

Stock Code: 6223

MPI CORPORATION
Parent Company Only
Financial Statements for the Years Ended
December 31, 2023 and 2022
And Independent Accountants' Audit Report

Head Office: No. 155, Zhonghe Street, Zhubei City, Hsinchu County, Taiwan
Tel. No.: 03-5551771

MPI CORPORATION

Page

1.	Cover Page.....	1
2.	Table of Contents.....	2
3.	Independent Accountants' Audit Report	3
4.	Balance Sheets.....	4
5.	Statements of Comprehensive Income.....	6
6.	Statements of Changes in Equity.....	7
7.	Statements of Cash Flows.....	8
8.	Notes to the Parent Company Only Financial Statements	
	(1)Company Profile.....	10
	(2)Date and Procedure for Ratification of Financial Report.....	10
	(3)Application of New and Amended Standards and Interpretations.....	10
	(4)Summary of Significant Accounting Policies.....	12
	(5)Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty.....	29
	(6)Notes to Major Accounting Titles.....	31
	(7)Transactions with Related Parties.....	61
	(8) Pledged Assets.....	65
	(9)Significant Contingent Liability and Unrecognized Contractual Commitment.....	66
	(10)Significant Disaster Loss.....	66
	(11)Significant Subsequent Events.....	66
	(12)Others.....	66
	(13)Supplementary Disclosures.....	76
	(a) Significant transactions information.....	76
	(b). Information on investees.....	78
	(c) Information on investments in Mainland China.....	80
	(d) Major shareholders information.....	82
	(14)Information by Department.....	83
9.	Statement of major accounting items.....	84

Independent Accountants' Audit Report

To the Board of Directors and Stockholders of MPI Corporation

Opinion

We have audited the accompanying financial statements of MPI CORPORATION (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 the notes to the financial statements, including a summary of significant accounting policies.

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 Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Accountants' 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. Based on our audits and the reports of other accountants, 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.

Key audit matters on the financial statements for the year ended December 31, 2023 were as follows:

1. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (27) of Note 4 of the

Individual Financial Statements. Regarding relevant disclosure, please refer to (20) of Note 6 and Note 9 Statement of major accounting items - Statement of operating revenue.

Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Corporation. As the point in time for revenue recognition and the amount of recognized revenue can make a big difference on the financial statements, the CPA(s) has also reviewed the accuracy of these two key factors during the audit.

Audit Procedures in Response

The CPA(s) has implemented audit procedures in response as summarized below:

- (1) Understood and tested the design and implementation efficiency of sales and receiving circulation control system.
- (2) Understood the major revenue type and trading terms of MPI Corporation to assess if the accounting policy of point in time for revenue recognition is appropriate.
- (3) Understood the product type and sales of the top 10 customers; sampled and reviewed the orders; assessed the influence of trading terms to revenue recognition; and confirmed if MPI Corporation has handled accounting relevant activities appropriately.
- (4) Evaluated if the number of days for turning over the sales revenue and payables; and analyzed changes to customers of this and last year at the same time point to see if there is any abnormality.
- (5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (15) of Note 4 of Individual Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (5) of Note 6 of Individual Financial Statements. The Company recognize inventories amounting to NT\$3,173,713 thousand and allowance for inventories amounting to NT\$555,764 thousand. The book value of the Company's inventories as December 31, 2023 was NT\$2,617,949 thousand and accounted 22% of the total

assets in the parent company only balance sheet.

MPI Corporation mainly engages in the manufacturing and sales of semiconductor production and testing equipment. Due to rapid technological changes, short life cycle and intense market competition of electronic products, there is a high tendency for inventory valuation loss and losses caused by outdated inventory. The inventory is evaluated by either the cost or net realizable value, depending on which one has the lower value. Inventories that exceed specific inventory age or are evaluated as outdated during individual assessment shall have the inventory loss evaluation conducted also based on the inventory age and future product demand during specific period of time. The information comes from the management's judgement on each product's net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Corporation's inventory is great; a number of items are included on the inventory list; and the valuation of inventories that have exceeded specific age or are outdated relies heavily on the management's subjective judgement and involves a high degree of uncertainty, the CPA(s) believes that the inventory valuation and obsolescence loss is one of the key audit matters of the year.

Audit Procedures in Response

The CPA(s) has implemented the audit procedures in response as summarized below:

- (1) With the CPA's knowledge of the industry and MPI Corporation's operations, evaluated the soundness of the Corporation's policies concerning the allowance for inventory valuation loss and doubtful debts.
- (2) Understood MPI Corporation's inventory management procedures, reviewed its annual inventory plan, and participated in its annual inventory check to evaluate the management's judgement and control efficiency of outdated inventories.
- (3) Acquired the list of product inventory age, verified the appropriateness of reporting system logic, and confirmed the consistency of report information and adopted policies.
- (4) Evaluated the appropriateness of the methods of calculating inventory valuation impairment, including deciding the inventory classification based on the net realizable value, checking individual material number to verify the basic assumption of the calculation in relevant supporting document, and verify the accuracy of calculation.

Other Matter-Making Reference to the Audits of Component Auditors

As stated in the individual financial statements (6) of Note 6, Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other independent accountants. Respectively, the related shares of investment income from the

subsidiaries amounted to NT\$(14,214) thousand and NT\$(12,724) thousand. Insofar as it related to the investments accounted for under the equity method balances of NT\$72,328 thousand and NT\$86,875 thousand as of December 31, 2023 and December 31, 2022.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only 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 audit committee, are responsible for overseeing the Company's financial reporting process.

Accountants' 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 accountants' 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 accountants' 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 accountants' 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 accountants' 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.



NEXIA SUN RISE CPAs & COMPANY

日正聯合會計師事務所

Certified Public Accountants

Sun Rise CPAs & Company

NEXIA Sun Rise CPAs & Company

Taipei, Taiwan, Republic of China

March 07, 2024

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 accountants' 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 accountants' report and financial statements shall prevail.

MPI CORPORATION
BALANCE SHEETS (ASSETS)
DECEMBER 31, 2023 AND 2022

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ASSETS	Note	December 31, 2023		December 31, 2022	
		Amounts	%	Amounts	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 1,470,454	12	\$ 1,352,540	13
Accounts receivable, net	6(4)	421,492	3	436,997	4
Accounts receivable -related parties, net	6(4).7	1,172,286	10	1,101,914	11
Other receivables		23,966	-	14,896	-
Other receivables -related parties	7	48,141	1	41,169	1
Inventories, net	6(5)	2,617,949	22	2,550,278	24
Prepayments		116,671	1	40,835	-
Non-current assets (or disposal group) held for sale,net	6(6)	30,225	-	-	-
Other current assets		1,912	-	380	-
Total Current Assets		<u>5,903,096</u>	<u>49</u>	<u>5,539,009</u>	<u>53</u>
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income— non-current	6(2)	264,028	2	185,738	2
Investments accounted for using equity method	6(7)	1,204,459	10	1,075,734	10
Property, plant and equipment	6(8).7.8	3,225,494	27	3,243,863	31
Right-of-use assets	6(9)	92,200	1	108,737	1
Investment properties, net	6(10)	874,263	7	-	-
Intangible assets	6(11)	47,534	-	33,697	-
Deferred income tax assets	6(22)	141,810	1	128,440	1
Other noncurrent assets	6(12).8	316,422	3	234,269	2
Total Noncurrent Assets		<u>6,166,210</u>	<u>51</u>	<u>5,010,478</u>	<u>47</u>
TOTAL ASSETS		<u>\$ 12,069,306</u>	<u>100</u>	<u>\$ 10,549,487</u>	<u>100</u>

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION
BALANCE SHEETS (LIABILITIES AND EQUITY)
DECEMBER 31, 2023 AND 2022

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

LIABILITIES AND EQUITY		December 31, 2023		December 31, 2022	
		Amounts	%	Amounts	%
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)					
CURRENT LIABILITIES					
Contract liabilities—current	6(20).7	593,488	5	554,316	5
Accounts payable		593,488		554,316	
Accounts payable-related parties		6,637		760	
CURRENT LIABILITIES		1,193,613	10	1,109,392	10
Payables on equipment		142,294	1	60,029	1
Contract liabilities—current	6(20).7	1,051,842	10	989,091	10
Other payables		530,444	4	498,628	5
Accounts payable-related parties	7	22,288	-	28,431	-
Accounts payable-related parties	7	219,818	-2	217,499	-2
Income tax payable		142,294		62,029	
Provisions-current	6(15)	17,662	-1	92,899	-1
Other payables—current	6(14)	1,051,842	-10	989,091	-10
Current portion of long-term loans		166,579	1	103,740	1
Other payables-related parties	6(17)	166,579	-1	103,740	-1
Income tax payable		219,818	-2	217,435	-2
Other current liabilities		13,648		13,703	
Provisions-current	6(15)	2,815,218	23	2,532,899	24
Total Current Liabilities		43,518	-	42,070	-
Lease liabilities—current	6(9)	166,579	1	103,740	1
Current portion of long-term loans	6(17)	1,511,023	-13	1,024,162	-10
Other current liabilities	6(17)	26,132	-	26,985	-
Total Current Liabilities	6(15)	2,815,218	23	2,532,899	24
Provisions-non-current	6(15)	36,099	-	9,525	-
Deferred income tax liabilities	6(22)	49,758	1	67,675	1
NONCURRENT LIABILITIES		49,758	1	67,675	1
Long-term loans	6(18)	1,511,023	-13	1,024,162	-10
Net defined benefit liability	6(18)	26,132	-	26,985	-
Provisions-non-current	6(15)	14,833	-	1,457	-
Other noncurrent liabilities		1,639,593	14	1,131,121	11
Deferred income tax liabilities	6(22)	49,758	1	67,675	1
Lease liabilities—non-current	6(9)	26,132	-	26,985	-
Net defined benefit liability	6(18)	14,833	-	1,457	-
Other noncurrent liabilities		4,454,811	37	3,664,020	35
Total Noncurrent Liabilities		1,639,593	14	1,131,121	11
EQUITY	6(19)	4,454,811	37	3,664,020	35
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		4,454,811	37	3,664,020	35
TOTAL LIABILITIES		12,069,306	100	10,549,487	100
Capital common stock		1,744,545	14	1,744,545	17
Capital surplus		901,088	7	779,739	7
EQUITY	6(19)	901,088	7	779,739	7
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		901,088	7	779,739	7
Appropriated as legal capital reserve		949,853	8	949,205	9
Capital common stock		3,955,786	33	3,418,520	32
Capital surplus		4,936,727	41	4,278,464	40
Unappropriated earnings		901,088	7	779,739	7
Retained Earnings		79,853	1	80,205	(1)
Appropriated as legal capital reserve		(63,098)	-	(55,687)	(1)
Other		3,955,786	33	3,418,520	32
Unappropriated earnings		4,936,727	41	4,278,464	40
Retained Earnings		(978)	-	(864)	-
Appropriated as special capital reserve		(63,098)	-	(55,687)	(1)
Foreign currency translation adjustments		54,988	-	(23,302)	-
Unrealized gain(loss) on financial assets at fair value through other comprehensive income-parent company	6(2)	7,614,495	63	6,885,467	65
Unrealized gain(loss) on financial assets at fair value through other comprehensive income-parent company	6(2)	(9,088)	-	(79,853)	(1)
Unrealized gain(loss) on financial assets at fair value through other comprehensive income-parent company	6(2)	(9,088)	-	(79,853)	(1)
Total others		(9,088)	-	(79,853)	(1)
TOTAL LIABILITIES AND EQUITY		\$ 12,069,306	100	\$ 10,549,487	100
TOTAL EQUITY		7,614,495	63	6,885,467	65

TOTAL LIABILITIES AND EQUITY (The accompanying notes are an integral part of the parent company only financial statements) \$ 12,069,306 100 \$ 10,549,487 100

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
From January 1 to December 31, 2023 and 2022

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Note	January 1 ~ December 31, 2023		January 1 ~ December 31, 2022 (After restatement)	
		Amounts	%	Amounts	%
OPERATING REVENUE, NET	6(20).7				
Sales revenue		\$ 6,756,151	100	\$ 6,247,577	100
Less: sales returns		(4,364)	-	(2,026)	-
sales discounts and allowances		(5,885)	-	(144)	-
Operating Revenue, net		6,745,902	100	6,245,407	100
OPERATING COSTS	6(5).7	(3,730,761)	(55)	(3,510,128)	(56)
GROSS PROFIT		3,015,141	45	2,735,279	44
Unrealized Gross profit on sales to subsidiaries and associates		(20,314)	-	(11,898)	-
Realized Gross profit on sales to subsidiaries and associates		19,878	-	19,589	-
GROSS PROFIT, NET		3,014,705	45	2,742,970	44
OPERATING EXPENSES					
Selling expenses		(686,805)	(10)	(610,669)	(10)
General & administrative expenses		(401,840)	(6)	(361,509)	(6)
Research and development expenses	6(9)	(747,557)	(11)	(708,047)	(11)
Expected Credit (losses) gains	6(4)	2,056	-	560	-
Operating expenses, net		(1,834,146)	(27)	(1,679,665)	(27)
OPERATING INCOME		1,180,559	18	1,063,305	17
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses, net	6(21)	29,074	-	132,360	2
Finance costs	6(21)	(20,492)	-	(11,436)	-
Share of profits of subsidiaries and associates	6(6)	208,047	3	132,436	2
Interest income	6(21)	19,550	-	2,901	-
Rent income	6(8)	35,172	1	20,111	-
Dividend income		6,995	-	1,399	-
Other non-operating revenue-other items		101,105	1	88,108	1
Total Non-operating Income and Expenses		379,451	5	365,879	5
INCOME BEFORE INCOME TAX		1,560,010	23	1,429,184	22
INCOME TAX EXPENSE	6(22)	(238,814)	(4)	(210,103)	(3)
NET PROFIT FOR CONTINUING OPERATIONS		1,321,196	19	1,219,081	19
GAIN (LOSSES) ON DISCONTINUED OPERATIONS	6(6)	(9,297)	-	(5,456)	-
NET INCOME		1,311,899	19	1,213,625	19
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		5,982	-	(129)	-
Unrealized gain(losses) on valuation of equity instruments at fair value through other comprehensive income	6(2)	78,290	1	(21,762)	-
Share of Unrealized gain(losses) on valuation of equity instruments at fair value through other comprehensive income of subsidiaries and associates	6(6)	(114)	-	(864)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(7,411)	-	22,978	-
Other comprehensive income (loss) for the year, net of income tax		76,747	1	223	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 1,388,646	20	\$ 1,213,848	19
EARNINGS PER COMMON SHARE(NTD)	6(23)	After-tax		After-tax	
Basic earnings per share		\$ 13.92		\$ 12.89	
Diluted earnings per share		\$ 13.83		\$ 12.74	

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION
STATEMENTS OF CHANGES IN EQUITY
From January 1 to December 31 ,2023 and 2022
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Capital		Retained Earnings			Others		Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealised gain(losses) on financial assets at fair value through other comprehensive income	
BALANCE,JANUARY,1,2022	\$ 940,738	\$ 1,736,500	\$ 710,848	\$ 79,234	\$ 2,651,200	\$ (78,665)	\$ (1,540)	\$ 6,038,315
Legal capital reserve			68,891		(68,891)			-
Special reserve				971	(971)			-
Cash Dividends of Common Stock					(376,314)			(376,314)
Capital Reserve From Stock Warrants		8,732						8,732
Other changes in capital surplus		(687)						(687)
Net Income in 2022					1,213,625			1,213,625
Other comprehensive income (loss) in 2022, net of income tax					(129)	22,978	(22,626)	223
Total comprehensive income (loss) in 2022	-	-	-	-	1,213,496	22,978	(22,626)	1,213,848
Convertible Bonds Transferred To Common Stock	1,573	-						1,573
BALANCE,DECEMBER,31,2022	\$ 942,311	\$ 1,744,545	\$ 779,739	\$ 80,205	\$ 3,418,520	\$ (55,687)	\$ (24,166)	\$ 6,885,467
BALANCE,JANUARY,1,2023	\$ 942,311	\$ 1,744,545	\$ 779,739	\$ 80,205	\$ 3,418,520	\$ (55,687)	\$ (24,166)	\$ 6,885,467
Legal capital reserve			121,349		(121,349)			-
Special reserve				(352)	352			-
Cash Dividends of Common Stock					(659,618)			(659,618)
Net Income in 2023					1,311,899			1,311,899
Other comprehensive income (loss) in 2023, net of income tax					5,982	(7,411)	78,176	76,747
Total comprehensive income (loss) in 2023	-	-	-	-	1,317,881	(7,411)	78,176	1,388,646
BALANCE,DECEMBER,31,2023	\$ 942,311	\$ 1,744,545	\$ 901,088	\$ 79,853	\$ 3,955,786	\$ (63,098)	\$ 54,010	\$ 7,614,495

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION
STATEMENTS OF CASH FLOWS
From January 1 to December 31, 2023 and 2022
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31, 2023	Jan 1 ~ Dec 31, 2022 (After restatement)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (losses) before income tax of continuing operations	\$ 1,560,010	\$ 1,429,184
Income (losses) before tax of discontinued operations	(9,297)	(5,456)
Income before income tax	<u>1,550,713</u>	<u>1,423,728</u>
Adjustments to reconcile net income to net cash		
Depreciation	354,347	367,477
Amortization	66,426	49,774
Expected credit loss(gain)	(2,056)	(560)
(Gain) loss on Financial Assets (Liabilities) at Fair Value through Profit or Loss	-	48
Interest expense	20,492	11,436
Interest revenue	(19,550)	(2,901)
Dividend income	(6,995)	(1,399)
Loss (gain) on equity-method investments	(198,750)	(126,980)
(Gain) loss on disposal of property, plant and equipment	(2,765)	6,882
Unrealized gross profit on sales to subsidiaries and associates	20,314	11,898
Realized gross profit on sales to subsidiaries and associates	(19,878)	(19,589)
(Gain) loss on lease modification	(1)	(211)
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in accounts receivable	17,560	170,852
Decrease (Increase) in accounts receivable-related parties	(70,372)	(190,737)
Decrease (Increase) in other receivables	(8,359)	(2,919)
Decrease (Increase) in other receivables-related parties	(6,971)	(4,293)
Decrease (Increase) in inventories	(67,671)	(125,563)
Decrease (Increase) in prepayments	(75,835)	2,427
Decrease (Increase) in other current assets	(1,532)	(128)
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	39,172	(19,000)
(Decrease) Increase in accounts payable	31,816	(32,389)
(Decrease) Increase in accounts payable-related parties	(1,123)	1,929
(Decrease) Increase in other accounts payable	62,752	209,641
(Decrease) Increase in other accounts payable-related parties	(7,782)	6,421
(Decrease) Increase in provision of liabilities	5,397	(626)
(Decrease) Increase in other current liabilities	1,945	(1,114)
(Decrease) Increase in net defined benefit liability	5,130	5,512
Cash generated from operations	<u>1,686,424</u>	<u>1,739,616</u>
Interest received	18,838	2,319
Interest paid	(18,711)	(9,209)
Cash dividends paid	(659,618)	(376,314)
Income taxes paid	(223,228)	(118,621)
Net cash Provided By Operating Activities	<u>803,705</u>	<u>1,237,791</u>

(Continue)

MPI CORPORATION
STATEMENTS OF CASH FLOWS
From January 1 to December 31, 2023 and 2022
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31, 2023	Jan 1 ~ Dec 31, 2022 (After restatement)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	-	(41,040)
Acquisition of non-current assets held for sale	(1,335)	-
Acquisition to property, plant and equipment	(269,851)	(261,884)
Proceeds from disposal of property, plant and equipment	6,917	7,783
Acquisition of Intangible assets	(56,509)	(48,387)
Acquisition of investment properties	(814,109)	-
Decrease in other financial assets	244	-
Increase in other non-current assets	(106,150)	(79,565)
Cash dividends received	45,542	39,424
Net cash Provided By (Used In) Investing Activities	<u>(1,195,251)</u>	<u>(383,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(100,000)
Issuance of long-term loans	549,700	-
Repayments of long-term loans	-	(6,978)
Increase in Guarantee Deposits Received	13,376	101
Cash payments for the principal portion of the lease liability	(53,616)	(51,712)
Net cash Provided By (Used In) Financing Activities	<u>509,460</u>	<u>(158,589)</u>
Net increase (decrease) in cash and cash equivalents	117,914	695,533
Cash and cash equivalents at beginning of year	1,352,540	657,007
Cash and cash equivalents at end of year	<u>\$ 1,470,454</u>	<u>\$ 1,352,540</u>

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in NT\$1,000, Unless Otherwise Noted)

1. Company profile

- (1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT\$942,311 thousand and outstanding stock has been 94,231,106 shares until December 31, 2023. Upon resolution of the general shareholders' meeting on June 12, 2018, the Company raised the authorized capital as NT\$1,200,000,000, divided into 120,000,000 shares at par value of NT\$10 per share. The board of directors is authorized to issue the stock in lots. NT\$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT\$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.
- (2) The Company primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.
- (3) The Company was approved to initiate the IPO in July 2001, and started to trade on Taiwan Stock Exchange as of January 6, 2003.

2. Date and procedure for ratification of financial report

The parent company only financial statement have been approved and released by the Board of Directors on March 7, 2024.

3. Application of new standards, amendments and interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023

Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International reform – pillar two model rules’	May 23, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
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

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The parent company only accounting policies applied by the financial statements are summarized as follows: Unless otherwise provided, the following accounting policies have been applied during the presentation period of the parent company only financial statements.

(1) Statement of compliance

This parent company only financial statement is prepared in accordance with the "Criteria for the Compilation of Financial Statements by Securities Issuers".

(2) Basis for preparation

A. Basis for measurement

Except the following important items in the balance sheet, the financial statement was prepared based on the historical cost:

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets at fair value through other comprehensive income.
- (3) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. Functional currency and presentation of currency

The functional currency of each of the Company entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The parent company only financial statements should be presented based on the Company's functional currency, NTD. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(3) Foreign currency

A. Foreign currency transactions

The foreign currency exchange shall be stated at the functional currency translated at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency on the reporting date shall be stated at the functional currency translated at the exchange rate on the same day. The exchange gain or loss refers to the difference between the amounts upon adjustment of the valid interest, payment on the same period based on the amortized cost denominated in the functional currency, the amount translated from the amortized cost denominated in foreign currency at the exchange rate on the reporting date. The non-monetary items at fair value denominated in foreign currency shall be stated at the functional currency re-translated at the exchange rate prevailing on the same date of fair value measurement, while the non-monetary items at historical cost

denominated in foreign currency shall be stated at the functional currency translated at the exchange rate on the date of transaction. Other than the foreign currency exchange difference generated from the translation of the application of IFRS 9 foreign currency items which in the process of applying the financial instrument accounting policies, financial liabilities designated as net investment hedge for foreign operations or qualified cash flow hedging, which shall be stated as other comprehensive income, any difference shall be stated as income.

B. Foreign operations

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be translated into functional currency at the exchange rate prevailing on the reporting date. Unless in the case of inflation, the income and expense & loss items shall be translated into functional currency at the average exchange rate in the current period, and the exchange different generated therefore shall be stated as other comprehensive income.

When disposition of foreign operations results in loss of control, common control or any material effect, the accumulated exchange difference related to the foreign operations shall be reclassified into income in whole. If the disposition involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposition involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income on a pro rata basis.

If no repayment program is defined with respect to receivable or payable items of foreign operations denominated in currency and it is impossible to repay the same in the foreseeable future, the foreign currency exchange gain or loss generated therefore shall be held a part of the net investment in the foreign operations and stated as other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Current and non-current assets and liabilities

Assets which meet one of the following conditions shall be classified into current assets, and any assets other than the current assets shall be classified into noncurrent assets:

- A. Assets expected to be realized, or intent to be sold or consumed, in the Company's normal operating cycle.
- B. Assets primarily held for the purpose of trading.
- C. Assets expected to be realized within 12 months after the date of the balance sheet.
- D. Cash or cash equivalent, exclusive of the assets to be used for an exchange or to

settle a liability, or otherwise remain restricted at more than 12 months after the date of the balance sheet.

Liabilities which meet one of the following conditions shall be classified into current liabilities, and any liabilities other than the current liabilities shall be classified into noncurrent liabilities:

- A. Liabilities expected to be repaid in the Company's normal operating cycle.
- B. Assets primarily held for the purpose of trading.
- C. Assets expected to be discharged within 12 months after the date of the balance sheet.
- D. Liabilities of which the Company does not have an unconditional right to defer settlement for at least 12 months after the date of the balance sheet. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalent

Cash or cash equivalent include cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalent.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

Including financial assets at amortised cost and accounts receivable or contract assets that have a significant financing component , at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading-if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(12) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(13) Convertible bonds payable

Convertible bonds or issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

- B. The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(14) Derecognition of financial liabilities

- A. A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.
- B. Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.
- C. Where there has been a substantial renegotiation or modification of the terms of an existing financial liability and resulted in a significant discrepancy which is at least ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

(15) Inventory

The inventories shall be stated at the lower of cost and net realizable present value. The cost should include the costs of acquisition, production or processing or others incurred when the inventory is sellable or producible and at the location where the inventory is sellable or producible, and calculated under weighted average method. The costs of inventories for finished goods and work in process include the

manufacturing expenses amortized based on the normal productivity on a pro rata basis.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(16) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and stop arranging the depreciation.

(17) Investment accounted for using equity method/associates

An affiliate means an entity in which the Company has major influence over the financial and operating policies but has no control over the same. The Company will be assumed having major influence when it holds 20%~50% of the voting right in the investee.

Under the equity method, the investment is stated at cost at time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

The parent company only financial statements shall include the income from the invested affiliates recognized subject to the shareholdings and other comprehensive income upon adjustment made in line with the Company's accounting policy, from the date when the Company has major influence until the date when the Company loses the major influence.

The unrealized gains from transactions between the Company and affiliates have been derecognized from the Company's equity in the investees. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains; provided that the unrealized loss is limited to that arises under no impairment evidence is available.

When the Company's share of loss from any affiliate to be recognized on a pro rata basis is equivalent to or more than its equity in the affiliate, it shall stop recognizing the loss, but shall recognize the additional loss and relevant liabilities only when legal obligation or constructive obligation is incurred or the Company makes payment on behalf of the investee.

Where the Company forfeits its material influence over an affiliate when the Company disposes of the affiliate, the capital surplus related to the affiliate will be stated as income, provided that where it still has material influence over the affiliate, the capital surplus shall be stated as income based on the proportion of disposition.

(18) Investment in subsidiaries

In compiling the financial statements for the individual entities, the company shall value the investee of which the company has dominant control under the equity method. Under the equity method, income of current period and other comprehensive incomes as presented in the financial statement of the individual entity shall be identical with the income of current period and other comprehensive incomes attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the financial statement of the individual entities shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

If the change in all shareholders' equities of the subsidiaries does not cause the loss of dominant control of the company, handled as equity transactions with the shareholders. The subsidiary's financial statement shall be included into the consolidated financial statements as of the date of acquisition of the control is acquired, until the date of loss of the control.

(19) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment shall be recognized and measured using a cost model, and measured at the cost less accumulated depreciation and accumulated impairment. The costs include the expenses directly attributable to the acquisition of assets. The costs of self-built assets include the costs of raw materials and direct labor, any other costs directly attributable to usable status of investment assets, costs of dismantling and removal of the items and recovery of premises, and loan cost that meets the requisite asset capitalization. Meanwhile, the costs also include the purchase of property, plant and equipment denominated in foreign currency.

When property, plant and equipment consist of various components, and the total cost for the item is significant and it is advisable to apply different depreciation ratio or methods, the property, plant and equipment should be treated separately (for major components).

The gain or loss on disposal of property, plant and equipment shall be decided based on the price difference between the book value of property, plant and equipment and proceeds on disposal of the same and recognized as the "other gains and losses" in the income statement on a net basis.

B. After cost

If the future economic effect expected to be generated from the after expenses of property, plant and equipment is very likely to flow into the Company and the amount thereof may be measured, the expenses shall be stated as a part of the book value and the relocated book value should be derecognized. The routine

maintenance and repairs of property, plant and equipment shall be stated as income when incurred.

C. Depreciation

The depreciation shall be calculated at the cost of assets less residual value using the straight-line method over the estimated useful years, and evaluated based on the various major components of the assets. If the useful years for any component are different from those of other components, the component shall be depreciated separately. The depreciation shall be stated as income.

No depreciation of land is required.

The estimated useful years in the current period and comparative period are stated as follows:

Item	Useful years
House and building	
Plant and dormitory	20-50
Clean room	18-20
Electrical and mechanical facilities	5-20
Others	1-20
Machine and equipment	1-9
Furniture and fixtures	3-6
Research equipment	1-6
Other equipments	2-6

D. Depreciation, useful years and residual value shall be reviewed at the end of each fiscal year. If the expected value is different from the previous estimate, adjustment should be made if necessary, and the changes shall be treated as changes in accounting estimates.

(20) Leasing arrangements (lessor) – lease receivables/ operating leases

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as ‘lease receivables’ at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as ‘unearned finance income of finance lease’.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(21) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's

useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(22) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(23) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

B. Internally generated intangible assets—research and development expenses

(a) Research expenditures are recognized as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:

Ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;

Ⓑ An entity intends to complete the intangible asset and use or sell it;

Ⓒ An entity has the ability to use or sell the intangible asset;

Ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;

Ⓔ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And

Ⓕ The expenditure attributable to the intangible asset during its development can be reliably measured.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(24) Impairment of non-financial assets

- A. The Company will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount means the higher of fair value of one asset less its disposition cost, or its useful value. Impairment loss recognized in previous years on assets other than

goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.

- B. The recoverable amount of goodwill, intangible assets with indefinite useful years and intangible assets not available for use shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.
- C. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment. The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit Company expected to benefit from the merger of businesses generating the goodwill.

(25) Reserve for liabilities

The reserve for liabilities shall be recognized when the Company has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company's reserve for liabilities for warranty shall be recognized when the goods or services are sold. The reserve for liabilities shall be measured under weighted method based on the historical warranty information and potential results subject to the relevant possibility.

(26) Treasury stock

The issued stock recalled by the Company is stated based on the consideration paid for repurchase (including direct vested cost), recognized as "treasury stock" at the net after tax and presented as a deduction from equity. Where the gain on disposal of treasury stock is higher than the book value, the difference shall be credited under the title "additional paid-in capital-transaction of treasury stock". Where the gain is lower than the book value, the difference is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. The book value thereof is calculated based on the weighted average method according to the type of stock (common stock or special shares) and causes for the withdrawal.

Cancellation of treasury stock shall be credited under the title "treasury stock", and debited as "additional paid-in capital-stock premium" and "capital stock". Where the book value of treasury stock is higher than the total of the book value and stock premium, the balance is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. Where the book value of treasury stock is lower than the total of the book value and stock premium, the difference should be credited as the

additional paid-in capital generated from the transactions of treasury stock under the same type.

(27) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells a range of semi-conductor production process and testing equipments in the market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. The sales usually are made with a credit term of 60-210 days after inspection. The term is consistent with market practice, therefore determining that the contract does not include a significant financing component.
- (b) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Labor service

The Company provides semi-conductor production process and testing equipments proxy services. Revenue from providing services is recognized in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

C. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

D. Incremental costs of obtaining a contract

The Company recognizes an asset (shown as 'Prepayments ') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Company expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Company recognizes an impairment loss to

the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Company expects to receive less the costs that have not been recognized as expenses.

(28) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(29) Government subsidies

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Company, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

(30) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid, and stated as expenses when the relevant services are provided.

B. Pension

(a) Defined contribution plan

Under the defined contribution plan, every contribution made to the pension fund is recognized as pension cost in the period occurred using the accrual basis. The prepaid contribution may be stated as assets, insofar as it may be refunded in cash or the future payment is reduced.

(b) Defined benefit plan

Ⓐ The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate shall be based on the market yield rate of corporate bonds of high credit standing that have the same currency exposure and maturity date as the obligations on the balance sheet date, but the market yield rate of government bonds (on the balance sheet date) shall apply in the country where no market of corporate bonds of high credit standing is available.

- ⓑ The re-measurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.
- ⓒ The expenses related to the service cost in the previous period shall be recognized as income immediately.
- ⓓ The interim pension cost applied the pension cost ratio decided upon actuation at the end of the previous fiscal year, and was calculated from the beginning of year until the end of the current period. In the case of material changes in market and material reduction, repayment or other important event at the end, it shall be adjusted and related information shall be disclosed pursuant to said policies.

C. Resignation benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(31) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(32) Income tax

- A. The tax expenses for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(33) Business combination

- A. The Company adopts the acquisition method to proceed with business combination. The consideration for combination is calculated at the fair value of the assets to be transferred or liabilities to be derived or borne and the equity instruments to be issued. The consideration for the transfer includes the fair value of any assets and liabilities generated from the contingent consideration agreement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets and liabilities acquired from the business combination shall be measured at the fair value on the day of acquisition. Based on individual acquisition transaction, the elements of non-controlling equity which refer to the current ownership, of which the holder is entitled to the business's net assets on a pro rata basis at the time of liquidation may choose to measure the fair value based on the fair value on the date of acquisition or subject to proportion of non-controlling equity in the acquired identifiable net assets. The other elements of non-controlling equity shall be measured at the fair value on the date of acquisition.
- B. Goodwill arises when the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held exceeds the fair value of identifiable assets and liabilities. The price difference shall be stated as income on the date of acquisition if the fair value of identifiable assets and liabilities as acquired exceeds the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held.

(34) EPS

The Company will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Company's EPS is calculated based on the income vested in the Company's common stock holders dividing by the number of shares of the weighted

average outstanding common stock. The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock. The Company's potential diluted common stock includes the stock options granted to employees.

(35) Information by department

The company has already disclosed the information on the segments in the consolidated financial statements and no disclosure of segments will be made in the financial statement of individual entities.

5. **Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty**

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

A. Critical judgements in applying the Company's accounting policies

Revenue recognition on a net/gross basis

- (1) The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.
- (2) Indicators that the Company controls the good or service before it is provided to a customer include the following:
 - (a) The Company is primarily responsible for the provision of goods or services;
 - (b) The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(c) The Company has discretion in establishing prices for the goods or services.

B. Critical accounting estimates and assumptions

(1) Allowance for uncollectible of receivable accounts

The Company evaluates and estimates the collectible receivable accounts and allowance for uncollectible accounts according to the loan quality and collection of debt from customers and based on the past experience in collecting allowance for uncollectible accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for uncollectible accounts. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and expected credit loss in the year in which the estimation is changed. Until December 31, 2023, the book value of receivable accounts has been NT\$1,593,778 thousand (exclusive of the allowance for uncollectible accounts, NT\$2,772 thousand).

(2) Evaluation of inventory

The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Company has to decide the net realizable present value of the inventory on the balance sheet date based on judgment and estimation. Due to the rapid transformation of technology, the Company evaluates the value of inventories after excluding the torn and worn, out-of-fashion or unmarketable ones on the balance sheet date, and offset the cost of inventories against net realizable value. Until December 31, 2023, the book value of the Company's inventories has been NT\$2,617,949 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT\$555,764 thousand).

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. As of December 31, 2023, the deferred income tax assets recognized by the Company have been NT\$141,810 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation

is also reviewed periodically. As of December 31, 2023, the reserve for liabilities recognized by the Company have been NT\$19,410 thousand.

(5) Calculation of net defined benefit liability

When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations. As of December 31, 2023, the carrying amount of net defined liabilities was NT\$26,132 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash:		
Cash on hand	\$ 3,556	\$ 2,960
Bank deposit:		
Foreign currency deposit	297,320	257,343
Demand deposit	893,262	251,105
Time deposit	276,316	841,132
Total	<u>\$ 1,470,454</u>	<u>\$ 1,352,540</u>

The bank deposits provided by the Company as specific or restricted use have been re-stated as other non-current assets. Please see Note 8.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Items :	\$ —	\$ —
Non-current items :		
Equity instruments		
Stock in domestic listed company through private placement		
-Spirox Corporation	168,000	168,000
Domestic innovation board common stock		
-PlayNitride Inc.	41,040	41,040
Valuation adjustment	54,988	(23,302)
Total	<u>\$ 264,028</u>	<u>\$ 185,738</u>

A. The Company has passed the acquisition of common stock of Spirox Corporation 7,000 thousand shares through private placement by the Board of Directors meeting in November 25, 2021. The consideration of acquisition is NT\$168,000 thousand.

B. The Company has passed the acquisition of common stock of PlayNitride Inc. 380 thousand shares in August, 2022. The consideration of acquisition is NT\$41,040 thousand.

C. Investment in equity instruments at fair value through other comprehensive income

The purpose that the Company invests in the equity instruments is for long-term strategies, but rather for trading purpose. Therefore, those equity instruments are designated as financial assets at fair value through other comprehensive income.

D. The amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below :

	<u>2023</u>	<u>2022</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ 78,290	\$ (21,762)

E. As of December 31, 2023 and December 31, 2022, financial assets at fair value through other comprehensive income were not pledged as collateral.

F. Information relating to risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) Note receivables, net : None.

(4) Accounts receivable, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 424,264	\$ 441,825
Less: Allowance for uncollectible accounts	(2,772)	(4,828)
Accounts receivable, net	<u>\$ 421,492</u>	<u>\$ 436,997</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable -related party	\$ 1,172,286	\$ 1,101,914
Less: Allowance for uncollectible accounts	—	—
Accounts receivable -related party, net	<u>\$ 1,172,286</u>	<u>\$ 1,101,914</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Overdue receivable (stated as other non-current assets)	\$ —	\$ —
Less: Allowance for uncollectible accounts	—	—
Overdue receivable, net	<u>\$ —</u>	<u>\$ —</u>

A. The Company's receivable accounts were incurred for business and never been provided as collateral.

B. For the information about the changes of allowance for uncollectible accounts provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note 12(2)):

	<u>Group provision</u>	<u>Individual provision</u>	<u>Total</u>
At January 1,2023	\$ 4,828	—	\$ 4,828
Provision for impairment	—	—	—
Reversal of impairment	(2,056)	—	(2,056)
Write-offs during the period	—	—	—
At December 31, 2023	<u>\$ 2,772</u>	<u>—</u>	<u>\$ 2,772</u>

At January 1,2022	\$	5,388	—	\$	5,388
Provision for impairment		—	—		—
Reversal of impairment		(560)	—		(560)
Write-offs during the period		—	—		—
At December 31, 2022	\$	<u>4,828</u>	<u>—</u>	\$	<u>4,828</u>

C. The ageing analysis of accounts receivable is stated as follows:

	December 31, 2023		December 31, 2022	
	Total	Impairment	Total	Impairment
Neither past due nor impaired	\$ 1,572,113	\$ —	\$ 1,481,172	\$ —
Overdue for 1~90 days	21,048	1,473	57,750	4,043
Overdue for 91~180 days	933	140	4,189	628
Overdue for 181~360 days	276	69	628	157
Overdue for 1~2 years	2,180	1,090	—	—
Overdue for more than 2 years	—	—	—	—
Total	\$ 1,596,550	\$ 2,772	\$ 1,543,739	\$ 4,828

The above ageing analysis was based on past due date.

D. As of December 31, 2023 and December 31, 2022, accounts receivable were all from contracts with customers.

(5) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 869,678	\$ (339,764)	\$ 529,914
Supplies	209,086	(66,482)	142,604
Work in progress	468,797	(12,814)	455,983
Semi-finished goods	479,888	(119,925)	359,963
Finished goods	1,106,339	(16,712)	1,089,627
Commodity	5,258	(67)	5,191
Materials and supplies in transit	34,667	—	34,667
Inventory, net	\$ 3,173,713	\$ (555,764)	\$ 2,617,949

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 829,462	\$ (309,298)	\$ 520,164
Supplies	181,497	(55,020)	126,477
Work in progress	593,824	(15,013)	578,811
Semi-finished goods	494,497	(108,864)	385,633
Finished goods	929,722	(11,875)	917,847
Commodity	5,730	(67)	5,663
Materials and supplies in transit	15,683	—	15,683
Inventory, net	\$ 3,050,415	\$ (500,137)	\$ 2,550,278

A. Expenses and losses related to inventory recognized in the current period:

	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 3,560,811	\$ 3,277,461
Loss on market price decline inventories (gain from price recovery)	55,626	118,748
Loss on obsolescence of inventory	20,713	31,178
Other operating costs- employees' bonus	83,179	76,585
Estimated warranty liabilities	10,432	6,156
Operating Cost	<u>\$ 3,730,761</u>	<u>\$ 3,510,128</u>

B. As of December 31, 2023 and 2022, the inventory was not pledged as collateral.

(6) Non-current assets held for sale and disposal group

A. Discontinued operations

For the market situation and business strategy adjustment, the Company has passed the disposal of total share capital of the 80% ownership subsidiary – Megtas Co., Ltd. and BH equipment, by the Board of Directors meeting in May 11, 2023. Due to the expected selling price was higher than the carrying amount of the related net assets, there was no impairment loss when the units classified as held for sale. Until the date of the accountant's report, the related assets and liabilities was classified as held for sale as the disposal has not completed. The Company considered Megtas Co., Ltd. as a single significant cash-generating unit, and classified the cash-generating unit as discontinued operation. For the presentation of the consolidated statements of comprehensive income for year ended December 31, 2023, the Company restated the items of profit and loss for year ended December 31, 2022 in order to enhance the relevance of the year-over-year information.

The profit or loss of the discontinued operation-subsiary-MEGTAS CO., LTD. were as follows:

	<u>2023</u>	<u>2022</u>
Investment income (loss) recognized under equity method	\$ (9, 297)	\$ (5, 456)

There were no income tax gains or losses generated by the gains (losses) on discontinued operations.

B. Disposal group held for sale

	<u>December 31, 2023</u>
Investments accounted for using equity method	\$ 23,517
Property, plant and equipment	6,708
Non-current assets (or disposal group) held for sale, net	<u>\$ 30,225</u>

(7) Investments accounted for using equity method

The investment of the company accounted for under the equity method on the ending day of the financial reporting period:

Investee	December 31, 2023		December 31, 2022	
	Book value	Ratio of shareholding %	Book value	Ratio of shareholding %
Subsidiaries:				
MPI TRADING CORP.	\$ 57,266	100 %	\$ 58,296	100 %
MMI HOLDING CO., LTD.	842,201	100 %	681,113	100 %
MEGTAS CO.,LTD.	—	—	33,108	80 %
Chain-Logic International Corp.	261,284	100 %	249,331	100 %
Allstron Corporation	1,090	100 %	1,463	100 %
MPA TRADING CORP.	42,618	100 %	52,423	100 %
Total	<u>\$ 1,204,459</u>		<u>\$ 1,075,734</u>	
Transfer to Non-current assets held for sale and disposal group:				
MEGTAS CO.,LTD.	<u>\$ 23,517</u>	80 %	<u>\$ —</u>	—

A. Changes in investment under equity method:

	2023	2022
Balance, beginning	\$ 1,075,734	\$ 956,974
Increase in investment in the current period	—	—
Cash dividend distributed by subsidiaries	(38,547)	(38,025)
Investment income (loss) recognized under equity method	198,750	126,980
Exchange difference arising from translation of the financial statement of foreign operations	(7,411)	22,978
Realized (unrealized) income from downstream transactions with investees	(436)	7,691
Other comprehensive income—Unrealized gain(loss) on financial assets at fair value through other comprehensive income	(114)	(864)
Transfer from Credit balance of investments account for using equity method	(23,517)	—
Balance, ending	<u>\$ 1,204,459</u>	<u>\$ 1,075,734</u>

B. The information about subsidiaries important to the consolidated companies is stated as following:

Refer to the consolidated financial statements of FY2023.

C. Book value and share of operating result of the affiliates not important to the Company individually : None.

D. The Company recognized the income of these investees on the basis of their respective audited financial statements in proportion to the investment by the company accounted for under the equity method in 2023 and 2022.

E. The financial statements of subsidiary MEGTAS CO., LTD. in FY2023 and FY2022 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment gain (loss) amounting to NT\$(9,297) thousand and NT\$(5,456) thousand, respectively.

The financial statements of subsidiary MPI AMERICA INC. (include Celadon Systems Inc.) in FY2023 and FY2022 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to NT\$(4,917) thousand and NT\$(7,268) thousand, respectively.

- F. The Company acquired 100% of the shares of Allstron Corporation in March 2014 and controlled the company in whole.

Goodwill Impairment

Upon the discussion of the management and report to the Board of Directors in 2016, the Company has, according to the forecasted cash flow of the subsidiary of the Group - Allstron Probing Solution, recognized the difference between the investment cost of the original investment day and the net equity value in the goodwill impairment loss with a value of NT\$45,533 thousand on December 2016.

- G. Information of increase and decrease in investment in the current period please refer to Note 13(2).

- H. Guarantee

As of December 31, 2023 and 2022, the company had not pledged its investment accounted for under the equity method as collaterals.

(8) Property, plant and equipment

- A. The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>House and building</u>	<u>Machine and equipment</u>	<u>Furniture and fixtures</u>	<u>Research equipment</u>	<u>Other equipments</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:								
January 1, 2023	\$ 770,963	\$ 2,405,065	\$ 942,558	\$ 64,524	\$ 513,396	\$ 4,421	\$ 113,457	\$ 4,814,384
Additions	-	46,835	47,341	32,401	24,282	477	40,921	192,257
Disposals	-	-	(286,272)	(19,015)	(212,157)	(268)	-	(517,712)
Transfer	7,698	37,401	137,523	277	15,998	-	(127,737)	71,160
Reclassify to disposal group held for sale	-	-	(19,809)	-	-	-	-	(19,809)
December 31, 2023	<u>\$ 778,661</u>	<u>\$ 2,489,301</u>	<u>\$ 821,341</u>	<u>\$ 78,187</u>	<u>\$ 341,519</u>	<u>\$ 4,630</u>	<u>\$ 26,641</u>	<u>\$ 4,540,280</u>
Cost:								
January 1, 2022	\$ 770,963	\$ 2,402,534	\$ 1,128,985	\$ 60,377	\$ 617,165	\$ 4,598	\$ 18,181	\$ 5,002,803
Additions	-	685	44,972	17,050	15,597	1,540	116,427	196,271
Disposals	-	(18,040)	(281,435)	(13,384)	(129,798)	(1,717)	-	(444,374)
Transfer	-	19,886	50,036	481	10,432	-	(21,151)	59,684
December 31, 2022	<u>\$ 770,963</u>	<u>\$ 2,405,065</u>	<u>\$ 942,558</u>	<u>\$ 64,524</u>	<u>\$ 513,396</u>	<u>\$ 4,421</u>	<u>\$ 113,457</u>	<u>\$ 4,814,384</u>
Depreciation and impairment:								
January 1, 2023	\$ -	\$ 626,952	\$ 540,687	\$ 33,147	\$366,973	\$ 2,762	\$ -	\$ 1,570,521
Additions	-	99,076	128,768	15,035	57,834	373	-	301,086
Disposals	-	-	(282,120)	(19,015)	(212,157)	(268)	-	(513,560)
Transfer	-	(28,825)	-	-	-	-	-	(28,825)

Reclassify to disposal group held for sale	-	-	(14,436)	-	-	-	-	(14,436)
December 31, 2023	\$ -	\$ 697,203	\$ 372,899	\$ 29,167	\$212,650	\$ 2,867	\$ -	\$ 1,314,786
Depreciation and impairment:								
January 1, 2022	\$ -	\$ 546,994	\$ 683,817	\$ 34,081	\$ 418,146	\$ 4,053	\$ -	\$ 1,687,091
Additions	-	88,572	138,726	12,449	77,183	427	-	317,357
Disposals	-	(8,614)	(277,638)	(13,383)	(128,356)	(1,718)	-	(429,709)
Transfer	-	-	(4,218)	-	-	-	-	(4,218)
December 31, 2022	\$ -	\$ 626,952	\$ 540,687	\$ 33,147	\$366,973	\$ 2,762	\$ -	\$ 1,570,521
Book value								
December 31, 2023	\$ 778,661	\$ 1,792,098	\$ 448,442	\$ 49,020	\$ 128,869	\$ 1,763	\$ 26,641	\$ 3,225,494
December 31, 2022	\$ 770,963	\$ 1,778,113	\$ 401,871	\$ 31,377	\$ 146,423	\$ 1,659	\$ 113,457	\$ 3,243,863

B. The Company signed the contract with the non-related party about the equipment construction of HuKou factory, in April 2022. The total contract amount was NT\$136,640 thousand, and various projects which recognized to “House and Building” have been accepted after completion.

C. In June 2023, the company purchase the land adjoined to Xinpu factory from an unrelated party for NT\$7,680 thousand. The transfer of land rights registration was completed in June 2023. Due to the statutory prohibition, the registration of agricultural land rights was registered in the name of CHEN, SZU-KUEI, and the related party who signed an agreement with the Company. As stipulated in the agreement, the related party will fully cooperate with the Company to transfer the agricultural land right to the Company or a specific person in the future free of charge. The agricultural land has been mortgaged to the Company with a maximum limit of NT\$4,470 thousand.

D. Guarantee

For details about the secured bank loan and facility as for December 31, 2023 and 2022, please see Note 8.

E. For the capitalized interest, please see Note 6(21) B Financial cost.

(9) Right-of-use assets and Lease liabilities

A. Leasing arrangements—lessee

(a) The Company leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods within 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

(b) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>Jan.1~Dec. 31, 2023</u>	<u>December 31, 2022</u>	<u>Jan.1~Dec. 31, 2022</u>
	Book value	Depreciation	Book value	Depreciation
Land	\$ 9,441	\$ 8,436	\$ 17,922	\$ 8,542
Buildings	38,333	21,398	50,025	21,897
Transportation (Business vehicles)	44,426	22,069	40,790	19,681
Total	<u>\$ 92,200</u>	<u>\$ 51,903</u>	<u>\$ 108,737</u>	<u>\$ 50,120</u>

(c) For the year ended in 2023 and 2022, the additions to right-of-use assets were NT\$35,508 thousand and NT\$97,919 thousand respectively.

(d) The information on income and expense accounts relating to lease contracts is as follows:

	<u>Jan.1~ Dec. 31, 2023</u>	<u>Jan.1~ Dec. 31, 2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,781	\$ 1,886
Expense on short-term lease contracts	\$ 1,995	\$ 1,793
Gains(losses) on lease modification	\$ 1	\$ 211

(e) For the 2023 and 2022, the Company's total cash outflow for leases were NT\$53,616 thousand and NT\$51,712 thousand respectively.

B. Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 43,518	\$ 42,070
Noncurrent	49,758	67,675
Total	<u>\$ 93,276</u>	<u>\$ 109,745</u>

(a) Please refer to Note 6(21) B. for the interest expense of lease liabilities.

(b) The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range are 1.755%~2.2% and 1.38%~2% for the 2023 and 2022.

C. Leasing arrangements – lessor

(a) The Company leases various assets including part of office buildings and plant. Rental contracts are typically made for periods within 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

(b) For the 2023 and 2022, the Company recognized rent income in the amount of NT\$35,172 thousand and NT\$20,111 thousand respectively, based on the operating lease agreement, which does not include variable lease payments.

(10) Investment properties

A. The cost, depreciation, and impairment of the investment properties of the Company were as follows:

	2023		
	Land	House and building	Total
At January 1			
Cost	\$ —	\$ —	\$ —
Accumulated depreciation and impairment	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
At January 1	\$ —	\$ —	\$ —
Additions	734,140	79,969	814,109
Transfer	—	61,512	61,512
Depreciation expenses	—	(1,358)	(1,358)
At December 31	<u>\$ 734,140</u>	<u>\$ 140,123</u>	<u>\$ 874,263</u>
At December 31			
Cost	\$ 734,140	\$ 170,305	\$ 904,445
Accumulated depreciation and impairment	—	(30,182)	(30,182)
	<u>\$ 734,140</u>	<u>\$ 140,123</u>	<u>\$ 874,263</u>
	2022		
	Land	House and building	Total
At January 1			
Cost	\$ —	\$ —	\$ —
Accumulated depreciation and impairment	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
At January 1	\$ —	\$ —	\$ —
Depreciation expenses	—	—	—
At December 31	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
At December 31			
Cost	\$ —	\$ —	\$ —
Accumulated depreciation and impairment	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

B. In April 2023, the Company purchase the land and building located in Zhongxing section, Hukou Township, Hsinchu County from an unrelated party for NT\$814,109

thousand including the necessary cost. The transfer of rights registration was completed in June 2023. The land and building were leased to unrelated party after the acquisition. The rental period was from June 21, 2023 to March 31, 2025. The land and building was recognized as investment properties and measured subsequently using cost model.

C. For details about the investment properties pledged as collateral, please see Note 8.

(11) Intangible assets

The costs, amortization, and the impairment loss of intangible assets of the Company as of and for the ended of December 31, 2023 and 2022 were as follows:

	<u>Computer software</u>		<u>Computer software</u>
January 1, 2023	\$ 33,697	January 1, 2022	\$ 19,943
Addition	56,509	Addition	48,387
Reclassification	—	Reclassification	—
Amortization	(42,672)	Amortization	(34,633)
December 31, 2023	<u>\$ 47,534</u>	December 31, 2022	<u>\$ 33,697</u>

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2023 and 2022 were stated as the following items in the comprehensive income statement:

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 14,334	\$ 11,477
Operating expense	52,092	38,297
Total amortization expenses	<u>\$ 66,426</u>	<u>\$ 49,774</u>

B. R&D expenditure

In FY2023 and FY2022, the R&D spending deriving from intangible assets internally developed amounted to NT\$747,557 thousand and NT\$708,047 thousand, respectively, recognized under the title of “Operating expenses – R&D expenses” in the comprehensive income statement.

(12) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments for equipment	\$ 161,351	\$ 100,312
Refundable deposit	96,468	88,826
Deferred Charges	55,603	41,887
Other financial assets- non-current	3,000	3,244
Total	<u>\$ 316,422</u>	<u>\$ 234,269</u>

A. About the refundable deposit as follows:

Some of the former employees of the company were being prosecuted for stealing the trade secret of the company to WinWay Technology Co., Ltd. They were prosecuted by the Hsinchu District Prosecutors Office and the criminal justices were currently judged by

Taiwan Hsinchu District Court.

The company was asking for civil compensation from the defendants. For the case, the company applied for provisional seizure and deposited the guarantee amount of NT\$69,090 thousand to Intellectual Property and Commercial Court and Taiwan Hsinchu District Court. After the preliminary investigation, there were still a large number of exhibits waiting for identification. The civil justices were currently judged by Taiwan High Court and the Supreme Court.

The above cases have no significant impact on the company's financial condition and operating result. On the position of protecting fair competition and intellectual property rights, the company had engaged the attorney to prosecute the civil and criminal legal liability.

As of December 31, 2023 and December 31, 2022, the Company has deposited the guarantee of processing fee NT\$69,090 thousand and NT\$69,090 thousand.

B. The costs, amortization, and the impairment loss of Deferred Charges of the Company as of and for the ended of December 31, 2023 and 2022 were as follows:

	Deferred Charges			Deferred Charges	
January 1, 2023	\$	41,887	January 1, 2022	\$	28,291
Addition		38,185	Addition		27,687
Reclassification		—	Reclassification		—
Amortization expenses		(23,754)	Amortization expenses		(15,141)
Transfer		(715)	Transfer		1,050
Impairment		—	Impairment		—
December 31, 2023	\$	<u>55,603</u>	December 31, 2022	\$	<u>41,887</u>

C. The other non-current financial assets are mainly restricted bank deposits. Please refer to Note 8 for details of the pledge and guarantee.

(13) Short-term loan

Nature	December 31, 2023		December 31, 2022	
	Amount	Interest rate	Amount	Interest rate
Credit loan	\$ —	—	\$ —	—
Secured borrowings	—	—	—	—
Total	<u>\$ —</u>		<u>\$ —</u>	

A. For the information about exposure of the Company's interest rate and liquidity risks, please refer to Note 12(2).

B. Pledged assets for bank loan

For bank loans secured by the Company's assets, please refer Note 8.

(14) Other accounts payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expenses payable	\$ 857,517	\$ 755,535
Employees' remuneration payable	138,653	127,800
Short-term employee benefits	20,279	73,071
Others (less than 5%)	35,393	32,685
Total	<u>\$ 1,051,842</u>	<u>\$ 989,091</u>

(15) Reserve for liabilities

	<u>Warranty</u>		<u>Warranty</u>
At January 1, 2023	\$ 14,013	At January 1, 2022	\$ 14,639
Increase (decrease)	5,397	Increase (decrease)	(626)
At December 31, 2023	<u>\$ 19,410</u>	At December 31, 2022	<u>\$ 14,013</u>
Current	\$ 17,662	Current	\$ 12,696
Non-current	1,748	Non-current	1,317
At December 31, 2023	<u>\$ 19,410</u>	At December 31, 2022	<u>\$ 14,013</u>

The Company's reserve for warranty and liabilities in 2023 and 2022 was primarily related to the sales of semi-conductor production process and test equipment. The reserve for warranty and liabilities was estimated based on the historical warranty information.

(16) Corporate bonds-payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
4th domestic unsecured convertible bonds	\$ —	\$ 1,000,000
Bonds transferred to common stock	—	(963,300)
Less : Convertible corporate bonds repayment due	—	—
Less : Buy back from open market	—	(36,700)
Less : Discount of bonds payable	—	—
Corporate bonds-payable, net	<u>\$ —</u>	<u>\$ —</u>
Current	\$ —	\$ —
Non-current	—	—
Total	<u>\$ —</u>	<u>\$ —</u>
Embedded derivative-Financial (Assets) liability	\$ —	\$ —
Equity element	<u>\$ —</u>	<u>\$ —</u>

A. In order to repayment of bank loan, the Company issued 4th domestic unsecured convertible corporate bonds upon resolution of the board of directors on May 7, 2018, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1070325999 dated July 26, 2018. The issuance conditions are stated as following:

- (a) Total issued amount: The Company issued NT\$1,000,000 thousand of convertible bonds, each bond had a face value of NT\$100 thousand; issued at 100.1% of the face value, a total of 10 thousand copies were issued.
- (b) Duration: 5 years (August 15, 2018~ August 15, 2023)

- (c) Coupon rate: 0%
- (d) Duration: The day following expiration of three month after the date of issuance (November 16, 2018) until the expiry date (August 15, 2023).
- (e) Conversion price and adjustment thereof:
 - Ⓐ The conversion price at the time of issuance shall be NT\$71.50 per share.
 - Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.
 - Ⓒ The Company's board of directors resolved on August 7, 2019 to authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 10, 2019, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$69.2 per share.
 - Ⓓ The Company's board of directors reported on July 10, 2020 about the issuance of the 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 26, 2020, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$67.4 per share.
 - Ⓔ The Company's board of directors reported on July 14, 2021 about the issuance of the 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 18, 2021, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$65.10 per share.
 - Ⓕ The Company's board of directors reported on August 10, 2022 about the

issuance of the 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 20, 2022, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$62.20 per share.

(f) Bondholders' put option:

The bondholders may exercise the put option of the convertible bonds earlier on the record date for exercise of put option, namely, August 15, 2021 and August 15, 2022, upon expiration of three years and four years after issuance of the bonds. The bondholders may ask the Company to redeem the convertible bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

(g) The Company's right of redemption:

Ⓐ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

Ⓑ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal:

Except those converted to the Company's common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

B. For the whole 2022, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 157,334 shares with face value of NT\$9,800 thousand, and recognized NT\$8,732 thousand as Capital Surplus-Additional

Paid-In Capital-Bond Conversion.

As of December 31, 2022, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 14,329,718 shares with face value of NT\$963,300 thousand, and recognized NT\$834,954 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

It has been fully converted into ordinary shares as of September 2022, and has been approved by the competent authority to terminate OTC trading of convertible bonds on September 16, 2022.

- C. The Company analyzed the 4th domestic unsecured convertible corporate bonds according to IFRS No.7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	August 15, 2018 <u>(Issuing date)</u>
Total issuing amount of convertible corporate bond	\$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	(6,400)
Corporate bond payable, net on the issuing date	<u>\$ 919,095</u>

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of every month, which was stated into the “from financial assets and liabilities at fair value through profit or loss ”.

The effective interest rate of the 4th unsecured convertible bonds after host contracts separation is 1.6885%.

- D. (a) Financial assets and liabilities profit(loss) measured at fair value through profit or loss of the Company from January 1 to December 31, 2023 and 2022 were NT\$ 0 thousand and NT\$(48) thousand.
- (b) The Company recognized interest expense of convertible bonds at 2023 and 2022 were NT\$ 0 thousand and NT\$102 thousand respectively.
- E. For the ended December 31, 2022, the 4th unsecured convertible bonds in the amount of NT\$36,700 thousand were repurchased by the company from open market, buy back price is NT\$34,832 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$387 thousand.

(17) Long-term Loans

Lender	Nature	Limit	Period	December 31, 2023
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 488,482
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	300,000
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2021/11/09~2031/10/15	235,680
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 653,440	2023/07/26~2043/07/26	653,440
Less: Long-term Loans payable-current portion				(166,579)
Long-term Loans, net				\$ 1,511,023
Interest rates for long-term loans				1.38%-1.75%

Lender	Nature	Limit	Period	December 31, 2022
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 572,222
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2021/11/09~2031/10/15	235,680
Less: Long-term Loans payable-current portion				(103,740)
Long-term Loans, net				\$ 1,024,162
Interest rates for long-term loans				1.13%

- A. For the Information about exposure of the Company's interest rate and liquidity risks, please refer to Note 12 (2).
- B. Pledged assets for bank loan
For bank loans secured by the Company's assets, please refer to Note 8.

(18) Pension Benefits

- A. Defined benefit plan
- (a) The Company have instituted regulations for the defined pension plan under the "Labor Standards Law" applicable to the years of services of employees before July 1, 2005, which is the day that the new "Labor Pension Act" came into full force, and the following years of services of employees who choose to continue applying the Labor Standard Law upon enforcement of the Labor Pension Act. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year

thereafter, up to a maximum of 45 units. The Company contribute 2% of the total salaries of the employees to the special pension fund account with Bank of Taiwan supervised by the Employee Pension Fund Reserve Supervisory Committee. Until the end of December 31, 2023, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was NT\$108,285 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 134,417	\$ 129,633
Fair value of planned assets	(108,285)	(102,648)
Net defined benefit liability	<u>\$ 26,132</u>	<u>\$ 26,985</u>

(c) Changes in the present value of defined benefit obligation:

	2023	2022
Present value of defined benefit obligation, January 1	\$ 129,633	\$ 114,352
Service cost in current period	8,259	8,210
Interest cost	1,620	743
Amount allocated by Labor Standards Act article 56 item 2	—	1,464
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	—	10,099
Empirical adjustment	(5,095)	(2,763)
Benefit payment-from planned assets	—	(2,472)
Present value of defined benefit obligation, December 31	<u>\$ 134,417</u>	<u>\$ 129,633</u>

(d) Changes in fair value of planned assets:

	2023	2022
Fair value of planned assets, January 1	\$ 102,648	\$ 93,009
Interest revenue	1,304	616
Return (loss) on remuneration of planned assets	887	7,206
Contribution by employer	3,446	4,289
Benefit payment-from planned assets	—	(2,472)
Fair value of planned assets, December 31	<u>\$ 108,285</u>	<u>\$ 102,648</u>

(e) Total expenses recognized in comprehensive income statement:

	2023	2022
Service cost in current period	\$ 8,259	\$ 8,210
Interest cost of defined benefit obligation	1,620	743
Interest revenue from planned assets	(1,304)	(616)
Amount allocated by Labor Standards Act article 56 item 2	—	1,464
Defined benefit cost stated into income	<u>\$ 8,575</u>	<u>\$ 9,801</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign

financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was not impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2023 and 2022, please see the labor pension fund utilization report published by the government each year.

- (g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	<u>2023</u>	<u>2022</u>
Discount rate	1.25%	1.25%
Future salary and benefit level	2.25%	2.25%

Until December 31, 2023, the weighted average duration of the pension plan has been 8.9 years.

- (h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any change in the actuarial hypotheses might materially affect the value of the Company's defined benefit obligation materially.

- (i) The variance in the estimation of discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	<u>Discount rate</u>		<u>Future raise rate</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 1.00%</u>	<u>Decrease by 1.00%</u>
December 31, 2023				
Effect on defined benefit obligation %	<u>(2.83%)</u>	<u>2.98%</u>	<u>11.31%</u>	<u>(11.91%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,801)</u>	<u>\$ 4,001</u>	<u>\$ 15,202</u>	<u>\$ (16,003)</u>
December 31, 2022				
Effect on defined benefit obligation %	<u>(3.08%)</u>	<u>3.25%</u>	<u>12.33%</u>	<u>(12.98%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,998)</u>	<u>\$ 4,208</u>	<u>\$ 15,990</u>	<u>\$ (16,832)</u>

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

- (j) Expected contributions to the defined benefit pension plans of the Company for the next annual reporting period as at December 31, 2023 is NT\$3,450 thousand.

B. Defined contribution plans

- (a) As of July 1, 2005, the Company instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Company shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the "Labor Pension Act" chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.
- (b) The pension expenses recognized under the Company's defined contributed pension regulations were NT\$64,393 thousand and NT\$61,082 thousand in 2023 and 2022.

(19) EQUITY

- A. The Company's outstanding common stock at beginning and ending is reconciled as follows:

	2023	Unit : Share 2022
Balance, January 1	94,231,106	94,073,772
Convertible Bonds Transferred To Common Stock	—	157,334
Balance, December 31	94,231,106	94,231,106

- B. Capital surplus

- (a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the

Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)</u>		
Common stock premium	\$ 210,163	\$ 210,163
Convertible corporate bond conversion premium	1,428,895	1,428,895
Treasury Stock Transactions	58,623	58,623
<u>May be used to offset a deficit only (Note2)</u>		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	27,005	27,005
<u>Such capital surplus may not be used for any purpose</u>		
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	—	—
Total	<u>\$ 1,744,545</u>	<u>\$ 1,744,545</u>

(Note1) 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.

(Note2) Such type of capital reserve pertains to bequeathing to the accepting shareholders without cash inflow or reclassification of invalidated employee shareholding pledging.

- Ⓐ The company issued the first , second , third and fourth Domestic unsecured convertible corporate bonds; The company recognized NT\$1,428,895 thousand as paid-in capital in excess of par-common stock and treasury stock transaction NT\$8,864 thousand.
- Ⓑ The 3rd domestic unsecured conversion of corporate bonds pay off convertible corporate bonds at expiry, in addition to bondholders with converting right not requesting for the conversion to be invalidated, the initially classified “capital reserve – shareholding pledging” balance at NT\$27,005 thousand is reclassified as “capital reserve – invalidated shareholding pledging” item.
- Ⓒ The Company issued last time Domestic unsecured convertible corporate bonds; The Company recognized NT\$49,759 thousand as paid-in capital in excess of par-common stock.
- Ⓓ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the

same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT\$1 thousand.

- ⑤ The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. on June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net worth of the acquired equity was NT\$19,858 thousand on the date of investment, stated as capital surplus-others.

C. Retained earnings

- (a) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.
- (b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.
- (c) Legal reserve
According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares

or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(d) Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(e) The appropriations of 2022 earnings had been approved by the shareholders during their meeting on June 15, 2023, and the appropriations of 2021 earnings had been approved by the shareholders during their meeting on June 15, 2022. Details are summarized below:

	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 121,349		\$ 68,891	
Special reserve	(352)		971	
Cash dividends	659,618	7.00	376,314	4.00

(f) The information about allocation of retained earning approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

D. Treasury stock : None.

E. Share-based payment — employee compensation plan

As of December 31, 2023, information on outstanding ESO is shown below: None.

(20) OPERATING INCOME

A. Operating income

	2023	2022
Revenue from contracts with customers		
Sales revenue	\$ 6,745,902	\$ 6,245,407
Processing Fees revenue	—	—
Others		
Commission revenue	—	—
Total	\$ 6,745,902	\$ 6,245,407

B. Contract assets and contract liability

The Company recognized the contract assets and contract liability of the revenue from contracts with customers as following:

(a) Contract assets: None.

(b) Contract liability as following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liability-current		
Sales revenue received in advance	\$ 593,488	\$ 554,316
Total	<u>\$ 593,488</u>	<u>\$ 554,316</u>

Revenue of the contract liability recognized in the beginning:

	<u>2023</u>	<u>2022</u>
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	\$ 417,597	\$ 437,549
Total	<u>\$ 417,597</u>	<u>\$ 437,549</u>

(21) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	<u>2023</u>	<u>2022</u>
Gains (losses) on disposal of property, plant and equipment	\$ 2,765	\$ 2,544
Losses on obsolescence of property, plant and equipment	—	(9,426)
Net Gains (losses) on financial assets/liabilities at fair value through profit or loss	—	(48)
Net currency exchange gains (losses)	26,381	139,085
Gains(losses) on lease modification	1	211
Others	(73)	(6)
Total	<u>\$ 29,074</u>	<u>\$ 132,360</u>

B. Financial cost

	<u>2023</u>	<u>2022</u>
Interest expenses		
Bank loan	\$ 20,419	\$ 10,819
Imputed interest from deposit	136	11
Convertible corporate bond	—	102
Lease liabilities	1,781	1,886
Subtotal	22,336	12,818
Less: capitalized interest	(1,844)	(1,382)
Total	<u>\$ 20,492</u>	<u>\$ 11,436</u>
Capitalized interest rate	<u>1.19%~1.56%</u>	<u>0.61%~1.19%</u>

C. Interest income

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 19,138	\$ 2,772
Imputed interest from deposit	412	129
Total	<u>\$ 19,550</u>	<u>\$ 2,901</u>

(22) Income Tax

A. The Company's income tax expenses (gains) are specified as following:

	2023	2022
Current tax:		
Current tax on profits for the period	\$ 214,025	\$ 215,088
Imposition of income tax on undistributed earnings	11,085	5,296
Adjustments in respect of prior years	501	—
Total current tax	<u>225,611</u>	<u>220,384</u>
Deferred tax:		
Origination and reversal of temporary differences	13,203	(10,281)
Impact of change in tax rate	—	—
Total deferred tax	<u>13,203</u>	<u>(10,281)</u>
Income tax expense	<u>\$ 238,814</u>	<u>\$ 210,103</u>

B. The Company recognized Income tax expenses in other comprehensive income are NT\$ 0 start from January to December, at 2023 and 2022.

C. The Company income tax expenses recognized under the title of equity are NT\$0 start from January to December, at 2023 and 2022.

D. Relations between income tax expenses (gains) and accounting profit

	2023	2022
Net profit before tax	<u>\$ 1,550,713</u>	<u>\$ 1,423,728</u>
Income tax on net profit(loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated	\$ 310,142	\$ 284,746
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(23,887)	(1,849)
Income tax effect on deferred income tax assets/liabilities	13,203	(10,281)
Unrecognized deferred income tax assets	—	—
Tax-free income	—	—
Maximum foreign-tax deduction	—	—
Income tax effect on investment credit	(72,230)	(67,809)
Imposition of income tax on undistributed earnings	11,085	5,296
Income tax effect under minimum tax system	—	—
Overestimated (underestimated) income tax in previous year	501	—
Total	<u>\$ 238,814</u>	<u>\$ 210,103</u>

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2023				
	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 100,027	\$ 11,126	—	—	\$ 111,153
Unrealized exchange loss	1,746	3,686	—	—	5,432
Unrealized warranty cost	2,803	1,079	—	—	3,882
Unrealized impairment loss	9,107	—	—	—	9,107
Unrealized gain on inter-affiliate accounts	4,004	87	—	—	4,090
Tax difference on depreciation expenses	13	—	—	—	13
Realized net investment income (foreign)	8,133	—	—	—	8,133
Unrealized net investment income (foreign)	2,607	(2,607)	—	—	—
Total	\$ 128,440	\$ 13,371	—	—	\$ 141,810
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	\$ (762)	\$ 248	—	—	\$ (514)
Recognition of pension expenses (deficit)	(8,763)	1,026	—	—	(7,737)
Unrealized net investment income (foreign)	—	(27,848)	—	—	(27,848)
Total	\$ (9,525)	\$ (26,574)	—	—	\$ (36,099)
	2022				
	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 76,278	\$ 23,749	—	—	\$ 100,027
Unrealized exchange loss	820	926	—	—	1,746
Unrealized warranty cost	2,928	(125)	—	—	2,803
Unrealized impairment loss	9,107	—	—	—	9,107
Unrealized gain on inter-affiliate accounts	5,542	(1,538)	—	—	4,004
Tax difference on depreciation expenses	13	—	—	—	13

Realized net investment income (foreign)	8,133	—	—	—	8,133
Unrealized net investment income (foreign)	16,105	(13,498)	—	—	2,607
Total	<u>\$ 118,926</u>	<u>\$ 9,514</u>	<u>—</u>	<u>—</u>	<u>\$ 128,440</u>

Deferred income tax liabilities

Temporary difference					
Unrealized exchange gain	\$ (427)	\$ (335)	—	—	\$ (762)
Recognition of pension expenses (deficit)	(9,865)	1,102	—	—	(8,763)
Total	<u>\$ (10,292)</u>	<u>\$ 767</u>	<u>—</u>	<u>—</u>	<u>\$ (9,525)</u>

(b) Unrecognized deferred income tax assets : None.

(c) Unrecognized deferred income tax liabilities : None.

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2023 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D expenditure (projected) in 2023	\$ 72,230	\$ —	\$ 72,230	\$ —	(non-deferred)
	<u>\$ 72,230</u>	<u>\$ —</u>	<u>\$ 72,230</u>	<u>\$ —</u>	

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

G Authorization of income tax:

The Company has its corporate income tax approved by the taxation authorities until 2021.

H. Under the amendments to the Income Tax Act which was promulgated in February 7, 2018, the Company's applicable income tax rate was 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate. Besides, the tax rate of undistributed earnings in 2018 was 5%.

(23) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted

common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

	2023			2022		
	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)
Basic EPS						
Net profit attributed to the Company's continued operation	\$1,321,196		\$ 14.02	\$1,219,081		\$ 12.95
Net loss attributed to the Company's discontinued operation	(9,297)		(0.10)	(5,456)		(0.06)
Net profit attributed to the Company's common stock shareholders	\$1,311,899	94,231	\$ 13.92	\$1,213,625	94,138	\$ 12.89
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	\$1,321,196	94,231		\$1,219,081	94,138	
Effect of all potential diluted common stocks						
4th domestic unsecured convertible corporate bond	—	—		—	—	
Employees stock bonus	—	638		—	1,136	
Net profit attributed to the Company's continued operation plus effect of potential common stocks	\$1,321,196		\$ 13.93	\$1,219,081		\$ 12.80
Net loss attributed to the Company's discontinued operation	(9,297)		(0.10)	(5,456)		(0.06)
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$1,311,899	94,869	\$ 13.83	\$1,213,625	95,274	\$ 12.74

For the details about capital increase, please see Note 6(19).

(24) Business combinations - acquisition of subsidiaries

A. For the business development strategy, the Company reinvest the subsidiary – MPI AMERICA INC via the subsidiary – MPA TRADING CORP. (ANGUILLA) to acquired 100% of the share capital of Celadon Systems Inc. (hereinafter referred to as the “Celadon”) for US\$10,200,000 (equivalent to NT\$283,471 thousand) in September, 2021 and obtained the control over Celadon. The main operating activities of Celadon are selling and manufacturing the Probe Cards, Test systems and High-Performance Cables and its main customers are semiconductor manufacturers and semiconductor equipment distributors. The Group has expected the acquisition will enhance the competitive advantages of the Group’s engineering probe cards and equipment, and expand the market business scale.

B. The acquisition date was September 9, 2021. The following table summarizes the consideration paid for Celadon and the fair values of the assets acquired and liabilities assumed at the acquisition date. The information about the acquisition date, please refer Note 6(23) of consolidated financial statements.

(25) Employee benefits, depreciation, depletion and amortization expenses are summarized as follows

Nature \ Function	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expense						
Wages and salaries	1,221,742	810,820	2,032,562	1,175,774	783,269	1,959,043
Labor and health insurance expense	88,788	56,707	145,495	81,025	51,761	132,786
Pension costs	43,205	29,763	72,968	41,860	29,023	70,883
Director remuneration	-	34,663	34,663	-	31,950	31,950
Other personnel expenses (Note)	106,180	24,921	131,101	106,673	23,453	130,126
Depreciation expenses	254,053	100,294	354,347	269,310	98,167	367,477
Depletion expenses	-	-	-	-	-	-
Amortization expenses	14,334	52,092	66,426	11,477	38,297	49,774

(Note) The other personnel expenses including food stipend, overtime pay and employee benefits.

A. For the year ended of December 31, 2023 and 2022, the number of employees of the Company was 1,678 and 1,626, of which the number of directors who were not employees concurrently was both 7.

B. Companies which are listed in Taiwan Stock Exchange or Taipei Exchange should disclose the following information:

(a) The average employee benefit expenses was NT\$1,426 thousand for the year ended 2023 [(total amount of employee benefit expenses – total amount of director remuneration) / (total number of employees – the number of directors who were not employees concurrently)].

The average employee benefit expenses was NT\$1,416 thousand for the year ended 2022 [(total amount of employee benefit expenses – total amount of director remuneration) / (total number of employees – the number of directors who were not employees concurrently)].

- (b) The average salary expenses was NT\$1,216 thousand for the year ended 2023 [total amount of salary expenses / (total number of employees – the number of directors who did not have concurrent employees)].

The average salary expenses was NT\$1,210 thousand for the year ended 2022 [total amount of salary expenses / (total number of employees – the number of directors who did not have concurrent employees)].

- (c) The adjustment change of average salary expenses was 0.50% [(the average salary expenses in 2023 – the average salary expenses in 2022) / the average salary expenses in 2022].

- (d) The Company has already established audit committee by the rule in 2020 to replace the supervisor. The Company derecognized the supervisor's remuneration in both 2023 and 2022.

- (e) The salary and remuneration policy of the Company :

Board of Directors and managers' salaries are referred to the industry standards, and the bonuses are allocated according to their performance, risk taking and level of contribution, etc. Employees' salaries are based on their academic background, professional knowledge, years of experience, and their KPI. Employees' annual salaries are also adjusted based on Company's condition to motivate and retain outstanding employees.

- C. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors when allocating the earnings.

- D. The Company has approved the motion for amendments to the Articles of Incorporation on June 15, 2020:

If the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and not be higher than 3% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

- E. The Company estimated the remuneration to employees was NT\$ 138,653 thousand and NT\$ 127,800 thousand, respectively, in 2023 and 2022, and the remuneration to directors NT\$ 34,663 thousand and NT\$ 31,950 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).
- F. The remuneration to employees and directors 2022 resolved to be allocated at the shareholders' meeting on June 15, 2023 by the Board of Directors meeting were NT\$127,800 thousand and NT\$31,950 thousand, respectively, identical with that recognized in the financial statement 2022, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2023.
- G. The remuneration to employees and directors 2021 resolved to be allocated at the shareholders' meeting on June 15, 2022 by the Board of Directors meeting were NT\$71,048 thousand and NT\$17,762 thousand, respectively, identical with that recognized in the financial statement 2021, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2022.
- H. The information about remuneration to employees and remuneration to directors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(26) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	<u>2023</u>	<u>2022</u>
Purchase of property, plant and equipment	\$ 352,116	\$ 262,043
Add: opening balance of payable on equipment	60,029	59,870
Less: opening balance of payable on equipment	(142,294)	(60,029)
Less: opening balance of payable on equipment-related parties	—	—
Cash paid during the period	<u>\$ 269,851</u>	<u>\$ 261,884</u>

B. Financing activities not affecting cash flow:

	<u>2023</u>	<u>2022</u>
Convertible bonds being converted to capital stock	\$ —	\$ 1,573

7. Transactions with related parties

(1) Relations between parent company and subsidiary

The Company's subsidiaries are stated as follows:

	<u>Place of incorporation</u>	<u>Owner's equity (shareholding %)</u>	
		<u>December 31, 2023</u>	<u>December 31, 2022</u>
Chain-Logic International Corp.	Taiwan	100%	100%
Allstron Corporation	Taiwan	100%	100%
MPI TRADING CORP.	Samoa	100%	100%
MMI HOLDING CO.,LTD.	Samoa	100%	100%
MPA TRADING CORP.	Anguilla	100%	100%
CHAIN-LOGIC TRADING CORP.	Mauritius	-	100%
MPI (SUZHOU) CORPORATION	Mainland China	100%	100%
Lumitek (Changchou) Co. Ltd.	Mainland China	100%	100%
MEGTAS CO.,LTD.	Korea	80%	80%
MPI AMERICA INC.	USA	100%	100%
Celadon Systems, Inc.	USA	100%	100%

(2) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(3) The names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
CHAIN-LOGIC INTERNATIONAL CORP. (CLIC)	Subsidiary
MEGTAS CO.,LTD. (MEGTAS)	Subsidiary
Lumitek (Changchou) Co. Ltd. (LUMITC)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI (SUZHOU) CORPORATION (MPS)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI AMERICA INC. (MPA)	Subsidiary- a subsidiary of MPA TRADING CORP.
Celadon Systems, Inc.(Celadon)	Subsidiary- a subsidiary of MPI AMERICA INC.

(4) Important transactions with related parties

A. Operating revenue

The Company's sales values to related parties are stated as follows:

<u>Type</u>	<u>2023</u>	<u>2022</u>
Sale of products:		
-Subsidiary		
CLIC	\$ 109,831	\$ 124,195
Megtas	1,588	3,437
LUMITC	770	599
MPS	1,644,147	1,025,718
MPA	833,313	822,847

Celadon	19,882	151
Total	<u>\$ 2,609,531</u>	<u>\$ 1,976,947</u>

The price of the Company's sale to related parties was not significantly different from the Company's general selling price.

B. Purchase

The Company's purchase values to related parties are stated as follows:

<u>Type</u>	<u>2023</u>	<u>2022</u>
Subsidiary		
CLIC	\$ 17,554	\$ 21,101
MPS	4,722	1,534
MPA	—	878
Celadon	241	2,791
Total	<u>\$ 22,517</u>	<u>\$ 26,304</u>

The price of the Company's purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Accounts receivable-related parties

The Company's accounts receivable-related parties are stated as following:

<u>Title</u>	<u>Type</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	Subsidiary		
	CLIC	\$ 26,205	\$ 14,843
	Megtas	1,572	1,297
	LUMITC	256	175
	MPS	644,158	594,421
	MPA	499,882	491,178
	Celadon	213	—
Accounts receivable		<u>1,172,286</u>	<u>1,101,914</u>
Less: Loss allowance		—	—
Accounts receivable, net		<u>\$ 1,172,286</u>	<u>\$ 1,101,914</u>
Other receivables	Subsidiary		
	CLIC	\$ 563	\$ 650
	Megtas	307	307
	LUMITC	22,044	17,123
	MPS	25,215	23,089
	MPA	12	—
	Total	<u>\$ 48,141</u>	<u>\$ 41,169</u>

D. Accounts payable-related parties

The Company's accounts payable-related parties are stated as following:

Title	Type	December 31, 2023	December 31, 2022
Accounts payable	Subsidiary		
	CLIC	\$ 10,487	\$ 10,975
	MPS	1,029	786
	Celadon	121	999
		<u>\$ 11,637</u>	<u>\$ 12,760</u>
Other payables	Subsidiary		
	CLIC	22,228	22,396
	MPS	—	6,035
Total		<u>\$ 22,288</u>	<u>\$ 28,431</u>

E. Prepayment

None

F. Exchange of property

a. Acquisition of property, plant, and equipment

Type	Nature	2023	2022
Subsidiary			
MPA	Machinery equipment	—	\$ 3,500
CLIC	R & D equipment	—	861
CLIC	Machinery equipment	\$ 1,560	—
Total		<u>\$ 1,560</u>	<u>\$ 4,361</u>

b. Disposition of property, plant, and equipment

2023 :

Related parties	Nature	Cost	Accumulated depreciation	Net book value	Sales price	Gain (loss) on disposal
Subsidiary- MPA	Machinery equipment	\$ 4,333	\$ (181)	\$ 4,152	\$ 6,917	\$ 2,765

2022 :

Related parties	Nature	Cost	Accumulated depreciation	Net book value	Sales price	Gain (loss) on disposal
Subsidiary- MPS	Machinery equipment	\$ 3,562	\$ (742)	\$ 2,820	\$ 4,364	\$ 1,544
Subsidiary- Megtas	Machinery equipment	\$ 2,187	\$ (1,227)	\$ 960	\$ 1,694	\$ 734
Subsidiary- MPA	R & D equipment	\$ 1,462	\$ (20)	\$ 1,442	\$ 1,666	\$ 224

G. Loan to others (stated as other receivables-related party): None

H. Purchase of labor services from related parties

The Company's expenditure in labor services to related parties are stated as follows:

Type	2023	2022
Promotion-expenditure in commission:		
-Subsidiary		
CLIC	\$ 56,880	\$ 43,869
MPS	16,276	16,820
Total	<u>\$ 73,156</u>	<u>\$ 60,689</u>

I. Others

a. Payment on behalf of others (stated as other current assets): None.

b. Advance sale receipts(stated as contract liabilities-current)

Type	December 31, 2023	December 31, 2022
Subsidiary		
CLIC	\$ 24,799	\$ 21,796
MPS	85	—
MPA	72,805	30,804
Total	\$ 97,689	\$ 52,600

c. Temporary receipts (stated as other current liabilities):

Type	December 31, 2023	December 31, 2022
Subsidiary		
MPA	\$ 982	\$ 126
Total	\$ 982	\$ 126

d. Manufacturing expenses (stated as operating cost)

Type	Nature	2023	2022
Subsidiary			
CLIC	Other expenses	\$ 4	\$ 5
CLIC	Miscellaneous expenses	\$ 27	\$ —
CLIC	Consumable expenses	\$ —	\$ 40

e. Selling expenses

Type	Nature	2023	2022
Subsidiary			
CLIC	Other expenses	\$ 3,727	\$ 2,919
MPS	Other expenses	\$ 1,946	\$ —
MPA	Shipping expenses	\$ 43	\$ —
MPA	Other expenses	\$ 14,599	\$ 13,034

f. General & administrative expenses

Type	Nature	2023	2022
Subsidiary			
CLIC	Other expenses	\$ 675	\$ —
MPA	Other expenses	\$ 11,776	\$ 3,060

g. Research and development expenses

Type	Nature	2023	2022
Subsidiary			
CLIC	Other expenses	\$ 689	\$ —
CLIC	Advertisement expenses	\$ 9	\$ —
CLIC	repair and maintenance expenses	\$ —	\$ 22

h. Lease

The Company's lease revenue from related parties is stated as follows:

Type	2023	2022
Subsidiary-CLIC	\$ 3,683	\$ 3,762

The main contents of lease contract:

Type	Subject matter	Duration of lease	Mode of collection
Subsidiary-CLIC	Sublet the factory premises building and parking lots at Wenshan Road, Xinpu Township, Hsinchu County	2019/01/01~2019/12/31 Renewed automatically upon expiration	The rent of the factory building was NT\$242 thousand per month (before tax). The rent of the parking lots was NT\$65 thousand per month (before tax).
Subsidiary-CLIC	Rent the branch company office at Luchu, Kaohsiung City	2019/01/01~2022/10/31	NT\$10 thousand per month (before tax)
Subsidiary-CLIC	Jiaren St., Zhubei City, Hsinchu County (Employee dormitory)	2005/12/01~2006/11/30 Renewed automatically upon expiration	Settled based on the actual number of persons on a monthly basis.

h. Other revenue

Type	2023	2022
Subsidiary		
CLIC	\$ 94	\$ 235
LUMITC	26,271	20,229
MPS	29,617	25,762
MPA	14,144	12,756
Celadon	406	—
Total	\$ 70,532	\$ 58,982

(5) Information about remuneration to the management

Information about remuneration to the Company's management is stated as follows:

	2023	2022
Salary and other short-term employee benefits	\$ 15,491	\$ 10,965
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Total	\$ 15,491	\$ 10,965

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

8. Pledged assets

The following assets have been provided to the Company to pledge for bank loans, import business tax, sale commitment and payment promise. The book value thereof is stated as follows:

	December 31, 2023	December 31, 2022
Land (Including investment properties)	\$ 1,505,103	\$ 770,963
Building (Including investment properties)	1,534,884	1,497,331
Other non-current financial assets	3,000	3,244

(stated as other non-current assets)

Total	\$ 3,042,987	\$ 2,271,538
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9. **Significant contingent liability and unrecognized contractual commitment**

(1) **Contingency**: None.

(2) **Commitment**

A. Balance of unused letter of credit issued by the Company, guarantee money paid and service charges: None.

B. The outstanding capital expenditure amount under the purchase orders signed is stated as following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Purchase of property, plant and equipment	\$ 116,800	\$ 70,055

C. The Company signed a technology transfer agreement with a Non-related party, and the main contents are as follow:

<u>Duration of agreement</u>	<u>Transferred Technology Product</u>	<u>Terms of Payment</u>	<u>Important Notes</u>
5 years (4 th Quarter 2023 to 3 rd Quarter 2028)	The Transfer of Technology of Thermal Chuck Systems	The Total Agreement Price is €8,000,000, with the amount of €1,200,000 (equivalent to NT\$ 41,640 thousand) was paid in 2023. The remaining amount should be paid is €6,800,000 (€2,400,000 should be paid in the next year and then, in the following 2-5 years should pay €4,400,000).	1. If the Company terminates the Agreement before validation of Block 1, the Company shall be responsible for 100% of the Total Agreement Price. 2. If the Company terminates the Agreement after the validation of Block 1 but before the validation of Block 2, the Company will pay 100% of the Total Agreement Price plus 2 years of royalties. 3. If the Company terminates the Agreement after the validation of Block 2, the Company will pay 3 years of royalties.

10. **Significant disaster loss**: None.

11. **Significant subsequent events**: None.

12. **Others**

(1) **Capital management**

The Company's capital management objective is intended to protect the Company's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Company manages and adjusts the capital structure subject to the economic condition. The Company might adjust the stock

dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Company controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Company maintained the same strategy in 2023 as that in 2022, dedicated to maintaining the debt/equity ratio less than 50%~100%. The Company's debt ratios on December 31, 2023 and December 31, 2022 are stated as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 4,454,811	\$ 3,664,020
Total net worth	7,614,495	6,885,467
Debt/equity ratio	59%	53%

(2) Financial instruments by category

A. The financial instruments of the Company are stated as follows:

- (a) Financial assets: Including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid and other financial assets.
- (b) Financial liabilities: Including financial liabilities at fair value through profit or loss, short-term loans, notes payable, accounts payable, other payables, lease liabilities, bonds payable(including current portion), long-term borrowings(including current portion), guarantee deposits received and other financial liabilities.

B. Risk management policies

- (a) The Company's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.
- (b) The Company has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Company shall strictly comply with the requirements related to financial risk management defined by the Company.

C. Significant financial risks and degrees of financial risks

- (a) Market risk

The Company's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other

pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currencies, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets.

The Company's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Company did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Company's income and equity. The Company's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen, Euro and RMB.

The Company's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or KRW). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

December 31, 2023				
Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)	
Financial assets	NTD/USD	\$ 33,719	30.6730	\$ 1,034,268

	NTD/JPY	\$ 44,062	0.21715	\$ 9,568
	NTD/EUR	\$ 2,598	33.976	\$ 88,259
	NTD/RMB	\$ 161,767	4.3274	\$ 700,028
	NTD/KRW	\$ 2,909	0.02391	\$ 70
	NTD/HKD	\$ 9	3.875	\$ 37
	NTD/SGD	\$ 8	23.165	\$ 184
	NTD/MYR	\$ 13	6.411	\$ 83
	NTD/RUB	\$ 1	0.3500	\$ 1
	NTD/PHP	\$ 90	0.5545	\$ 50
	NTD/INR	\$ 10	0.3700	\$ 4
	NTD/GBP	\$ 170	39.13304	\$ 6,655
	NTD/CAD	\$ 189	23.19825	\$ 4,394
Financial liabilities	NTD/USD	\$ 2,424	30.75	\$ 74,545
	NTD/JPY	\$ 74,407	0.219	\$ 16,299
	NTD/EUR	\$ 1,273	34.161	\$ 43,476
	NTD/RMB	\$ 279	4.378	\$ 1,221
	NTD/GBP	\$ 4	39.3565	\$ 145
	NTD/CAD	\$ 17	33.2945	\$ 389

December 31, 2022				
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	\$ 34,889	30.6926	\$ 1,070,833
	NTD/JPY	\$ 23,358	0.23211	\$ 5,422
	NTD/EUR	\$ 48	32.612	\$ 1,570
	NTD/RMB	\$ 162,809	4.3876	\$ 714,207
	NTD/KRW	\$ 5,188	0.02457	\$ 127
	NTD/HKD	\$ 12	3.884	\$ 46
	NTD/SGD	\$ 24	22.755	\$ 549
	NTD/MYR	\$ 16	6.699	\$ 110
	NTD/RUB	\$ 1	0.4042	\$ 1
	NTD/PHP	\$ 91	0.5443	\$ 49
	NTD/INR	\$ 10	0.3629	\$ 4
	NTD/GBP	\$ 102	37.00300	\$ 3,765
Financial liabilities	NTD/USD	\$ 1,772	30.79	\$ 54,548
	NTD/JPY	\$ 59,126	0.234	\$ 13,833
	NTD/EUR	\$ 567	32.888	\$ 18,660
	NTD/RMB	\$ 178	4.439	\$ 791
	NTD/GBP	\$ 6	37.2261	\$ 247

In consideration of the Company's multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) were NT\$ 26,381 thousand and NT\$139,085 thousand in 2023 and 2022.

Ⓑ Cash flow and fair value interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Company's interest rate risk arises primarily from the loan with floating interest rate.

The Company maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

Ⓒ Equity price risk

a. Equity securities held by the Company are susceptible to price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Company's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

b. For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

Stock in domestic listed company through private placement

Prices of securities at the reporting date	December 31, 2023		December 31, 2022	
	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income
Increasing 1%	\$ -	\$ 2,240	\$ -	\$ 1,540
Decreasing 1%	\$ -	\$ (2,240)	\$ -	\$ (1,470)

Domestic innovation board common stock

Prices of securities at the reporting date	December 31, 2023		December 31, 2022	
	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income
Increasing 1%	\$ -	\$ 403	\$ -	\$ 346
Decreasing 1%	\$ -	\$ (407)	\$ -	\$ (429)

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Company did not sign any product contract which did not apply net settlement.

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on

December 31, 2023 and 2022 are stated as following:

December 31, 2023

Primary risk	Range of change	Sensitivity of Profit or Loss
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-51,231 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-4,194 thousand

December 31, 2022

Primary risk	Range of change	Sensitivity of Profit or Loss
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-51,258 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-2,820 thousand

(b) Credit risk

- Ⓐ Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- Ⓑ The Company set up the management of credit risk by Company perspective. According to the loan policy expressly defined internally in the Company, each business dept. Within the Company shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Company also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.
- Ⓒ For the year ended December 31, 2023 and 2022, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.
- Ⓓ The Company's Finance Dept. Manage the credit risk over the deposits in banks and other financial instruments according to the Company's policy.

The Company's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.

- ⑤ Guarantee
According to the Company's policy, the Company may only make financial guarantee for the subsidiaries wholly owned by the Company. As of December 31, 2023 and 2022, the Company has never made any endorsements/guarantees.
- ⑥ The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- ⑦ The Company in line with credit risk management procedure, when the counterparty of transaction has financial difficulties, business accidents, restrictions on the acceptance of orders due to legal restrictions, refunds of company bills and any factors (such as fires, earthquakes and natural disasters). A default is considered to have occurred in the event that the possibility of recovering the receivable is very low, the default has occurred.
- ⑧ The Company classifies customer's notes receivable, accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, collaterals, credit risk on trade and customer types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- ⑨ The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- ⑩ The Company used the foreseeable of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance of notes receivable and accounts receivable. The Company use provision matrix to estimate expected credit loss under the provision matrix basis. The provision matrix basis based on historical default rates observed during the lifetime of accounts receivable to adjust. On each reporting day, the Company updated the

observed historical default rates and analyzed changes. On December 31, 2023 and 2022, the Company expected credit loss rate during the lifetime is stated as follow:

	Notes Receivable	Accounts Receivable					
	dishonoured check	Without past due	1~90 days	91 to 180 days	181 to 360 days	1 to 2 years	More than 2 year
Expected loss rate	100%	0%	7%	15%	25%	50%	100%

- Ⓚ The Company grants the loan period varying based on the evaluation on each trading customer, generally O/A 60 days or 210 days. For the information about the changes of loss allowances provided for the Company's impairment on receivable accounts and account age analysis on loans, please see Note 6(4).

(c) Liquidity risk

- Ⓐ The liquidity risk arises when the Company fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.
- Ⓑ The Company's will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Company will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Company's loan totaled NT\$2,099,440 thousand on December 31, 2023.
- Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Group did not hold derivative financial liabilities.

Non-derivative financial liabilities	December 31, 2023			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ —	\$ —	\$ —	\$ —
Payable accounts (including related party)	542,081	—	—	542,081
Other payable accounts (including related party)	1,216,424	—	—	1,216,424
Lease liabilities (note)	43,518	29,138	20,620	93,276
Long-term loan (including the current portion)	166,579	197,814	1,313,209	1,677,602
Total	<u>\$ 1,968,602</u>	<u>\$ 226,952</u>	<u>\$ 1,333,829</u>	<u>\$ 3,529,383</u>

Non-derivative financial liabilities	December 31, 2022			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ —	\$ —	\$ —	\$ —
Payable accounts (including related party)	511,388	—	—	511,388
Other payable accounts (including related party)	1,077,551	—	—	1,077,551
Lease liabilities (note)	42,070	32,392	35,283	109,745
Long-term loan (including the current portion)	103,740	166,579	857,583	1,127,902
Total	<u>\$ 1,734,749</u>	<u>\$ 198,971</u>	<u>\$ 892,866</u>	<u>\$ 2,826,586</u>

<Note>

Lease payments are low-value asset leases or short-term leases that are exempt from recognition of lease liabilities. If lease payment are significant, it should be disclose the maturity analysis of the contractual cash flow amounts.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

- Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Ⓑ Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in Equity instruments - Stock in domestic listed company through private placement and corporate bonds is included in Level 2.
- Ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, pledged deposit, bank loan, notes payable,

accounts payable and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

Ⓐ The Company measured at fair value by level on the basis of the assets and liabilities:

	December 31, 2023			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss – current convertible bonds option	\$ —	—	\$ —	—
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments	226,940	—	226,940	—
-Stock in domestic listed company through private placement				
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments	37,088	—	37,088	—
-Domestic innovation board common stock				
<u>Non-recurring fair value measurements</u>	—	—	—	—
Liabilities				
<u>Recurring fair value measurements</u>	—	—	—	—

	December 31, 2022			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss – current convertible bonds option	\$ —	—	\$ —	—
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments	148,190	—	148,190	—
-Stock in domestic listed company through private placement				
Financial assets at fair value through other comprehensive	37,548	—	37,548	—

income-Noncurrent items
 Equity instruments
 -Domestic innovation board
 common stock

Non-recurring fair value measurements — — — —

Liabilities
Recurring fair value measurements — — — —

ⓑ The methods and assumptions of fair value estimate are as follows:

Convertible bonds option

Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instruments</u>	<u>Instruments and inputs</u>
	Binomial tree valuation model :
Convertible bonds option	Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

Equity instruments

Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instruments</u>	<u>Instruments and inputs</u>
	Black-Scholes valuation model :
Equity instruments	Observing the parameters at the end of the period, such as restriction period, stock price, strike price, volatility, and risk-free interest rate, estimate the put value and liquidity discount to obtain the fair value of the privately placed common stock.
-Stock in domestic listed company through private placement	
	Market approach:
	Based on the indicators of comparable business items, products, scale and financial ratios, the listed OTC companies are considered to have similar performance and value. Therefore, the value of the rated company should be estimated from the value of the analogous company.
Equity instruments- Domestic innovation board stocks	In addition, for companies on the innovation board, their stock market liquidity is not good, and the stock price should consider the liquidity discount.

D. There were no transfer between Level 1 and Level 2 for the year ended December 31, 2023 and 2022.

13. Supplementary Disclosures

(1) Significant transactions information

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall also disclose the information about important transactions:

No.	Contents	2023
1	Loans to others:	N/A
2	Endorsement/guarantees made for others:	N/A
3	Marketable securities-ending	Attached table 1
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	Attached table 2
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 3
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 4
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	Not be disclosed in parent company financial statement

Attached table 1 : Holding of marketable securities (not including subsidiaries, associates and joint ventures)

Securities held by	Marketable Securities	Relationship with the securities issuer	Financial Statement Account	Ending Balance				Note
				Number of shares (In thousand shares or thousand units)	Book Value	Percentage Of Ownership (%)	Fair Value	
The Company	Private equity of domestic listed company – Spirox Corporation	–	Note 1	7,000	\$226,940	6.09%	\$226,940	–
The Company	Common stock – PlayNitride Inc	–	Note 1	380	37,088	0.35%	37,088	–

Note 1 : Financial Statement Account : Financial assets at fair value through other comprehensive income - non-current.

Attached table 2: Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.

Company acquiring real estate	Property name	Transaction Date	Transaction Amount (Foreign currency)	Payment Status	Counter party	Nature of Relationships	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Land, House and building	April 10,2023	\$816,800	Pay in full	Nature person	Unrelated party	—	—	—	—	Refer to market quotations and professional appraisal reports	Constructing factory buildings	Classified under investment properties (please refer to Note 6(10) for details)

Attached table 3: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital

Seller/ buyer	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Extension of loan Duration	Unit price	Duration of loan	Balance	Percentage in total accounts/notes receivable (payable)	
The Company	MPS	The Company's subsidiaries	Sale	\$ 1,644,147	24 %	same as that applicable to the general customer	—	—	Receivable accounts \$644,158	40%	
The Company	MPI AMERICA INC.	The Company's subsidiaries	Sale	\$ 833,313	12 %	same as that applicable to the general customer	—	—	Receivable accounts \$499,882	31%	
The Company	CLIC	The Company's subsidiaries	Sale	\$ 109,831	2 %	same as that applicable to the general customer	—	—	Receivable accounts \$26,205	2%	

Attached Table 4: Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital

Name of company stated into receivable accounts	Trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Allowance for bad debt
					Amount	Treatment		
MPI Corporation	MPS	The Company's subsidiaries	Receivable accounts \$644,158	2.6549	—	—	\$223,547	—
MPI Corporation	MPI AMERICA INC.	The Company's subsidiaries	Receivable accounts \$499,882	1.6817	—	—	\$ 96,884	—

(2) Information on investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Company may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) for the year ended December 31,

2023 is stated as following:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	\$ 32	\$ 32	1,000	100%	\$ 57,266	\$ (986)	\$ (986)	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	\$ 573,502	\$ 573,502	18,267,987	100%	\$ 842,200	\$ 166,668	\$ 169,183	Subsidiary of MPI Corporation
MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	\$ 53,767	\$ 53,767	400,000	80%	\$ 23,517	\$ (11,622)	\$ (8,801)	Subsidiary of MPI Corporation
MPI Corporation	Chain-Logic International Corp.	2F, No. 988, Litoushan Sec., Wunshan Rd., Hsinpu, Hsinchu County	Professional agent of semi-conductor	\$ 50,000	\$ 50,000	5,000,000	100%	\$ 261,284	\$ 47,212	\$ 46,847	Subsidiary of MPI Corporation
MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	\$ 50,000	\$ 50,000	1,550,000	100%	\$ 1,090	\$ (373)	\$ (373)	Subsidiary of MPI Corporation
MPI Corporation	MPA TRADING CORP.	Vistra (Anguilla) Limited, Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	Holding company	\$ 321,352	\$ 321,352	11,450,000	100%	\$ 42,618	\$ (4,952)	\$ (7,119)	Subsidiary of MPI Corporation
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	\$ —	\$ 3,724 (Note 4)	—	—%	\$ —	\$ —	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	\$ 319,837	\$ 319,837	6,300,000	100%	\$ 48,811	\$ (4,917)	—	Subsidiary of MPA TRADING CORP.
MPI AMERICA INC.	Celadon Systems Inc.	13795 Frontier Ct Burnsville, Minnesota 55337, USA	Selling and manufacturing of Probe Card, Test Equipment and High-performance cables	\$ 283,471	\$ 283,471	1,000	100%	\$ 375,604	\$ 34,608	—	Subsidiary of MPI AMERICA INC.

Note 1: Except MEGTAS CO., LTD., MPI AMERICA INC., and Celadon Systems Inc. which were audited by other external auditors commissioned by it instead of the Company's external auditors. The others were audited by CPA of the parent company.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: The subsidiary of the Group – CHAIN-LOGIC TRADING CORP. has reduced the cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) in July 2019 and US\$300,000 (equivalent to NT\$8,963 thousand) in January 2020. As of December 31st, 2022, the Company has invested a total of US\$100 in the subsidiary, CHAIN-LOGIC TRADING CORP., totaling 100 shares, at the par value of US\$1 per share. The Company's shareholding was 100%.

A motion for the liquidation of the subsidiary – CHAIN-LOGIC TRADING CORP. – was submitted due to its lack of substantial operations. The agent applied for deregistration, which was approved by the ROC in June 2022. The liquidation amount of US\$88.27 (equivalent to NT\$3 thousand) was remitted in December 2022. The liquidation was completed in 3 November, 2023 and recognized loss on disposal of investment amount of NT\$3,737 thousand. The liquidation is approved by the Department of Investment Review, Ministry of Economic Affairs.

(3) Information on investments in Mainland China

A. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 2)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
Lumitek (Changzhou) Co. Ltd.	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 16,000,000 (\$ 502,470)	(Note1)	USD 16,000,000 (\$ 502,470)	—	—	USD 16,000,000 (\$ 502,470)	\$ 17,120	100 %	\$ 17,120	\$ 600,087	—
MPI (Suzhou) Corporation	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned	USD 2,000,000 (\$60,180) Registered capital USD 3,000,000 (\$ 90,270)	(Note1)	USD 2,000,000 (\$60,180)	—	—	USD 2,000,000 (\$60,180)	\$ 149,473	100 %	\$ 149,473	\$245,082	—

agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.												
--	--	--	--	--	--	--	--	--	--	--	--	--

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 2: The recognition of investment income was on the basis of the financial statement audited by CPA of the parent company.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 18,000,000 (NTD 562,650)	USD 19,410,272.42 (NTD 611,455)	NTD 4,572,299

Note1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note2 : Investment amount approved by the Investment

- (a) Investment amount approved by the Investment LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US\$1,800,000(equivalent to NT\$54,111 thousand) is still in total of US\$1,644,142.42(equivalent to NT\$49,434 thousand) that could not be offset the investment amount.
- (b) MJC Microelectronics(Kunshan) Co., Ltd. was transferred to Japanese MJC Corporation in March, 2018, and the transfer amount of US\$2,857,000 (equivalent to NT\$84,006 thousand) was used to deduct the mainland investment quota in April, 2018.
- (c) MJC Microelectronics (Shanghai) Co., Ltd. was liquidated in August, 2018, and in September, 2018, the liquidation amount of US\$936,870 (equivalent to NT\$28,669 thousand) was used to deduct the accumulated amount of investment in Mainland China.
- (d) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. has passed the reduction of cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) by the Board of Directors meeting, and the amount of cash

capital reduction has remitted to CHAIN-LOGIC TRADING CORP. in July, 2019. The amount was used to deduct the accumulated amount of investment in Mainland China.

(e) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Part of the liquidation amount of US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in Mainland China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

C. Important transactions:

For the important transactions of the Company with the investees in Mainland China, direct or indirect, in 2023(which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

(4) Major shareholders information

Name of major shareholders	Shares	Total Shares Owned	Ownership Percentage
MPI Investment Corporation		8,334,626	8.84%

Note1: The table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of MPI Corporation stocks completed the process of registration and book-entry delivery in dematerialized from on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company’s financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decision on trust property. Information on insider equity declaration is available on the Market Observation Post System website.

Note3: The principle of this table is based on the list of securities owners at the book closure date announced by the interim shareholders meeting without

margin trading-short.

Note4: Ratio of holding shares (%) = total number of shares holding by the shareholder / total number of shares delivered in dematerialized form

Note5: The total number of common stock and preferred stock delivered in dematerialized form (including treasury stock) were 94,231,106 shares = 94,231,106 (common stock) + 0 (preferred stock).

14. Information by department

Please see the consolidated financial statements 2023.

MPI CORPORATION

Statement of cash and cash equivalents

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		
NTD		\$ 50
USD	USD 13,521.72, exchange rate 30.645	414
JPY	JPY 1,250,114, exchange rate 0.2143	268
KRW	KRW 2,909,000, exchange rate 0.0239	70
HKD	HKD 9,424.30, exchange rate 3.8750	37
GBP	GBP 11,270, exchange rate 39.0000	440
SGD	SGD 7,939.15, exchange rate 23.1650	184
RMB	RMB 113,978.52, exchange rate 4.3110	491
EUR	EUR 43,360, exchange rate 33.8300	1,467
MYR	MYR 12,922.9, exchange rate 6.4110	83
RUB	RUB 900, exchange rate 0.3500	-
PHP	PHP 89,480, exchange rate 0.5545	49
INR	INR 9,800, exchange rate 0.3700	3
Subtotal		3,556
Bank deposit		
Checking account		-
Demand deposit		893,262
Foreign currency deposit		
USD	USD 5,957,589.82, exchange rate 30.70175	182,908
EUR	EUR 2,552,049.63, exchange rate 33.97900	86,716
JPY	JPY 42,811,853, exchange rate 0.21723	9,300
RMB	RMB 1,858,377.14, exchange rate 4.35273	8,089
GBP	GBP 150,998.85, exchange rate 39.15250	5,912
CAD	CAD 189,430.21, exchange rate 23.19825	4,395
Subtotal		297,320
Time deposit		276,316
Total		\$ 1,470,454

MPI CORPORATION

Statement of accounts receivable-non-related parties

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non-related parties:			
Customer B	Business	\$ 54,127	
Customer A	Business	51,882	
Customer K	Business	27,281	
Customer C	Business	24,243	
Customer L	Business	21,771	
Others	Business	244,960	Less than 5% for each customer
Subtotal		424,264	
Less: Allowance for uncollectible accounts		(2,772)	
Accounts receivable, net		\$ 421,492	

MPI CORPORATION

Statement of inventories

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Cost	Net realizable value	Note
Raw material	\$ 869,678	\$ 864,443	In addition to the allowance for inventories obsolescence and slow-moving, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less estimated costs of completion and selling expenses under the normal operation.
Supplies	209,086	208,945	
Work in progress	468,797	761,307	
Semi-finished goods	479,888	761,787	
Finished goods	1,106,339	1,870,889	
Commodity	5,258	6,538	
Materials and supplies in transit	34,667	34,667	
Subtotal	\$ 3,173,713	\$ 4,508,576	
Less: Allowance for valuation loss	<u>(555,764)</u>		
Inventories, net	<u>\$ 2,617,949</u>		

MPI CORPORATION

Statement of other receivables, prepayments and other current assets

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other receivables			
-Non-related parties			
	Other receivables-Others	\$ 23,966	
Total		\$ 23,966	
Prepayments			
	Prepaid Commissions	\$ 7,516	
	Prepaid insurance premiums	9,530	
	Prepaid exhibition fee	6,080	
	Prepaid technology transfer fee	46,292	
	Others	22,738	None of the individual item exceeds 5% of this account.
Subtotal		92,156	
Prepayments to suppliers		24,515	
Total		\$ 116,671	
Other current assets			
	Temporary payments	\$ 1,116	
	Payment on behalf of others	796	
Total		\$ 1,912	
Non-current assets held-for-sale	Transfer from fixed assets and investments	\$ 30,225	

MPI CORPORATION

Statement of financial assets at fair value through other comprehensive income - non-current
YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Name	Balance, beginning		Increases		Decreases		Balance, ending		Accumulated impairment	Collateral or pledge	Note
	Shares (in thousands)	Fair value	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Fair value			
Equity instruments											
Stock in domestic listed company through private placement											
-Spirox Corporation	7,000	\$ 168,000	—	\$ —	—	\$ —	7,000	\$ 168,000	N/A	None	—
Valuation adjustment		<u>(19,810)</u>		<u>78,750</u>		<u>—</u>		<u>58,940</u>			
Subtotal		<u>148,190</u>		<u>78,750</u>		<u>—</u>		<u>226,940</u>			
Domestic innovation board common stock											
PlayNitride Inc.	380	41,040	—	—			380	41,040	N/A	None	—
Valuation adjustment		<u>(3,492)</u>		<u>—</u>		<u>(460)</u>		<u>(3,952)</u>			
Subtotal		<u>37,548</u>		<u>—</u>		<u>(460)</u>		<u>37,088</u>			
Total		<u>\$ 185,738</u>		<u>\$ 78,750</u>		<u>\$ (460)</u>		<u>\$ 264,028</u>			

MPI CORPORATION
Statement of changes in investments accounted for using the equity method
YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Name	Value of per share	Balance, beginning		Increases		Decreases		Balance, ending			Equity	
		Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ratio of shareholding %	Amount	Unit Price	Total price
Subsidiaries:												
MPI TRADING CORP.	USD 1	1,000	\$ 58,296	—	\$ —	—	\$ (1,030)	1,000	100 %	\$ 57,266	USD 1,865.2436	USD 1,865,243.57
MMI HOLDING CO.,LTD.	USD 1	18,267,987	681,113	—	161,087	—	—	18,267,987	100 %	842,201	\$ 46.9581	\$ 857,830
Chain-Logic International Corp.	\$ 10	5,000,000	249,331	—	11,953	—	—	5,000,000	100 %	261,284	\$ 52.8198	\$ 264,099
Allstron Corporation	\$ 10	1,550,000	1,463	—	—	—	(373)	1,550,000	100 %	1,090	\$ 0.7032	\$ 1,090
MPA TRADING CORP.	USD 1	11,450,000	52,423	—	—	—	(9,805)	11,450,000	100 %	42,618	\$ 4.3741	\$ 50,084
Total			<u>\$1,042,626</u>		<u>\$ 173,040</u>		<u>\$ (11,208)</u>			<u>\$ 1,204,459</u>		
Transfer to non-current assets held-for-sale and disposal groups held-for-sale												
MEGTAS CO.,LTD.	KRW 5,000	400,000	\$ 33,108	—	\$ —	—	\$ (9,591)	400,000	80 %	\$ 23,517	KRW 3,139.0208	KRW 1,255,608,335

MPI CORPORATION
Statement of changes in property, plant and equipment
YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Balance, beginning	Increases	Decreases	Transfer	Reclassify to disposal group held for sale	Balance, ending	Collateral or pledge
Cost							
Land	\$ 770,963	\$ —	\$ —	\$ 7,698	\$ —	\$ 778,661	Book value of Land, House and building amounted NT\$2,165,724 thousand provided as security for bank borrowing purposes.
House and building	2,405,065	46,835	—	37,401	—	2,489,301	
Machine and equipment	942,558	47,341	(286,272)	137,523	(19,809)	821,341	
Furniture and fixtures	64,524	32,401	(19,015)	277	—	78,187	
Research equipment	513,396	24,282	(212,157)	15,998	—	341,519	
Other equipment	4,421	477	(268)	—	—	4,630	
Total	4,700,927	151,336	(517,712)	198,897	(19,809)	4,513,639	
Accumulated depreciation							
House and building	(626,952)	(99,076)	—	28,825	—	(697,203)	
Machine and equipment	(540,687)	(128,768)	282,120	—	14,436	(372,899)	
Furniture and fixtures	(33,147)	(15,035)	19,015	—	—	(29,167)	
Research equipment	(366,973)	(57,834)	212,157	—	—	(212,650)	
Other equipment	(2,762)	(373)	268	—	—	(2,867)	
Total	(1,570,521)	(301,086)	513,560	28,825	14,436	(1,314,786)	
Accumulated impairment	—	—	—	—	—	—	
Construction in progress	113,457	40,921	—	(127,737)	—	26,641	
Book value	\$ 3,243,863	\$ (108,829)	\$(4,152)	\$ 99,985	\$(5,373)	\$ 3,225,494	

MPI CORPORATION

Statement of changes in right-of-use assets

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Balance, beginning	Increases	Decreases	Transfer	Balance, ending	Collateral or pledge None
Cost						
Land	\$ 38,331	\$ —	\$ (179)	\$ —	\$ 38,152	
House and buildings	66,594	9,803	(12,019)	—	64,378	
Transportation	75,700	25,705	(17,042)	—	84,363	
Total	180,625	35,508	(29,240)	—	186,893	
Accumulated depreciation						
Land	(20,409)	(8,436)	134	—	(28,711)	
House and buildings	(16,569)	(21,398)	11,922	—	(26,045)	
Transportation	(34,910)	(22,069)	17,042	—	(39,937)	
Total	(71,888)	(51,903)	29,098	—	(94,693)	
Book value	\$ 108,737	\$ (16,395)	\$ (142)	\$ —	\$ 92,200	

MPI CORPORATION

Statement of lease liabilities

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Duration of lease	Discount rate	Balance, ending		Note
				Current	Non-current	
Cost						
Land	Parking lots	2019/11~2025/08	1.755%	\$ 2,461	\$ 1,360	
House and buildings	Dormitory and Plant	2019/11~2029/10	1.755%	21,172	23,432	
Transportation	Business vehicles	2010/03~2027/03	2.2%	19,885	24,966	
Total				<u>\$ 43,518</u>	<u>\$ 49,758</u>	

MPI CORPORATION

Statement of Changes in Investment Properties

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Balance, beginning	Increases	Decreases	Transfer	Balance, ending	Collateral or pledge
Cost						Book value of Land, House and building amounted NT\$874,263 thousand provided as security for bank borrowing purposes.
Land	\$ —	\$ 734,140	\$ —	\$ —	\$ 734,140	
House and buildings	—	79,969	—	90,336	170,305	
Total	—	814,109	—	90,336	904,445	
Accumulated depreciation						
House and buildings	—	(1,358)	—	(28,824)	(30,182)	
Total	—	(1,358)	—	(28,824)	(30,182)	
Book value	\$ —	\$ 812,751	\$ —	\$ 61,512	\$ 874,263	

MPI CORPORATION
Statement of changes in intangible assets
YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Balance, beginning	Increases	Decreases	Transfer	Balance, ending	Note
Computer software	\$ 33,697	\$ 56,509	\$ (42,672)	\$ —	\$ 47,534	
Book value	<u>\$ 33,697</u>	<u>\$ 56,509</u>	<u>\$ (42,672)</u>	<u>\$ —</u>	<u>\$ 47,534</u>	

MPI CORPORATION

Statement of deferred tax assets and other non-current assets

December 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Deferred tax assets		<u>\$ 141,810</u>	Please refer to Note 6 (22)
Other non-current assets			
Prepayments for equipment		<u>\$ 161,351</u>	
Refundable deposits	Provisional seizure and deposited the guarantee	69,090	
	Business vehicles	20,355	
	Others	7,023	None of the individual item exceeds 5% of this account.
	Subtotal	<u>96,468</u>	
Deferred Charges	Office decoration	23,401	
	Miscellaneous equipment	16,731	
	Hydropower engineering	13,904	
	Parking lots renovation	900	
	Others	<u>667</u>	
	Subtotal	<u>55,603</u>	
Other financial assets- non-current	Restricted bank deposits	<u>3,000</u>	
Total		<u><u>\$ 316,422</u></u>	

MPI CORPORATION

Statement of short-term loans

December 31, 2023

(In Thousands of New Taiwan Dollars)

Creditor	Type of Loan	Descriptions	Balance, ending	Period	Interest rate	Credit lines	Collateral or pledge	Note
Land Bank of Taiwan - Tunghsinchu Branch	Secured borrowings		\$ —			\$ 500,000	Land (No. 155,153,151, Zhonghe Street) NT\$98,189 thousand Land (Employee dormitory at Jiaren Street) NT\$48,996 thousand Land (Xinpu Township) NT\$220,594 thousand Buildings ((No. 155,153,151, Zhonghe Street) NT\$144,104 thousand Buildings (Employee dormitory at Jiaren Street) NT\$34,259 thousand Buildings (No. 7, Luke 1st Road) NT\$69,903 thousand Buildings (No. 988, Sec. Litoushan) NT\$74,148 thousand Buildings (No. 5, Luke 1st Road) NT\$184,678 thousand	
First Commercial Bank- Hsinchu Science Park Branch	Secured borrowings		—			\$ 260,000	Land (No. 129, Zhonghe St.,) NT\$80,065 thousand	
	Credit loans		—			\$ 240,000	Buildings (No. 129, Zhonghe St.,) NT\$218,509 thousand	
Bank SinoPac-Hsinchu Branch	Credit loans		—			\$ 300,000		
Total			\$ —					

MPI CORPORATION

Statement of accounts payable-non-related parties

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>General supplier</u>			
J.S.Industrial Corp	Business	\$ 32,081	
Others	Business	498,363	Less than 5% for each supplier
Total		<u>\$ 530,444</u>	

MPI CORPORATION

Statement of other payables

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Payables for equipment		<u>\$ 142,294</u>
Other payables-non-related parties		
Accrued expenses	Salaries and wages payable and bonus payable	\$ 609,533
	Others (None of the individual item exceeds 5% of this account)	283,377
Subtotal		<u>892,910</u>
Payables for remuneration to employees	Remuneration to employees in 2023	138,653
Short-term employee benefits	Employee benefits in 2023	<u>20,279</u>
Total		<u>\$ 1,051,842</u>

MPI CORPORATION

Statement of provisions-current and other current liabilities

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Short-term warranty provision	Estimated warranty liabilities	<u>\$ 17,662</u>	
Contract liabilities-current			
Advance receipt	Business	<u>\$ 593,488</u>	
Other current liabilities			
Temporary receipts		\$ 1,035	
Receipts under custody		<u>14,613</u>	
Total		<u>\$ 15,648</u>	

MPI CORPORATION

Statement of long-term loans

December 31, 2023

(In Thousands of New Taiwan Dollars)

Creditor	Description	Borrowings Amount			Period	Interest rate	Collateral or pledge
		Current portion	Exceeds one year	Total			
Chang Hwa Bank - Chengnei Branch	Interest is paid on the 15th of each month, loan principal repay every month since 4th year.	\$ 83,740	\$ 404,742	\$ 488,482	2019/11/08~ 2029/10/15	1.38%	Land (Tai Ho Section) NT\$323,119 thousand Buildings (Tai Ho Section) NT\$730,229 thousand
Chang Hwa Bank - Chengnei Branch	Interest is paid on the 15th of each month, loan principal repay every month since 4th year.	80,000	220,000	300,000	2020/09/23~ 2027/09/15	1.38%	Land (Zhong Xing Section, Hu Kou Township) NT\$734,140 thousand Buildings (Zhong Xing Section, Hu Kou Township) NT\$79,054 thousand
Chang Hwa Bank - Chengnei Branch	Interest is paid on the 15th of each month, loan principal repay every month since 4th year.	2,839	232,841	235,680	2021/11/09~ 2031/10/15	1.38%	
Chang Hwa Bank - Chengnei Branch	Interest is paid on the 26th of each month, loan principal repay every month since 4th year.	-	653,440	653,440	2023/07/26~ 2043/07/26	1.75%	
Total		<u>\$ 166,579</u>	<u>\$ 1,511,023</u>	<u>\$ 1,677,602</u>			

MPI CORPORATION

Statement of provisions-non-current, deferred tax liabilities and other non-current liabilities

December 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Long-term warranty provision	Estimated warranty liabilities	<u>\$ 1,748</u>	
Deferred tax liabilities		<u>\$ 36,099</u>	Please refer to Note 6 (22)
Other non-current liabilities			
Guarantee deposits paid	Deposit from lease, etc.	<u>\$ 14,833</u>	

MPI CORPORATION

Statement of operating revenue

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Net revenue			
Wafer probe card (include maintenance service)	14,623,981 PIN	\$ 4,094,539	
Equipment of semi-conductor(include maintenance service)	824 SET	2,618,961	
Others (None of the individual item exceeds 5% of this account)		32,402	
		<hr/>	
Total		<u>\$ 6,745,902</u>	

MPI CORPORATION

Statement of operating costs

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Subtotal	Total
Cost of commodity sold		
Commodity-beginning of period		\$ 5,730
Add:Commodity purchase		8,184
Transfer from Raw material, Supplies and Semi-finished goods		473,420
Less:Transfer to operating expenses		(2)
Commodity-end of period		<u>(5,258)</u>
Cost of Commodity sold		<u>482,074</u>
Cost of goods manufactured		
Raw materials consumed		
Raw materials-beginning of period	829,462	
Add:Raw material purchase, net	1,448,211	
Transfer from Supplies, Semi-finished goods, Finished goods and Commodity	3,869,174	
Less:Transfer to property, plant and equipment and operating expenses	(21,593)	
Raw material sold	(198,656)	
Raw materials-end of period	<u>(869,678)</u>	5,056,920
Supplies consumed		
Supplies-beginning of period	181,497	
Add:Supplies purchase	348,287	
Transfer from Raw material	64	
Less:Transfer to operating expenses	(114,512)	
Transfer to Commodity sold	(3,093)	
Supplies-end of period	<u>(209,086)</u>	203,157
Direct labor		819,359
Manufacturing expenses		<u>1,293,515</u>
Manufacturing costs of the year		7,372,951
Add:Work-in-progress-beginning of period		593,824
Semi-finished goods-beginning of period		494,497
Semi-finished goods purchase		992
Less:Semi-finished goods sold		(271,671)
Transfer to Raw materials		(3,724,995)
Transfer to property, plant and equipment and operating expenses		(104,608)
Semi-finished goods-end of period		(479,888)
Work in progress-end of period		<u>(468,797)</u>
Cost of finished goods		3,412,305
Add: Finished goods-beginning of period		929,722
Supplies purchase		164
Less:Transfer to raw materials		(144,243)
Transfer to property, plant and equipment and operating expenses		(12,872)
Finished goods-end of period		<u>(1,106,339)</u>
Cost of goods manufactured		3,078,737
Other operating costs		<u>169,950</u>
Operating costs		<u>\$ 3,730,761</u>

MPI CORPORATION

Statement of manufacturing expenses

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Indirect labor		\$ 319,204	
Insurance fees		98,557	
Depreciation		254,053	
Indirect material		156,991	
Overtime pay		73,451	
Utilities expense		98,093	
Other expenses		85,138	
Others		208,028	None of the individual item exceeds 5% of this account
Total		<u>\$ 1,293,515</u>	

MPI CORPORATION

Statement of selling expenses

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries and wages		\$ 187,711	
Expenditure in commission		145,491	
Other expenses		192,772	
Others		160,831	None of the individual item exceeds 5% of this account
Total		<u>\$ 686,805</u>	

MPI CORPORATION

Statement of administrative expenses

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries and wages		\$ 227,495	
Depreciation		23,976	
Other expenses		63,972	
Others		86,397	None of the individual item exceeds 5% of this account
Total		<u>\$ 401,840</u>	

MPI CORPORATION

Statement of research and development expenses

YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salaries and wages		\$ 430,277	
Depreciation		55,583	
Consumable expenses		55,324	
Other expenses		49,099	
Others		157,274	None of the individual item exceeds 5% of this account
Total		<u>\$ 747,557</u>	