

FineTek Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
FineTek Co., Ltd.

Opinion

We have audited the accompanying financial statements of FineTek Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy (collectively referred to as the "financial statements").

In our opinion, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2023 is described as follows:

The Validity of Occurrence of Revenue Recognition

The operating revenue of the Company for the year ended December 31, 2023 was \$930,576 thousand. Out of this amount, sales from those customers whose individual sales growth rates exceeded the overall sales growth rate have material influence on the financial statements as a whole.

To meet shareholders' and external investors' expectations, the management of the Company may be under pressure to meet the profit target. Therefore, we assessed that the main risk of revenue recognition from the aforementioned company of customers is the validity of occurrence of sales transactions from such customers, and we identified this as the key audit matter. Refer to Note 4(k) in the financial statements for the accounting policies related to revenue recognition and Note 22 for the disclosures of the operating revenues.

The audit procedures that we performed with respect to the sales revenue from the aforementioned customers are as follows:

1. We obtained an understanding of the internal controls related to the sales revenue from the aforementioned customers for the year ended December 31, 2023, evaluated the design of the key controls and tested the operating effectiveness of the controls.
2. We obtained the list of the aforementioned customers for the year ended December 31, 2023 and assessed that their backgrounds, transaction amounts and credit limits granted were reasonable and consistent with their scale.
3. We selected samples of sales transactions for the year ended December 31, 2023 from the aforementioned customers and checked the details of the external shipping documents and also for any abnormalities in the transaction terms and collection of receivables, and we confirmed that sales were valid and did occur.

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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 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 those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Sheng Tai Liang and Chao Mei Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2024

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

FINETEK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 196,177	9	\$ 223,105	10
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	88,791	4	89,386	4
Financial assets at amortized cost - current (Notes 4, 8, 9 and 31)	30,300	1	71,258	4
Notes receivable (Notes 4, 10 and 22)	16,428	1	22,810	1
Trade receivables (Notes 4, 10 and 22)	61,575	3	64,699	3
Trade receivables from related parties (Notes 4, 22 and 30)	52,714	3	78,587	4
Other receivables (Notes 4 and 10)	2,864	-	3,033	-
Other receivables from related parties (Notes 4 and 30)	145,148	7	91,259	4
Current tax assets (Notes 4 and 24)	-	-	4,075	-
Inventories (Notes 4 and 11)	132,679	6	132,393	6
Other current assets (Note 16)	2,684	-	23,013	1
Total current assets	<u>729,360</u>	<u>34</u>	<u>803,618</u>	<u>37</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 8 and 9)	21,255	1	21,417	1
Investments accounted for using the equity method (Notes 4 and 12)	718,875	33	667,129	31
Property, plant and equipment (Notes 4, 13 and 31)	643,014	30	634,991	29
Right-of-use assets (Notes 4 and 14)	3,821	-	182	-
Intangible assets (Notes 4 and 15)	12,004	-	14,810	1
Deferred tax assets (Notes 4 and 24)	26,556	1	27,654	1
Other non-current assets (Notes 4, 16 and 20)	12,327	1	9,542	-
Total non-current assets	<u>1,437,852</u>	<u>66</u>	<u>1,375,725</u>	<u>63</u>
TOTAL	<u>\$ 2,167,212</u>	<u>100</u>	<u>\$ 2,179,343</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 22)	\$ 7,788	-	\$ 19,715	1
Notes payable (Note 18)	3,903	-	4,501	-
Trade payables (Note 18)	59,406	3	64,626	3
Trade payables to related parties (Note 30)	3,725	-	6,389	-
Other payables (Note 19)	69,991	3	75,843	4
Other payables to related parties (Note 30)	256	-	127	-
Current tax liabilities (Notes 4 and 24)	18,935	1	40,154	2
Lease liabilities - current (Notes 4 and 14)	805	-	115	-
Long-term borrowings due within one year (Notes 4, 17 and 31)	15,385	1	17,047	1
Other current liabilities	242	-	291	-
Total current liabilities	<u>180,436</u>	<u>8</u>	<u>228,808</u>	<u>11</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 17 and 31)	161,538	8	196,040	9
Deferred tax liabilities (Notes 4 and 24)	46,416	2	51,927	2
Lease liabilities - non-current (Notes 4 and 14)	3,020	-	68	-
Other non-current liabilities (Note 30)	10	-	-	-
Total non-current liabilities	<u>210,984</u>	<u>10</u>	<u>248,035</u>	<u>11</u>
Total liabilities	<u>391,420</u>	<u>18</u>	<u>476,843</u>	<u>22</u>
EQUITY (Notes 4 and 21)				
Share capital				
Ordinary shares	547,890	25	493,595	23
Capital surplus	326,906	15	328,267	15
Retained earnings				
Legal reserve	305,529	14	274,173	13
Special reserve	52,271	2	77,239	3
Unappropriated earnings	598,673	28	588,890	27
Other equity				
Exchange differences on translation of foreign operations	(55,477)	(2)	(52,271)	(3)
Treasury shares	-	-	(7,393)	-
Total equity	<u>1,775,792</u>	<u>82</u>	<u>1,702,500</u>	<u>78</u>
TOTAL	<u>\$ 2,167,212</u>	<u>100</u>	<u>\$ 2,179,343</u>	<u>100</u>

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

FINETEK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 30)	\$ 930,576	100	\$ 1,114,162	100
OPERATING COSTS (Notes 11, 15, 23, 26 and 30)	<u>510,204</u>	<u>55</u>	<u>590,008</u>	<u>53</u>
GROSS PROFIT	420,372	45	524,154	47
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Notes 4 and 30)	(24,335)	(3)	(41,962)	(4)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Notes 4 and 30)	<u>41,962</u>	<u>5</u>	<u>26,267</u>	<u>3</u>
REALIZED GROSS PROFIT	<u>437,999</u>	<u>47</u>	<u>508,459</u>	<u>46</u>
OPERATING EXPENSES (Notes 15, 23, 26 and 30)				
Selling and marketing expenses	83,204	9	109,413	10
General and administrative expenses	60,949	6	63,532	6
Research and development expenses	47,858	5	56,452	5
Expected credit loss (reversed gain) (Notes 9 and 10)	<u>92</u>	<u>-</u>	<u>(453)</u>	<u>-</u>
Total operating expenses	<u>192,103</u>	<u>20</u>	<u>228,944</u>	<u>21</u>
PROFIT FROM OPERATIONS	<u>245,896</u>	<u>27</u>	<u>279,515</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 23 and 30)				
Interest income	3,339	-	2,482	-
Other income	3,502	-	21,713	2
Other gains and losses	23,036	3	27,347	2
Finance costs	(3,427)	-	(3,397)	-
Share of profit or loss of subsidiaries	<u>57,726</u>	<u>6</u>	<u>64,805</u>	<u>6</u>
Total non-operating income and expenses	<u>84,176</u>	<u>9</u>	<u>112,950</u>	<u>10</u>
PROFIT BEFORE TAX	330,072	36	392,465	35
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(62,234)</u>	<u>(7)</u>	<u>(68,027)</u>	<u>(6)</u>
NET PROFIT FOR THE YEAR	<u>267,838</u>	<u>29</u>	<u>324,438</u>	<u>29</u>

(Continued)

FINETEK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	\$ 82	-	\$ 471	-
Unrealized (loss)/gain on investments in equity instruments at fair value through other comprehensive income	-	-	(6,823)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(16)	-	(94)	-
	<u>66</u>	<u>-</u>	<u>(6,446)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(4,008)	(1)	25,676	2
Income tax relating to items that may be reclassified subsequently to profit or loss	802	-	(5,135)	-
	<u>(3,206)</u>	<u>(1)</u>	<u>20,541</u>	<u>2</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,140)</u>	<u>(1)</u>	<u>14,095</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 264,698</u>	<u>28</u>	<u>\$ 338,533</u>	<u>30</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 4.89</u>		<u>\$ 5.93</u>	
Diluted	<u>\$ 4.88</u>		<u>\$ 5.91</u>	

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

(Concluded)

FINETEK CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Share Capital		Retained Earnings			Other Equity		Treasury Shares	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$ 444,779	\$ 327,723	\$ 246,590	\$ 59,645	\$ 551,267	\$ (72,812)	\$ (4,427)	\$ (27,360)	\$ 1,525,405
Appropriation of 2021 earnings (Note 21)									
Legal reserve	-	-	27,583	-	(27,583)	-	-	-	-
Special reserve	-	-	-	17,594	(17,594)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(181,949)	-	-	-	(181,949)
Share dividends distributed by the Company	48,816	-	-	-	(48,816)	-	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	324,438	-	-	-	324,438
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	377	20,541	(6,823)	-	14,095
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	324,815	20,541	(6,823)	-	338,533
Treasury shares transferred to employees (Notes 21 and 26)	-	544	-	-	-	-	-	19,967	20,511
Disposal of equity instruments at fair value through other comprehensive income (Note 21)	-	-	-	-	(11,250)	-	11,250	-	-
BALANCE AT DECEMBER 31, 2022	493,595	328,267	274,173	77,239	588,890	(52,271)	-	(7,393)	1,702,500
Appropriation of 2022 earnings (Note 21)									
Legal reserve	-	-	31,356	-	(31,356)	-	-	-	-
Special reserve	-	-	-	(24,968)	24,968	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(197,438)	-	-	-	(197,438)
Share dividends distributed by the Company	54,295	-	-	-	(54,295)	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	267,838	-	-	-	267,838
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	66	(3,206)	-	-	(3,140)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	267,904	(3,206)	-	-	264,698
Treasury shares transferred to employees (Notes 21 and 26)	-	(1,361)	-	-	-	-	-	7,393	6,032
BALANCE AT DECEMBER 31, 2023	\$ 547,890	\$ 326,906	\$ 305,529	\$ 52,271	\$ 598,673	\$ (55,477)	\$ -	\$ -	\$ 1,775,792

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

FINETEK CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 330,072	\$ 392,465
Adjustments for:		
Depreciation expense	25,019	22,522
Amortization expense	6,051	5,347
Expected credit loss/(gain)	257	(453)
Net gain on fair value changes of financial asset designated as at fair value through profit or loss	(14,583)	(6,191)
Finance costs	3,427	3,397
Interest income	(3,339)	(2,482)
Dividend income	(2,053)	(2,559)
Compensation cost of employee share options	-	2,433
Share of profit of subsidiaries	(57,726)	(64,805)
Gain on disposal of property, plant and equipment	(188)	(20)
Inventory write-downs	2,317	-
Unrealized gain on transactions with subsidiaries	24,335	41,962
Realized gain on transactions with subsidiaries	(41,962)	(26,267)
Net loss/(gain) on foreign currency exchange	2,739	(2,923)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	15,178	(44,865)
Notes receivable	6,382	842
Trade receivables	2,681	(1,783)
Trade receivables from related parties	25,873	47,839
Other receivables	(44)	1,114
Other receivables from related parties	(60,087)	(90,820)
Inventories	(2,603)	3,305
Other current assets	9,137	1,661
Net defined benefit assets	(292)	(349)
Contract liabilities	(11,927)	11,168
Notes payable	(598)	(7,333)
Trade payables	(4,278)	(7,783)
Trade payables to related parties	(2,664)	75
Other payables	(3,174)	2,418
Other payables to related parties	129	127
Other current liabilities	(49)	69
Cash generated from operations	248,030	278,111
Interest received	3,552	2,366
Dividends received	2,053	2,559
Interest paid	(3,425)	(3,304)
Income tax paid	(83,005)	(54,869)
Net cash generated from operating activities	<u>167,205</u>	<u>224,863</u>

(Continued)

FINETEK CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 3,750
Purchase of financial assets at amortized cost	-	(44,894)
Proceeds from disposal of financial assets at amortized cost	40,958	-
Payments for property, plant and equipment	(31,863)	(15,693)
Proceeds from disposal of property, plant and equipment	423	200
Decrease in refundable deposits	9,878	589
Increase in other receivables from related parties	(61)	(379)
Payments for intangible assets	(3,514)	(3,382)
Increase in prepayments for equipment	(4,744)	(2,833)
Dividends received from subsidiaries (Note 12)	<u>69,599</u>	<u>46,016</u>
Net cash generated from (used in) investing activities	<u>80,676</u>	<u>(16,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	(36,164)	(38,913)
Increase in refundable deposits	10	-
Repayment of the principal portion of lease liabilities	(175)	(154)
Dividends paid to owners of the Company	(197,438)	(181,949)
Treasury shares transferred to employees (Note 21)	6,032	18,078
Acquisition of additional interests in subsidiaries	(50,000)	-
Proceeds from the capital reduction on investments accounted for using equity method (Note 12)	<u>-</u>	<u>28,256</u>
Net cash used in financing activities	<u>(277,735)</u>	<u>(174,682)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>2,926</u>	<u>1,300</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(26,928)	34,855
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>223,105</u>	<u>188,250</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 196,177</u>	<u>\$ 223,105</u>

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

(Concluded)

FINETEK CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

FineTek Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) on January 30, 2003. The Company mainly designs, manufactures and sells transmitters, point switches and electronic terminals.

The Company’s shares have been listed on the mainboard of the Taipei Exchange (“TPEX”) since November 2014.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 11, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases 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 IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

- d. Presentation reclassification

The management of the Company considers the bank deposits repatriated for restricted purpose for the use of substantial investments and financial investments in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. do not change the nature of the deposit as the entity can access those amounts on demand. The management concludes that the presentation of cash and cash equivalents is more appropriate and, therefore, has changed the presentation of the consolidated balance sheets and consolidated statements of cash flows in 2023. The financial assets at amortized cost were reclassified to cash and cash equivalents with a carrying amount of \$1,517 thousand, \$1,545 thousand and \$1,523 thousand on December 31, 2023, December 31, 2022 and January 1, 2022. The impact on cash flows for the year ended December 31, 2022 was as follows:

	Adjustments
Effect of exchange rate changes on cash and cash equivalents	\$ <u>22</u>
Net increase in cash and cash equivalents	\$ <u>22</u>

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. 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 assets 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 to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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 these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures, and related equity items, as appropriate, in these parent company only financial statements.

c. 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 period; 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 period.

Current liabilities include:

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

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

d. Foreign currencies

In preparing the Company's 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 the settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was 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 that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. (i.e., not retranslated)

For the purpose of presenting these financial statements, the functional currency of the Company and the Group entities (including subsidiaries in other countries or those that use currencies different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, finished goods, work in progress and merchandise are stated 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. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. 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, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of the 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 any difference between the carrying amount of an investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using equity method and 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 losses, 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 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 or loss.

The Company assesses its investments for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at 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 previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, 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 if the Company directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

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 reporting period, 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.

h. 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. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

i. 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 for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating units to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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 in prior years. The reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL 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.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a 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 dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) 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, financial assets at amortized - current, notes receivable, trade receivables, trade receivables from related parties, other receivables (excluding VAT refund receivables), other receivables from related parties, financial assets at amortized - non-current and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using 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 such a financial asset, except for:

- i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits 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.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, trade receivables, other receivables, other financial assets - current, financial assets at amortized cost - non-current and refundable deposits).

The Company always recognizes lifetime expected credit losses (ECLs) for notes receivable and trade receivables, for all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 360 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset 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 difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income 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 as either 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.

The 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, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of transmitters, point switches and electronic terminals. Sales of transmitters, point switches and electronic terminals are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing product repair services to customers.

As the Company provides product repair services, customers simultaneously receive and consume the benefits provided by the Company's satisfaction of performance obligations. Consequently, the related revenue is recognized when services are rendered.

l. Lease

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

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases accounted for applying a recognition exemption 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. 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, which comprise fixed 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 Company uses the lessee's incremental borrowing rate.

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, 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.

m. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the period in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. 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 a defined contribution retirement benefit plan are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined contribution retirement benefit plan are determined using the projected unit credit method. Service costs (including current service costs) and net interest on the net defined benefit asset are recognized as employee benefits expenses in the period in which they occur. 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 assets represent the actual surplus in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

p. Share-based payment arrangements

Employee share options are recognized as expense on a straight-line basis over the vesting period based on the fair value and the expected best estimated quantity of the equity instruments at the grant date, with a simultaneous adjustment to capital surplus - employee share options. If it is immediately vested on the grant date, the full amount will be recognized as expenses. The grant date of treasury shares transferred to employees is the date on which the employees are informed.

q. Taxation

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

1) Current tax

Income tax payable is based on taxable profit for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, 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 in the financial statements 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 to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized 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 they 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 asset to be recovered. Any previously unrecognized deferred tax assets are 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 assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period in which the liabilities are settled or the assets are realized, based on tax rates and 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 of 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 for the year

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.

5. MATERIAL 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Company considers the possible impact of inflation and interest rate fluctuations when making its critical accounting estimates on cash flows, growth rates, discount rates, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies, estimates and underlying assumptions used by the Company, as evaluated by management, are free of significant accounting judgments, estimates and assumption uncertainties.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cash on hand	\$ 673	\$ 787
Checking accounts and demand deposits	168,504	203,892
Cash equivalents (investments with original maturities within 3 months)		
Time deposits	<u>27,000</u>	<u>18,426</u>
	<u>\$ 196,177</u>	<u>\$ 223,105</u>

The market rate ranges of bank deposits at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Bank demand deposits	0.001%-1.45%	0.001%-1.05%
Bank time deposits	1.1%	3.8%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	<u>\$ 88,791</u>	<u>\$ 89,386</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current (Note)</u>		
Time deposits with original maturities of more than 3 months	\$ 30,000	\$ 57,158
Pledged bank deposits (Note 31)	300	300
Restricted bank deposits (a)	<u>-</u>	<u>13,800</u>
	<u>\$ 30,300</u>	<u>\$ 71,258</u>
<u>Non-current</u>		
Corporate bonds - Deutsche Bank (b)	\$ 6,058	6,136
Corporate bonds - Société Générale (c)	6,096	6,130
Corporate bonds - AT&T (d)	<u>9,101</u>	<u>9,151</u>
	<u>\$ 21,255</u>	<u>\$ 21,417</u>

Note: The Company considers the past default experience of the debtor and an analysis of the debtor's current financial position to measure 12-month or lifetime expected credit losses on financial assets at amortized cost. As of December 31, 2023 and 2022, the Company has no need to recognize expected credit loss on financial assets at amortized cost.

- a. In March 2022, the Company signs sales contracts with customers and set up time deposits pledge to the other party under the contract. For the restricted situations, refer to Note 31.
- b. The Company's investments in bonds issued by Deutsche Bank were as follows:

	December 31	
	2023	2022
Total carrying amount	<u>\$ 6,058</u>	<u>\$ 6,136</u>
Total par value (in thousands of U.S. dollars)	<u>\$ 200</u>	<u>\$ 200</u>
Coupon rate	4.50%	4.50%
Effective interest rate	4.47%	4.47%
Holding period	2015.10.21 - 2025.4.1	2015.10.21 - 2025.4.1

- c. The Company's investments in bonds issued by Société Générale were as follows:

	December 31	
	2023	2022
Total carrying amount	<u>\$ 6,096</u>	<u>\$ 6,130</u>
Total par value (in thousands of U.S. dollars)	<u>\$ 200</u>	<u>\$ 200</u>
Coupon rate	4.25%	4.25%
Effective interest rate	4.27%	4.27%
Holding period	2015.10.21 - 2025.4.14	2015.10.21 - 2025.4.14

- d. The Company's investments in bonds issued by AT&T were as follows:

	December 31	
	2023	2022
Total carrying amount	<u>\$ 9,101</u>	<u>\$ 9,151</u>
Total par value (in thousands of U.S. dollars)	<u>\$ 320</u>	<u>\$ 320</u>
Coupon rate	3.65%	3.65%
Effective interest rate	4.01%	4.01%
Holding period	2021.3.11 - 2059.9.15	2021.3.11 - 2059.9.15

Refer to Note 9 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

	December 31	
	2023	2022
At amortized cost		
Gross carrying amount	\$ 21,447	\$ 21,444
Less: Allowance for impairment loss	<u>(192)</u>	<u>(27)</u>
Amortized cost	<u>\$ 21,255</u>	<u>\$ 21,417</u>

In order to minimize credit risk, the Company has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to the degree of risk of default. The credit rating information obtained from independent rating agencies where available. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments for 12 months, the Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and the future prospects of the industries. The Company's current credit risk grading mechanism was as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECLs - credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company have no realistic prospect of recovery	Amount is written off

The gross carrying amounts of debt instrument investments classified by credit category and the corresponding expected loss rates were shown below:

December 31, 2023

Category	Expected Loss Rate	Gross Carrying Amount At Amortized Cost
Performing	0.71%-1.37%	\$ 21,447
Doubtful	-	-
In default	-	-
Write-off	-	<u>-</u>
		<u>\$ 21,447</u>

December 31, 2022

Category	Expected Loss Rate	Gross Carrying Amount
		At Amortized Cost
Performing	0.09%-0.16%	\$ 21,444
Doubtful	-	-
In default	-	-
Write-off	-	-
		<u>\$ 21,444</u>

The movements of the allowance for impairment loss of investments in debt instruments at amortized cost were as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit Impaired)	In default (Lifetime ECLs - Credit Impaired)
Balance at January 1, 2023	\$ 27	\$ -	\$ -
Change in model or risk parameters	<u>165</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 192</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2022	\$ 25	\$ -	\$ -
Change in model or risk parameters	<u>2</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>

The Company considered the credit rating information supplied by independent rating agencies, due to the acquisition of new debt instruments, changes in credit ratings and credit risk parameters, the Company recognized an expected credit loss of \$165 thousand and \$2 thousand in 2023 and 2022, respectively.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2023	2022
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 16,428	\$ 22,810
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 16,428</u>	<u>\$ 22,810</u>
		(Continued)

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 61,582	\$ 64,889
Less: Allowance for impairment loss	<u>(7)</u>	<u>(190)</u>
	<u>\$ 61,575</u>	<u>\$ 64,699</u>
<u>Other receivables</u>		
VAT refund receivables	\$ 2,557	\$ 2,513
Interest receivables	<u>307</u>	<u>520</u>
	<u>\$ 2,864</u>	<u>\$ 3,033</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 26	\$ 9
Less: Allowance for impairment loss	<u>(26)</u>	<u>(9)</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

a. Notes receivable

The Company's average cashing period of notes receivable was 0-180 days.

The Company measures the loss allowance for notes receivable at an amount equal to lifetime ECLs. The lifetime expected credit losses on notes receivable takes into consideration the past default experience of the debtor and general economic conditions of the industry. As of December 31, 2023 and 2022, the Company assessed that there is no need to recognize expected credit losses on notes receivable.

The aging of notes receivable was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Up to 90 days	\$ 15,506	\$ 22,519
91 to 180 days	<u>922</u>	<u>291</u>
	<u>\$ 16,428</u>	<u>\$ 22,810</u>

The above aging schedule was based on the number of past due days from the invoice date.

b. Trade receivables

The average credit period of sales of goods was 0-150 days.

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 debts. 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 ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, as well as GDP predictions. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of trade receivables (including related parties and overdue receivables) based on the Company's provision matrix.

December 31, 2023

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.03%	0.006%	0%	6.66%	19.31%	100%	
Gross carrying amount	\$ 95,028	\$ 13,372	\$ 2,843	\$ 3,052	\$ 1	\$ 26	\$ 114,322
Loss allowance (Lifetime ECL)	(2)	(5)	-	-	-	(26)	(33)
Amortized cost	<u>\$ 95,026</u>	<u>\$ 13,367</u>	<u>\$ 2,843</u>	<u>\$ 3,052</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 114,289</u>

December 31, 2022

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	Over 360 Days	Total
Expected credit loss rate	0.01%	0.17%	3.11%	9.91%	52.06%	100%	
Gross carrying amount	\$ 126,521	\$ 11,193	\$ 3,851	\$ 1,543	\$ 309	\$ 68	\$ 143,485
Loss allowance (Lifetime ECL)	(1)	(2)	(8)	-	(120)	(68)	(199)
Amortized cost	<u>\$ 126,520</u>	<u>\$ 11,191</u>	<u>\$ 3,843</u>	<u>\$ 1,543</u>	<u>\$ 189</u>	<u>\$ -</u>	<u>\$ 143,286</u>

The movements of the loss allowance of trade receivables (including overdue receivables) were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 199	\$ 736
Add: Net remeasurement of loss allowance	92	-
Less: Amounts written off	(258)	(82)
Less: Net remeasurement of loss allowance reversed	<u>-</u>	<u>(455)</u>
Balance at December 31	<u>\$ 33</u>	<u>\$ 199</u>

c. Other receivables

Other receivables mainly consist of VAT refund receivables and interest receivables, and the Company's policy is to transact only with creditworthy counterparties. The Company continuously monitors and makes reference to the past default experience of counterparties and analyzes their current financial position in order to evaluate whether there has been a significant increase in the credit risk of other receivables since initial recognition and to measure the expected credit loss. As of December 31, 2023 and 2022, the Company assessed that there is no need to recognize expected credit loss on other receivables.

11. INVENTORIES

	December 31	
	2023	2022
Merchandise inventory	\$ 190	\$ 197
Finished goods	90,816	81,463
Work in progress	14,433	13,989
Raw materials	<u>27,240</u>	<u>36,744</u>
	<u>\$ 132,679</u>	<u>\$ 132,393</u>

The nature of the cost of goods sold were as follows:

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 504,834	\$ 585,413
Disposal of inventory	3,035	4,590
Inventory write-downs	2,317	-
Loss on physical inventory	<u>18</u>	<u>5</u>
	<u>\$ 510,204</u>	<u>\$ 590,008</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2023	2022
Powerline Corp. (Note 1)	\$ 374,138	\$ 393,288
Golden Land International Corp.	80,331	76,315
Gain Access Investments Ltd. (Note 2)	30,867	29,435
PT. Finetek Automation Indonesia	32,069	31,615
Finetek GmbH (Note 3)	151,281	136,476
Tenda Capital Inc (Note 4)	<u>50,189</u>	<u>-</u>
	<u>\$ 718,875</u>	<u>\$ 667,129</u>
	Proportion of Ownership and Voting Rights	
	December 31	
	2023	2022
Powerline Corp.	100.00%	100.00%
Golden Land International Corp.	100.00%	100.00%
Gain Access Investments Ltd.	100.00%	100.00%
PT. Finetek Automation Indonesia	99.70%	99.70%
Finetek GmbH	100.00%	100.00%
Tenda Capital Inc	100.00%	-

Note 1: In August 2022, the subsidiary Fine Automation Co., Ltd. distributed retained earnings of RMB10,535 thousand (NT\$46,016 thousand) to its parent company, Faco International Co., Ltd. Subsequently, Faco International Co., Ltd. distributed retained earnings to the Company through Powerline Corp.

In May 2023, the subsidiary Fine Automation Co., Ltd. distributed retained earnings of RMB16,197 thousand (NT\$69,599 thousand) to its parent company, Faco International Co., Ltd. Subsequently, Faco International Co., Ltd. distributed retained earnings to the Company through Powerline Corp.

Note 2: In August 2022, the board of directors of the subsidiary Gain Access Investments Ltd. decided to reduce its capital in cash of US\$938 thousand (NT\$28,256 thousand).

Note 3: The Company established a subsidiary, Tenda Capital Inc for \$50,000 thousand with 100% ownership, which was approved by the New Taipei City Government in September 2023 to complete the establishment and registration.

Refer to Note 35 for the details of the subsidiaries indirectly held by the Company.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiaries' financial statements which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>									
Balance at January 1, 2023	\$ 425,685	\$ 277,636	\$ 58,131	\$ 8,004	\$ 10,743	\$ 25,863	\$ 35,101	\$ 5,658	\$ 846,821
Additions	-	13,304	7,329	-	4,176	3,452	1,191	-	29,452
Disposals	-	-	-	(4,600)	(1,752)	(1,020)	(796)	-	(8,168)
Reclassified (Note)	-	8,409	420	-	384	92	-	(5,658)	3,647
Balance at December 31, 2023	\$ 425,685	\$ 299,349	\$ 65,880	\$ 3,404	\$ 13,551	\$ 28,387	\$ 35,496	\$ -	\$ 871,752
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2023	\$ -	\$ 88,183	\$ 49,879	\$ 7,842	\$ 8,327	\$ 23,562	\$ 34,037	\$ -	\$ 211,830
Depreciation expense	-	14,928	4,292	122	2,273	2,323	903	-	24,841
Disposals	-	-	-	(4,600)	(1,752)	(1,020)	(561)	-	(7,933)
Balance at December 31, 2023	\$ -	\$ 103,111	\$ 54,171	\$ 3,364	\$ 8,848	\$ 24,865	\$ 34,379	\$ -	\$ 228,738
Carrying amount at December 31, 2023	\$ 425,685	\$ 196,238	\$ 11,709	\$ 40	\$ 4,703	\$ 3,522	\$ 1,117	\$ -	\$ 643,014
<u>Cost</u>									
Balance at January 1, 2022	\$ 425,685	\$ 273,929	\$ 54,771	\$ 8,004	\$ 10,358	\$ 23,145	\$ 34,994	\$ -	\$ 830,886
Additions	-	3,707	4,130	-	1,141	2,655	107	5,658	17,398
Disposals	-	-	(770)	-	(756)	-	-	-	(1,526)
Reclassified (Note)	-	-	-	-	-	63	-	-	63
Balance at December 31, 2022	\$ 425,685	\$ 277,636	\$ 58,131	\$ 8,004	\$ 10,743	\$ 25,863	\$ 35,101	\$ 5,658	\$ 846,821
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2022	\$ -	\$ 74,970	\$ 46,816	\$ 7,634	\$ 6,909	\$ 21,653	\$ 32,795	\$ -	\$ 190,777
Depreciation expense	-	13,213	3,653	208	2,174	1,909	1,242	-	22,399
Disposals	-	-	(590)	-	(756)	-	-	-	(1,346)
Balance at December 31, 2022	\$ -	\$ 88,183	\$ 49,879	\$ 7,842	\$ 8,327	\$ 23,562	\$ 34,037	\$ -	\$ 211,830
Carrying amount at December 31, 2022	\$ 425,685	\$ 189,453	\$ 8,252	\$ 162	\$ 2,416	\$ 2,301	\$ 1,064	\$ 5,658	\$ 634,991

Note: Transferred from prepayments for equipment.

For the years ended December 31, 2023 and 2022, no impairment assessment was performed as there were no indications of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-35 years
Auxiliary equipment	2-20 years
Machinery and equipment	1-10 years
Transportation	4-5 years
Office equipment	1-5 years
Molding equipment	1-4 years
Other equipment	1-8 years

Property, plant and equipment used by the Company and pledged as collateral for bank borrowings are set out in Note 31.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Transportation	\$ <u>3,821</u>	\$ <u>182</u>
	For the Year Ended December 31	
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	\$ <u>3,817</u>	\$ <u>230</u>
Depreciation charge for right-of-use assets		
Transportation	\$ <u>178</u>	\$ <u>123</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amount</u>		
Current	\$ <u>805</u>	\$ <u>115</u>
Non-current	\$ <u>3,020</u>	\$ <u>68</u>

Range of discount rates for lease liabilities were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Transportation	1.85%	1.21%-1.425%

c. Material leasing activities and terms - as lessee

The Company leases buildings and transportation equipment with lease terms of 2 to 3 years. These arrangements do not contain renewal or purchase options.

d. Other lease information

	For the Year Ended December 31	
	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	\$ <u>336</u>	\$ <u>324</u>
Total cash outflow for leases	\$ <u>(519)</u>	\$ <u>(480)</u>

The Company's leases of certain offices qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

All lease commitments (the Company as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Lease commitments	<u>\$ 336</u>	<u>\$ 324</u>

15. OTHER INTANGIBLE ASSETS

	Computer Software	Licenses and Franchises	Specialized Technology	Total
<u>Cost</u>				
Balance at January 1, 2023	\$ 58,184	\$ 750	\$ 124	\$ 59,058
Additions	3,245	-	-	3,245
Disposals	<u>(17,124)</u>	<u>-</u>	<u>-</u>	<u>(17,124)</u>
Balance at December 31, 2023	<u>\$ 44,305</u>	<u>\$ 750</u>	<u>\$ 124</u>	<u>\$ 45,179</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2023	\$ 44,029	\$ 212	\$ 7	\$ 44,248
Amortization expense	5,985	25	41	6,051
Disposals	<u>(17,124)</u>	<u>-</u>	<u>-</u>	<u>(17,124)</u>
Balance at December 31, 2023	<u>\$ 32,890</u>	<u>\$ 237</u>	<u>\$ 48</u>	<u>\$ 33,175</u>
Carrying amount at December 31, 2023	<u>\$ 11,415</u>	<u>\$ 513</u>	<u>\$ 76</u>	<u>\$ 12,004</u>
<u>Cost</u>				
Balance at January 1, 2022	\$ 53,491	\$ 750	\$ -	\$ 54,241
Additions	3,732	-	124	3,856
Disposals	(844)	-	-	(844)
Reclassified (Note)	<u>1,805</u>	<u>-</u>	<u>-</u>	<u>1,805</u>
Balance at December 31, 2022	<u>\$ 58,184</u>	<u>\$ 750</u>	<u>\$ 124</u>	<u>\$ 59,058</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2022	\$ 39,558	\$ 187	\$ -	\$ 39,745
Amortization expense	5,315	25	7	5,347
Disposals	<u>(844)</u>	<u>-</u>	<u>-</u>	<u>(844)</u>
Balance at December 31, 2022	<u>\$ 44,029</u>	<u>\$ 212</u>	<u>\$ 7</u>	<u>\$ 44,248</u>
Carrying amount at December 31, 2022	<u>\$ 14,155</u>	<u>\$ 538</u>	<u>\$ 117</u>	<u>\$ 14,810</u>

Note: Transferred from prepayments for equipment.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Licenses and franchises	29 years
Specialized technology	3 years

An analysis of amortization by function:

	For the Year Ended December 31	
	2023	2022
Operating costs	\$ 1,907	\$ 1,352
Selling and marketing expenses	2,854	2,820
General and administrative expenses	596	535
Research and development expenses	<u>694</u>	<u>640</u>
	<u>\$ 6,051</u>	<u>\$ 5,347</u>

16. OTHER ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Prepayments	\$ 1,530	\$ 1,548
Prepayments for purchases	1,154	10,273
Refundable deposits (Note)	<u>-</u>	<u>11,192</u>
	<u>\$ 2,684</u>	<u>\$ 23,013</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 4,579	\$ 3,482
Refundable deposits (Note)	4,566	3,252
Net defined benefit assets (Note 20)	<u>3,182</u>	<u>2,808</u>
	<u>\$ 12,327</u>	<u>\$ 9,542</u>

Note: The Company considers the past default experience of the debtor and an analysis of the debtor's current financial position to measure 12-month or lifetime expected credit losses on refundable deposits. As of December 31, 2023 and 2022, the Company assessed that there was no need to recognize expected credit loss on refundable deposits.

In July 2021, the Company paid the Ministry of Economic Affairs (MOEA) the refundable deposit of \$11,192 thousand for its participation in a technology research and development project, and the refundable deposits of the project were recovered in January 2023, refer to Note 23(b).

17. BORROWINGS

Long-term borrowings

	<u>December 31</u>	
	2023	2022
<u>Secured borrowings</u>		
Bank loans	\$ 176,923	\$ 213,087
Less: Current portion	<u>(15,385)</u>	<u>(17,047)</u>
Long-term borrowings	<u>\$ 161,538</u>	<u>\$ 196,040</u>

The Company's long-term borrowings were as follows:

Significant Terms	<u>December 31</u>	
	2023	2022
Loan period: 2020.6.10-2035.6.10		
Creditor: Mega International Commercial Bank Co., Ltd.		
Repayment: The principal is payable monthly in equal amounts after 2 years of grace period. Interest is paid monthly.		
Interest rate: 1.85%; 1.7%	<u>\$ 176,923</u>	<u>\$ 213,087</u>

The Company used land and buildings as collateral to acquire a loan from the bank are set out in Note 31.

18. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	2023	2022
<u>Notes payable</u>		
Operating	<u>\$ 3,903</u>	<u>\$ 4,501</u>
<u>Trade payables</u>		
Operating	<u>\$ 59,406</u>	<u>\$ 64,626</u>

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 30,500	\$ 32,476
Payables for compensation of employees	11,000	13,000
Payables for remuneration of directors	10,000	12,000
Payables for labor and health insurance	3,746	3,769
Payables for shipping costs	2,903	3,789
Payables for purchases of equipment (Note 27)	2,136	4,547
Others	<u>9,706</u>	<u>6,262</u>
	<u>\$ 69,991</u>	<u>\$ 75,843</u>

20. RETIREMENT BENEFIT PLANS

a. 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.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 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, the Company assesses the balance in the pension fund. 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 Company evaluates the amount of its Labor Retirement Reserve Fund accumulated to be sufficient to provide for the Labor Pension Fund. Therefore, the Company suspended the contribution to the reserve in October 2023. The above suspension has been approved by the Bureau of Labor Affairs of the New Taipei City Government

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Present value of defined benefit obligation	\$ (5,297)	\$ (5,244)
Fair value of plan assets	<u>8,479</u>	<u>8,052</u>
Net defined benefit assets	<u>\$ 3,182</u>	<u>\$ 2,808</u>

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liabilities)
Balance at January 1, 2022	\$ (5,106)	\$ 7,094	\$ 1,988
Service costs			
Current service costs	(4)	-	(4)
Net interest (expense) income	(33)	47	14
Recognized in profit or loss	(37)	47	10
Remeasurement			
Return on plan assets	-	572	572
Actuarial gain (loss)			
Changes in financial assumption	264	-	264
Experience adjustments	(365)	-	(365)
Recognized in other comprehensive income (loss)	(101)	572	471
Contributions from the employer	-	339	339
Balance at December 31, 2022	(5,244)	8,052	2,808
Service costs			
Current service costs	(1)	-	(1)
Net interest (expense) income	(65)	102	37
Recognized in profit or loss	(66)	102	36
Remeasurement			
Return on plan assets	-	69	69
Actuarial gain (loss)			
Experience adjustments	13	-	13
Recognized in other comprehensive income (loss)	13	69	82
Contributions from the employer	-	256	256
Balance at December 31, 2023	\$ (5,297)	\$ 8,479	\$ 3,182

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	For the Year Ended December 31	
	2023	2022
General and administrative expenses	\$ (36)	\$ (10)

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

- 1) Investment risk: The plan assets are invested in both 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 government and corporate bond interest rates 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 used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2023	2022
Discount rate(s)	1.25%	1.25%
Expected rate(s) of salary increase	2.75%	2.75%

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

	<u>December 31</u>	
	2023	2022
Discount rate(s)		
0.25% increase	\$ (96)	\$ (104)
0.25% decrease	\$ 100	\$ 107
Expected rate(s) of salary increase		
1% increase	\$ 409	\$ 441
1% decrease	\$ (366)	\$ (394)

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 changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2023	2022
The expected contributions to the plan for the next year	\$ -	\$ 340
The average duration of the defined benefit obligation	9.1 years	10 years

21. EQUITY

- a. Share capital

Ordinary shares

	<u>December 31</u>	
	2023	2022
Number of shares authorized (in thousands)	<u>62,000</u>	<u>62,000</u>
Shares authorized	\$ <u>620,000</u>	\$ <u>620,000</u>
Number of shares issued and fully paid (in thousands)	<u>54,790</u>	<u>49,360</u>
Shares issued	\$ <u>547,890</u>	\$ <u>493,595</u>

In the shareholders' meeting on June 10, 2022, the Company's shareholders approved the transfer of retained earnings of \$48,816 thousand to issue 4,882 thousand new shares with a par value of NT\$10. The above transaction was approved by the FSC on July 29, 2022, and the subscription base date was August 30, 2022, which was determined on August 8, 2022 by the Company's board of directors.

In the shareholders' meeting on June 9, 2023, the Company's shareholders approved the transfer of retained earnings of \$54,295 thousand to issue 5,430 thousand new shares with a par value of NT\$10. The above transaction was approved by the FSC on August 8, 2022, and the subscription base date was September 4, 2023, which was determined on August 11, 2023 by the Company's board of directors.

b. Capital surplus

	<u>December 31</u>	
	2023	2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u>		
Premium from issuance of ordinary shares	\$ 326,872	\$ 325,800
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	34	34
<u>May not be used for any purpose (Note 2)</u>		
Employee share options	-	2,433
	<u>\$ 326,906</u>	<u>\$ 328,267</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

Note 2: The capital surplus generated from employee share options shall not be used for any purpose.

	Premium from Issuance of Ordinary Shares	The Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition	Employee Share Options
Balance at January 1, 2022	\$ 321,944	\$ 34	\$ 5,745
Transfer of treasury shares to employees	3,856	-	(5,745)
Recognized of employee share options	-	-	2,433
Balance at December 31, 2022	<u>\$ 325,800</u>	<u>\$ 34</u>	<u>\$ 2,433</u>

(Continued)

	Premium from Issuance of Ordinary Shares	The Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition	Employee Share Options
Balance at January 1, 2023	\$ 325,800	\$ 34	\$ 2,433
Transfer of treasury shares to employees	<u>1,072</u>	<u>-</u>	<u>(2,433)</u>
Balance at December 31, 2023	<u>\$ 326,872</u>	<u>\$ 34</u>	<u>\$ -</u> (Concluded)

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 23(g).

In accordance with the amendments to the Company Act, the distribution of dividends may be made by way of cash dividends or share dividends, where the ratio of the cash dividends shall not be less than 10% of the total shareholders' dividends.

An appropriation of earnings to a 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 has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings.

The appropriations of earnings for the 2022 and 2021 which were approved in the shareholders' meetings on June 9, 2023 and June 10, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	<u>\$ 31,356</u>	<u>\$ 27,583</u>
Special reserve	<u>\$ (24,968)</u>	<u>\$ 17,594</u>
Cash dividends	<u>\$ 197,438</u>	<u>\$ 181,949</u>
Share dividends	<u>\$ 54,295</u>	<u>\$ 48,816</u>
Cash dividends per share (NT\$)	\$ 4.0	\$ 4.1
Share dividends per share (NT\$)	\$ 1.1	\$ 1.1

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on March 11, 2024, were as follows:

	For the Year Ended December 31, 2023
Legal reserve	<u>\$ 26,790</u>
Special reserve	<u>\$ 3,206</u>
Cash dividends	<u>\$ 219,156</u>
Share dividends	<u>\$ 10,958</u>
Cash dividends per share (NT\$)	\$ 4
Share dividends per share (NT\$)	\$ 0.2

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held on May 27, 2023.

d. Special reserve

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 77,239	\$ 59,645
Appropriation in respect of:		
(Reversal of) debit to other equity items	<u>(24,968)</u>	<u>17,594</u>
Balance at December 31	<u>\$ 52,271</u>	<u>\$ 77,239</u>

e. Other equity items

1) Exchange differences on translation of the financial statements for foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (52,271)	\$ (72,812)
Recognized for the year		
Exchange differences on translation of foreign operations	(4,008)	25,676
Income tax related to exchange differences arising on translation to the presentation currency (Note 24)	<u>802</u>	<u>(5,135)</u>
Balance at December 31	<u>\$ (55,477)</u>	<u>\$ (52,271)</u>

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2022
Balance at January 1	\$ (4,427)
Recognized for the year	
Unrealized (loss)/gain - equity instruments	<u>(6,823)</u>
Other comprehensive (loss)/income for the year	(6,823)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings	<u>11,250</u>
Balance at December 31	<u>\$ -</u>

f. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2023	100
Decrease during the year	<u>(100)</u>
Number of shares at December 31, 2023	<u>-</u>
Number of shares at January 1, 2022	370
Decrease during the year	<u>(270)</u>
Number of shares at December 31, 2022	<u>100</u>

From October 2018 to November 2018, for the purpose of transferring shares to employees, the Company bought back 500 thousand shares from the open market amounting to \$36,973 thousand.

On May 7, 2021, the board of directors resolved to transfer 130 thousand treasury shares to employees, and set July 9, 2021 as the grant date.

In January 2022, the Company's employees subscribed 270 thousand ordinary shares at an exercise price of \$67.15 per share. After the deduction of the net of \$53 thousand in securities transaction taxes and other transaction costs, the total amount was \$18,078 thousand. The Company reversed \$19,967 thousand of treasury shares and \$5,745 thousand of capital surplus - employee share options, and the difference of \$3,856 thousand was recognized in capital surplus - treasury share transactions.

In January 2023, the Company's employees subscribed 100 thousand ordinary shares at an exercise price of \$60.51 per share. After the deduction of the net of \$19 thousand in securities transaction taxes and other transaction costs, the total amount was \$6,032 thousand. The Company reversed \$7,393 thousand of treasury shares and \$2,433 thousand of capital surplus - employee share options, and the difference of \$1,072 thousand was recognized in capital surplus - treasury share transactions.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

22. REVENUE

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	\$ 928,002	\$ 1,112,098
Revenue from rendering of services	<u>2,574</u>	<u>2,064</u>
	<u>\$ 930,576</u>	<u>\$ 1,114,162</u>

a. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable (Note 10)	<u>\$ 16,428</u>	<u>\$ 22,810</u>	<u>\$ 23,652</u>
Trade receivables (Note 10)	<u>\$ 61,575</u>	<u>\$ 64,699</u>	<u>\$ 64,118</u>
Trade receivables from related parties (Note 30)	<u>\$ 52,714</u>	<u>\$ 78,587</u>	<u>\$ 126,426</u>
Contract liabilities - current			
Sales of goods	<u>\$ 7,788</u>	<u>\$ 19,715</u>	<u>\$ 8,547</u>

The changes in the balance of contract liabilities primarily resulted from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods were as follows:

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>From contract liabilities at the start of the year</u>		
Sale of goods	<u>\$ 19,162</u>	<u>\$ 8,035</u>

b. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Product categories</u>		
Process automated sensor development	\$ 805,200	\$ 939,956
Pneumatic control system	48,056	75,578
Other	<u>77,320</u>	<u>98,628</u>
	<u>\$ 930,576</u>	<u>\$ 1,114,162</u>

23. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<u>For the Year Ended December 31</u>	
	2023	2022
Bank deposits	\$ 2,344	\$ 1,565
Financial assets at amortized cost	917	883
Imputed interest	<u>78</u>	<u>34</u>
	<u>\$ 3,339</u>	<u>\$ 2,482</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2023	2022
Dividend income	\$ 2,053	\$ 2,559
Government grant income	89	18,033
Rental income (Note 30)	38	-
Others	<u>1,322</u>	<u>1,121</u>
	<u>\$ 3,502</u>	<u>\$ 21,713</u>

The Company participated in the technology research and development project of the Ministry of Economic Affairs, and the approved government grants totaling \$27,979 thousand. The Company received \$11,192 thousand in August 2021 and January 2022, respectively, which was recognized as other revenues.

The Company paid the refundable deposit for its participation in the aforementioned project, refer to Note 16.

c. Other gains and (losses)

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gains	\$ 3,125	\$ 18,178
Fair value changes of financial assets		
Financial assets mandatorily classified as at FVTPL	14,583	6,191
Receipts of payments under custody (Note 30)	5,315	2,980
Gain on disposal of property, plant and equipment	188	20
Others	<u>(175)</u>	<u>(22)</u>
	<u>\$ 23,036</u>	<u>\$ 27,347</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on loans	\$ 3,420	\$ 3,395
Interest on lease liabilities	<u>7</u>	<u>2</u>
	<u>\$ 3,427</u>	<u>\$ 3,397</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 19,252	\$ 17,976
Operating expenses	<u>5,767</u>	<u>4,546</u>
	<u>\$ 25,019</u>	<u>\$ 22,522</u>
An analysis of amortization by function		
Operating costs	\$ 1,907	\$ 1,352
Operating expenses	<u>4,144</u>	<u>3,995</u>
	<u>\$ 6,051</u>	<u>\$ 5,347</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term benefits	\$ 163,535	\$ 175,904
Post-employment benefits (Note 20)		
Defined contribution plan	7,616	7,562
Defined benefit plans	(36)	(10)
Share-based payments (Note 26)		
Equity-settled	-	2,433
Other employee benefits	<u>30,974</u>	<u>29,183</u>
Total employee benefits expense	<u>\$ 202,089</u>	<u>\$ 215,072</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
An analysis of employee benefits expense by function		
Operating costs	\$ 83,536	\$ 90,904
Operating expenses	<u>118,553</u>	<u>124,168</u>
	<u>\$ 202,089</u>	<u>\$ 215,072</u>
		(Concluded)

g. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on March 11, 2024 and March 17, 2023, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	3.13%	3.11%
Remuneration of directors	2.85%	2.87%

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 11,000	\$ 13,000
Remuneration of directors	10,000	12,000

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2023 and 2022.

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

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2023	2022
Foreign exchange gains	\$ 20,244	\$ 34,774
Foreign exchange losses	<u>(17,119)</u>	<u>(16,596)</u>
Net foreign exchange gains	<u>\$ 3,125</u>	<u>\$ 18,178</u>

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current period	\$ 62,851	\$ 73,136
Income tax on unappropriated earnings	899	-
Withholding tax on repatriated offshore funds	-	(1,494)
Adjustments for prior years	<u>2,111</u>	<u>(1,087)</u>
	<u>65,861</u>	<u>70,555</u>
Deferred tax		
In respect of the current period	<u>(3,627)</u>	<u>(2,528)</u>
Income tax expense recognized in profit or loss	<u>\$ 62,234</u>	<u>\$ 68,027</u>

The reconciliations of the accounting profit and income tax expense were as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax	<u>\$ 330,072</u>	<u>\$ 392,465</u>
Income tax expense calculated at the statutory rate	\$ 66,014	\$ 78,493
Nondeductible expenses in determining taxable income	(3,085)	(1,927)
Tax-exempt income	(242)	(2,071)
Income tax on unappropriated earnings	899	-
Deferred tax effect of earnings of subsidiaries	(3,463)	(3,887)
Refund of tax of investment income from repatriate offshore funds (Note)	-	(1,494)
Adjustments for prior years' tax	<u>2,111</u>	<u>(1,087)</u>
Income tax expense recognized in profit or loss	<u>\$ 62,234</u>	<u>\$ 68,027</u>

Note: In July 2019, the president of the ROC announced “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”. Under the Act, enterprises shall apply for and obtain approval from the auditing authority to repatriate their offshore reinvestment income in two years, and the bank may deduct taxes on their behalf in accordance with the tax rates stipulated in the act. In March 2020, the Company obtained the approval of the auditing authority and repatriated offshore funds and deducted 8% income tax. In 2022, the Company completed the physical investments in accordance with the regulations and received tax refunds.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current period		
Translation of foreign operations	\$ (802)	\$ 5,135
Remeasurement of defined benefit plans	<u>16</u>	<u>94</u>
Total income tax recognized in other comprehensive income	<u>\$ (786)</u>	<u>\$ 5,229</u>

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ -</u>	<u>\$ 4,075</u>
Current tax liabilities		
Income tax payable	<u>\$ 18,935</u>	<u>\$ 40,154</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on translation of the financial statements of foreign operations	\$ 9,980	\$ -	\$ 802	\$ 10,782
Defined benefit plans	105	(58)	(16)	31
Unrealized gains on transactions with associates	8,392	(3,525)	-	4,867
Payables for annual leave	202	(106)	-	96
Allowance for impairment of receivables	57	52	-	109
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
Allowance for financial assets at amortized cost	\$ 5	\$ 33	\$ -	\$ 38
Unrealized losses on write-down of inventories	8,300	463	-	8,763
Unrealized loss on transactions	<u>613</u>	<u>1,257</u>	<u>-</u>	<u>1,870</u>
	<u>\$ 27,654</u>	<u>\$ (1,884)</u>	<u>\$ 786</u>	<u>\$ 26,556</u>

Deferred tax liabilities

Temporary differences

Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 50,803	\$ (5,838)	\$ -	\$ 44,965
Unrealized gain on transactions	<u>1,124</u>	<u>327</u>	<u>-</u>	<u>1,451</u>
	<u>\$ 51,927</u>	<u>\$ (5,511)</u>	<u>\$ -</u>	<u>\$ 46,416</u>

(Concluded)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
Exchange differences on translation of the financial statements of foreign operations	\$ 15,115	\$ -	\$ (5,135)	\$ 9,980
Defined benefit plans	275	(76)	(94)	105
Unrealized gains on transactions with associates	5,253	3,139	-	8,392
Payables for annual leave	140	62	-	202
Allowance for impairment of receivables	20	37	-	57
Allowance for financial assets at amortized cost	5	-	-	5
Unrealized losses on write-down of inventories	8,630	(330)	-	8,300
Unrealized loss on transactions	<u>106</u>	<u>507</u>	<u>-</u>	<u>613</u>
	<u>\$ 29,544</u>	<u>\$ 3,339</u>	<u>\$ (5,229)</u>	<u>\$ 27,654</u>

Deferred tax liabilities

Temporary differences

Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	\$ 50,934	\$ (131)	\$ -	\$ 50,803
Unrealized gain on transactions	<u>182</u>	<u>942</u>	<u>-</u>	<u>1,124</u>
	<u>\$ 51,116</u>	<u>\$ 811</u>	<u>\$ -</u>	<u>\$ 51,927</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$145,046 thousand and \$148,549 thousand, respectively.

- f. Income tax assessments

The tax returns through 2021 have been assessed by the tax authorities. As of December 31, 2023, the Company has no unsettled lawsuits in relation to tax.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	<u>\$ 4.89</u>	<u>\$ 5.93</u>
Diluted earnings per share	<u>\$ 4.88</u>	<u>\$ 5.91</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 4, 2023. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2022 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 6.59</u>	<u>\$ 5.93</u>
Diluted earnings per share	<u>\$ 6.56</u>	<u>\$ 5.91</u>

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

	For the Year Ended December 31	
	2023	2022
Net profit for the year	<u>\$ 267,838</u>	<u>\$ 324,438</u>

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	54,790	54,679
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>148</u>	<u>178</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>54,938</u>	<u>54,857</u>

The Company may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as 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.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Treasury Shares Transferred to Employees

In order to motivate and enhance the motivation of employees, the board of directors resolved to transfer 100 thousand shares and 270 thousand shares of treasury shares to employees on December 23, 2022 and December 20, 2021, respectively, and set December 26, 2022 and December 28, 2021 as the grant date, and the related information were as follows:

	For the Year Ended December 31			
	2023		2022	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)
<u>Employee share options</u>				
Balance at January 1	100	\$ 60.51	270	\$ 67.15
Options granted	-	-	100	60.51
Options exercised	<u>(100)</u>	60.51	<u>(270)</u>	67.15
Balance at December 31	<u>-</u>	-	<u>100</u>	60.51
Options exercisable, end of the year	<u>-</u>	-	<u>100</u>	60.51
Weighted-average fair value of options granted (\$)	<u>-</u>		<u>24.33</u>	

The estimated fair value of the Company's equity instruments given on the grant date was separately recognized as compensation costs under the option pricing model. The fair value was determined based on the Black-Scholes option pricing model. The inputs values to the model were as follows:

	December 2023	December 2022	July 2022
Grant-date share price	\$84.80	\$88.40	\$90.10
Exercise price	\$60.51	\$67.15	\$70.47
Expected volatility	16.50%	12.45%	21.94%
Expected life (in years)	0.04 years	0.04 years	0.04 years
Expected employee subscription rate	100%	100%	100%
Risk-free interest rate	0.89%	0.24%	0.15%

The cost of compensation for the transfer of the Company's treasury shares to employees were \$2,433 thousand for the years ended December 31, 2022.

27. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows for the years ended December 31, 2023 and 2022:

As of December 31, 2023 and 2022, the unsettled payments for the acquisition of property, plant and equipment were \$2,136 thousand and \$4,547 thousand, respectively, which were recorded as other payables.

As of December 31, 2023 and 2022, the unsettled payments for the acquisition of computer software was \$205 thousand and \$474 thousand, respectively, which was recorded as other payables.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

	January 1, 2023	Cash Flows	Non-cash Changes			December 31, 2023
			New Leases	Interest Expenses	Others	
Long-term borrowings and long-term borrowings due within one year	\$ 213,087	\$ (36,164)	\$ -	\$ -	\$ -	\$ 176,923
Lease liabilities	183	(175)	3,817	7	(7)	3,825
Guarantee deposits	-	10	-	-	-	10
	<u>\$ 213,270</u>	<u>\$ (36,329)</u>	<u>\$ 3,817</u>	<u>\$ 7</u>	<u>\$ (7)</u>	<u>\$ 180,758</u>

For the year ended December 31, 2022

	January 1, 2022	Cash Flows	Non-cash Changes			December 31, 2022
			New Leases	Interest Expenses	Others	
Long-term borrowings and long-term borrowings due within one year	\$ 252,000	\$ (38,913)	\$ -	\$ -	\$ -	\$ 213,087
Lease liabilities	107	(154)	230	2	(2)	183
	<u>\$ 252,107</u>	<u>\$ (39,067)</u>	<u>\$ 230</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ 213,270</u>

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, capital surplus, retained earnings, and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of new debt issued and existing debt redeemed.

29. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments not measured at fair value

December 31, 2023

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 21,255	\$ -	\$ 18,943	\$ -	\$ 18,943

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 21,417	\$ -	\$ 18,173	\$ -	\$ 18,173

The fair values of the financial assets included in the Level 2 category above have been determined in accordance with the income approach based on a discounted cash flow analysis.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 88,791	\$ -	\$ -	\$ 88,791

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 89,386	\$ -	\$ -	\$ 89,386

In 2023 and 2022, there were no transfers between Levels 1 and 2.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	Financial Assets at FVTOCI Equity Instruments
<u>Financial assets</u>	
Balance at January 1	\$ 10,573
Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI)	(6,823)
Disposals	<u>(3,750)</u>
Balance at December 31	<u>\$ -</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted equity securities were assessed using a combination of the market. In the market approach, the price multipliers of other similar companies trading on the active market are used as reference for determination of the fair value.

The significant unobservable inputs used are as follows:

The value of the investee evaluated by the market approach was relatively lower than that of the equity with control due to the lack of control ability, so 33.33% was listed as the basis for non-control reduction. In addition, the equity was considered to be less liquid in the securities market than the comparable company, so the liquidity discount was 25%.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 88,791	\$ 89,386
Financial assets at amortized cost (Note 1)	528,470	588,099
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	256,353	299,799

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, trade receivables from related parties, other receivables (except for VAT refund receivables), others receivables from related parties and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, trade payables to related parties, other payables (except for salaries and bonuses payable, employee compensation payable, remuneration of directors payable, labor and health insurance payable, taxes payable, payable for retirement and payable for annual leaves.), long-term loans (including long-term loans due within one year) and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, receivables, payables, borrowings and lease liabilities. The Company's financial 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's financial department reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates risk (see (a) below), interest rates risk (see (b) below), and other prices risk (see (c) below).

There have been no changes to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities exposing the Company to foreign currency risk at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Company was mainly exposed to fluctuations in the USD and the RMB.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated when the New Taiwan dollar weakens 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Profit	\$ 17,978	\$ 10,275	\$ 9,808	\$ 5,281

The profit (loss) above was mainly attributable to the exposure on outstanding USD and RMB bank deposits, receivables and payables at the end of the reporting period.

The Company's sensitivity to the USD increased during the current year mainly because of an increase in USD bank deposits and receivables.

The Company's sensitivity to the RMB increased during the current year mainly because of an increase in RMB bank deposits and receivables.

b) Interest rate risk

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	2022
Fair value interest rate risk		
Financial assets	\$ 78,555	\$ 111,101
Financial liabilities	3,825	183
Cash flow interest rate risk		
Financial assets	168,476	203,692
Financial liabilities	176,923	213,087

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been a 1% 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 decrease/increase by \$84 thousand and \$94 thousand, respectively, which would have been mainly attributable to the Company's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loans.

The Company's sensitivity to interest rates decreased during the current year mainly due to a decrease in bank borrowings bearing interest on variable interest rates.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities.

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to equity prices at the end of the reporting period.

If the equity price of financial assets at FVTPL rises/falls by 1% and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would increase/decrease by \$888 thousand and \$894 thousand, respectively.

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 at the end of the reporting period, in order to mitigate the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge an obligation, pertains to financial assets recognized in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's concentration of credit risk of 43% and 39% of trade receivables and other receivables as of December 31, 2023 and 2022, respectively, was attributable to the Company's largest customer.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized bank loan facilities please set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables include both estimated interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 76	\$ 153	\$ 639	\$ 3,133	\$ -
Variable interest rate liabilities	1,541	3,052	13,721	70,603	105,674
Non-interest bearing liabilities	<u>12,396</u>	<u>67,034</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,013</u>	<u>\$ 70,239</u>	<u>\$ 14,360</u>	<u>\$ 73,736</u>	<u>\$ 105,674</u>

Further information on the maturity analysis of the above financial liabilities were as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Variable interest rate liabilities	<u>\$ 18,314</u>	<u>\$ 70,603</u>	<u>\$ 82,283</u>	<u>\$ 23,391</u>

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 10	\$ 19	\$ 87	\$ 68	\$ -
Variable interest rate liabilities	1,733	3,429	15,425	79,409	136,210
Non-interest bearing liabilities	<u>11,196</u>	<u>75,516</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,939</u>	<u>\$ 78,964</u>	<u>\$ 15,512</u>	<u>\$ 79,477</u>	<u>\$ 136,210</u>

Further information on the maturity analysis of the above financial liabilities were as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Variable interest rate liabilities	<u>\$ 20,587</u>	<u>\$ 79,409</u>	<u>\$ 92,645</u>	<u>\$ 43,565</u>

b) Loan commitments

	December 31	
	2023	2022
Unsecured bank credit		
Amount used	\$ -	\$ -
Amount unused	<u>200,000</u>	<u>280,000</u>
	<u>\$ 200,000</u>	<u>\$ 280,000</u>
Secured bank credit which may be extended by mutual agreement:		
Amount used	\$ 176,923	\$ 213,087
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 176,923</u>	<u>\$ 213,087</u>

30. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Relationship with the Company
Fine Automation Co., Ltd.	Subsidiary
Aplus Finetek Sensor Inc.	Subsidiary
Finetek Pte., Ltd.	Subsidiary
Finetek GmbH	Subsidiary
Mutec Instruments GmbH	Subsidiary
PT. Finetek Automation Indonesia	Subsidiary
Tenda Capital Inc	Subsidiary
Morn Sun Feed Mill Corp.	Related party in substance (the Chairman of the entity is the Chairman of the Company)
Yilan Wu Sha Culture Foundation	Related party in substance (the Chairman of the entity is the managing director of the Company)
Yilan County Sijie National Primary School Education Foundation	Related party in substance (the Chairman of the entity is the Chairman of the Company)

b. Revenue

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Sales revenue	Subsidiaries		
	Fine Automation Co., Ltd.	\$ 124,218	\$ 241,387
	Aplus Finetek Sensor Inc.	15,924	26,730
	Others	38,910	34,088
	Related party in substance	<u>29</u>	<u>29</u>
		<u>\$ 179,081</u>	<u>\$ 302,234</u>

The Company's selling prices for the sale of goods to related parties were negotiated with reference to the market prices in the respective regions, and the selling prices for non-related parties were determined based on the general market. The credit period for the sale of goods to related parties and non-related parties was 90 days after the month-end closing and date of advance collection till 150 days after the month-end closing, respectively.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2023	2022
Subsidiaries	<u>\$ 32,419</u>	<u>\$ 24,531</u>

The Company's purchase prices from the related parties were based on the regional market prices or cost-plus pricing. The prices to third parties were based on negotiations. Purchase payment terms are the same as those for unrelated parties.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2023	2022
Trade receivables	Subsidiaries		
	Fine Automation Co., Ltd.	\$ 30,693	\$ 58,775
	PT. Finetek Automation Indonesia	14,096	12,643
	Aplus Finetek Sensor Inc.	3,784	1,491
	Others	<u>4,141</u>	<u>5,678</u>
		<u>\$ 52,714</u>	<u>\$ 78,587</u>
Other receivables	Subsidiaries		
	Aplus Finetek Sensor Inc.	\$ 144,830	\$ 91,052
	Others	<u>318</u>	<u>207</u>
		<u>\$ 145,148</u>	<u>\$ 91,259</u>

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized on trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category	December 31	
		2023	2022
Trade payables	Subsidiaries		
	Fine Automation Co., Ltd.	\$ 2,898	\$ 3,957
	Mutec Instruments GmbH	412	2,350
	Others	<u>415</u>	<u>82</u>
		<u>\$ 3,725</u>	<u>\$ 6,389</u>
Other payables	Subsidiaries		
	Fine Automation Co., Ltd.	\$ 256	\$ -
	Finetek GmbH	<u>-</u>	<u>127</u>
		<u>\$ 256</u>	<u>\$ 127</u>

The outstanding trade payables from related parties are unsecured.

f. Other transactions with related parties

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
General and administrative expenses - donation	Related party in substance		
	Yilan Wu Sha Culture Foundation	\$ 4,500	\$ 7,500
	Others	<u>-</u>	<u>80</u>
		<u>\$ 4,500</u>	<u>\$ 7,580</u>
Other gains and losses - receipts of payments	Subsidiaries	<u>\$ 37</u>	<u>\$ 53</u>

g. Lease arrangements - the Group is lessor

Subsidiary Tenda Capital Inc leases office from the Company during 2023 for a period of one year, with monthly rental payments. The rental income recognized in 2023 was \$38 thousand; the security deposit received by the Company for leasing its office was recorded as a deposit of \$10 thousand as of December 31, 2023.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 24,848	\$ 21,790
Post-employment benefits	585	489
Share-based payments	<u>-</u>	<u>608</u>
	<u>\$ 25,433</u>	<u>\$ 22,887</u>

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as guarantees for sales, collateral for bank borrowings, government grant projects and guarantee for tariffs:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged bank deposits (classified as financial assets at amortized cost - current)	\$ 300	\$ 300
Restricted bank time deposits (classified as financial assets at amortized cost - current)	-	13,800
Freehold land and buildings (classified as property, plant and equipment)	<u>336,347</u>	<u>348,822</u>
	<u>\$ 336,647</u>	<u>\$ 362,922</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	<u>\$ 5,692</u>	<u>\$ 7,024</u>

33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

	Foreign Currency (Thousand)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,382	30.705 (USD:NTD)	<u>\$ 380,177</u>
RMB	45,405	4.327 (RMB:NTD)	<u>\$ 196,466</u>
Non-monetary items			
Investments accounted for using the equity method-subsiaries	15,806	30.705 (USD:NTD)	<u>\$ 485,336</u>
	4,452	33.98 (EUR:NTD)	<u>\$ 151,281</u>
	16,245,056	0.00198 (IDR:NTD)	<u>\$ 32,069</u>

(Continued)

	Foreign Currency (Thousand)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 671	30.705 (USD:NTD)	\$ 20,616
RMB	72	4.327 (RMB:NTD)	\$ 311
			(Concluded)

December 31, 2022

	Foreign Currency (Thousand)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,637	30.71 (USD:NTD)	\$ 234,520
RMB	24,036	4.408 (RMB:NTD)	\$ 105,950
Non-monetary items			
Investments accounted for using the equity method-subsiidiaries	16,250	30.71 (USD:NTD)	\$ 499,038
	4,171	32.72 (EUR:NTD)	\$ 136,476
	16,015,270	0.00198 (IDR:NTD)	\$ 31,615

Financial liabilities

Monetary items			
USD	945	30.71 (USD:NTD)	\$ 29,012
RMB	73	4.408 (RMB:NTD)	\$ 322

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains (losses) were \$3,125 thousand and \$18,178 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company.

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) 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 2)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
 - 9) Trading in derivative instruments (None)
- b. Information on investees (Table 4)
- c. 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 of investees, investment income or loss, carrying amount of the investment at the end of the year, 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: (Table 6)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. 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 7)

FINETEK CO., LTD. AND INVESTEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note	
				Number of Shares (In Thousands of Shares)	Carrying Amount	Percentage of Ownership (%)	Fair Value		
The Company	<u>Domestic listed shares</u> Morn Sun Feed Mill Corp.	The Chairman of the entity is the Chairman of the Company	Financial assets at FVTPL - current	1,556	\$ 74,367	3.95	\$ 74,367	-	
	Mega Financial Holding Company Limited	None	Financial assets at FVTPL - current	212	8,303	-	8,303	-	
	Cathay Financial Holding Co., Ltd.	None	Financial assets at FVTPL - current	27	1,237	-	1,237	-	
	Value Valves Co., Ltd.	None	Financial assets at FVTPL - current	53	4,884	0.12	4,884	-	
	<u>Foreign investments</u> Corporate bonds - Deutsche Bank	None	Financial assets at amortized cost - non-current	1	6,058	-	5,984	Note	
	Corporate bonds - Société Générale	None	Financial assets at amortized cost - non-current	1	6,096	-	5,936	Note	
	Corporate bonds - AT&T	None	Financial assets at amortized cost - non-current	1	9,101	-	7,023	Note	
	Faco International Co., Ltd.	<u>Foreign investments</u> Corporate bonds - Deutsche Bank	None	Financial assets at amortized cost - non-current	1	15,123	-	14,961	-
		Corporate bonds - AT&T	None	Financial assets at amortized cost - non-current	2	7,689	-	6,365	-
Tenda Capital Inc		<u>Domestic listed shares</u> Everlight Electronics Co., Ltd.	None	Financial assets at amortized cost - current	61	3,050	0.01	3,050	-
	Bioteque Corporation	None	Financial assets at amortized cost - current	24	2,640	0.04	2,640	-	
	Value Valves Co., Ltd.	None	Financial assets at amortized cost - current	63	5,815	0.15	5,815	-	
	<u>Beneficiary certificates</u> SinoPac 4 Year Maturity US Quality Investment Grade Bond Fund	None	Financial assets at amortized cost - current	500	4,968	-	4,968	-	

Note: Refer to Note 29 (a) for information relating to the fair value measurement of foreign investments.

FINETEK CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes Receivable (Payable)/Trade Receivables (Payables)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price (Note 2)	Payment Terms	Ending Balance	% of Total	
FineTek Co., Ltd.	Fine Automation Co., Ltd.	Parent company to subsidiary	(Sale)	\$ (124,218)	(13)	90 days after the month-end closing when invoice is issued	Price set based on cost-plus pricing	Date of advance collection till 150 days after the month-end closing when invoice is issued	\$ 30,693	23	Note
Fine Automation Co., Ltd.	The Company	Subsidiary to parent company	Purchase	124,218	71	90 days after the month-end closing when invoice is issued	Price set based on cost-plus pricing	30-180 days after the month-end closing when invoice is issued when invoice is issued	(30,693)	(72)	Note

Note: The listed amounts were eliminated upon consolidation.

FINETEK CO., LTD. AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
FineTek Co., Ltd.	Aplus Finetek Sensor Inc	Subsidiary	Other receivables from related parties \$ 144,830	-	\$ -	-	\$ 53,962	\$ -

FINETEK CO., LTD. AND INVESTEEES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income/(Loss) of the Investee	Share of Profit/(Loss) of Investee	Remark
				December 31, 2023	December 31, 2022	Number of Shares (In Thousands of Shares)	%	Carrying Amount			
The Company	Powerline Corp.	Samoa	Investment activities	\$ 72,578 (US\$ 2,211)	\$ 72,578 (US\$ 2,211)	1,811	100.00	\$ 374,138	\$ 42,051	\$ 42,051	Subsidiary (Note 1)
	Golden Land International Corp.	Samoa	Investment activities	10,176 (US\$ 340)	10,176 (US\$ 340)	340	100.00	80,331	4,087	4,087	Subsidiary (Note 1)
	Gain Access Investments Ltd.	Samoa	Investment activities	38,685 (US\$ 937)	38,685 (US\$ 937)	937	100.00	30,867	1,458	1,458	Subsidiary (Note 1)
	PT. Finetek Automation Indonesia	Indonesia	Manufacturing and selling of transmitters, point switches and electronic terminals	48,335 (US\$ 1,596)	48,335 (US\$ 1,596)	1,725	99.70	32,069	471	470	Subsidiary (Note 1)
	Finetek GmbH	Germany	Sale of transmitters, point switches and electronic terminals	128,655 (US\$ 4,129)	128,655 (US\$ 4,129)	-	100.00	151,281	9,471	9,471	Subsidiary (Note 1)
	Tenda Capital Inc	ROC	Investment	50,000	-	5,000	100.00	50,189	189	189	Subsidiary (Note 1)
Golden Land International Corp.	Aplus Finetek Sensor Inc.	U.S.A.	Sale of transmitters, point switches and electronic terminals	9,995 (US\$ 331)	9,995 (US\$ 331)	500	100.00	80,063	4,083	4,083	Second-tier subsidiary (Note 1)
Powerline Corp.	Faco International Co., Ltd.	British Virgin Islands	Investment activities	59,240 (US\$ 1,811)	59,240 (US\$ 1,811)	1,811	100.00	398,244	41,190	41,190	Second-tier subsidiary (Note 1)
Faco International Co., Ltd.	Finetek Pte., Ltd.	Singapore	Sale of transmitters, point switches and electronic terminals	24,247 (US\$ 745)	24,247 (US\$ 745)	1,672	100.00	11,222	1,046	1,046	Third-tier subsidiary (Note 1)
Finetek GmbH	Mutec Instruments GmbH	Germany	Sale of transmitters, point switches and electronic terminals	112,425 (EUR 3,256)	112,425 (EUR 3,256)	-	100.00	125,361	9,783	9,783	Second-tier subsidiary (Note 1)

Note 1: Amounts were recognized based on the audited financial statements.

Note 2: The amounts above are listed in the New Taiwan dollars. Foreign currencies are translated into NTD using the spot exchange rate at the balance sheet date, and the profits/losses are translated into NTD using the average exchange rate in the reporting period.

Note 3: Refer to Table 5 for information relating to investment in mainland China.

Note 4: The greatest number of shares held or capital investments in marketable securities of the remaining investee companies in the interim period were the same as that at the end of the reporting period.

FINETEK CO., LTD. AND INVESTEEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 4)	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023 (Notes 3 and 4)	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023 (Notes 3 and 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2023 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2023 (Note 6)	Note
					Outward	Inward							
Fine Automation Co., Ltd.	Designing, manufacturing and selling of transmitters, point switches and electronic terminals	\$ 70,950 (US\$ 2,230)	Note 1 (b)	\$ 24,372 (US\$ 720)	\$ -	\$ -	\$ 24,372 (US\$ 720)	\$ 38,896	100	\$ 38,896	\$ 361,265	\$ 254,731	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 24,372 (US\$ 720) (Notes 3 and 7)	\$ 70,950 (US\$ 2,230) (Note 4)	\$ 1,065,533 (Note 5)

Note 1: The methods of investment in mainland China are categorized into the following:

- Direct investment in mainland China.
- Indirect investment in mainland China through companies registered in a third region (Powerline Corp.'s reinvestment in mainland China through investment in Faco International Co., Ltd.).
- Other methods.

Note 2: Amount was recognized based on the audited financial statements.

Note 3: The amounts were translated into foreign currencies using the exchange rates prevailing on the remittance dates.

Note 4: Approval letter No. 092044421, 10100385930 and 10300286220. The original investment amount as of December 31, 2023 was \$70,950 thousand (US\$2,230 thousand), which consisted of accumulated outward remittance from Taiwan for investments amounting to \$24,372 thousand (US\$720 thousand) and capitalization of retained earnings amounting to \$46,578 thousand (US\$1,510 thousand).

Note 5: Pursuant to Order No. 09704604680 issued by the FSC, the amount above was calculated based on 60% of the Group's net equity as of December 31, 2023. (\$1,775,888 thousand × 60% = \$1,065,533 thousand).

Note 6: In May 2023, Fine Automation Co., Ltd. distributed retained earnings of RMB16,197 thousand (NT\$69,599 thousand) to its parent company, Faco International Co., Ltd. Subsequently, Faco International Co., Ltd. distributed retained earnings to the Company through Powerline Corp, which have been acknowledged under Letter No. 11200116880.

Note 7: Not deduct accumulated repatriation of investment income of \$254,731 thousand.

Note 8: The amounts of paid-in capital held by investee companies were the same as the ending balance, and all the amounts above were not pledged as collateral.

FINETEK CO., LTD. AND INVESTEEES

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 FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

- a. The amounts and percentages of purchases and the balances and percentages of the related payables at the end of the year, and
- b. The amounts and percentages of sales and the balances and percentages of the related receivables at the end of the year:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss (Note)
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%	
Fine Automation Co., Ltd.	Sales	\$ 124,218	13	Price set based on cost-plus pricing	90 days after the month-end closing when invoice is issued	Not significantly different from those of sales to third parties	\$ 30,693	23	\$ 22,524
	Purchases	11,424	3	Price set based on regional pricing.	90 days after the month-end closing when invoice is issued	Not significantly different from those of purchases from third parties	(2,898)	4	-

- c. The amount of property transactions and the amount of the resultant gains or losses: None.
- d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and their purposes: None.
- e. The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds: None.
- f. Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

TABLE 6**FINETEK CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Wu, Ding-Guo	9,273,478	16.92
Wu, Kuei-Yong	5,147,058	9.39
Lin, Mi	4,484,387	8.18
Wu, Shao-Pei	3,559,770	6.49
Yung Yi Chemical Co., Ltd.	3,413,250	6.22
Yida Investment Co., Ltd.	3,356,640	6.12
Wu, Shao-Jyuan	2,940,390	5.36

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

FINETEK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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FINETEK CO., LTD.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Summary	Amount
Cash on hand		\$ 673
Bank deposits		
Checking accounts		28
Demand deposits		80,632
Foreign currency deposits	Including US\$39,518 thousand; RMB35,776 thousand; EUR96 thousand, etc.	87,844
Cash equivalents		
Time deposits with original maturity within 3 months		<u>27,000</u>
		<u>\$ 196,177</u>

Note: Amounts were translated into NTD using the exchange rates as follows:

USD/NTD = 30.705

RMB/NTD = 4.327

FINETEK CO., LTD.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Client Name	Summary	Amount
Non-related parties		
Asia Kingdom Machinery Industry Co., Ltd.	Payments	\$ 1,486
Yunn Chyn Machine. industrial, Co., Ltd.	Payments	1,352
Others (Note)	Payments	<u>13,590</u>
		<u>\$ 16,428</u>

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

FINETEK CO., LTD.**STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars)**

Client Name	Summary	Amount
Non-related parties		
Azbil Taiwan Co., Ltd.	Payments	\$ 3,380
Others (Note)	Payments	58,228
Less: Allowance for impairment loss		<u>(33)</u>
		<u>\$ 61,575</u>
Related parties		
Fine Automation Co., Ltd.	Payments	\$ 30,693
PT. Finetek Automation Indonesia	Payments	14,096
Aplus Finetek Sensor Inc.	Payments	3,784
Finetek Pte., Ltd.	Payments	3,152
Others (Note)	Payments	<u>989</u>
		<u>\$ 52,714</u>

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

FINETEK CO., LTD.**STATEMENT OF INVENTORIES
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value (Note)
Merchandise inventory	\$ 496	\$ 190
Finished goods	115,640	90,816
Work in progress	14,677	14,433
Raw materials	<u>45,682</u>	<u>27,240</u>
	176,495	\$ <u>132,679</u>
Less: Allowance for inventory write-downs	<u>(43,816)</u>	
	<u>\$ 132,679</u>	

Note: Please refer to Note 4(e).

FINETEK CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT AMORTIZED COST - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Summary		Balance, January 1, 2023		Increase in the Current Year		Decrease in the Current Year		Balance, December 31, 2023		Collateral
	Interest Payment Date	Principal Payment Date	Number of Units	Carrying Amount	Number of Units	Amount	Number of Units	Amount	Number of Units	Carrying Amount	
Foreign investments											
Corporate bonds - Deutsche Bank	Annually on April 1 and October 1	April 1, 2025	1	\$ 6,136	-	\$ -	-	\$ (78)	1	\$ 6,058	Nil
Corporate bonds - Société Générale	Annually on April 14 and October 14	April 14, 2025	1	6,130	-	-	-	(34)	1	6,096	Nil
Corporate bonds - AT&T	Annually on March 15 and September 15	September 15, 2059	1	<u>9,151</u>	-	<u>-</u>	-	<u>(50)</u>	1	<u>9,101</u>	Nil
				<u>\$ 21,417</u>		<u>\$ -</u>		<u>\$ (162)</u>		<u>\$ 21,255</u>	

Note: The decrease in the current year was due to the amortization of discounts and provision for expected credit loss.

FINETEK CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Name	Balance, January 1, 2023		Increase in the Current Year		Number of Shares (In Thousands of Shares)		Share of Profit or Loss of Subsidiaries, Associates and Joint Ventures	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Balance, December 31, 2023			Market Value or Net Asset Value (Note 1)		Collateral
	Number of Shares (In Thousands of Shares)	Amount	Number of Shares (In Thousands of Shares)	Amount	Number of Shares (In Thousands of Shares)	Amount			Number of Shares (In Thousands of Shares)	%	Amount	Unit Price (NT\$)	Total Amount	
Powerline Corp. (Note 2)	1,811	\$ 393,288	-	\$ 41,962	-	\$ (93,934)	\$ 42,051	\$ (9,229)	1,811	100.00	\$ 374,138	220	\$ 398,473	Nil
Golden Land International Corp.	340	76,315	-	-	-	-	4,087	(71)	340	100.00	80,331	236	80,331	Nil
Gain Access Investments Ltd.	937	29,435	-	-	-	-	1,458	(26)	937	100.00	30,867	33	30,867	Nil
PT. Finetek Automation Indonesia	1,725	31,615	-	-	-	-	470	(16)	1,725	99.75	32,069	19	32,165	Nil
Finetek GmbH	-	136,476	-	-	-	-	9,471	5,334	-	100.00	151,281	-	151,281	Nil
Tenda Capital Inc	-	-	5,000	50,000	-	-	189	-	5,000	100.00	50,189	10	50,189	Nil
		<u>\$ 667,129</u>		<u>\$ 91,962</u>		<u>\$ (93,934)</u>	<u>\$ 57,726</u>	<u>\$ (4,008)</u>			<u>\$ 718,875</u>		<u>\$ 743,306</u>	

Note 1: Amount was estimated based on the net asset value of the investee company as of December 31, 2023 as shown on the financial statements which have been audited by the auditor of the parent company for the same periods and adjusted for unrealized gain on intercompany transactions.

Note 2: The increase in the current year was due to the reversal of the unrealized sales profit of \$41,962 thousand from downstream transactions with its subsidiaries; the decrease in the current year was due to the unrealized sales profit of \$24,335 thousand from downstream transactions with its subsidiaries and the remittance of \$69,599 thousand from earnings.

FINETEK CO., LTD.

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

	Balance at December 31, 2022	Increase in the Current Year	Decrease in the Current Year	Balance at December 31, 2023	Collateral
Transportation	\$ <u>230</u>	\$ <u>3,817</u>	\$ <u>-</u>	\$ <u>4,047</u>	Nil

FINETEK CO., LTD.

**STATEMENT OF ACCUMULATED DEPRECIATION CHANGES OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

	Balance at December 31, 2022	Increase in the Current Year	Decrease in the Current Year	Balance at December 31, 2023	Collateral
Transportation	\$ <u>48</u>	\$ <u>178</u>	\$ <u>-</u>	\$ <u>226</u>	Nil

FINETEK CO., LTD.

STATEMENT OF CONTRACT LIABILITIES - CURRENT

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Summary	Amount
Non-related parties		
WISE CONTROL INC	Payments	\$ 2,008
Taiwan Copper Foil Co., Ltd.	Payments	1,032
Wavegis Technology Co., Ltd.	Payments	440
Others (Note)	Payments	<u>4,308</u>
		<u>\$ 7,788</u>

Note: The balance of each individual vendor included in others does not exceed 5% of the account balance.

FINETEK CO., LTD.

STATEMENT OF NOTES PAYABLE

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Summary	Amount
Non-related parties		
He-An Technology Ltd.	Payments	\$ 1,313
Tong-Sheng Industrial Ltd.	Payments	963
Junxuan Industrial Co., Ltd.	Payments	436
Hong-Rih Company	Payments	226
Ten Chance Ent Co., Ltd.	Payments	211
Others (Note)	Payments	<u>754</u>
		<u>\$ 3,903</u>

Note: The balance of each individual vendor included in others does not exceed 5% of the account balance.

FINETEK CO., LTD.

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Fine Automation Co., Ltd.	\$ 2,898
PT. Finetek Automation Indonesia	415
Mutec Instruments GmbH	<u>412</u>
	<u>\$ 3,725</u>
Non-related parties	
Shanghai LEEG Instruments Co., Ltd.	\$ 20,776
Fluo-tech Industrial Co., Ltd.	5,494
Excel Cell Electronic Co., Ltd.	3,818
Chia Horng Steel Mold Mfg. Corp.	3,487
Others (Note)	<u>25,831</u>
	<u>\$ 59,406</u>

Note: The balance of each individual vendor included in others does not exceed 5% of the account balance.

FINETEK CO., LTD.

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

	Summary	Lease Term	Discount Rates	Balance at December 31, 2023	Collateral
Transportation	Official vehicles, etc.	December 2023- November 2028	1.85%	\$ 3,825	Nil
Less: Due within one year				<u>(805)</u>	
				<u>\$ 3,020</u>	

FINETEK CO., LTD.

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Process automated sensor development	\$ 805,603
Pneumatic control system	48,096
Others (Note)	82,513
Less: Sales returns and allowances	<u>(5,636)</u>
	<u>\$ 930,576</u>

Note: The balance of each individual item included in others does not exceed 5% of the account balance.

FINETEK CO., LTD.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise inventory, beginning of year	\$ 395
Additions: Merchandise inventory purchased	151,702
Deductions: Merchandise inventory, end of year	(496)
Transferred to expenses	<u>(162)</u>
Cost of goods purchased (a)	<u>151,439</u>
Raw materials, beginning of year	53,998
Additions: Raw material and supplies purchased	209,475
Deductions: Raw materials and supplies, end of year	(45,682)
Loss on physical finished goods	<u>(13)</u>
Loss on disposal of raw materials and supplies	(222)
Transferred to expenses	<u>26</u>
Cost of raw material and supplies used	217,582
Direct labor	41,506
Manufacturing expense	<u>108,775</u>
Manufacturing cost	367,863
Work in progress, beginning of year	14,502
Deductions: Work in progress, end of year	<u>(14,677)</u>
Cost of finished goods	367,688
Finished goods, beginning of year	104,997
Deductions: Finished goods, end of year	(115,640)
Loss on physical finished goods	(5)
Loss on disposal of finished goods	(2,813)
Transferred to expenses	<u>(2,449)</u>
Cost of goods manufacturing (b)	<u>351,778</u>
Other operating costs (c)	1,617
Disposal of inventory (d)	3,035
Write-down of inventories (e)	2,317
Loss on physical inventory (f)	<u>18</u>
Operating costs (a) + (b) + (c) + (d) + (e) + (f)	<u>\$ 510,204</u>

FINETEK CO., LTD.
**STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2023
 (In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss
Payroll and bonus expense (Note 1)	\$ 43,390	\$ 33,780	\$ 24,257	\$ -
Delivery expense	7,501	7	22	-
Donations	-	5,405	-	-
Professional service fees	-	3,746	3,712	-
Research expenses	-	-	4,925	-
Expected credit loss	-	-	-	92
Others (Note 2)	<u>32,313</u>	<u>18,011</u>	<u>14,942</u>	<u>-</u>
	<u>\$ 83,204</u>	<u>\$ 60,949</u>	<u>\$ 47,858</u>	<u>\$ 92</u>

Note 1: Including pension costs, directors' remuneration and share-based payments.

Note 2: The balance of each individual item included in others does not exceed 5% of the account balance.

FINETEK CO., LTD.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
 (In Thousands of New Taiwan Dollars)

	2023			2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	\$ 66,564	\$ 86,176	\$ 152,740	\$ 73,400	\$ 92,626	\$ 166,026
Labor and health insurance	7,947	9,683	17,630	7,884	9,265	17,149
Pension	3,124	4,456	7,580	3,148	4,404	7,552
Share-based payments	-	-	-	365	2,068	2,433
Directors' remuneration	-	10,795	10,795	-	9,878	9,878
Others	5,901	7,443	13,344	6,107	5,927	12,034
	<u>\$ 83,536</u>	<u>\$ 118,553</u>	<u>\$ 202,089</u>	<u>\$ 90,904</u>	<u>\$ 124,168</u>	<u>\$ 215,072</u>
Depreciation expense	<u>\$ 19,252</u>	<u>\$ 5,767</u>	<u>\$ 25,019</u>	<u>\$ 17,976</u>	<u>\$ 4,546</u>	<u>\$ 22,522</u>
Amortization expense	<u>\$ 1,907</u>	<u>\$ 4,144</u>	<u>\$ 6,051</u>	<u>\$ 1,352</u>	<u>\$ 3,995</u>	<u>\$ 5,347</u>

Note 1: For the years ended December 31, 2023 and 2022, the Company had 265 and 280 employees, respectively, of which 5 directors were not concurrently serving as employees, respectively.

- Note 2:
- For the years ended December 31, 2023 and 2022, the average employee benefits expense (excluding directors' remuneration) was \$736 thousand and \$746 thousand, respectively.
 - For the years ended December 31, 2023 and 2022, the average employee's salary and bonus was \$587 thousand and \$604 thousand, respectively.
 - The average employees' salary and bonus increased by (2.81%) in 2023 from the previous year.
 - The Company has no supervisor.
 - The Company's policies on the remuneration and salary of directors, managers and employees are as follows:

The Company's policies on the remuneration and salary of directors, managers, and employees are based on the positions and responsibilities, and individual performance and the Company's operating performance, and use of industry standards as reference.

According to the Company's articles of incorporation, if there is any profit in a fiscal year, the Company shall accrue compensation of employees at rates of no less than 3% of earnings, which shall be distributed in shares or cash upon resolution of the board of directors. The distribution will include employees of affiliated companies who meet certain conditions.

With reference to the extent of directors' participation in the Company's operations and the value of their contributions, the board of directors may allocate no higher than 3% of profit as remuneration of directors.