206)	-	(15,365)	-
3420	Unrealized gain (loss) of financial assets at fair value through other comprehensive income	1,136,455	9	554,876	6
3490	Estimated employee compensation	<u>(7,097)</u>	<u>-</u>	<u>-</u>	<u>-</u>
3400	Total other equity	<u>1,106,152</u>	<u>9</u>	<u>539,511</u>	<u>6</u>
3XXX	Total equity	<u>8,103,775</u>	<u>64</u>	<u>5,498,206</u>	<u>57</u>
	Total liabilities and equity	<u>\$ 12,618,894</u>	<u>100</u>	<u>\$ 9,605,560</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche Auditors' Report dated February 23, 2024)

Chairman: Dang-Liang Yao

Manager: Hsien-Chung Wu

Accountant: Mei-Ying Chiu

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)

Actron Technology Corporation

Statements of comprehensive income

For the years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars, except that Earnings Per Share are stated in NT\$

Code		2023		2022	
		Amount	%	Amount	%
4000	Net operating revenue	\$ 4,543,849	100	\$ 3,536,411	100
5110	Cost of sales (Note 10, 21 and 29)	(3,385,357)	(74)	(2,554,145)	(72)
5950	Gross profit	<u>1,158,492</u>	<u>26</u>	<u>982,266</u>	<u>28</u>
	Operating expenses (Note 21 and 29)				
6100	Selling and marketing expenses	(78,196)	(2)	(72,522)	(2)
6200	Administrative expenses	(250,532)	(5)	(242,591)	(7)
6300	Research and Development expenses	(446,673)	(10)	(359,411)	(10)
6450	Expected credit losses	<u>-</u>	<u>-</u>	(1,316)	<u>-</u>
6000	Total operating expenses	(<u>775,401</u>)	(<u>17</u>)	(<u>675,840</u>)	(<u>19</u>)
6900	Operating income	<u>383,091</u>	<u>9</u>	<u>306,426</u>	<u>9</u>
	Non-operating income and expenses (Note 21 and 29)				
7100	Interest income	16,054	-	2,832	-
7010	Other income	60,887	1	48,040	2
7020	Other gains and losses	275,816	6	70,948	2
7050	Finance costs	(88,304)	(2)	(30,444)	(1)
7070	Share of profit of investment in subsidiaries, associates and joint ventures accounted for using equity method	<u>161,500</u>	<u>4</u>	<u>223,177</u>	<u>6</u>
7000	Total non-operating income and expenses	<u>425,953</u>	<u>9</u>	<u>314,553</u>	<u>9</u>
7900	Profit before tax	809,044	18	620,979	18
7950	Income tax expense (Note 22)	(<u>85,851</u>)	(<u>2</u>)	(<u>60,427</u>)	(<u>2</u>)
8200	Net profit for the year	<u>723,193</u>	<u>16</u>	<u>560,552</u>	<u>16</u>

(to be continued)

(continued)

Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items not reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plan	(\$ 1,416)	-	\$ 5,425	-
8316	Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	169,584	4	(174,821)	(5)
8330	Share of other comprehensive income in subsidiaries, associates and joint ventures accounted for using equity method	424,248	9	(715,734)	(20)
8349	Income tax relating to items that will not be reclassified	283	-	(1,085)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange difference on translating foreign operations	(7,841)	-	6,222	-
8300	Other comprehensive income for the year, net of income tax	584,858	13	(879,993)	(25)
8500	Total comprehensive income for the year	<u>\$ 1,308,051</u>	<u>29</u>	<u>(\$ 319,441)</u>	<u>(9)</u>
	Earnings per share (Note 23)				
9750	Basic	<u>\$ 7.68</u>		<u>\$ 6.14</u>	
9850	Diluted	<u>\$ 7.49</u>		<u>\$ 6.08</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche Auditors' Report dated February 23, 2024)

Chairman: Dang-Liang Yao Manager: Hsien-Chung Wu Accountant: Mei-Ying Chiu

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)

Actron Technology Corporation

Statements of changes in equity

For the years ended December 31, 2023 and 2022

Unit: NT\$ thousand

Code		Share capital	Capital surplus	Retained earnings		Exchange difference on translating foreign operations	Other equity		Total equity
				Legal reserve	Undistributed earnings		Unrealized gain (loss) of financial assets at fair value through other comprehensive income	Estimated employee compensation	
A1	Balance on January 1, 2022	\$ 914,570	\$ 1,747,150	\$ 659,284	\$ 1,429,165	(\$ 21,587)	\$ 1,450,903	(\$ 1,688)	\$ 6,177,797
B1	Appropriation of 2021 earnings								
	Legal reserve	-	-	47,292	(47,292)	-	-	-	-
B5	Cash dividends	-	-	-	(365,828)	-	-	-	(365,828)
C7	Changes in equity of investment in associates and joint ventures accounted for using equity method	-	(3,995)	-	(860)	-	4,609	246	-
C17	Exercise of right of disgorgement	-	1,024	-	-	-	-	-	1,024
N1	Share-based payment transactions	-	4,032	-	-	-	-	1,122	5,154
T1	Cancellation of restricted shares	(100)	(720)	-	-	-	-	320	(500)
D1	Net income for the year ended December 31, 2022	-	-	-	560,552	-	-	-	560,552
D3	Other comprehensive income for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,421</u>	<u>6,222</u>	(<u>900,636</u>)	<u>-</u>	(<u>879,993</u>)
D5	Total comprehensive income for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>574,973</u>	<u>6,222</u>	(<u>900,636</u>)	<u>-</u>	(<u>319,441</u>)
Z1	Balance on December 31, 2022	914,470	1,747,491	706,576	1,590,158	(15,365)	554,876	-	5,498,206
B1	Appropriation of 2022 earnings								
	Legal reserve	-	-	57,411	(57,411)	-	-	-	-
B5	Cash dividends	-	-	-	(365,788)	-	-	-	(365,788)
C5	Equity components recognized for the issuance of convertible corporate bonds	-	43,937	-	-	-	-	-	43,937
E1	Capital increase in cash	100,000	1,450,000	-	-	-	-	-	1,550,000
I1	Conversion of convertible corporate bonds	5	91	-	-	-	-	-	96
M3	Disposal of investments accounted for using the equity method	-	-	-	10,980	-	(10,980)	-	-
M7	Changes in percentage of ownership interest in subsidiaries	-	5,912	-	-	-	(14)	(7,455)	(1,557)
N1	Share-based payment transactions	-	70,472	-	-	-	-	358	70,830
D1	Net income for the year ended December 31, 2023	-	-	-	723,193	-	-	-	723,193
D3	Other comprehensive income for the year ended December 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>126</u>	(<u>7,841</u>)	<u>592,573</u>	<u>-</u>	<u>584,858</u>
D5	Total comprehensive income for the year ended December 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,319</u>	(<u>7,841</u>)	<u>592,573</u>	<u>-</u>	<u>1,308,051</u>
Z1	Balance on December 31, 2023	<u>\$ 1,014,475</u>	<u>\$ 3,317,903</u>	<u>\$ 763,987</u>	<u>\$ 1,901,258</u>	(<u>\$ 23,206</u>)	<u>\$ 1,136,455</u>	(<u>\$ 7,097</u>)	<u>\$ 8,103,775</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche Auditors’ Report dated February 23, 2024)

Chairman: Dang-Liang Yao

Manager: Hsien-Chung Wu

Accountant: Mei-Ying Chiu

(English Translation of the Parent-Company-Only Financial Statements Originally Issued in Chinese)

Actron Technology Corporation

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

Unit: NT\$ thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Net profit before tax for the year	\$ 809,044	\$ 620,979
A20010	Adjustments for:		
A20100	Depreciation expenses	311,063	258,280
A20200	Amortization expenses	5,165	6,411
A20300	Expected credit losses	-	1,316
A20900	Finance costs	88,304	30,444
A21200	Interest income	(16,054)	(2,832)
A21300	Dividend income	(18,000)	(18,396)
A21900	Compensation cost related to share-based payment	69,245	5,021
A22400	Share of profit of investment in subsidiaries, associates and joint ventures accounted for using equity method	(161,500)	(223,177)
A22500	Gain (loss) on disposal of property, plant and equipment	(3,979)	25,823
A23200	Gain on disposal of investments accounted for using the equity method	(672,871)	-
A23700	Impairment loss and obsolescence on inventory	79,723	1,467
A23700	Impairment loss on non-financial assets	176,884	-
A23700	Impairment losses on investments accounted for using the equity method	225,142	-
A24100	Net loss (gain) on foreign currency exchange	910	(4,417)
A30000	Net changes in operating assets and liabilities		
A31150	Trade receivables	(113,959)	(203,681)
A31180	Other receivables	(8,335)	9,229
A31190	Other payables - related parties	1,057	18,489
A31200	Inventory	(251,538)	(141,823)
A31240	Other current assets	90,362	(56,035)
A31990	Other non-current assets	(1,111)	(979)
A32130	Notes payable	(111)	106
A32150	Trade payables	255,086	40,497
A32160	Trade payables to related parties	6,972	39,225
A32180	Other payables	19,236	45,213
A32230	Other current liabilities	40,071	2,818
A33000	Net cash generated from operating activities	930,806	453,978
A33100	Interest received	16,140	2,147
A33200	Dividend received	350,418	136,950
A33300	Interest paid	(83,250)	(28,964)
A33500	Income tax paid	(65,906)	(46,960)
AAAA	Net cash inflows from operating activities	<u>1,148,208</u>	<u>517,151</u>

(to be continued)

(continued)

Code		2023	2022
	Cash flows from investing activities		
B00010	Purchases of financial assets at fair value through other comprehensive income	\$ -	(\$ 101,200)
B00050	Disposal of financial assets at amortized cost	2,000	2,507
B01800	Acquisition of investments accounted for using the equity method	(1,491,750)	(737,299)
B02700	Purchases of property, plant and equipment	(395,374)	(317,308)
B02800	Proceeds from disposal of property, plant and equipment	4,280	3,876
B03800	Decrease in refundable deposits	48,582	39,541
B04500	Purchases of intangible assets	(2,518)	(610)
B07100	Increase in prepayments for equipment	(233,602)	(124,195)
B02000	Increase in prepayments for investments	-	(171,385)
BBBB	Net cash outflows from investing activities	(<u>2,068,382</u>)	(<u>1,406,073</u>)
	Cash flows from financing activities		
C00100	Proceeds from short-term borrowings	-	350,000
C00200	Decrease in short-term borrowings	(350,000)	-
C00600	Decrease in short-term notes and bills payable	-	(100,000)
C01200	Issuance of corporate bonds	800,740	-
C01600	Proceeds from long-term borrowings	3,510,000	1,800,000
C01700	Repayments of long-term borrowings	(3,930,000)	(1,280,000)
C04020	Repayments of the principal portion of lease liabilities	(444)	(544)
C04500	Dividend payments	(365,788)	(365,828)
C04600	Capital increase in cash	1,550,000	-
C09900	Exercise of right of disgorgement	-	1,024
C09900	Cancellation of restricted shares	-	(500)
CCCC	Net cash inflows from financing activities	<u>1,214,508</u>	<u>404,152</u>
EEEE	Net increase (decrease) in cash and cash equivalents	294,334	(484,770)
E00100	Cash and cash equivalents at the beginning of the year	<u>441,477</u>	<u>926,247</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 735,811</u>	<u>\$ 441,477</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche Auditors' Report dated February 23, 2024)

Chairman: Dang-Liang Yao Manager: Hsien-Chung Wu Accountant: Mei-Ying Chiu

Actron Technology Corporation

Notes to financial statements

For the years ended December 31, 2023 and 2022

(Unless otherwise stated, in thousands of New Taiwan Dollars)

1. History

Actron Technology Corporation (the "Company") was established in November, 1998 in accordance with the Company Act of the Republic of China. The Company's main businesses are (1) manufacture of power generation, transmission and distribution machinery; (2) wholesale of electronic materials; (3) retail sale of electronic materials; (4) manufacture export; (5) international trade; (6) manufacture of electronic components.

The Company's shares have been listed on the Taipei Exchange since April, 2006.

The financial statements of the Company are presented in the Company's functional currency, the New Taiwan Dollar.

Since October 2023, the Company's ultimate parent company has been Sino-American Silicon Products Inc. (referred to as "Sino-American Silicon").

2. Date and procedures for approval of financial statements

The financial statements were approved by the Company's board of directors on February 23, 2024.

3. Application of new, amended and revised standards and interpretations

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC").

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

(2) IFRSs endorsed by the FSC for application starting from 2024

New, amended and revised standards and interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Lease Liability in A Sale-and-Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee applies the amendments to IFRS16 retrospectively to sale and leaseback transactions entered into after the date of initial application.

Note 3: The initial application of the amendments is exempted from certain disclosure requirements.

As of the date the financial statements were authorized for issue, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on its assessment.

(3) New IFRSs in issue by IASB but not yet endorsed and issued into effect by the FSC

New, amended and revised standards and interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied for annual reporting periods beginning on or after January 1, 2025. When the amendments are applied for the first time, the effect will be recognized in the retained earnings on the date of the initial application. When the Company uses a non-functional currency as the presentation currency, the effect will be adjusted with respect to the exchange differences of foreign operations under equity on the date of initial application.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. Summary of significant accounting policies

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs, are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date;

2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
3. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the Company's financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order to match the amounts of the net income, other comprehensive income for the year and total equity in this parent company only financial statements with those attributable to the owners of the Company in the corresponding consolidated financial statements, differences between the accounting treatments for parent company only and consolidation were adjusted to the "investment accounted for using the equity method", "share of profit of investment in subsidiaries, associates and joint ventures accounted for using equity method", "share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method" and other equity accounts.

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

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the reporting date; and
3. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current liabilities includes:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting date, and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Assets and liabilities that are not classified as current are classified as non-current.

(4) Foreign currency

In preparing the financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

In preparation of the financial statements, The assets and liabilities of foreign operations (including subsidiaries that operate in countries or have a functional currency different from those of the Company), are translated into New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average rate. Exchange differences are recognized in other comprehensive income.

(5) Inventory

Inventories consist of raw materials, finished goods and work in progress and are measured at the lower of cost or net realizable value.

Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Inventory cost is determined using the weighted-average method.

(6) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. In addition, the Company also recognizes the changes in the Company's share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity for any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit for the period.

When assessing impairment, the Company considers the cash-generating units and compares the recoverable amount and carrying amount based on the entirety of the financial statements. If the recoverable amount of the investment subsequently increases, the Company recognizes a gain as a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount, in which no impairment losses were recognized, net of amortization. Any impairment loss recognized for goodwill is not reversible in subsequent periods.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value on the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the investment on the date when control is lost is recognized in profit or loss. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Unrealized profit or loss resulting from downstream transactions between the Company and subsidiaries is eliminated in full in the financial statements. Profit and loss resulting from upstream transactions between the Company and subsidiaries and transactions between subsidiaries is recognized in the financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(7) Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is not a subsidiary or a joint venture. Joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates and joint ventures in proportional to its percentage of shareholding.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities at the date of acquisition over the cost of acquisition is recognized immediately in profit or loss.

When an associate or a joint venture issues new shares and the Company subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to capital surplus - changes in equity of investment in associates and joint ventures accounted for using equity method and investment accounted for using the equity method. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture at a percentage different from its existing ownership percentage, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and joint venture (which includes any carrying amount of the investment in associates and joint ventures accounted for using equity method and other long-term interests that, in substance, form part of the Company's net investment in the associate), equals or exceeds its interest in that associate and joint venture, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the difference between the fair value and proceeds from disposal, and the carrying amount of the associate and joint venture attributable to the retained interest is recognized in profit or loss for the current period. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate and joint venture had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company shall continue to apply the equity method without remeasuring the retained interest.

When the Company transacts with its associate and joint ventures, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of

interests in the associate and joint venture that are not related to the Company.

(8) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment under construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. These assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each fiscal year, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Intangible assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis within useful lives. The estimated useful lives, residual values and amortization methods are reviewed at the end of each fiscal year, with the effects of any changes in the accounting estimates for on a prospective basis.

2. Derecognition

On derecognition of an intangible assets, the difference between the disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(10) Impairment of property, plant and equipment, right-of-use asset, and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit, less amortization or depreciation. A reversal of an impairment loss is recognized in profit or loss.

(11) Financial instruments

Financial assets and financial liabilities are recognized in the balance sheets when the Company becomes a party to the contractual provisions of the instruments.

On initial recognition of a financial asset or a financial liability, if the financial asset or financial liability is not measured at fair value through profit or loss, it is measured at fair value plus any transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

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

(1) Measurement category

The Company's financial assets are classified into the following categories: financial assets at fair value through profit or loss ("FVTPL"), financial assets at amortized cost and equity instruments at fair value through other comprehensive income ("FVTOCI").

A. Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividend or interest earned on the financial assets are recognized as other income and interest income. Any gains or losses arising on remeasurement are recognized in other profit or loss. Fair value is determined in the manner described in Note 28.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset from the second reporting period after the impairment.

A financial asset is credit impaired when: there are significant financial difficulty of the issuer or borrower or a breach of contract; it is probable that the borrower will enter bankruptcy or other financial reorganization; or the

disappearance of an active market for a financial asset due to financial difficulties.

Cash equivalents include time deposits and bonds sold under repurchase agreement with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments, which are not held for trading or as contingent consideration recognized by an acquirer in a business combination, as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of Financial assets

The Company measures the impairment loss based on expected credit losses("ECLs") on financial assets at amortized cost (including trade receivables) on each balance sheet date.

The Company measures a loss allowance at an amount equal to lifetime ECLs on trade receivables. For other financial assets, the Company recognizes the loss allowance for 12 months ECLs if there has not been a significant increase in credit risk since initial recognition or recognizes the loss allowance for the lifetime ECLs if such credit risk has significantly increased since initial recognition.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

(3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the assets expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity

instrument at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings, without recycling through profit or loss.

2. Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

The Company's all financial liabilities are measured at amortized cost using the effective interest method.

(2) Derecognition of financial Liabilities

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

(12) Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

According to contracts, sales of goods and trade receivables are recognized as revenue on shipment or when the goods are delivered to the customer's specific location because it is the time when the customer has full

discretion over setting price and rights of use, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

(13) Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2. The Company as lessor

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for low-value asset leases accounted for by applying a recognition exemption and short-term leases where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(14) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the costs of these assets, until the time when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, borrowing costs are recognized in profit or loss in the period in which they are incurred.

(15) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including service costs for current period) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense on occurrence. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(16) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current income tax

According to the Income Tax Law in the R.O.C, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax

consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

(17) Share-based payment agreement

Restricted shares granted to employees

The fair value at the grant date of restricted shares is expensed over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding adjustment to capital surplus - other equity (unearned employee compensation). It is recognized as an expense in full at the grant date if vested immediately.

When the Company issues restricted shares, it credits other equity (unearned employee compensation) with a corresponding increase in capital surplus - restricted shares.

The Company adjusts its estimation of the number of restricted shares that are expected to ultimately vest on each balance sheet date. The effect of any change to the estimation is recognized in profit or loss where the accumulated expenses ultimately reflects the overall adjustment to its estimation with a corresponding change in capital surplus - restricted shares.

Employee stock warrants granted to employees

The fair value of equity instrument at the grant date of employee stock warrants is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding adjustment to capital surplus - employee stock warrants. It is recognized as an expense in full at the grant date if vested immediately.

The Company adjusts its estimation of the number of employee stock warrants expected to vest on each balance sheet date. The effect of any change to the estimation is recognized in profit or loss where the accumulated expenses ultimately reflects the overall adjustment to its estimation with a corresponding change in capital surplus - employee stock warrants.

Equity-settled share-based payment agreement for the employees of subsidiaries

The Company grants employee stock options settled with its equity instruments to the employees of subsidiaries. The stock options are regarded as a capital contribution to the subsidiaries, measured based on the fair value of the equity instruments on the grant date, and recognized as an increase in the carry amount of investments in the subsidiaries over the vesting period. A corresponding adjustment is made to the capital surplus - employee stock options.

(18) Convertible corporate bonds

The components of the compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities and equity based on the substance of the contractual agreement and the definitions of a financial liability and an equity instrument at the time of initial recognition.

At the time of initial recognition, the fair value of a liability component is estimated using the prevailing market interest rate of a similar non-convertible instrument. It is measured at amortized cost calculated using the effective interest method before the conversion or maturity date. Liability components embedded in non-equity derivatives are measured at fair value.

Conversion options classified as equity are equal to the remaining amount of the fair value of the compound instruments as a whole less the fair value of the liability components determined separately. The conversion options net of the income tax effect are recognized as equity and not subsequently measured. When the conversion options are exercised, their

related liability components and the amount in equity will be transferred to share capital and capital reserves - issuance premium. If the conversion option of convertible corporate bonds has not been exercised on the maturity date, the amount recognized in equity will be transferred to capital reserves - issuance premium.

The transaction cost related to the issuance of the convertible corporate bonds is amortized to the liability (included in the carrying amount of liabilities) and equity components (included in equity) of the instruments in proportion to the total proceeds.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about information that are not readily apparent from other sources. Actual results may differ from these estimates.

In developing critical accounting estimates, revisions to the estimates are recognized in the period in which they are made if they affect only that period; they are recognized in the period in which they are made and future periods if they affect both current and future periods. The management will continuously review estimates and underlying assumptions.

6. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 122	\$ 427
Checking accounts and demand deposits	418,911	318,210
Cash equivalents		
Bonds sold under repurchase agreement	123,743	122,840
Time deposits with original maturity within three months	193,035	-
	<u>\$ 735,811</u>	<u>\$ 441,477</u>

The interest rate ranges for demand deposits, bonds sold under repurchase agreement and time deposits with original maturity within three months on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Demand deposits	0% ~ 5.2%	0% ~ 3.8%
Cash equivalents		
Bonds sold under repurchase agreement	5.5%	4.10% ~ 4.35%
Time deposits with original maturity within three months	3.1% ~ 5.7%	-

7. Financial assets at fair value through other comprehensive income -non-current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Domestic investments	\$ 682,442	\$ 493,750
Foreign investments	<u>284,652</u>	<u>132,375</u>
	<u>\$ 967,094</u>	<u>\$ 626,125</u>

The above investments are held for medium to long-term strategic purposes and expected to generate return over the long run. Accordingly, the management elected to designate these investments as at financial assets at fair value through other comprehensive income as it believes that recognizing the short-term fluctuations of fair value in profit or loss would not be consistent with the Company's long-term investment strategy.

8. Financial assets at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current		
Time deposits with original maturity over three months	<u>\$ 12,250</u>	<u>\$ 14,250</u>

(1) As of December 31, 2023 and 2022, the market annual interest rate ranges for time deposits with original maturity over three months were 1.16% and 0.975% ~ 1.035%, respectively.

(2) Please refer to Note 30 for information related to investments in financial assets at amortized cost pledged as securities.

9. Trade receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
At amortized cost		
Gross carrying amount	\$ 730,688	\$ 639,906
Less: Allowance for impairment loss	(<u>2,083</u>)	(<u>2,083</u>)
	728,605	637,823
At fair value through profit or loss	<u>62,514</u>	<u>45,739</u>
	<u>\$ 791,119</u>	<u>\$ 683,562</u>

(1) Trade receivables at amortized cost

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The lifetime expected credit losses are estimated by reference to the past default history of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the overall economic condition and industry outlook. As of December 31, 2023 and 2022, the expected credit loss rates on trade receivables were both 0.01% ~ 100%.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, such as liquidation of the debtor; for trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The aging of trade receivables was as follows:

	December 31, 2023	December 31, 2022
Not past due	\$ 706,485	\$ 512,827
Past due within 60 days	24,196	126,124
Past due 61 to 90 days	-	908
Past due 91 to 120 days	7	-
Past due over 121 days	-	47
Total	<u>\$ 730,688</u>	<u>\$ 639,906</u>

The aging of trade receivables above was based on number of past due days.

The movements of the loss allowance of trade receivables were as follows:

	2023	2022
Beginning balance	\$ 2,083	\$ 767
Add: Impairment loss for the period	<u>-</u>	<u>1,316</u>
Ending balance	<u>\$ 2,083</u>	<u>\$ 2,083</u>

(2) Trade receivables at fair value through profit or loss

The Company will sell its trade receivables to banks without recourse, and the risk and return associated to these trade receivables are mostly transferred to banks upon the sale resulting in the derecognition of these trade receivables from the balance sheet. The objective of the Company's business model is not to hold these trade receivables to collect the contractual cash flows or achieve objective by both collecting contractual cash flows and selling financial assets, so these trade receivables are measured at fair value.

10. Inventory

	December 31, 2023	December 31, 2022
Finished good	\$ 351,275	\$ 308,217
Work in progress	178,708	146,464
Raw materials	<u>332,424</u>	<u>235,911</u>
	<u>\$ 862,407</u>	<u>\$ 690,592</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 were NT\$3,385,357 thousand and NT\$2,554,145 thousand, respectively. The impairment and obsolescence losses on inventories included in cost of goods sold were NT\$79,723 thousand and NT\$1,467 thousand, respectively.

11. Investments accounted for using the equity method

	December 31, 2023	December 31, 2022
Investments in subsidiaries	\$ 2,668,841	\$ 1,049,680
Investments in Associates	1,440,318	1,311,702
Investments in Joint Ventures	<u>1,348,932</u>	<u>911,713</u>
	<u>\$ 5,458,091</u>	<u>\$ 3,273,095</u>

(1) Investments in subsidiaries

	December 31, 2023	December 31, 2022
Smooth International Limited Corporation	\$ 419,642	\$ 423,973
Ding-Wei Technology Co., Ltd.	257,527	383,449
Rec Technology Corporation	89,962	73,949
Bigbest Solutions, Inc.	72,197	168,309
Mosel Vitelic Inc.	<u>1,829,513</u>	<u>-</u>
	<u>\$ 2,668,841</u>	<u>\$ 1,049,680</u>

Subsidiary	Interest of ownership and percentage of voting rights	
	December 31, 2023	December 31, 2022
Smooth International Limited Corporation	100%	100%
Ding-Wei Technology Co., Ltd.	100%	100%
Rec Technology Corporation	49%	49%
Bigbest Solutions, Inc.	28%	28%
Mosel Vitelic Inc.	29%	-

The Company holds 28% equity of Bigbest Solutions, Inc. and is the single shareholder holding the largest portion of equity and had the ability to control the relevant activities by directing and monitoring investee's strategies on finance, operation and human resource. Thus, the investee is deemed as a subsidiary of the Company.

Considering its long-term operational development, the Company has increased its involvement in the supply chain by acquiring 19,000 thousand ordinary shares of Mosel Vitelic Inc. on November 28, 2022. On June 2, 2023, the Company had the de facto ability to direct the company's activities related to finance, business, and human resources by directing and monitoring its relevant strategies. Thus, Mosel Vitelic Inc. has been reclassified from an associate to a subsidiary since June 2023. Please refer to Note 25.

(2) Investments in Associates

Material Associates

Company Name	Main business activity	Main business location	% of Ownership and Voting Rights	
			December 31, 2023	December 31, 2022
Mosel Vitelic Inc.	Semiconductors	Hsinchu City	-	30%
Excelliance MOS Corporation	Semiconductors	Hsinchu City	29%	-

In the Company's board of directors' meeting on January 11, 2023, approved the subscription to the ordinary shares to be issued for the cash capital increase through the private placement of Excelliance MOS Corporation, and the Company obtained 15,000 thousand ordinary shares of Excelliance MOS Corporation.

The Level 1 fair value of associate with open market price is as follow:

Company Name	December 31, 2023	December 31, 2022
Mosel Vitelic Inc.	\$ -	\$ 1,740,935
Excelliance MOS Corporation	\$ 1,980,000	\$ -

- (3) The share of profit (loss) and other comprehensive income of subsidiaries and associates accounted for using the equity method in 2023 and 2022 were recognized based on investees' CPA-audited financial statements for the same periods. Some of the financial statements were not reviewed by us but by other auditors.

Both Excelliance MOS Corporation and Mosel Vitelic Inc. are listed companies in Taiwan. Their relevant financial information can be found on the Market Observation Post System, so their aggregate financial information is not disclosed.

- (4) Investments in Joint Ventures

Material Joint Ventures

Company Name	Main business activity	Main business location
Hong Wang Investment Co., Ltd.	Investment	New Taipei City
	December 31, 2023	December 31, 2022
% of Ownership	30%	30%
% of Voting Rights	37%	37%

The Company uses the equity method to account for its investments in joint ventures above.

The summarized financial information below was prepared using the joint ventures' consolidated financial statements under IFRSs with adjustments for using the equity method.

Hong Wang Investment Co., Ltd.

	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 70	\$ 1,405
Current asset	\$ 70	\$ 1,405
non-current assets	4,909,800	3,494,475
Current liabilities	(413,430)	(456,837)
Equity	\$ 4,496,440	\$ 3,039,043
The Company's percentage of ownership	30%	30%
Equity attributable to the Company	\$ 1,348,932	\$ 911,713
Carrying amount	\$ 1,348,932	\$ 911,713

	2023	2022
Operating revenue	\$ 255,450	\$ 200,400
Net profit for the period	\$ 217,542	\$ 194,957
Other comprehensive income	1,415,325	(2,417,325)
Total comprehensive income	\$ 1,632,867	(\$ 2,222,368)

12. Property, plant and equipment

	Freehold Land	Building	Machinery Equipment	Transportatio n Equipment	Other Equipment	Property under construction	Total
<u>Cost</u>							
Balance on January 1, 2023	\$ 405,764	\$ 1,382,347	\$ 1,879,577	\$ 4,654	\$ 338,240	\$ 827,584	\$ 4,838,166
Additions	-	164,360	664,471	2,400	38,287	7,959	877,477
Disposals	-	(13,421)	(29,384)	(1,674)	(11,116)	-	(55,595)
Reclassifications	-	829,873	-	-	-	(829,873)	-
Balance on December 31, 2023	<u>\$ 405,764</u>	<u>\$ 2,363,159</u>	<u>\$ 2,514,664</u>	<u>\$ 5,380</u>	<u>\$ 365,411</u>	<u>\$ 5,670</u>	<u>\$ 5,660,048</u>
<u>Accumulated depreciation and impairment</u>							
Balance on January 1, 2023	\$ -	\$ 700,132	\$ 1,088,352	\$ 2,215	\$ 232,463	\$ -	\$ 2,023,162
Disposals	-	(13,421)	(29,384)	(1,674)	(10,815)	-	(55,294)
Impairment losses	-	40,904	123,808	-	11,955	-	176,667
Depreciation expenses	-	67,439	209,035	739	33,406	-	310,619
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 795,054</u>	<u>\$ 1,391,811</u>	<u>\$ 1,280</u>	<u>\$ 267,009</u>	<u>\$ -</u>	<u>\$ 2,455,154</u>
Net balance on December 31, 2023	<u>\$ 405,764</u>	<u>\$ 1,568,105</u>	<u>\$ 1,122,853</u>	<u>\$ 4,100</u>	<u>\$ 98,402</u>	<u>\$ 5,670</u>	<u>\$ 3,204,894</u>
<u>Cost</u>							
Balance on January 1, 2022	\$ 405,764	\$ 1,368,718	\$ 1,516,255	\$ 6,929	\$ 278,526	\$ 677,005	\$ 4,253,197
Additions	-	7,124	431,571	2,400	60,945	157,084	659,124
Disposals	-	-	(68,249)	(4,675)	(1,231)	-	(74,155)
Reclassifications	-	6,505	-	-	-	(6,505)	-
Balance on December 31, 2022	<u>\$ 405,764</u>	<u>\$ 1,382,347</u>	<u>\$ 1,879,577</u>	<u>\$ 4,654</u>	<u>\$ 338,240</u>	<u>\$ 827,584</u>	<u>\$ 4,838,166</u>
<u>Accumulated depreciation</u>							
Balance on January 1, 2022	\$ -	\$ 638,247	\$ 964,265	\$ 5,979	\$ 201,392	\$ -	\$ 1,809,883
Disposals	-	-	(38,920)	(4,532)	(1,004)	-	(44,456)
Depreciation expenses	-	61,885	163,007	768	32,075	-	257,735
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 700,132</u>	<u>\$ 1,088,352</u>	<u>\$ 2,215</u>	<u>\$ 232,463</u>	<u>\$ -</u>	<u>\$ 2,023,162</u>
Net balance on December 31, 2022	<u>\$ 405,764</u>	<u>\$ 682,215</u>	<u>\$ 791,225</u>	<u>\$ 2,439</u>	<u>\$ 105,777</u>	<u>\$ 827,584</u>	<u>\$ 2,815,004</u>

The Company's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plants	50~51 years
Mechanical and electrical equipment and engineering systems	11 years
Machinery Equipment	6 years
Transportation Equipment	6 years
Other Equipment	3~6 years

Please refer to Note 30 for information related to the property, plant and equipment pledged as security.

13. Lease arrangements

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying Amount		
Transportation Equipment	\$ <u>450</u>	\$ <u>894</u>
	2023	2022
Additions to right-of-use assets	\$ <u>-</u>	\$ <u>1,264</u>
Depreciation expenses for right-of-use assets		
Transportation Equipment	\$ <u>444</u>	\$ <u>545</u>

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying Amount		
Current	\$ 390	\$ 444
Non-current	<u>63</u>	<u>453</u>
	\$ <u>453</u>	\$ <u>897</u>

Ranges of discount rate for lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Transportation Equipment	0.85%	0.85%

(3) Other lease information

	2023	2022
Expenses relating to short-term leases	\$ <u>2,320</u>	\$ <u>2,313</u>
Expenses relating to low-value asset leases	\$ <u>130</u>	\$ <u>201</u>
Total cash (outflow) for leases	(\$ <u>2,900</u>)	(\$ <u>3,066</u>)

The Company applies a recognition exemption for some asset leases that were short-term and low-value and does not recognize right-of-use assets and lease liabilities for such leases.

14. Intangible assets

	December 31, 2023	December 31, 2022
<u>Carrying amount of each category</u>		
Software	\$ <u>4,739</u>	\$ <u>7,603</u>

In consideration of future business plans and the existing need for capacity, the recoverable amount of the said asset's value in use has fallen below its carrying amount. Hence, the Company recognized an impairment loss of NT\$217 thousand in other gains and losses in the consolidated statement of comprehensive income in 2023.

Amortization expenses were recognized on a straight-line basis over intangible assets' estimated useful lives as follows:

Software	5 years
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15. Other assets

	December 31, 2023	December 31, 2022
<u>Current</u>		
Overpaid sales tax	\$ 1,425	\$ 39,260
Refundable deposits	53,542	53,551
Prepayments	8,600	61,127
	<u>\$ 63,567</u>	<u>\$ 153,938</u>
<u>Non-current</u>		
Refundable deposits	\$ 10,252	\$ 63,803
Prepayments for investments	-	171,385
Net defined benefit assets	6,814	7,119
	<u>\$ 17,066</u>	<u>\$ 242,307</u>

16. Borrowings

(1) Short-term borrowings

	December 31, 2023	December 31, 2022
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 1,350,000</u>	<u>\$ 1,700,000</u>

The interest rate ranges for the revolving bank loans as of December 31, 2023 and 2022 were 1.61% ~ 1.71% and 1.25% ~ 2.05%, respectively.

(2) Long-term borrowings

	December 31, 2023	December 31, 2022
<u>Secured borrowings</u>		
Bank loans	\$ -	\$ 150,000
<u>Unsecured borrowings</u>		
Bank loans	950,000	1,220,000
Less: portion with maturity less than 1 year	(196,667)	(190,588)
Long-term borrowings	<u>\$ 753,333</u>	<u>\$ 1,179,412</u>
Interest rates	1.60% ~ 1.70%	1.48% ~ 1.725%
	January 18, 2026 -	November 24, 2024 -
Maturity	January 15, 2029	January 25, 2029

The collateral loans were secured by the Company's freehold land and buildings, please refer to Note 30 for the details. The use of fund is to replenish mid-to-long-term operating capital.

17. Other payables

	December 31, 2023	December 31, 2022
Payables for salaries and bonuses	\$ 201,048	\$ 207,357
Payables for annual leaves	21,009	17,622
Payables for equipment	47,422	17,300
Others	101,365	79,424
	<u>\$ 370,844</u>	<u>\$ 321,703</u>

18. Corporate bonds payable

	December 31, 2023	December 31, 2022
Domestic unsecured convertible corporate bonds	\$ 799,900	\$ -
Less: Discounts on corporate bonds	(37,861)	-
	<u>\$ 762,039</u>	<u>\$ -</u>

Domestic unsecured convertible corporate bonds

On August 9, 2023, the Company issued 8 thousand NTD-denominated unsecured convertible corporate bonds with a face value of NT\$100 thousand each and an interest rate of 0% at 100.5% of the face value. The principal totaled NT\$800,000 thousand. The issuance period is three years, starting on August 9, 2023 and ending on August 9, 2026. Yuanta Commercial Bank Co., Ltd. is the trustee of the bondholders of the convertible corporate bonds.

Unless the bondholders of the convertible corporate bonds apply for conversion to the ordinary shares of the Company or the Company repurchases the convertible corporate bonds from securities firms for cancellation, the Company will repay the convertible corporate bonds in cash on a lump sum basis within ten days after the maturity date thereof.

From the day following the expiration of three months after the date of issue of the convertible corporate bonds (November 10, 2023) to the maturity date (August 9, 2026), the bondholders may request the Company to convert the convertible corporate bonds to the ordinary shares at any time except (1) when the transfer of ordinary shares is suspended in accordance with the law; (2) during the period from 15th business day prior to the book closure date for stock grants, the book closure date for cash dividends, or the book closure date

for cash capital increase subscription to the rights distribution record date; (3) from the record date for capital reduction to the day prior to the start date of the trading of new shares issued to replace old shares for the capital reduction; (4) from the start date of the cessation of conversion for the change of the face value of shares to the day prior to the start date of the trading of newly-issued shares.

August 1, 2023 was fixed as the base date for setting the conversion price of the convertible corporate bonds. The simple arithmetic mean of the closing prices of the Company's ordinary shares for either the business day, three business days, or five business days prior to the base date (excluded) is used as the base price. The base price is then multiplied by the conversion premium rate of 115.7% to calculate the conversion price (calculated and rounded up to the nearest NT\$0.1). If the ex-right date or ex-dividend date is before the base date, the sample closing prices used to calculate the conversion price shall be imputed as the post-ex-right or post-ex-dividend prices; if the ex-right date or ex-dividend date falls within the period from the day the conversion is determined to the actual issue date, the conversion price shall be adjusted according to the conversion price adjustment formula. Based on the above methods, the conversion price of the convertible corporate bonds was set at NT\$210 per share at issue.

Due to the issuance of ordinary shares for a cash capital increase, the conversion price shall be adjusted in accordance with the Regulations Governing the Initial Issuance and Conversion of Domestic Unsecured Convertible Corporate Bonds. As a result, the price for the initial conversion of the domestic unsecured convertible corporate bonds was adjusted from NT\$210 to NT\$208 on September 25, 2023.

The convertible corporate bonds include liability and equity components. The equity components are stated as capital reserves - stock warrants in equity. The effective interest rate initially recognized for the liability components was 1.8659%.

Issue proceeds (less the transaction cost and the adjustments related to income tax effects)	\$ 800,740
Equity components (less the transaction cost allocated to equity and the adjustments related to income tax effects)	(43,937)
Deferred tax assets	<u>36</u>
Liability components on the issue date (less the transaction cost allocated to liabilities)	756,839
Interest is calculated at the effective interest rate of 1.8659%	5,296
Conversion of corporate bonds payable into ordinary shares	(<u>96</u>)
Liability components as of December 31, 2023	<u>\$ 762,039</u>

19. Retirement benefit plans

(1) Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(2) Defined benefit plan

The Company adopted the defined benefit plan under the Labor Standards Law, which is a state-managed defined contribution plan. Under this plan, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, if the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 27,282	\$ 25,274
Fair value of plan assets	(34,096)	(32,393)
Net defined benefit liabilities (assets)	(\$ 6,814)	(\$ 7,119)

Movement in net defined benefit liabilities (assets):

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance on January 1, 2023	\$ 25,274	(\$ 32,393)	(\$ 7,119)
Service cost			
Service cost for the period	-	-	-
Interest expense (income)	379	(493)	(114)
Recognized in profit or loss	379	(493)	(114)
Remeasurement			
Return on plan assets (net of amount included in net interests)	-	(213)	(213)
Actuarial loss - changes in demographic assumptions	108	-	108
Actuarial gain - changes in financial assumption	774	-	774
Actuarial gain- experience adjustments	747	-	747
Recognized in other comprehensive income	1,629	(213)	1,416
Benefits paid	(-)	-	-
Contributions from employer	-	(997)	(997)
Balance on December 31, 2023	\$ 27,282	(\$ 34,096)	(\$ 6,814)
Balance on January 1, 2022	\$ 29,877	(\$ 30,592)	(\$ 715)
Service cost			
Service cost for the period	-	-	-
Interest expense (income)	149	(155)	(6)
Recognized in profit or loss	149	(155)	(6)
Remeasurement			
Return on plan assets (net of amount included in net interests)	-	(2,497)	(2,497)
Actuarial loss - changes in demographic assumptions	171	-	171
Actuarial gain - changes in financial assumption	(3,377)	\$ -	(3,377)
Actuarial gain- experience adjustments	278	-	278
Recognized in other comprehensive income	(2,928)	(2,497)	(5,425)
Benefits paid	(1,824)	1,824	-
Contributions from employer	-	(973)	(973)
Balance on December 31, 2022	\$ 25,274	(\$ 32,393)	(\$ 7,119)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest risk: A decrease in the treasury bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on the valuation date were as follows:

The mortality rates for the year 2023 and 2022 were based on the sixth and fifth Taiwan Standard Ordinary Experience Mortality Table, respectively.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.5%
Expected growth rate of salary	3%	3.0%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.25% increase	(\$ <u>774</u>)	(\$ <u>762</u>)
0.25% decrease	<u>\$ 805</u>	<u>\$ 794</u>
Expected growth rate of salary		
0.25% increase	<u>\$ 777</u>	<u>\$ 769</u>
0.25% decrease	(\$ <u>752</u>)	(\$ <u>742</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2023	December 31, 2022
The expected contributions to the plan for the next year	\$ <u>1,056</u>	\$ <u>971</u>
The average duration of the defined benefit obligation	11.6 years	12.3 years

20. Equity

(1) Share capital

Ordinary shares

	December 31, 2023	December 31, 2022
Number of shares authorized (in thousand shares)	<u>300,000</u>	<u>300,000</u>
Authorized share capital	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>101,447</u>	<u>91,447</u>
Share capital issued	\$ <u>1,014,475</u>	\$ <u>914,470</u>

The change in the Company's equity was mainly due to employees' resignation, the cancellation and recall of new restricted employee shares, and the resolution of the board of directors on May 3, 2023 to issue 10,000 thousand new shares at a par value of NT\$10 per share for a cash capital increase. The shares were issued at a premium of NT\$155 per share, and after the capital increase, the paid-in capital amounted to NT\$1,014,470 thousand. The above-mentioned cash capital increase was approved and registered effectively with the Securities and Futures Bureau of the Financial Supervisory Commission on July 20, 2023, and the board of directors resolved to set September 25, 2023 as the capital increase record date. The change registration was completed in October 2023. In addition, as of December 31, 2023, the holders of the unsecured corporate bonds issued by the Company for the first time have requested to convert 480 ordinary shares at NT\$208 per share. February 26, 2024 was set as the record date. The Company has not applied for a change of registration

with the Ministry of Economic Affairs as of the date of approval of the release of the financial statements.

(2) Capital surplus

	December 31, 2023	December 31, 2022
<u>Available for offsetting deficits, distributing cash or transferring to share capital (1)</u>		
Additional paid-in capital	\$ 3,182,887	\$ 1,711,680
Corporate bond conversion premium	96	-
Treasury Shares	27,193	27,193
Difference between consideration and carrying amount of subsidiaries acquired or disposed	3,562	3,562
<u>Limited to offsetting deficits</u>		
Recognized changes in ownership interests in subsidiaries (2)	5,912	-
Changes in equity of investment in associates and joint ventures accounted for using equity method	-	-
Exercise of right of disgorgement	1,024	1,024
<u>May not be used for any purpose</u>		
Employee stock warrants	53,297	4,032
Equity components of the convertible corporate bonds issued by the Company	43,932	-
	<u>\$ 3,317,903</u>	<u>\$ 1,747,491</u>

1. Capital surplus in this category may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash or transferred to share capital, limited to a certain percentage of the Company's paid-in capital each year.
2. This type of capital surplus represents the equity transaction effects recognized due to changes in the equity of subsidiaries that the Company has not actually acquired or disposed of, or the adjustments to the capital surplus of subsidiaries recognized by the Company using the equity method. The change in 2023 was caused by the issuance of restricted shares by the subsidiary Mosel Vitelic Inc.

(3) Retained earnings and dividend policy

The Company stipulates that the Company's board of directors is authorized to adopt a special resolution to pay distributable dividends and bonuses in the form of cash, which shall be reported to the shareholders' meeting.

In accordance with the Company's amended Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside 10% of the remaining profit as legal reserve, and setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit together with any undistributed retained earnings from prior years shall be used by the board of directors as the basis for proposing a distribution plan for the resolution in a shareholders' meeting. In the event that whole or part of the dividend and bonus is paid in cash, the distribution can be made by a majority vote at a board of directors' meeting attended by over two-thirds of the directors and reported to the shareholders' meeting.

The Company's dividend policy is based on the Company's earnings and considerations of the future funding needs and impact of taxation on the Company and its shareholders, as well as the Company's sustainable development and the steady growth of earnings per share. The cash dividend shall not be less than 50% of the total dividend, and the distribution shall be made after the resolution by a shareholders' meeting. Please refer to Note 21 (6) Employee compensation and director remuneration for the distribution policy for employee and director remuneration as provided in the Company's Articles of Incorporation.

The amendment to the Company's Articles of Incorporation was approved by its Shareholders' Meeting on May 27, 2022. It has expressly stipulated that when the Company appropriated the special capital reserve lawfully, it shall allocate an amount of special reserve for any difference between the amount it has already allocated and the amount of special reserve equal to the "cumulative amount of net increase in fair value of investment property in a preceding period" and the "cumulative net amount of other deductions from equity in a preceding period" it is required to allocate. If there remains any insufficiency, the Company shall allocate the special reserve from the amount of the after-tax net profit for the period, plus

items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 were as follows:

	2022	2021
Legal reserve	\$ 57,411	\$ 47,292
Cash dividends	\$ 365,788	\$ 365,828
Cash dividends per share (NT\$)	\$ 4	\$ 4

The appropriations for cash dividends above had been resolved by the Company's board of directors' meeting on March 8, 2023 and March 9, 2022, respectively; the other proposed appropriations had been resolved by the shareholders' meeting on May 26, 2023 and May 27, 2022.

The Company's appropriation of earnings for 2023 is proposed for resolution in the board of directors' meeting on February 23, 2024.

	2023
Legal reserve	\$ 73,430
Cash dividends	\$ 507,237
Cash dividends per share (NT\$)	\$ 5

The appropriations for cash dividends above had been resolved by the Company's board of directors' meeting and pended for the resolution by the shareholders' meeting to be held on May 24, 2024.

21. Net profit from continuing operations

(1) Other income

	2023	2022
Rental income	\$ 5,338	\$ 5,280
Royalty income	1,692	1,818
Dividend income	18,000	18,396
Others	35,857	22,546
	<u>\$ 60,887</u>	<u>\$ 48,040</u>

(2) Other gains and losses

	2023	2022
Gain (loss) on disposal of property, plant and equipment	\$ 3,979	(\$ 25,823)
Gross gains on foreign exchange	103,729	162,389
Gross losses on foreign exchange	(102,276)	(65,406)
Gain on disposal of investments accounted for using the equity method	672,871	-
Impairment loss on non-financial assets	(176,884)	-
Impairment losses on investments accounted for using the equity method	(225,142)	-
Others	(461)	(212)
	<u>\$ 275,816</u>	<u>\$ 70,948</u>

(3) Finance costs

	2023	2022
Interest on bank loans	\$ 83,002	\$ 30,436
Interest on lease liabilities	6	8
Interest on corporate bonds	<u>5,296</u>	<u>-</u>
	<u>\$ 88,304</u>	<u>\$ 30,444</u>

(4) Depreciation and amortization

	2023	2022
Depreciation expenses by function		
Operating cost	\$ 182,384	\$ 145,418
Operating expense	<u>128,679</u>	<u>112,862</u>
	<u>\$ 311,063</u>	<u>\$ 258,280</u>
Amortization expenses by function		
Operating cost	\$ 354	\$ 491
Operating expense	<u>4,811</u>	<u>5,920</u>
	<u>\$ 5,165</u>	<u>\$ 6,411</u>

(5) Employee benefit expenses

	2023			2022		
	Recognized in operating costs	Recognized in operating expenses	Total	Recognized in operating costs	Recognized in operating expenses	Total
Employee benefit expenses						
Salaries	\$ 369,013	\$ 253,471	\$ 622,484	\$ 320,063	\$ 280,542	\$ 600,605
Labor and health insurance expenses	34,880	18,731	53,611	30,750	17,445	48,195
Defined contribution plan	11,676	9,977	21,653	10,163	14,516	24,679
Defined benefit plan	(67)	(47)	(114)	(3)	(3)	(6)
Share-based payment (Note 24)	14,408	54,837	69,245	243	4,778	5,021
Directors' remuneration	-	19,200	19,200	-	20,748	20,748
Others employee benefit expenses	<u>22,093</u>	<u>18,195</u>	<u>40,289</u>	<u>20,686</u>	<u>16,231</u>	<u>36,917</u>
Total	<u>\$ 452,003</u>	<u>\$ 374,364</u>	<u>\$ 826,368</u>	<u>\$ 381,902</u>	<u>\$ 354,257</u>	<u>\$ 736,159</u>

1. As of December 31, 2023 and 2022, the average numbers of employees were 793 and 714, respectively, and the numbers of directors who were not an employee of the Company were 8 and 7 ,respectively, with a basis consistent with that used for employee benefit expenses.
2. The employee benefit expenses recognized for the years ended December 31, 2023 and 2022 were \$1,029 thousand and \$1,012 thousand, respectively.
3. The employee compensation recognized for the years ended December 31, 2023 and 2022 were \$793 thousand and \$857 thousand, respectively, with a (7)% change of average employee compensation.
4. Supervisors' remuneration for the year and prior year: the Company does not have supervisors, so it is not applicable.
5. The Company pays employee compensation without distinction of sex, religion, race, and etc. The Company constantly evaluate its directors and managers on their performance and achievement, and set the compensation package individually; an annual performance appraisal is given to employees as the basis for promotion, transfer, salary adjustment and bonuses.

(6) Employees' compensation and directors' remuneration

According to the Articles of Incorporation, if there is profit in a fiscal year, the Company shall accrue employees' compensation and directors' remuneration as follows; however, if there is a deficit, the Company shall set aside the amount for offsetting the deficit before the appropriation. The aforementioned profit is the net profit before taxes net of employees' compensation and directors' remuneration.

1. Employees' compensation shall not be less than 5% in the form of share dividend or cash dividend by the resolution in a board of directors' meeting. The recipients include certain qualified employees of the Company's affiliates.
2. Directors' remuneration shall be no more than 3%.

The appropriation of employees' compensation and directors' remuneration shall be reported to the shareholders' meeting.

The appropriations of employees' compensation and directors' remuneration for 2023 and 2022, which were approved by the Company's board of directors on February 23, 2024 and March 8, 2023, respectively, were as follows:

	Cash	
	2023	2022
Employees' compensation	\$ 78,182	\$ 85,238
Directors' remuneration	19,200	20,748

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

There was no difference between the actual amounts of employees' compensation and directors' remuneration paid and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and directors' remuneration resolved by the Company's board of directors' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. Income taxes relating to continuing operations

(1) Major components of income tax recognized in profit or loss are as follows: :

	2023	2022
Current income tax		
In respect of the current year	\$ 86,194	\$ 90,853
Adjustment for prior year	(<u>26,764</u>)	(<u>15,072</u>)
	<u>59,430</u>	<u>75,781</u>
Deferred tax		
In respect of the current year	<u>26,421</u>	(<u>15,354</u>)
Income tax recognized in profit or loss	<u>\$ 85,851</u>	<u>\$ 60,427</u>

A reconciliation of accounting profit and income tax recognized in profit or loss is as follows:

	2023	2022
Profit before tax from continuing operations	<u>\$ 809,044</u>	<u>\$ 620,979</u>
Income before income tax		
Income tax calculated at the statutory rate	\$ 161,809	\$ 124,196

	2023	2022
Net deductible benefits	(50,566)	(45,497)
Non-taxable income	(3,600)	(3,200)
Tax surcharge on surplus retained earnings	4,972	-
Adjustment for current income tax from prior years	(26,764)	(15,072)
Income tax recognized in profit or loss	<u>\$ 85,851</u>	<u>\$ 60,427</u>

(2) Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Total
<u>Deferred tax assets</u>					
Book-tax differences of sales revenue	\$ 16,135	(\$ 7,022)	\$ -	\$ -	\$ 9,113
Unrealized inventory loss	3,439	15,332	-	-	18,771
Payables for annual leaves	3,524	678	-	-	4,202
Unrealized asset losses	-	27,760	-	-	27,760
Others	15,316	19,095	-	36	34,447
	<u>\$ 38,414</u>	<u>\$ 55,843</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 94,293</u>
<u>Deferred tax liabilities</u>					
Unrealized foreign exchange gains	\$ 3,285	\$ 594	\$ -	\$ -	\$ 3,879
Defined benefit plan	1,424	222	(283)	-	1,363
Investment return by foreign operating units	15,216	703	-	-	15,919
Unrealized gains on disposal of investments	-	80,745	-	-	80,745
	<u>\$ 19,925</u>	<u>\$ 82,264</u>	<u>(\$ 283)</u>	<u>\$ -</u>	<u>\$ 101,906</u>

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Total
<u>Deferred tax assets</u>					
Book-tax differences of sales revenue	\$ 8,264	\$ 7,871	\$ -	\$ -	\$ 16,135
Unrealized inventory loss	3,356	83	-	-	3,439
Payables for annual leaves	3,588	(64)	-	-	3,524
Others	5,739	9,577	-	-	15,316
	<u>\$ 20,947</u>	<u>\$ 17,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,414</u>
<u>Deferred tax liabilities</u>					
Unrealized foreign exchange gains	\$ 142	\$ 3,143	\$ -	\$ -	\$ 3,285
Defined benefit plan	143	196	1,085	-	1,424
Investment return by foreign operating units	16,442	(1,226)	-	-	15,216
	<u>\$ 16,727</u>	<u>\$ 2,113</u>	<u>\$ 1,085</u>	<u>\$ -</u>	<u>\$ 19,925</u>

(3) Income tax assessments

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

23. Earnings per share

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	2023	2022
Net profit attributable to owners of the parent company	\$ 723,193	\$ 560,552
Effect of potentially dilutive ordinary shares:		
After-tax interest on convertible corporate bonds	4,236	-
Earnings used in the computation of diluted earnings per share	<u>\$ 727,429</u>	<u>\$ 560,552</u>

Shares Unit:

thousands of shares

	2023	2022
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	94,105	91,310
Effect of potentially dilutive ordinary shares:		
Convertible corporate bonds	1,528	-
Employee stock warrants	1,013	90
Employees' compensation	<u>508</u>	<u>746</u>
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>97,154</u>	<u>92,146</u>

If the Company settles the employees' compensation in shares or cash, the Company presumed that the entire amount of employees' compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. Share-based payment agreement

Restricted shares

The issuance of restricted shares was resolved by the Company's shareholders' meeting on May 30, 2018 with an actual issuance of 648 thousand shares at the issue price of NT\$50 per share. The Company received the approval by the FSC on December 14, 2018 with the certificate Jin-Guan-Zheng-Fa-Zi No. 1070121188 and set October 22, 2019 as the capital increase record date for the issuance of restricted shares.

Employees who have received or subscribed the restricted shares and yet fulfilled the vesting conditions are bound by the following restrictions:

- (1) Employees shall not sell, pledge, transfer, grant, set guarantee or dispose of the restricted shares in any other ways.
- (2) The restricted shares are eligible for the dividend distribution without any restriction within the vesting period.
- (3) Prior to the fulfillment of vesting conditions, the restricted shareholders are entitled the same rights as those of common stock holders including propose, speak, and vote in a shareholders' meeting and other shareholder's rights.
- (4) After issuance, restricted shares shall be immediately delivered to be under custody of trust institution. Before fulfillment of vesting conditions, employees shall not request for return of such restricted shares by any reason or method.

For those employees who fail to fulfill the vesting conditions, the Company will recall or purchase back and cancel their shares.

The vesting period for the Company's restricted shares issued in 2019 ended in October 2022.

Information of the Company's restricted shares is as follows:

	Number of shares (in thousand shares)
	<u>2022</u>
Beginning balance	193
Cancellation due to employee resignation for the period	(10)
Vested for the period	(183)
Ending balance	<u><u>-</u></u>

Employee stock warrant plan of the Company

The Company granted 3,000 thousand units of employee warrants, of which, each unit is eligible to subscribe to 1 ordinary share, in December 2022. Employees of the Company are entitled to the warrants. The term of all employee stock warrants is 6 years, and the warrant holders can exercise a specific portion of the warrants granted after 2 years after the issuance date. The exercise price of the stock warrants is 75% of the closing price of the Company's ordinary shares on the date of issuance. If any changes are made to the Company's ordinary shares, the exercise price shall be correspondingly adjusted using the specific formula.

Information on employee stock warrants is as follows:

Employee stock warrants	2023		2022	
	Unit (thousand)	Weighted average exercise price (NT\$)	Unit (thousand)	Weighted average exercise price (NT\$)
Outstanding at the beginning of the year	3,000	\$ 115.1	-	\$ -
Number of stock warrants granted in the year	-	-	3,000	115.1
Loss in the year	(50)	115.1	-	-
Number of stock warrants exercised in the year	-	-	-	-
Number of stock warrants expired in the year	-	-	-	-
Outstanding at the end of the year	<u>2,950</u>	-	<u>3,000</u>	-
Number of stock warrants exercisable at the end of the year	<u>-</u>	-	<u>-</u>	-
Weighted average fair value of the stock warrants granted in the year (NT\$)	-	-	\$ <u>68.09</u>	-

Information on outstanding employee stock warrants is as follows:

	December 31, 2023	December 31, 2022
Range of exercise prices (NT\$)	\$ 115.10	\$ 115.10
Weighted average remaining term (year)	5 years	6 years

The employee stock warrants granted in December 2022 were valued using the Black-Scholes model, and the inputs used in the said model were as follows:

	December, 2022
Stock price on the grant date	NT\$153.50
Exercise price	NT\$115.10
Expected volatility	37.42% ~ 42.13%
Term	6 years
Expected dividend yield	0%
Risk-free rate	1.07% ~ 1.11%

Capital increase in cash - shares reserved for subscription by employees

On May 3, 2023, the Company's board of directors resolved to issue 10,000 thousand new shares for a cash capital increase, and 1,380 thousand shares were reserved for subscription by employees in accordance with the Company Act. For shares that are undersubscribed or that the employees waive their rights to subscribe for, the Chairman is authorized to contact specific persons to subscribe for them.

The compensation costs recognized for the years ended December 31, 2023 and 2022 were NT\$69,245 thousand and NT\$5,021 thousand, respectively.

25. Acquisition of an invested subsidiary - Acquisition of control over a business

	Major business activities	Acquisition date	All ownership interests with voting rights/ Percentage of stake acquired (%)	Transfer of consideration
Mosel Vitelic Inc.	Semiconductors	June 2, 2023	30%	\$ <u> -</u>

The acquisition of Mosel Vitelic Inc. by the Company is oriented on its industry strategy. Please refer to Note 27 of the Company's 2023 consolidated financial statements for a description of the acquisition of Mosel Vitelic Inc.

26. Non-cash transactions

For the years ended December 31, 2023 and 2022, the Company has conducted the following non-cash transactions from finance activities:

- (1) Addition of lease liabilities from lease agreements.
- (2) Reclassifications of long-term borrowings with maturity within one year.

27. Capital management

The Company manages its capital to ensure its ability to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company's key management reviews its capital structure on a quarter basis. As part of this review, the key management considers the cost of capital and the risks associated with each class of capital. Based on recommendations

of the key management, the Company may balance its overall capital structure by the means of dividend payment, issuance of new shares, shares buyback, issuance of new debts or repayment of existing debts. The Company is not subject to any externally imposed capital requirements.

28. Financial instruments

(1) Fair value of financial instruments not measured at fair value

Management of the Company considers the carrying amounts of the Company's financial assets and financial liabilities that are not measured at fair value as close to their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	Fair value			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic listed shares	\$ 392,000	\$ -	\$ -	\$ 392,000
Domestic and foreign unlisted shares and investments	-	-	575,094	575,094
	<u>\$ 392,000</u>	<u>\$ -</u>	<u>\$ 575,094</u>	<u>\$ 967,094</u>

December 31, 2022

	Fair value			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic listed shares	\$ 279,000	\$ -	\$ -	\$ 279,000
Domestic and foreign unlisted shares and investments	-	-	347,125	347,125
	<u>\$ 279,000</u>	<u>\$ -</u>	<u>\$ 347,125</u>	<u>\$ 626,125</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

2. Valuation techniques and inputs of measuring Level 3 fair value

<u>Class of financial instruments</u>	<u>Valuation techniques and inputs</u>
Domestic and foreign securities	Using the asset-based approach that assesses the fair value by totaling the value of each asset and liability of the target of evaluation. Using the market approach that derives the value of target from the product of the active market price of a comparable company that operates in the similar industry with similar operation and financial performance and a corresponding market multiplier.

(3) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial asset</u>		
Financial assets mandatorily classified at fair value through profit or loss	\$ 62,514	\$ 45,739
Financial assets at amortized cost (Note 1)	1,575,027	1,238,452
Financial assets at fair value through other comprehensive income	967,094	626,125
<u>Financial liability</u>		
At amortized cost (Note 2)	4,020,355	3,722,120

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, long-term borrowings, notes payable, accounts payable, other payables, and corporate bonds payable.

(4) Financial risk management objectives and policies

The Company's major financial instruments include equity and debt instrument investments, trade receivables, trade payables, borrowings and lease liabilities. The Company's Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using financial derivatives to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written guidelines on foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below). The Company engaged in a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts and currency swaps to hedge the exchange rate risk arising from trading.

(1) Foreign currency risk

The Company engaged in sales and purchases denominated in foreign currencies, which exposed the Company to foreign currency risk. The Company hedged such foreign currency risk using the forward exchange contracts and currency swaps to the extent approved by policy.

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date are provided in Note 33.

Sensitivity analysis

The Company was mainly exposed to the risk of exchange rate fluctuation of the U.S. Dollar and Euro.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollar (the functional currency) against each foreign currency. 1% increase or decrease is

used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A 1% foreign exchange rate change is adjusted to the translation at the end of period. In the following table, a positive number below indicates an increase in pre-tax profit due to a 1% depreciation of the New Taiwan dollar against the foreign currency. For a 1% appreciation of the New Taiwan dollar against the foreign currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

		Impact of USD		Impact of EUR	
		2023	2022	2023	2022
Profit or loss		\$ 9,885 (i)	\$ 8,940 (i)	\$ 1,516 (ii)	\$ 729 (ii)

- i. It was mainly due to the Company's trade receivables and payables denominated in the U.S. Dollar that were outstanding and yet mitigated by a cash flow hedge at the end of the reporting period.
- ii. It was mainly due to the Company's trade receivables and payables denominated in the Euro that were outstanding and yet mitigated by a cash flow hedge at the end of the reporting period.

The management believed the sensitivity analysis did not reflect existing foreign currency risk because the exposure to the foreign currency risk at the end of the reporting period does not fairly represent the risk exposure during the reporting period.

(2) Interest rate risk

The Company was exposed to interest rate risk because it borrowed funds at both fixed and floating interest rates. The risk

is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
- Financial assets	\$ 504,315	\$ 254,444
- Financial liabilities	1,512,492	897
Cash flow interest rate risk		
- Financial assets	307,159	317,953
- Financial liabilities	1,550,000	3,070,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole reporting period. A 10 basis point increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 10 basis point higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$1,243 thousand and NT\$2,752 thousand, respectively.

(3) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes. The Company does not actively trade these investments. In addition, the Company

designated specific team to monitor the price risk and establish the responding strategy.

Sensitivity analysis

The sensitivity analyses below were carried out based on the Company's exposure to equity price on the reporting date.

If the equity price had increased/decreased by 10%, the other comprehensive income after tax for the years ended December 31, 2023 and 2022 would have decreased/increased by NT\$96,709 thousand and NT\$62,613 thousand, respectively, due to an increase/decrease in the fair value of the financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk due to the failure of a counterparty to perform its obligations was the carrying amount of financial assets recognized in the financial statements.

In the balances of accounts receivable as of December 31, 2023 and 2022, the sums of accounts receivable from group customers accounting for more than 10% of the Company's balance of accounts receivable were NT\$600,415 thousand, NT\$526,894 thousand, representing 76% and 77% of the said balances, respectively.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support its operation and minimize the impact of cash flow volatility. The Company's management monitors the use of bank loan facilities and ensures compliance with loan covenants.

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2023 and 2022, the Company's unused bank facilities were set out in (2) borrowing facilities below.

(1) Liquidity and interest rate risk table

The table below summarizes the maturity profile of the Company's non-derivative financial liabilities, in which the payment terms were set, based on the earliest repayment date. The table was prepared with the undiscounted cash flows of financial liabilities that include the cash flows of interests and principles.

December 31, 2023

	On demand or less than 1 month	1~3 months	3 months~1 year	1~5 years	Over 5 years
<u>Non derivative</u> <u>financial</u> <u>liabilities</u>					
Non-interest bearing liabilities	\$ 671,688	\$ 381,552	\$ 126,933	\$ -	\$ -
Lease liabilities	37	69	285	63	-
Debt instruments	<u>1,197,774</u>	<u>201,881</u>	<u>162,996</u>	<u>1,546,578</u>	<u>25,000</u>
	<u>\$1,869,499</u>	<u>\$ 583,502</u>	<u>\$ 290,214</u>	<u>\$1,546,641</u>	<u>\$ 25,000</u>

Maturity profile of lease liabilities is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	Over 20 years
Lease liabilities	<u>\$ 390</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On demand or less than 1 month	1~3 months	3 months~1 year	1~5 years	Over 5 years
<u>Non derivative</u> <u>financial</u> <u>liabilities</u>					
Non-interest bearing liabilities	\$ 397,309	\$ 276,051	\$ 203,739	\$ -	\$ -
Lease liabilities	37	75	337	455	-
Debt instruments	<u>604,174</u>	<u>854,055</u>	<u>458,080</u>	<u>1,084,827</u>	<u>125,844</u>
	<u>\$1,001,520</u>	<u>\$1,130,181</u>	<u>\$ 662,156</u>	<u>\$1,085,282</u>	<u>\$ 125,844</u>

Maturity profile of lease liabilities is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	Over 20 years
Lease liabilities	<u>\$ 449</u>	<u>\$ 455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(2) Borrowing facilities

	December 31, 2023	December 31, 2022
Unsecured bank facility		
-Drawn	\$ 2,300,000	\$ 2,920,000
-Undrawn	<u>2,657,000</u>	<u>2,610,000</u>
	<u>\$ 4,957,000</u>	<u>\$ 5,530,000</u>
Secured bank facility		
-Drawn	\$ -	\$ 150,000
-Undrawn	<u>150,000</u>	<u>-</u>
	<u>\$ 150,000</u>	<u>\$ 150,000</u>

(5) Transfers of financial assets

The Company's factored trade receivables are as follows:

Counterparty	Sales amount	Available advance amount	Advance amount used	Annual interest rate on advances received (%)
<u>2023</u>				
Citibank	USD 6,191	USD -	USD 6,191	6.54-7.19
	EUR 5,171	EUR -	EUR 5,171	4.97-5.22
<u>2022</u>				
Citibank	USD 5,628	USD -	USD 5,628	5.69-6.34
	EUR 1,463	EUR -	EUR 1,463	1.05-1.30

Pursuant to the Company's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Company, while losses from credit risk are borne by the banks.

29. Transactions with related parties

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and its related parties are disclosed below :

(1) Related parties and relationship

Related parties	Relationship with the Company
Ding-Wei Technology Co., Ltd.	Subsidiary
Rec Technology Corporation	Subsidiary
Bigbest Solutions, Inc.	Subsidiary
Smooth Autocomponent Limited	Subsidiary
Mosel Vitelic Inc.	Associate (became a subsidiary on June 2, 2023)
GlobalWafers Co., Ltd.	Sino-American Silicon's subsidiary
Sustainable Energy Solution Co., Ltd.	Sino-American Silicon's subsidiary

(2) Business transactions

Financial Statement Account	Related parties category/name	2023	2022
Sales revenue	Subsidiary	<u>\$ 4,574</u>	<u>\$ 3,194</u>

Financial Statement Account	Related parties category/name	2023	2022
Purchases of goods	Ding-Wei Technology Co., Ltd.	\$ 681,230	\$ 656,057
	Mosel Vitelic Inc.	468,324	353,016
	GlobalWafers Co., Ltd.	273,247	273,968
	Others	<u>1,263</u>	<u>-</u>
		<u>\$ 1,424,064</u>	<u>\$ 1,283,041</u>

Transactions above mainly comprise purchases of wafers and brass shells, the purchase price of flat wafers and brass shells was indifferent from the price of other suppliers. The payment terms were 30~90 days end of month for related party, 90 days end of month for domestic non-related parties, and T/T 50~60 days for foreign parties.

Financial Statement Account	Related parties category/name	December 31, 2023	December 31, 2022
Trade payables	Ding-Wei Technology Co., Ltd.	\$ 198,650	\$ 182,146
	Mosel Vitelic Inc.	86,957	91,593
	GlobalWafers Co., Ltd.	68,691	75,383
	Others	<u>44</u>	<u>77</u>
		<u>\$ 354,342</u>	<u>\$ 349,199</u>

(3) Balance of trade receivables - related party

Financial Statement Account	Related parties category/name	December 31, 2023	December 31, 2022
Other receivables	Subsidiary		
	Smooth Autocomponent Limited	\$ 1,997	\$ 2,980
	Others	<u>433</u>	<u>507</u>
		<u>\$ 2,430</u>	<u>\$ 3,487</u>

(4) Other transactions with related parties

Financial Statement Account	Related parties category/name	2023	2022
Other income	Subsidiary		
	Ding-Wei Technology Co., Ltd.	\$ 1,680	\$ 1,685
	Rec Technology Corporation	5,294	5,303
	Smooth Autocomponent Limited	1,692	2,318
	Bigbest Solutions, Inc.	<u>809</u>	<u>1,560</u>
		<u>\$ 9,475</u>	<u>\$ 10,866</u>

(5) Others

Financial Statement Account	Related parties category/name	2023	2022
Refundable deposits (Note)	Mosel Vitelic Inc.	\$ 53,542	\$ 107,101
	Sustainable Energy Solution Co., Ltd.	10,000	10,000
		<u>\$ 63,542</u>	<u>\$ 117,101</u>

Note: recognized as other current assets and other non-current assets.

(6) Compensation of key management personnel

	2023	2022
Short-term employee benefits	\$ 76,646	\$ 66,029
Share-based Payment	14,101	465
	<u>\$ 90,747</u>	<u>\$ 66,494</u>

The remuneration of directors and key executives was determined by the remuneration committee taking into account the performance of individuals and market trends.

30. Assets pledged as collateral or for security

The following assets were pledged as collateral for borrowings:

	December 31, 2023	December 31, 2022
Building	\$ 143,120	\$ 147,339
Freehold Land	107,843	107,843
Pledged time deposits (classified as financial assets at amortized cost)	12,250	14,250
	<u>\$ 263,213</u>	<u>\$ 269,432</u>

31. Significant contingent liabilities and unrecognized contract commitments

Except described in other notes of this financial statements, the Company had the following significant contingent liabilities and unrecognized commitments as of the end of the reporting period:

(1) Commitments related to agreements

The Company entered a contract with Mosel Vitelic Inc. ("Mosel") to secure manufacturing capacity in July 2021 and paid a deposit of US\$5.49 million. As agreed, the Company is committed to provide a certain number of orders monthly to Mosel for the following three years, and Mosel is committed to reserve its manufacturing capacity for the Company. Pursuant

to the contract, in the event that the Company fails to fulfill the agreed number of orders, Mosel may refund the deposit in part.

- (2) As of December 31, 2023 and 2022, the Company had contract commitments that were not recognized as property, plant and equipment amounting to NT\$677,617 thousand and NT\$64,267 thousand, respectively.

32. Significant subsequent events

None.

33. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
Assets denominated in foreign currencies			
<u>Monetary items</u>			
USD	\$ 41,363	30.705 (USD:NTD)	\$ 1,270,045
EUR	4,637	33.98 (EUR:NTD)	157,567
CNY	18,119	4.327 (CNY:NTD)	78,041
<u>Non-monetary items</u>			
Subsidiaries accounted for using equity method			
CNY	96,982	4.327 (CNY:NTD)	419,642
Foreign investments in securities			
USD	9,271	30.705 (USD:NTD)	284,652
Liabilities denominated in foreign currencies			
<u>Monetary items</u>			
USD	9,170	30.705 (USD:NTD)	281,569
EUR	176	33.98 (EUR:NTD)	5,978
JPY	66,058	0.2172 (JPY:NTD)	14,348

December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
Assets denominated in foreign currencies			
<u>Monetary items</u>			
USD	\$ 36,908	30.71 (USD:NTD)	\$ 1,133,445
EUR	2,234	32.72 (EUR:NTD)	73,096
<u>Non-monetary items</u>			
Subsidiaries accounted for using equity method			
CNY	96,183	4.408 (CNY:NTD)	423,973
Foreign investments in securities			
USD	3,135	30.71 (USD:NTD)	99,562
Liabilities denominated in foreign currencies			
<u>Monetary items</u>			
USD	7,798	30.71 (USD:NTD)	239,478
EUR	7	32.72 (EUR:NTD)	219
JPY	24,851	0.232 (JPY:NTD)	5,775

The significant realized and unrealized foreign exchange gains and losses were as follows:

	2023	2022
Functional currency	Translation from the functional currency to the presentation currency	Translation from the functional currency to the presentation currency
NTD	1 (NTD:NTD)	1 (NTD:NTD)
	Net foreign exchange gains or losses (amount in NTD)	Net foreign exchange gains or losses (amount in NTD)
	\$ 1,453	\$ 96,983

34. Separately disclosed items

(1) Information about significant transactions:

- Financing provided to others: None.
- Endorsements/guarantees provided: None.
- Marketable securities held at the end of period (excluding investment in subsidiaries, associates and joint ventures): Table 1.
- Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 2.
- Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.

6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 9. Trading in derivative instruments: None.
- (2) Information on investees: Table 4.
- (3) Information on investments in mainland China:
1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income for current period, return on investees recognized, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.
 2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (3) The amount of property transactions and the amount of the resultant gains or losses.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 6.

Actron Technology Corporation
Marketable securities held at the end of period
December 31, 2023

Table 1

Unit: NT\$ thousand

Name of holding company	Type and name of marketable securities	Relationship with the holding company	Financial Statement Account	At the End of the Period				Remarks
				Number of shares (in thousand shares)	Carrying amount	Percentage of ownership	Fair value	
Actron Technology Corporation	Sino-American Silicon Products Inc.	Parent	Financial assets at fair value through other comprehensive income -non-current	2,000	\$ 392,000	0.34%	\$ 392,000	—
	Phoenix Pioneer Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income -non-current	15,265	268,055	5.13%	268,055	—
	ANJET CORPORATION	—	Financial assets at fair value through other comprehensive income -non-current	3,108	187,934	22.41%	187,934	—
	AMED VENTURES I, L.P.	—	Financial assets at fair value through other comprehensive income -non-current	-	96,718	-	96,718	—
	Super Energy Materials Inc.	—	Financial assets at fair value through other comprehensive income -non-current	1,425	22,387	5.28%	22,387	—

Actron Technology Corporation

Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more

2023

Table 2

Unit: unless otherwise stated, in thousands of New Taiwan Dollars

Name of company that made the purchases or sales	Type and name of marketable securities	Financial Statement Account	Counterparty	Relationship	At the beginning of the period		Purchase		Sale				At the End of the Period	
					Shares	Amount	Shares	Amount	Shares	Sale price	Carrying amount of cost	Gain or loss on disposal	Shares	Amount
Actron Technology Corporation	Privately placed ordinary shares - Excelliance MOS Corporation	Investments accounted for using the equity method	Participation in private placement	-	-	\$ -	15,000,000	\$ 1,491,750	-	\$ -	\$ -	\$ -	15,000,000	\$ 1,491,750

Actron Technology Corporation

Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

2023

Table 3

Unit: NT\$ thousand

Purchaser or seller	Counterparty	Relationship	Transaction Details				Abnormal transaction and reason		Notes/Trade receivables (payables)			Remarks
			Purchase/sale	Amount	As percentage to total purchase or sale	Payment terms	Unit price	Payment terms	Financial statement account	Ending balance	As percentage to total notes/trade receivables (payables)	
Actron Technology Corporation	GlobalWafers Co., Ltd.	Sino-American Silicon's subsidiary	Purchases of goods	\$ 273,247	11%	60 days end of month	Note	Domestic 90 days end of month	Trade payables	\$ 68,691	8%	
Actron Technology Corporation	Mosel Vitelic Inc.	Subsidiary	Purchases of goods	468,324	17%	30 days end of month	Note	Domestic 90 days end of month	Trade payables	86,957	11%	
Actron Technology Corporation	Ding-Wei Technology Co., Ltd.	Subsidiary	Purchases of goods	681,230	25%	90 days end of month	Cost markup	Domestic 90 days end of month	Trade payables	198,650	25%	

Note: There was no significant difference from other suppliers in terms of the purchase price of flat wafers.

Actron Technology Corporation
Names, locations and related information of investee companies
2023

Table 4

Unit: NT\$ thousand

Investor	Investee	Location	Principle business activity	Initial investment		At the end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Remarks
				Ending balance	Beginning balance	Shares	Ratio	Carrying amount			
Actron Technology Corporation	Ding-Wei Technology Co., Ltd.	Taoyuan City	Manufacturing and sale of auto components and parts	\$ 306,900	\$ 306,900	15,000,000	100%	\$ 257,527	\$ 66,350	\$ 69,210	Subsidiary
Actron Technology Corporation	Smooth International Limited Corporation	Samoa	Investment	363,260	363,260	12,000,000	100%	419,642	3,517	3,517	Subsidiary
Smooth International Limited Corporation	Smooth Autocomponent Limited	Hong Kong	Investment	363,260	363,260	12,000,000	100%	419,642	3,517	Not applicable	Subsubsidiary
Actron Technology Corporation	Rec Technology Corporation	Taoyuan City	Manufacturing and sale of auto components and parts	208,102	208,102	8,487,823	49%	89,962	32,449	16,013	Subsidiary
Actron Technology Corporation	Hong Wang Investment Co., Ltd.	New Taipei City	Investment	300,000	300,000	30,000,000	30%	1,348,932	217,459	65,238	Joint venture
Actron Technology Corporation	Mosel Vitelic Inc.	Hsinchu City	Semiconductors	1,180,191	1,180,191	(Note) 46,925,459	29%	1,829,513	(175,410)	(59,558)	Subsidiary
Actron Technology Corporation	Bigbest Solutions, Inc.	Taichung City	Manufacture of motors	245,143	245,143	19,314,319	28%	72,197	(26,561)	(7,329)	Subsidiary
Actron Technology Corporation	Excelliance MOS Corporation	Hsinchu City	Semiconductors	1,491,750	-	15,000,000	29%	1,440,318	252,442	74,409	Associate

Note: Among which 468 thousand shares were ordinary shares and 29,532 thousand shares were preferred shares.

Actron Technology Corporation
Information on investments in mainland China
2023

Table 5

Unit: NT\$ thousand or US\$ thousand

Investee	Principle business activity	Total paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of the beginning of the period	Investment flows of the period		Accumulated outflow of investment from Taiwan as of the end of the period	Net income (loss) of investee company	The Company's direct or indirect percentage of ownership	Investment income (loss) recognized for the period (Note 2)	Carrying amount at the end of the period	Accumulated inward remittance of earnings at the end of the period
					outflow	inflow						
Smooth Autocomponent Limited	Manufacture of motor parts	Authorized and paid-in capital were both USD 12,000	Note 1	\$ 363,260 (USD 12,000)	\$ -	\$ -	\$ 363,260 (USD 12,000)	\$ 3,517	100%	\$ 3,517	\$ 419,642	\$ -

Accumulated investment in Mainland China at the end of the period	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 3)
USD 12,000	\$ 365,520 (USD 12,000)	\$ 4,862,265

Note 1: Indirectly investment in Mainland China through companies registered in a third region.

Note 2: Recognition based on the audited financial statements.

Note 3: The Company's Investment amounts authorized by Investment Commission, MOEA: $8,103,775 \text{ (net equity)} \times 60\% = 4,862,265$.

Actron Technology Corporation
Information of major shareholders
December 31, 2023

Table 6

Name of major shareholder	Share	
	Number of shareholding	Percentage of ownership
Sino-American Silicon Products Inc.	24,935,299	24.57%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Company's financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

§STATEMENTS OF MAJOR ACCOUNTING ITEMS§

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Statement of employee benefits, depreciation and amortization by function	Note 21

Actron Technology Corporation
Statement of cash and cash equivalents
December 31, 2023

Table 1

Unit: NT\$ thousand

Item	Summary	Amount
Cash on hand and petty cash		\$ 122
Deposits		
Demand deposits		18,817
Deposits in foreign currencies	EUR 1,034 thousand with a rate of 33.98	35,135
	JPY 16,988 thousand with a rate of 0.2172	3,690
	CNY 10,257 thousand with a rate of 4.327	44,384
	USD 10,312 thousand with a rate of 30.705	316,626
Time deposits with original maturity within three months	USD 30,000 thousand with a rate of 30.705	100,920
	EUR 2,970 thousand with a rate of 33.980	92,115
Check deposits		259
		<u>611,946</u>
Bonds sold under repurchase agreement	USD 4,030 thousand with a rate of 30.705	<u>123,743</u>
		<u>\$ 735,811</u>

Actron Technology Corporation
Statement of trade receivables
December 31, 2023

Table 2

Unit: NT\$ thousand

<u>Client name</u>	<u>Summary</u>	<u>Amount</u>
UK	Sales of goods	\$ 161,061
UE	Sales of goods	73,416
EH	Sales of goods	70,181
AC	Sales of goods	53,359
Others (sum of individual amounts not exceed 5%)	Sales of goods	<u>435,185</u>
		793,202
Less: allowance for bad debt		(<u>2,083</u>)
		<u>\$ 791,119</u>

Actron Technology Corporation
Statement of inventories
December 31, 2023

Table 3

Unit: NT\$ thousand

Item	Cost	Net realizable value
Finished good	\$ 351,275	\$ 581,387
Work in progress	178,708	256,480
Raw materials	<u>332,424</u>	<u>336,411</u>
	<u>\$ 862,407</u>	<u>\$ 1,174,278</u>

Actron Technology Corporation
Statement of investments accounted for using the equity method
For the year ended December 31, 2023

Table 4

Unit: NT\$ thousand

Company Name	Beginning balance		Increase (decrease) for the period		Gain (loss) on the investments accounted for using the equity method	Ending balance			Market value or net value	Guarantee or collateral provided
	Number of shares (in shares)	Amount	Number of shares (in shares)	Amount		Number of shares (in shares)	Percentage of ownership (%)	Amount		
Smooth International Limited Corporation	12,000,000	\$ 423,973	-	(\$ 7,848)	\$ 3,517	12,000,000	100%	\$ 419,642	\$ 442,856	None
Ding-Wei Technology Co., Ltd.	15,000,000	383,449	-	(195,132)	69,210	15,000,000	100%	257,527	273,565	None
Rec Technology Corporation	8,487,823	73,949	-	-	16,013	8,487,823	49%	89,962	89,962	None
Hong Wang Investment Co., Ltd.	30,000,000	911,713	-	371,981	65,238	30,000,000	30%	1,348,932	1,384,932	None
Mosel Vitelic Inc.	46,925,459	1,311,702	-	577,369	(59,558)	46,925,459	29%	1,829,513	698,921	None
Bigbest Solutions, Inc.	19,314,319	168,309	-	(88,783)	(7,329)	19,314,319	28%	72,197	72,197	None
Excelliance MOS Corporation (Note 2)	-	-	15,000,000	<u>1,365,909</u>	<u>74,409</u>	15,000,000	29%	<u>1,440,318</u>	<u>923,862</u>	None
		<u>\$ 3,273,095</u>		<u>\$ 2,023,496</u> (Note 1)	<u>\$ 161,500</u>			<u>\$ 5,458,091</u>	<u>\$ 3,886,295</u>	

Note 1: The increase (decrease) of NT\$2,023,496 thousand in the current period was mainly due to the payment of cash dividends, the recognition of unrealized gains and losses on financial assets measured at fair value through other comprehensive income in joint ventures recognized using the equity method, the recognition of translation adjustments, the recognition of impairment losses on goodwill. etc.

Note 2: The increase (decrease) in the current period includes the cost of acquiring 15,000 thousand ordinary shares, amounting to NT\$1,491,750 thousand.

Actron Technology Corporation
Statement of short-term borrowings
December 31, 2023

Table 5

Unit: NT\$ thousand

Type of borrowing	Remark	Ending balance	Contract period	Range of interest rates	Borrowing facilities	Collateral or guarantee provided
Credit loans	Financial institution	<u>\$ 1,350,000</u>	Within 1 year	1.61% ~ 1.71%	\$3,007,050	—

Actron Technology Corporation
Statement of long-term borrowings
December 31, 2023

Table 6

Unit: NT\$ thousand

Creditor	Contract period	Long-term borrowings with maturity within 1 year	Long-term borrowings with maturity more than 1 year	Total	Annual interest rates	Collateral or guarantee provided
Yuanta Commercial Bank	January 18, 2023 - January 18, 2026	\$ 180,000	\$ 270,000	\$ 450,000	1.6848	—
Shanghai Commercial and Savings Bank	January 20, 2022 - January 15, 2029	-	400,000	400,000	1.6	—
	July 1, 2022 - July 1, 2027	<u>16,667</u>	<u>83,333</u>	<u>100,000</u>	1.7	—
		<u>\$ 196,667</u>	<u>\$ 753,333</u>	<u>\$ 950,000</u>		

Actron Technology Corporation

Statement of trade payables

December 31, 2023

Table 7

Unit: NT\$ thousand

Client name	Amount
M0087	\$ 133,266
T1646	34,271
M0061	25,695
Others (sum of individual amounts not exceed 5%)	<u>260,599</u>
	<u>\$ 453,831</u>

Actron Technology Corporation
Statement of operating revenue
For the year ended December 31, 2023

Table 8

Unit: NT\$ thousand

Item	Amount
Net operating revenue	
Pressfit Diode	\$ 1,578,200
Low Loss Diode	1,600,670
Ultra Low Loss Diode	642,787
48V Mosfet	524,460
Others	<u>197,732</u>
	<u>\$ 4,543,849</u>

Actron Technology Corporation
Statement of operating costs
For the year ended December 31, 2023

Table 9

Unit: NT\$ thousand

Item	Amount
Raw materials, beginning of the period	\$ 240,068
Raw material purchased	2,730,936
Other additions	6,658
Other deductions	(3,307)
Raw materials, end of year	(<u>336,138</u>)
Raw materials used for the period	2,638,217
Direct labor	302,380
Manufacturing overhead	<u>517,974</u>
Manufacturing cost	3,458,571
Work in progress, beginning of the period	146,464
Other additions	1,639,164
Work in progress, end of the period	(<u>178,708</u>)
Cost of finished goods	5,065,491
Finished goods, beginning of the period	321,255
Other deductions	(1,639,191)
Finished goods, end of the period	(<u>441,322</u>)
Cost of sales	3,306,233
Add: Impairment loss and obsolescence on inventory	79,723
Less: income from sale of scraps	(25,437)
Less: other costs	<u>24,838</u>
Operating cost	<u>\$ 3,385,357</u>

Actron Technology Corporation
Statement of manufacturing overhead
For the year ended December 31, 2023

Table 10

Unit: NT\$ thousand

Item	Amount
Depreciation expense	\$ 182,384
Indirect labor	98,556
Consumable expense	88,696
Utilities expense	79,288
Other expenses (sum of others not exceed 5%)	<u>69,050</u>
	<u>\$ 517,974</u>

Actron Technology Corporation
Statement of selling and marketing expenses
For the year ended December 31, 2023

Table 11

Unit: NT\$ thousand

Item	Amount
Salaries	\$ 28,704
Shipment	20,287
Commission	6,565
Export fee	5,270
Other expenses (sum of others not exceed 5%)	17,370
	<u>\$ 78,196</u>

Actron Technology Corporation
Statement of administrative expenses
For the year ended December 31, 2023

Table 12

Unit: NT\$ thousand

Item	Amount
Salaries	\$ 107,757
Depreciation expense	30,668
Utilities expense	18,371
Insurance expense	15,016
Other expenses (sum of others not exceed 5%)	78,720
	<u>\$ 250,532</u>

Actron Technology Corporation
Statement of research and development expenses
For the year ended December 31, 2023

Table 13

Unit: NT\$ thousand

Item	Amount
Salaries	\$ 204,255
Depreciation expense	97,674
Consumable expense	53,680
Other expenses (sum of others not exceed 5%)	<u>91,064</u>
	<u><u>\$ 446,673</u></u>