

Stock Code: 6223

**MPI CORPORATION and Subsidiaries**  
**Consolidated Financial Statements**  
**Years Ended December 31, 2023 and 2022**  
**And Independent Accountants' Audit Report**

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# MPI CORPORATION and Subsidiaries

## Page

Cover Page.....	1
Table of Contents.....	2
Declaration of Consolidation of Financial Statements of Affiliates.....	3
Independent Accountants' Audit Report .....	4
Consolidated Balance Sheets.....	5
Consolidated Statements of Comprehensive Income.....	7
Consolidated Statements of Changes in Equity.....	8
Consolidated Statements of Cash Flows.....	9
Consolidated Notes to the Consolidated Financial Statements	11
1. Company Profile.....	11
2. Date and Procedure for Ratification of Financial Report.....	11
3. Application of new standards, amendments and interpretations .....	11
4. Summary of Significant Accounting Policies.....	13
5. Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty.....	33
6. Notes to Major Accounting Titles.....	35
7. Transactions with Related Parties.....	67
8. Pledged Assets.....	67
9. Significant Contingent Liability and Unrecognized Contractual Commitment.....	68
10. Significant Disaster Loss.....	68
11. Significant Subsequent Events.....	68
12. Others.....	68
13. Supplementary Disclosures.....	78
(1) Significant transactions information.....	78
(2) Information on investees.....	84
(3) Information on investments in Mainland China.....	86
(4) Major shareholders information.....	88
14. Information by Department.....	89

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,  
MPI CORPORATION  
By

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Chairman

March 7, 2024

## **Independent Accountants' Audit Report**

**TO the Board of Directors and Stockholders of MPI Corporation**

### **Opinion**

We have audited the accompanying consolidated financial statements of **MPI CORPORATION** (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We 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 Consolidated Financial Statements section of our report. We are independent of the Group 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. Base 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 are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated 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 (28) of Note 4 of the Consolidated Financial Statements. Regarding relevant disclosure, please refer to (19) of Note 6. Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Group. 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 Group 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 Group 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 (17) of Note 4 of Consolidated Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Consolidated Financial Statements. Regarding descriptions of inventory accounting items, please refer to (5) of Note 6 of consolidated Financial Statements. The Group recognize inventories amounting to NT\$3,324,625 thousand and allowance for inventories amounting to NT\$572,241 thousand. The book value of the Group's inventories as December 31, 2023 was NT\$2,752,384 thousand and accounted 22% of the total assets in the consolidated balance sheet.

MPI Group 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 judgment on each product's net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Group'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 Group's operations, evaluated the soundness of the Corporation's policies concerning the allowance for inventory valuation loss and doubtful debts.

- (2) Understood MPI Group's inventory management procedures, reviewed its annual inventory plan, and participated in its annual inventory check to evaluate the management's judgment 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**

Information on the subsidiaries of MPI Corporation included the aforementioned statements covering the period of 2023 and 2022. And the information on direct investment as disclosed in note 13 is valued as audited by other public accountants. Said subsidiaries' total assets of are NT\$638,722 thousand and NT\$693,720 thousand or accounted for 5.13% and 6.36% of the consolidated total assets as of December 31, 2023 and 2022, respectively. As of January 1 to December 31, 2023 and 2022, had net operating revenue amounted to NT\$1,346,555 thousand and NT\$1,232,875 thousand, or accounted for 16.53% and 16.57% of the consolidated net operating revenue, respectively.

### **Other Matter**

We have also audited the parent Group only financial statements of MPI CORPORATION as of and for the years ended December 31, 2023 and 2022 on which we have issued an unqualified opinion.

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

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

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

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

## **Accountants' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated 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 Group'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

# NEXIA SUN RISE CPAs & COMPANY



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Certified Public Accountants

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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group 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 consolidated 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

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Certified Public Accountants

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*Sun Rise CPAs & Company*  
NEXIA Sun Rise CPAs & Company  
Taipei, Taiwan, Republic of China

March 07, 2024

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The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent accountants' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED 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	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 2,579,316	21	\$ 2,382,315	22
Notes receivable, net	6(3)	161,949	1	66,549	1
Accounts receivable, net	6(4)	1,175,905	10	1,056,816	10
Other receivables		29,589	-	17,083	-
Income tax receivable		61	-	2,626	-
Inventories, net	6(5)	2,752,384	22	2,747,399	25
Prepayments		153,339	1	101,942	1
Non-current assets (or disposal group) held for sale, net	6(6)	42,128	-	-	-
Other current assets	8	9,455	-	33,663	-
Total Current Assets		<u>6,904,126</u>	<u>55</u>	<u>6,408,393</u>	<u>59</u>
<b>NONCURRENT ASSETS</b>					
Financial assets at fair value through other comprehensive income-non-current	6(2)	273,202	2	195,026	2
Property, plant and equipment	6(7).8	3,390,814	27	3,427,432	31
Right-of-use assets	6(8)	187,986	2	184,836	2
Investment properties, net	6(9)	874,263	7	-	-
Intangible assets	6(10)	296,348	3	287,792	3
Deferred income tax assets	6(21)	163,430	1	147,540	1
Other noncurrent assets	6(11).8	349,703	3	251,912	2
Total Noncurrent Assets		<u>5,535,746</u>	<u>45</u>	<u>4,494,538</u>	<u>41</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 12,439,872</u></u>	<u><u>100</u></u>	<u><u>\$ 10,902,931</u></u>	<u><u>100</u></u>

(The accompanying notes are an integral part of these consolidated financial statements)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED 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	Note	December 31, 2023		December 31, 2022	
		Amounts	%	Amounts	%
<b>CURRENT LIABILITIES</b>					
Contract liabilities – current	6(19)	673,419	6	659,714	6
Notes payable		-	-	4,112	-
Accounts payable		563,656	5	523,838	5
Payables on equipment		142,339	1	60,141	1
Other payables	6(13)	1,172,393	9	1,095,552	10
Income tax payable		241,362	2	239,093	2
Provisions – current	6(14)	17,662	-	12,696	-
Liabilities directly related to non-current assets (or disposal group) held for sale	6(6)	5,160	-	-	-
Lease liabilities – current	6(8)	87,253	1	70,387	1
Corporate bonds payable-current portion	6(15)	-	-	-	-
Current portion of long-term loans	6(16)	170,166	1	110,676	1
Other current liabilities		32,061	-	17,709	-
Total Current Liabilities		<u>3,105,471</u>	<u>25</u>	<u>2,793,918</u>	<u>26</u>
<b>NONCURRENT LIABILITIES</b>					
Long-term loans	6(16)	1,511,023	12	1,038,813	10
Provisions – non-current	6(14)	1,748	-	1,317	-
Deferred income tax liabilities	6(21)	54,505	1	29,708	-
Lease liabilities – non-current	6(8)	105,532	1	116,740	1
Net defined benefit liability	6(17)	26,132	-	26,985	-
Other noncurrent liabilities		14,962	-	1,457	-
Total Noncurrent Liabilities		<u>1,713,902</u>	<u>14</u>	<u>1,215,020</u>	<u>11</u>
<b>TOTAL LIABILITIES</b>		<u>4,819,373</u>	<u>39</u>	<u>4,008,938</u>	<u>37</u>
<b>EQUITY</b>	6(18)				
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>					
Capital common stock		942,311	7	942,311	9
Capital surplus		1,744,545	14	1,744,545	16
Retained earnings					
Appropriated as legal capital reserve		901,088	7	779,739	7
Appropriated as special capital reserve		79,853	1	80,205	1
Unappropriated earnings		3,955,786	32	3,418,520	31
Total Retained Earnings		<u>4,936,727</u>	<u>40</u>	<u>4,278,464</u>	<u>39</u>
Others					
Foreign currency translation adjustments		(58,144)	-	(55,687)	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	6(2)	54,010	-	(24,166)	-
Equity directly related to non-current assets (or disposal group) held for sale	6(6)	(4,954)	-	-	-
Total others		<u>(9,088)</u>	<u>-</u>	<u>(79,853)</u>	<u>-</u>
Equity attributable to shareholders of the parent		<u>7,614,495</u>	<u>61</u>	<u>6,885,467</u>	<u>63</u>
<b>NONCONTROLLING INTERESTS</b>		6,004	-	8,526	-
<b>TOTAL EQUITY</b>		<u>7,620,499</u>	<u>61</u>	<u>6,893,993</u>	<u>63</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 12,439,872</u>	<u>100</u>	<u>\$ 10,902,931</u>	<u>100</u>

(The accompanying notes are an integral part of these consolidated financial statements)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED 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	%
<b>OPERATING REVENUE, NET</b>	6(19)				
Sales revenue		\$ 7,991,094	98	\$ 7,211,215	97
Less: sales returns		(17,072)	-	(6,505)	-
sales discounts and allowances		(20,150)	-	(20,320)	-
Commission revenue		1,426	-	13,881	-
Processing Fees revenue		191,814	2	213,658	3
Operating Revenue, net		8,147,112	100	7,411,929	100
<b>OPERATING COSTS</b>	6(5)	(4,250,049)	(52)	(4,005,548)	(54)
<b>GROSS PROFIT, NET</b>		3,897,063	48	3,406,381	46
<b>OPERATING EXPENSES</b>					
Selling expenses		(1,029,613)	(13)	(899,638)	(12)
General & administrative expenses		(561,681)	(7)	(507,240)	(7)
Research and development expenses	6(10)	(830,188)	(10)	(747,552)	(10)
Expected Credit (losses)gains	6(4)	(4,216)	-	(1,659)	-
Operating expenses, net		(2,425,698)	(30)	(2,156,089)	(29)
<b>OPERATING INCOME</b>		1,471,365	18	1,250,292	17
<b>NON-OPERATING INCOME AND EXPENSES</b>					
Other gains and losses, net	6(20)	21,654	-	147,610	2
Finance costs	6(20)	(26,086)	-	(13,707)	-
Interest income	6(20)	29,935	-	4,958	-
Rent income	6(8)	33,057	-	16,356	-
Dividend income		6,995	-	1,399	-
Other non-operating revenue-other items		45,375	1	39,087	-
Total Non-operating Income and Expenses		110,930	1	195,703	2
<b>INCOME BEFORE INCOME TAX</b>		1,582,295	19	1,445,995	19
<b>INCOME TAX EXPENSE</b>	6(19)	(263,747)	(3)	(228,613)	(3)
<b>NET PROFIT FOR CONTINUING OPERATIONS</b>		1,318,548	16	1,217,382	16
<b>GAIN (LOSSES) ON DISCONTINUED OPERATIONS</b>	6(6)	(8,973)	-	(5,120)	-
<b>NET INCOME</b>		1,309,575	16	1,212,262	16
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		5,982	-	(129)	-
Unrealized gain (losses) on financial assets at fair value through other comprehensive income	6(2)	78,176	1	(22,626)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(7,609)	-	23,380	-
Other comprehensive income (loss) for the year, net of income tax		76,549	1	625	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		\$ 1,386,124	17	\$ 1,212,887	16
<b>NET INCOME(LOSS) ATTRIBUTABLE TO :</b>					
Shareholders of the parent		\$ 1,311,899	16	\$ 1,213,625	16
Non-controlling interests		(2,324)	-	(1,363)	-
		\$ 1,309,575	16	\$ 1,212,262	16
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>					
Shareholders of the parent		\$ 1,388,646	17	\$ 1,213,848	16
Non-controlling interests		(2,522)	-	(961)	-
		\$ 1,386,124	17	\$ 1,212,887	16
<b>EARNINGS PER COMMON SHARE(NTD)</b>	6(20)				
Basic earnings per share		\$ 13.92		\$ 12.89	
Diluted earnings per share		\$ 13.83		\$ 12.74	

(The accompanying notes are an integral part of these consolidated financial statements)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED 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	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized gain (losses) on financial assets at fair value through other comprehensive income	Equity directly related to non-current assets (or disposal group) held for sale			
BALANCE, JANUARY, 1, 2022	\$ 940,738	\$ 1,736,500	\$ 710,848	\$ 79,234	\$ 2,651,200	\$ (78,665)	\$ (1,540)	\$ -	\$ 6,038,315	\$ 9,487	\$ 6,047,802
Legal capital reserve			68,891		(68,891)				-		-
Special capital reserve				971	(971)				-		-
Cash Dividends of Common Stock					(376,314)				(376,314)		(376,314)
Capital Reserve From Stock Warrants		8,732							8,732		8,732
Other changes in capital surplus		(687)							(687)		(687)
Net Income in 2022					1,213,625				1,213,625	(1,363)	1,212,262
Other comprehensive income (loss) in 2022, net of income tax					(129)	22,978	(22,626)	-	223	402	625
Total comprehensive income (loss) in 2022	-	-	-	-	1,213,496	22,978	(22,626)	-	1,213,848	(961)	1,212,887
Convertible Bonds Transferred To Common Stock	1,573	-							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	\$ 8,526	\$ 6,893,993
BALANCE, JANUARY, 1, 2023	\$ 942,311	\$ 1,744,545	\$ 779,739	\$ 80,205	\$ 3,418,520	\$ (55,687)	\$ (24,166)	\$ -	\$ 6,885,467	\$ 8,526	\$ 6,893,993
Legal capital reserve			121,349		(121,349)				-		-
Special capital reserve				(352)	352				-		-
Cash Dividends of Common Stock					(659,618)				(659,618)		(659,618)
Net Income in 2023					1,311,899				1,311,899	(2,324)	1,309,575
Other comprehensive income (loss) in 2023, net of income tax					5,982	(2,457)	78,176	(4,954)	76,747	(198)	76,549
Total comprehensive income (loss) in 2023	-	-	-	-	1,317,881	(2,457)	78,176	(4,954)	1,388,646	(2,522)	1,386,124
BALANCE, DECEMBER, 31, 2023	\$ 942,311	\$ 1,744,545	\$ 901,088	\$ 79,853	\$ 3,955,786	\$ (58,144)	\$ 54,010	\$ (4,954)	\$ 7,614,495	\$ 6,004	\$ 7,620,499

(The accompanying notes are an integral part of these consolidated financial statements)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED 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)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (losses) before income tax of continuing operations	\$ 1,582,295	\$ 1,445,995
Income (losses) before tax of discontinued operations	(8,973)	(5,120)
Income before income tax	1,573,322	1,440,875
Adjustments to reconcile net income to net cash		
Depreciation	461,897	465,795
Amortization	74,604	59,454
Expected Credit loss (gain)	4,254	1,573
(Gain) loss on Financial Assets (Liabilities) at Fair Value through Profit or Loss	-	48
Interest expense	26,150	13,766
Interest revenue	(30,040)	(5,177)
Dividend income	(6,995)	(1,399)
(Gain) loss on disposal of property, plant and equipment	(95)	(297)
(Gain) loss on disposal of investment accounted for using equity method	3,737	-
(Gain) loss on lease modification	(83)	(419)
Rent concessions	-	(138)
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in notes receivable	(95,400)	103,982
Decrease (Increase) in accounts receivable	(129,533)	154,224
Decrease (Increase) in other receivables	(12,442)	(4,021)
Decrease (Increase) in inventories	(23,998)	(172,803)
Decrease (Increase) in prepayments	(51,397)	17,712
Decrease (Increase) in other current assets	(2,037)	(702)
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	13,704	(18,121)
(Decrease) Increase in notes payable	(4,112)	(1,653)
(Decrease) Increase in accounts payable	39,935	(32,596)
(Decrease) Increase in other accounts payable	77,297	198,849
(Decrease) Increase in provision for liabilities	5,397	(626)
(Decrease) Increase in other current liabilities	16,383	(36)
(Decrease) Increase in net defined benefit liability	5,130	6,818
Cash generated from operations	1,945,678	2,225,108
Interest received	29,329	4,595
Interest paid	(19,662)	(9,518)
Cash dividend paid	(659,618)	(376,314)
Income taxes paid	(250,041)	(126,622)
Net cash Provided By (Used In) Operating Activities	1,045,686	1,717,249

(Continue)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED 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)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of financial assets at fair value through other comprehensive income	-	(51,192)
Disposal of subsidiaries	3	-
Acquisition of non-current assets held for sale	(1,335)	-
Acquisition of property, plant and equipment	(311,812)	(291,410)
Proceeds from disposal of property, plant and equipment	6,860	21,132
Acquisition of intangible assets	(57,234)	(48,933)
Acquisition of investment properties	(814,109)	-
Increase in other financial assets	-	(19,738)
Decrease in other financial assets	26,358	-
Increase in other non-current assets	(124,551)	(79,896)
Cash dividends received	6,995	1,399
Net cash Provided By (Used In) Investing Activities	(1,268,825)	(468,638)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	-	(100,000)
Issuance of long-term loans	531,701	3,991
Increase in Guarantee Deposits Received	13,505	101
Cash payments for the principal portion of the lease liability	(110,566)	(86,895)
Increase (decrease) in non-controlling interests	(198)	402
Net cash Provided By (Used In) Financing Activities	434,442	(182,401)
Effects of exchange rate change on cash	(8,894)	(8,187)
Net increase (decrease) in cash and cash equivalents	202,409	1,058,023
Cash and cash equivalents at beginning of year	2,382,315	1,324,292
Cash and cash equivalents at end of year	\$ 2,584,724	\$ 2,382,315
<b>Reconciliation of cash and cash equivalents at end of year</b>		
Cash and cash equivalents stated in the consolidated balance sheets	\$ 2,579,316	\$ 2,382,315
Cash and cash equivalents classified to non-current assets (or disposal group) held for sale	5,408	-
Cash and cash equivalents at end of year	\$ 2,584,724	\$ 2,382,315

(The accompanying notes are an integral part of these consolidated financial statements)

# MPI CORPORATION and its Subsidiaries

## NOTES TO CONSOLIDATED 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 and its subsidiaries (hereinafter referred to as the "Group" collectively) 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 consolidated financial statements 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 Group’s financial condition and financial performance based on the Group’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 Group

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 Group’s financial condition and financial performance based on the Group’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 Group's financial condition and financial performance based on the Group's assessment.

#### 4. **Summary of Significant Accounting Policies**

The important 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 consolidated financial statements.

##### (1) **Statement of compliance**

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and IFRSs that came into effect as endorsed by FSC to disclose all of the necessary to be disclosed in the annual consolidated financial statements.

##### (2) **Basis for preparation**

###### A. Basis for measurement

Except the following important items in the balance sheet, the consolidated 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 Group's entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The consolidated 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) **Basis for consolidation**

###### A. Principles for preparation of consolidated financial statements

- (a) The Group included all of the subsidiaries into the consolidated financial statements. Subsidiaries mean the entities controlled by the Group (including structured entities). When the Group is exposed to the changes of remuneration participated by the entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Group is held controlling the entities. The subsidiaries are included into the consolidated financial statements on the date when the Group acquires the controlling power, and the consolidation shall be suspended as of the date

when the Group forfeits the controlling power.

- (b) Unrealized gains on transactions between the Group companies are eliminated to the extent of the Group's interest in the associates. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Elements of the income and other comprehensive income shall be vested in parent company shareholders and non-controlling equity. The total comprehensive income shall be vested in parent company shareholders and non-controlling equity, even if the non-controlling equity suffers loss.
- (d) Where the changes in shareholdings of subsidiaries don't result in forfeiture of controlling power (transactions with non-controlling equity), they shall be processed as equity transactions, which are identified as the transactions with parent company shareholders. The price difference between the adjustment value of non-controlling equity and fair value of paid or collected consideration shall be stated into equity directly.
- (e) When the Group forfeits control over its subsidiaries, its residual investment in the subsidiaries shall be re-measured based on fair value, and identified as the fair value of financial asset recognized initially or cost of the investment in affiliates or joint ventures recognized initially. The price difference between the fair value and book value is stated into current income. Where the accounting treatment for the values related to the subsidiaries as stated into other comprehensive income previously is identical with the basis for the Group's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into income when the related assets or liabilities are disposed of, the gain or loss shall be reclassified into income from equity, when the Group forfeits control over the subsidiaries.

**B. Subsidiaries included into the consolidated financial statements and status of change thereof:**

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			2023. 12.31	2022 12.31	
MPI	Chain-Logic International Corp.	professional equipment agent and provides technologic service for the manufacturing of high-tech industry such as LED, LCD, Semiconductor, and etc.	100%	100%	Established on March 1, 1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	Established on December 22, 2000.
MPI	MMI HOLDING CO., LTD.(Samoa)	Investment activities	100%	100%	Established on August 7, 2002.

MPI	MEGTAS CO., LTD	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	80%	80%	Established on September 1, 2010(Note1).
MPI	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	Established on March 31, 2006.  The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
MPI	MPA TRADING CORP.	Investment activities	100%	100%	Established on April 12, 2017.
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)	International trading business	100%	100%	Established on November 19, 2001. (Note 2)
MMI HOLDING CO., LTD.	Lumitek (ChangZhou) Co.,Ltd.	Selling and manufacturing of high-tech industry such as LED.	100%	100%	Established on January 10, 2014.
MMI HOLDING CO., LTD.	MPI (Suzhou) CORPORATION	Selling and manufacturing of high-tech industry such as LED.	100%	100%	Established on July 11, 2017.
MPA TRADING CORP.	MPI AMERICA INC.	Selling Probe Card and Test Equipment	100%	100%	Established on March 29, 2017.
MPI AMERICA INC.	Celadon Systems, Inc.	Selling and manufacturing of Probe Card , Test Equipment and High-performance cables	100%	100%	Established on May 17, 1996.  The Company started on September 9, 2021 as the acquisition date, acquiring 100% of the shares.

(Note1)The Company has passed the disposal of total share capital of the 80% ownership subsidiary – Megtas Co., Ltd. by the Board of Directors meeting in May 11, 2023. Until the date of the accountant’s audit report, the transaction has not completed.

(Note2)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 31, 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 was completed in 3 November, 2023 and the liquidation amount of US\$88.27 (equivalent to NT\$3 thousand) was remitted in December 2022.

The financial statements 2023 and 2022 of said subsidiary, MEGTAS CO., LTD., were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were NT\$(9,297) thousand and NT\$(5,456) thousand.

The financial statements 2023 and 2022 of said subsidiary, MPI AMERICA INC. (include Subsidiary of MPI AMERICA INC. - Celadon Systems Inc.) were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were NT\$(4,917) thousand and NT\$(7,268) thousand.

- C. Subsidiaries not included into the consolidated financial statements: N/A.
- D. Different adjustment and treatment by subsidiaries in the accounting period: N/A.
- E. Nature and scope of the important restrictions on enterprise's acquisition or use of the group's assets and solvency: N/A.
- F. Subsidiaries over which the Group holds important non-controlling equity: N/A.

(4) 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 difference 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.

(5) 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.

(6) 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.

(7) 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 Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) 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 Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group'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 Group measures the financial assets at fair value plus transaction costs. The Group 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 Group 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.

(9) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(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 amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group 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.

(11) Impairment of financial assets

Including financial assets at amortized cost and accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group 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 Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) 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 Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(14) 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.

(15) Convertible bonds payable

Convertible bonds or issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group 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 recognized 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'.

(16) 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.

(17) 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.

(18) 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.

(19) Investment accounted for using equity method/associates

An affiliate means an entity in which the Group has major influence over the financial and operating policies but has no control over the same. The Group 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 consolidated 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 Group's accounting policy, from the date when the Group has major influence until the date when the Group loses the major influence. The unrealized gains from transactions between the Group and affiliates have been derecognized from the Group'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 Group'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 Group makes payment on behalf of the investee.

Where the Group forfeits its material influence over an affiliate when the Group 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.

(20) 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 Group 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:

<u>Item</u>	<u>Useful years</u>
House and building	
Plant and dormitory	20-50
Clean room	18-20
Electrical and mechanical facilities	5-20
Others	1-20
Machine and equipment	1-10
Transportation equipment	4-5
Furniture and fixtures	2-10
Research equipment	1-6
Other equipments	2-7

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.

(21) 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.

(22) 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 Group. 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 Group 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.

### (23) 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.

(24) 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 recognized 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.

D. Patent

Separately acquired patent are stated at historical cost. Patent acquired in a business combination are recognized at fair value at the acquisition date. Patent has a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 11 years.

E. Other intangible assets

Separately acquired other intangible assets are stated at historical cost. Other intangible assets are intangible asset from lease and client base acquired in a business combination are recognized at fair value at the acquisition date. Considering to its economic time and should be amortized on a straight-line basis over its economic time of 4-8 years.

(25) Impairment on non-financial assets

A. The Group 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 group expected to benefit from the merger of businesses generating the goodwill.

(26) Reserve for liabilities

The reserve for liabilities shall be recognized when the Group 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 Group'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.

(27) Treasury stock

The issued stock recalled by the Group 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.

(28) Revenue recognition

A. Sales of goods

- (a) The Group 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 Group 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 Group'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 Group 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 Group 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 Group does not adjust any of the transaction prices for the time value of money.

D. Incremental costs of obtaining a contract

The Group recognizes an asset (shown as 'Prepayments ') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Group 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 Group recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive less the costs that have not been recognized as expenses.

(29) 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 recognized in profit or loss over the period of the borrowings using the effective interest method.

(30) 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 Group, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

(31) 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 Group 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.

#### (32) 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.

(33) 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 Group 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.
- (34) Business combination
- A. The Group 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.

(35) EPS

The Group will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Group'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 Group's potential diluted common stock includes the stock options granted to employees.

(36) Information by department

The Group consists of various members including the operations engaged in operating activities likely to earn revenue and incur expense (including the revenue and expense from the transactions with the other members within the Group). The operating results of all operations are rechecked by the Group's operating decision maker periodically for making of the decision to allocate resources to each operation and evaluation of each operation's performance. Each operation's financial information is independent from that of the others.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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 Group's accounting policies

Revenue recognition on a net/gross basis

- (1) The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group 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 Group controls the good or service before it is provided to a customer include the following:
  - (a) The Group is primarily responsible for the provision of goods or services;
  - (b) The Group 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 Group has discretion in establishing prices for the goods or services.

#### B. Critical accounting estimates and assumptions

##### (1) Allowance for uncollectible of receivable accounts

The Group 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. As of December 31, 2023, the book value of receivable accounts has been NT\$1,337,854 thousand (exclusive of the allowance for uncollectible accounts, NT\$23,657 thousand).

##### (2) Evaluation of inventory

The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Group 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 Group 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. As of December 31, 2023 the book value of the Group's inventories has been NT\$2,752,384 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT\$572,241 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 Group have been NT\$163,430 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 Group have been NT\$19,410 thousand.

(5) Calculation of net defined benefit liability

When calculating the present value of defined pension obligations, the Group 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 benefit liabilities was NT\$26,132 thousand.

(6) Impairment assessment of goodwill

The Group assesses impairment of goodwill based on subjective judgment which includes identifying allocating assets, liabilities and goodwill to related cash-generating units to determine recoverable amounts of this unit. Please refer to Note 6(10) for the information of goodwill impairment. As of December 31, 2023, the goodwill of the Group amounted to NT\$219,385 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	\$ 4,561	\$ 3,982
Cash in banks:		
Checking deposits	10	10
Demand deposits	1,966,210	1,501,551
Time deposits	608,535	876,772
Total	<u>\$ 2,579,316</u>	<u>\$ 2,382,315</u>

The bank deposits provided by the Group as specific or restricted use have been re-stated as other current assets and 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 instrument		

Stock in domestic listed company through private placement		
-Spriox Corporation	168,000	168,000
Domestic innovation board common stock		
-PlayNitride Inc.	51,192	51,192
Valuation adjustment	54,010	(24,166)
Total	<u>\$ 273,202</u>	<u>\$ 195,026</u>

- A. The Group has passed the acquisition of common stock of Spriox 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 Group has passed the acquisition of common stock of PlayNitride Inc. 474 thousand shares in August, 2022. The consideration of acquisition is NT\$51,192 thousand.
- C. Investment in equity instruments at fair value through other comprehensive income  
The purpose that the Group 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	<u>\$ 78,176</u>	<u>\$ (22,626)</u>

- 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) Notes receivable, net**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 161,949	\$ 66,549
Less: Allowance for uncollectible accounts	—	—
Notes receivable, net	<u>\$ 161,949</u>	<u>\$ 66,549</u>

- A. The Group's receivable notes were issued for business and never been provided as collateral.
- B. The ageing analysis of notes receivable is stated as follows:

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	Total	Impairment	Total	Impairment
Neither past due nor impaired	\$ 161,949	\$ —	\$ 66,549	\$ —
Overdue for 1~90 days	—	—	—	—
Overdue for 91 to 180 days	—	—	—	—
Overdue for 181 to 360 days	—	—	—	—
Overdue for 1~2 years	—	—	—	—
Overdue for more than 2 years	—	—	—	—
<b>Total</b>	<b>\$ 161,949</b>	<b>\$ —</b>	<b>\$ 66,549</b>	<b>\$ —</b>

The above ageing analysis was based on account day.

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

**(4) Accounts receivable, net**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Accounts receivable	\$ 1,199,562	\$ 1,076,347
Less: Allowance for uncollectible accounts	(23,657)	(19,531)
<b>Accounts receivable, net</b>	<b>\$ 1,175,905</b>	<b>\$ 1,056,816</b>

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Overdue receivable (stated as other non-current assets)	\$ —	\$ 1,044
Less: Allowance for uncollectible accounts	—	(1,044)
<b>Overdue receivable, net</b>	<b>\$ —</b>	<b>\$ —</b>

A. The Group'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)):

	<b>Group provision</b>	<b>Individual provision</b>	<b>Total</b>
At January 1, 2023	\$ 19,570	\$ 1,005	\$ 20,575
Provision for impairment	4,254	—	4,254
Reversal of impairment	—	—	—
Write-offs during the period	—	(1,005)	(1,005)
Reclassify to disposal group held for sale	(75)	—	(75)
Unwinding of discount and premium	(92)	—	(92)
<b>At December 31, 2023</b>	<b>\$ 23,657</b>	<b>\$ —</b>	<b>\$ 23,657</b>
At January 1, 2022	\$ 18,484	\$ 1,058	\$ 19,542
Provision for impairment	1,573	—	1,573
Reversal of impairment	—	—	—
Write-offs during the period	(1,302)	(53)	(1,355)
Unwinding of discount and premium	815	—	815
<b>At December 31, 2022</b>	<b>\$ 19,570</b>	<b>\$ 1,005</b>	<b>\$ 20,575</b>

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

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	Total	Impairment	Total	Impairment
Neither past due nor impaired	\$ 1,001,871	\$ —	\$ 837,606	\$ —
Overdue for 1~90 days	135,295	9,471	210,905	14,763
Overdue for 91~180 days	41,643	6,246	23,223	3,483
Overdue for 181~360 days	9,745	2,436	4,090	1,023
Overdue for 1~2 years	11,008	5,504	523	262
Overdue for more than 2 years	—	—	1,044	1,044
Total	<u>\$ 1,199,562</u>	<u>\$ 23,657</u>	<u>\$ 1,077,391</u>	<u>\$ 20,575</u>

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

	<b>December 31, 2023</b>		
	<b>Cost</b>	<b>Allowance for valuation loss</b>	<b>Book value</b>
Raw material	\$ 911,558	\$ (349,968)	\$ 561,590
Supplies	209,086	(66,482)	142,604
Work in progress	476,628	(12,814)	463,814
Semi-finished goods	479,887	(119,925)	359,962
Finished goods	1,133,453	(16,758)	1,116,695
Commodity	79,345	(6,294)	73,051
Materials and supplies in transit	34,668	—	34,668
Inventory, net	<u>\$ 3,324,625</u>	<u>\$ (572,241)</u>	<u>\$ 2,752,384</u>

	<b>December 31, 2022</b>		
	<b>Cost</b>	<b>Allowance for valuation loss</b>	<b>Book value</b>
Raw material	\$ 871,668	\$ (317,514)	\$ 554,154
Supplies	186,172	(55,020)	131,152
Work in progress	605,857	(15,014)	590,843
Semi-finished goods	494,497	(108,864)	385,633
Finished goods	988,449	(11,921)	976,528
Commodity	100,139	(6,733)	93,406
Materials and supplies in transit	15,683	—	15,683
Inventory, net	<u>\$ 3,262,465</u>	<u>\$ (515,066)</u>	<u>\$ 2,747,399</u>

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

	<b>2023</b>	<b>2022</b>
Cost of inventories sold	\$ 4,078,266	\$ 3,769,324
Loss on market price decline inventories (gain from price recovery)	57,263	122,435
Loss on obsolescence of inventory	20,997	31,719
Other operating costs- employees' bonus	83,179	76,585
Estimated warranty liabilities	10,432	6,157

Exchange difference, net	(88)	(672)
Operating Cost	<u>\$ 4,250,049</u>	<u>\$ 4,005,548</u>

B. As of December 31, 2023 and 2022, inventories of the Group were 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 Group 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 Group 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-subsidiary-MEGTAS CO., LTD. were as follows:

	<u>2023</u>	<u>2022</u>
Sales revenue	\$ 27,201	\$ 27,245
Operating costs	<u>(27,986)</u>	<u>(25,547)</u>
Gross profit (losses)	(785)	1,698
Selling expenses	(1,028)	(1,068)
General & administrative expenses	(7,132)	(8,007)
Expected credit (losses) gains	<u>(38)</u>	<u>87</u>
Operating income (losses)	(8,983)	(7,290)
Interest income	105	220
Other non-operating revenue	19	59
Other gains and losses, net	(50)	1,949
Finance costs	<u>(64)</u>	<u>(58)</u>
Income before income tax	(8,973)	(5,120)
Income tax expense	—	—
Gain (losses) on discontinued operations	<u>\$ (8,973)</u>	<u>\$ (5,120)</u>

There was no income tax gain of losses generated by the gain (losses) on discontinued operations.

**B. Disposal group held for sale**

	<u>December 31, 2023</u>
Subsidiary- MEGTAS CO.,LTD.	
Cash and cash equivalents	\$ 5,408
Accounts receivable	6,282
Inventories	19,012
Other receivables	683
Prepayments	—
Property, plant and equipment	1,201
Right-of-use assets	2,358
Other noncurrent assets	476
The Company	
Property, plant and equipment	6,708
Total assets directly related to disposal group held for sale	<u>\$ 42,128</u>
Subsidiary - MEGTAS CO.,LTD.	
Accounts payable	\$ (117)
Other payables	(632)
Lease liabilities	(2,379)
Other current liabilities	(2,032)
Total liabilities directly related to disposal group held for sale	<u>\$ (5,160)</u>
Subsidiary - MEGTAS CO.,LTD.	
Foreign currency translation adjustments	\$ (4,954)
Total equity directly related to disposal group held for sale	<u>\$ (4,954)</u>

**(7) Property, plant and equipment**

- A. The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:
- B. The Group 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 Group 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(20) B Financial cost.

	Land	House and building	Machine and equipment	Transportation equipment	Furniture and fixtures	Research equipment	Other equipment	Construction in progress	Total
<b>Cost:</b>									
At January 1, 2023	\$ 770,963	\$ 2,432,333	\$ 1,755,048	\$ 1,806	\$ 84,497	\$ 513,394	\$ 47,081	\$ 113,457	\$ 5,718,579
Additions	-	46,834	84,333	727	34,818	24,282	597	40,921	232,512
Disposals	-	-	(292,855)	-	(19,825)	(212,157)	(406)	-	(525,243)
Transfer	7,698	37,401	106,591	-	18,378	15,998	(6,978)	(127,737)	51,351
Reclassify to disposal group held for sale	-	-	(18,002)	-	(2,534)	-	(7,273)	-	(27,809)
Effect of movements in exchange rate	-	(363)	(9,983)	(24)	(124)	2	(473)	-	(10,965)
At December 31, 2023	<u>\$ 778,661</u>	<u>\$ 2,516,205</u>	<u>\$ 1,625,132</u>	<u>\$ 2,509</u>	<u>\$ 115,210</u>	<u>\$ 341,519</u>	<u>\$ 32,548</u>	<u>\$ 26,641</u>	<u>\$ 5,438,425</u>
<b>Cost:</b>									
At January 1, 2022	\$ 770,963	\$ 2,429,395	\$ 1,935,903	\$ 1,779	\$ 78,539	\$ 616,774	\$ 50,115	\$ 18,181	\$ 5,901,649
Additions	-	685	72,590	-	18,236	15,600	2,556	116,575	226,242
Disposals	-	(18,040)	(324,354)	-	(13,653)	(129,798)	(7,079)	-	(492,924)
Transfer	-	19,885	50,316	-	481	10,432	-	(21,299)	59,815
Effect of movements in exchange rate	-	408	20,593	27	894	386	1,489	-	23,797
At December 31, 2022	<u>\$ 770,963</u>	<u>\$ 2,432,333</u>	<u>\$ 1,755,048</u>	<u>\$ 1,806</u>	<u>\$ 84,497</u>	<u>\$ 513,394</u>	<u>\$ 47,081</u>	<u>\$ 113,457</u>	<u>\$ 5,718,579</u>
<b>Accumulated depreciation and impairment :</b>									
At January 1, 2023	\$ -	\$ 634,858	\$ 1,197,727	\$ 1,157	\$ 50,230	\$ 366,973	\$ 40,202	\$ -	\$ 2,291,147
Additions	-	100,362	176,028	405	17,469	57,834	1,554	-	353,652
Disposals	-	-	(286,117)	-	(19,805)	(212,157)	(399)	-	(518,478)
Transfer	-	(28,825)	(22,806)	-	13,849	-	(5,479)	-	(43,261)
Reclassify to disposal group held for sale	-	-	(16,863)	-	(2,448)	-	(7,273)	-	(26,584)
Effect of movements in exchange rate	-	(114)	(8,197)	(18)	(103)	-	(433)	-	(8,865)
At December 31, 2023	<u>\$ -</u>	<u>\$ 706,281</u>	<u>\$ 1,039,772</u>	<u>\$ 1,544</u>	<u>\$ 59,192</u>	<u>\$ 212,650</u>	<u>\$ 28,172</u>	<u>\$ -</u>	<u>\$ 2,047,611</u>
<b>Accumulated depreciation and impairment :</b>									
At January 1, 2022	\$ -	\$ 553,506	\$ 1,303,795	\$ 800	\$ 49,150	\$ 418,146	\$ 43,793	\$ -	\$ 2,369,190
Additions	-	89,857	198,047	342	13,904	77,183	1,970	-	381,303
Disposals	-	(8,614)	(314,657)	-	(13,651)	(128,356)	(6,811)	-	(472,089)
Transfer	-	-	(4,218)	-	-	-	-	-	(4,218)
Effect of movements in exchange rate	-	109	14,760	15	827	-	1,250	-	16,961
At December 31, 2022	<u>\$ -</u>	<u>\$ 634,858</u>	<u>\$ 1,197,727</u>	<u>\$ 1,157</u>	<u>\$ 50,230</u>	<u>\$ 366,973</u>	<u>\$ 40,202</u>	<u>\$ -</u>	<u>\$ 2,291,147</u>
<b>Book value</b>									
At December 31, 2023	<u>\$ 778,661</u>	<u>\$ 1,809,924</u>	<u>\$ 585,360</u>	<u>\$ 965</u>	<u>\$ 56,018</u>	<u>\$ 128,869</u>	<u>\$ 4,376</u>	<u>\$ 26,641</u>	<u>\$ 3,390,814</u>
At December 31, 2022	<u>\$ 770,963</u>	<u>\$ 1,797,475</u>	<u>\$ 557,321</u>	<u>\$ 649</u>	<u>\$ 34,267</u>	<u>\$ 146,421</u>	<u>\$ 6,879</u>	<u>\$ 113,457</u>	<u>\$ 3,427,432</u>

## **(8) Right-of-use assets and Lease liabilities**

### **A. Leasing arrangements—lessee**

(a) The Group leases various assets including land, buildings, machine and equipment, 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	\$ 17,923	\$ 8,542
Buildings	75,705	46,507	102,398	44,725
Machine and equipment	35,798	18,020	—	—
Transportation (Business vehicles)	67,042	33,924	64,515	31,225
Total	<u>\$ 187,986</u>	<u>\$ 106,887</u>	<u>\$ 184,836</u>	<u>\$ 84,492</u>

(c) For the 2023 and 2022, the additions to right-of-use assets were NT\$114,849 thousand and NT\$162,606 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	\$ 6,283	\$ 3,883
Expense on short-term lease contracts	\$ 4,238	\$ 3,737
Gains(losses) on lease modification	\$ 83	\$ 419

(e) For the 2023 and 2022, the Group's total cash outflow for leases were NT\$110,566 thousand and NT\$86,895 thousand respectively.

(f) The Group adopts the practical expedient of "Covid-19-related rent concessions", and recognized the profit of changes in lease payments as other gains resulting from the rent concessions for the 2023 and 2022 are NT\$0 thousand and NT\$138 thousand.

### **B. Lease liabilities**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 87,253	\$ 70,387
Noncurrent	105,532	116,740
Total	<u>\$ 192,785</u>	<u>\$ 187,127</u>

(a) Please refer to Note 6(20) B. for the interest expense of lease liabilities.

(b) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range are 1.15%~4.59% and 1.38%~4.5% for the 2023 and 2022.

### **C. Leasing arrangements – lessor**

- (a) The Group leases various assets including machine and equipment, part of office buildings and plant. Rental contracts are typically made for periods within 6 months 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 Group recognized rent income in the amount of NT\$33,057 thousand and NT\$16,356 thousand respectively, based on the operating lease agreement, which does not include variable lease payments.

**(9) Investment properties**

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

	<b>2023</b>		
	<b>Land</b>	<b>House and building</b>	<b>Total</b>
<b>At January 1</b>			
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>
<b>At December 31</b>			
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>
<b>2022</b>			
	<b>Land</b>	<b>House and building</b>	<b>Total</b>
<b>At January 1</b>			
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 Group 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.

#### **(10) Intangible assets**

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

	<u>Computer software</u>	<u>Goodwill</u>	<u>Patent</u>	<u>Others</u>	<u>Total</u>
<b>2023</b>					
<b>January 1, 2023</b>	\$ 36,156	\$ 219,551	\$ 22,469	\$ 9,616	\$ 287,792
Additions - acquired separately	57,234	—	—	—	57,234
Reclassification	—	—	—	—	—
Amortization expenses	(44,075)	—	(2,318)	(2,090)	(48,483)
Impairment	—	—	—	—	—
Exchange difference, net	(7)	(166)	(16)	(6)	(195)
<b>December 31, 2023</b>	<u>\$ 49,308</u>	<u>\$ 219,385</u>	<u>\$ 20,135</u>	<u>\$ 7,520</u>	<u>\$ 296,348</u>
<b>2022</b>					
<b>January 1, 2022</b>	\$ 22,902	\$ 197,778	\$ 22,329	\$ 10,546	\$ 253,555
Additions - acquired separately	48,933	—	—	—	48,933
Reclassification	—	—	—	—	—
Amortization expenses	(35,915)	—	(2,203)	(1,987)	(40,105)
Impairment	—	—	—	—	—
Exchange difference, net	236	21,773	2,343	1,057	25,409
<b>December 31, 2022</b>	<u>\$ 36,156</u>	<u>\$ 219,551</u>	<u>\$ 22,469</u>	<u>\$ 9,616</u>	<u>\$ 287,792</u>

#### **Goodwill**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Goodwill-Celadon	\$ 219,385	\$ 219,551
Goodwill-Allstron	45,533	45,533
Accumulated impairment - Allstron	(45,533)	(45,533)
Net book value	<u>\$ 219,385</u>	<u>\$ 219,551</u>

A. Recognized amortization and impairment

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

	<u>2023</u>	<u>2022</u>
Operating cost	\$ 15,711	\$ 15,196
Operating expense	58,893	44,258
Total amortization expenses	<u>\$ 74,604</u>	<u>\$ 59,454</u>

B. R&D expenditure

In FY2023 and FY2022, the R&D spending deriving from intangible assets internally developed amounted to NT\$830,188 thousand and NT\$747,551 thousand, respectively, recognized under the title of “Operating expenses – R&D expenses” in the comprehensive income statement.

C. Goodwill Impairment - Allstron

Upon the discussion of the management and report to the Board of Directors in 2016, the Group 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.

D. Goodwill Impairment Evaluation - Celadon

The Group acquired Celadon Systems, Inc. which generated goodwill of NT\$198,424 thousand. Impairment assessment of goodwill is allocated to the Celadon’s CGU. The recoverable amount of the CGU relating to the goodwill arising from acquisition of Celadon was determined based on value-in-use calculation. The calculation uses projected cash flows and owner-specific synergies based on financial budgets for the next five-year period.

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. Cash flows and owner-specific synergies beyond the five-year period are extrapolated using the estimated growth rates. As of December 31, 2023, discount rate is 14.18%~17.13%.

Based on previous assessment, there is no impairment loss on goodwill as of December 31, 2023.

E. Please refer Note 6(23) for details of the mergers and acquisitions.

**(11) Other non-current assets**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments for equipment	\$ 163,980	\$ 100,405
Refundable deposit	111,745	94,235
Deferred Charges	60,845	44,026
Other financial assets- non-current	13,133	13,246
Total	<u>\$ 349,703</u>	<u>\$ 251,912</u>

A. About the refundable deposit as follows:

Some of the former employees of the group were being prosecuted for stealing the trade secret of the group 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 group was asking for civil compensation from the defendants. For the case, the group 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 group's financial condition and operating result. On the position of protecting fair competition and intellectual property rights, the group had engaged the attorney to prosecute the civil and criminal legal liability.

As of December 31, 2023 and December 31, 2022, the Group 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 Group as of and for the ended of December 31, 2023 and 2022 were as follows:

	Deferred Charges		Deferred Charges	
<b>January 1, 2023</b>	\$	44,026	<b>January 1, 2022</b>	\$ 32,356
Addition		43,705	Addition	29,922
Reclassification		—	Reclassification	—
Amortization expenses		(26,121)	Amortization expenses	(19,349)
Transfer		(715)	Transfer	1,050
Impairment		—	Impairment	—
Exchange difference, net		(50)	Exchange difference, net	47
<b>December 31, 2023</b>	\$	<b>60,845</b>	<b>December 31, 2022</b>	\$ <b>44,026</b>

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

**(12) Short-term loan**

Nature	December 31, 2023		December 31, 2022	
	Amounts	Interest rates	Amounts	Interest rates
Credit loan	\$ —	—	\$ —	—
Secured borrowings	—	—	—	—
Total	\$ —		\$ —	

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

B. Pledged assets for bank loan

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

**(13) Other accounts payable**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expenses payable	\$ 954,050	\$ 840,589
Employees' remuneration payable	142,953	132,100
Short-term employee benefits	20,279	73,071
Others (less than 5%)	55,111	49,792
Total	<u>\$ 1,172,393</u>	<u>\$ 1,095,552</u>

**(14) 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 Group's reserve for warranty and liabilities in 2023 and 2022 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranty and liabilities was estimated based on the historical warranty information.

**(15) 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 Group from January 1 to December 31, 2023 and 2022 were NT\$0 thousand and NT\$(48) thousand respectively.
- (b) The Group 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.

**(16) Long-term Loans**

<b>Lender</b>	<b>Nature</b>	<b>Limit</b>	<b>Period</b>	<b>December 31, 2023</b>
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
BMO Harris Bank	Secured bank borrowings (note)	USD 405,000	2021/10/21~2024/10/21	3,587
Less: Long-term Loans payable-current portion				(170,166)
Long-term Loans, net				<u>\$ 1,511,023</u>
Interest rates for long-term loans				<u>1.38%~3.5%</u>

<b>Lender</b>	<b>Nature</b>	<b>Amount</b>	<b>Period</b>	<b>December 31, 2022</b>
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
BMO Harris Bank	Secured bank borrowings (note)	USD 405,000	2021/10/21~2024/10/21	7,761
BMO Harris Bank	Secured bank borrowings (note)	USD 450,000	2022/12/14~2027/12/14	13,826
Less: Long-term Loans payable-current portion				(110,676)
Long-term Loans, net				<u>\$ 1,038,813</u>
Interest rates for long-term loans				<u>1.13%~7.85%</u>

(Note) The subsidiary of the Group – Celadon Systems Inc., obtained a long-term loan and the loan is secured by company assets.

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

**(17) Pension Benefits**

- A. Defined benefit plan
  - (a) The Company and its domestic subsidiaries 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 and its domestic subsidiaries 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
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:

	<b>2023</b>	<b>2022</b>
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:

	<b>2023</b>	<b>2022</b>
Fair value of planned assets, January 1	\$ 102,648	\$ 94,315
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)
Settle special pension fund account by the subsidiary	—	(1,306)
Fair value of planned assets, December 31	<u>\$ 108,285</u>	<u>\$ 102,648</u>

(e) Total expenses recognized in comprehensive income statement:

	<b>2023</b>	<b>2022</b>
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 and its domestic subsidiaries' 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 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 Group 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 changes in the actuarial hypotheses might materially affect the value of the Group's defined benefit obligation materially.
- (i) The variance in the estimation of the Group's 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 Group for the next annual reporting period as at December 31, 2023 is NT\$3,450 thousand.
- (k) The subsidiary of the Group – Chain-Logic International Corp. has no employee applicable for the labor retirement reserve as at December 31, 2021. The subsidiary has applied for closing the pension fund account since there is no need to pay the pension fund anymore. The application was approved at January 22, 2022 and the balance of the pension fund account NT\$1,560 thousand was claimed at April 7, 2022.

#### B. Defined contribution plans

- (a) As of July 1, 2005, the Company and domestic subsidiaries instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Group 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) Foreign subsidiaries shall contribute specific ratio of the local employees' total salary, on a monthly basis, as the pension or fund of endowment insurance according to the local government regulations. The pension of each employee shall be arranged and managed by government. Except that the subsidiaries

shall be obligated to contribute the fund on a monthly basis, the subsidiaries shall bear no other obligations.

- (c) The pension expenses recognized under the Group's defined contributed pension regulations were NT\$90,366 thousand and NT\$79,823 thousand in 2023 and 2022.

**(18) Equity**

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

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

- 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 group 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.
  - Ⓔ 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 2022 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.

**(19) Operating Income**

A. Operating income

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Sales revenue	\$ 7,981,073	\$ 7,211,635
Processing Fees revenue	191,814	213,658
Others		
Commission revenue	1,426	13,881
Less: operating revenue attributable to the discontinued operation	(27,201)	(27,245)
Total	<u>\$ 8,147,112</u>	<u>\$ 7,411,929</u>

B. Contract assets and contract liabilities

The Group recognized the contract assets and contract liabilities of the revenue from contracts with customers as following:

(a) Contract assets: None.

(b) Contract liabilities as following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liability-current		
Sales revenue received in advance	\$ 673,419	\$ 659,714
Total	<u>\$ 673,419</u>	<u>\$ 659,714</u>

Revenue of the contract liabilities recognized in the beginning:

	<u>2023</u>	<u>2022</u>
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	\$ 557,755	\$ 656,690
Total	<u>\$ 557,755</u>	<u>\$ 656,690</u>

**(20) 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	\$ 122	\$ 9,993
Losses on obsolescence of property, plant and equipment	(27)	(9,696)
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	—	(48)
Net currency exchange gains (losses)	25,362	151,503
Gains(losses) on lease modification	83	419
Gains (losses) on disposal of investment	(3,737)	—
Others	(199)	(2,612)
Less: other gains and losses attributable to the discontinued operation	50	(1,949)
Total	<u>\$ 21,654</u>	<u>\$ 147,610</u>

#### B. Financial cost

	<u>2023</u>	<u>2022</u>
Interest expenses		
Bank loan	\$ 21,576	\$ 11,150
Imputed interest from deposit	136	11
Convertible corporate bonds	—	102
Lease liabilities	6,283	3,883
Subtotal	27,995	15,146
Less: capitalized interest	(1,845)	(1,381)
Less: financial cost attributable to the discontinued operation	(64)	(58)
Total	<u>\$ 26,086</u>	<u>\$ 13,707</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	\$ 29,618	\$ 5,044
Imputed interest from deposit	422	134
Less: interest income attributable to the discontinued operation	(105)	(220)
Total	<u>\$ 29,935</u>	<u>\$ 4,958</u>

### (21) Income Tax

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

	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the period	\$ 249,145	\$ 238,739
Imposition of income tax on undistributed earnings	11,835	5,296
Income tax on repatriated offshore funds	-	-
Adjustments in respect of prior years	(6,206)	(12,016)
Total current tax	<u>254,774</u>	<u>232,019</u>
Deferred tax:		
Origination and reversal of temporary	8,973	(3,406)

differences		
Impact of change in tax rate	-	-
Total deferred tax	<u>8,973</u>	<u>(3,406)</u>
Income tax expense	<u>\$ 263,747</u>	<u>\$ 228,613</u>

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

C. The Group 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

	<u>2023</u>	<u>2022</u>
Net profit (loss) before tax	<u>\$ 1,582,295</u>	<u>\$ 1,445,995</u>
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated	\$ 316,459	\$ 289,199
Tax rate difference effect in foreign jurisdiction	(13,272)	(6,616)
Income tax effect included into the items that shall not be recognized pursuant to tax laws	18,113	23,963
Income tax on repatriated offshore funds	-	-
Income tax effect on deferred income tax assets/liabilities	8,973	(3,406)
Changes of foreign exchange rate of deferred income tax assets/liabilities	-	-
Unrecognized deferred income tax assets	75	2
Tax-free income	-	-
Maximum foreign-tax deduction	-	-
Income tax effect on investment credit	(72,230)	(67,809)
Imposition of income tax on undistributed earnings	11,835	5,296
Income tax effect under minimum tax system	-	-
Overestimated (underestimated) income tax in previous year	(6,206)	(12,016)
Impact of change in tax rate	-	-
Total	<u>\$ 263,747</u>	<u>\$ 228,613</u>

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	<u>2023</u>				
	<u>January 1</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange difference</u>	<u>December 31</u>
<b>Deferred income tax assets</b>					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 100,528	\$ 11,210			\$ 111,738
Unrealized net investment income (foreign)	11,089	( 2,956)			8,133
Unrealized exchange loss	1,746	3,899			5,645
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			4,091
Tax difference on depreciation expenses	5,697	92		\$ (76)	5,713

Expected Credit(loss) gains	36	164		200
Unused tax loss carry-forward	12,530	2,401	(10)	14,921
Total	<u>\$ 147,540</u>	<u>\$ 15,976</u>	<u>\$ (86)</u>	<u>\$ 163,430</u>

**Deferred income tax liabilities**

Temporary difference				
Unrealized exchange gain	\$ (1,819)	\$ 1,139		\$ (680)
Unrealized net investment income (foreign)	-	(27,848)		(27,848)
Recognition of pension expenses (deficit)	(8,763)	1,026		(7,737)
Tax difference on depreciation expenses	(19,126)	734	\$ 152	(18,240)
Total	<u>\$ (29,708)</u>	<u>\$ (24,949)</u>	<u>\$ 152</u>	<u>\$ (54,505)</u>

**2022**

	January1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December31
<b>Deferred income tax assets</b>					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 76,504	\$ 24,024			\$ 100,528
Realized net investment income (foreign)	24,587	(13,498)			11,089
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	5,604	8		\$ 85	5,697
Expected Credit(loss) gains	-	36			36
Unused tax loss carry-forward	-	11,908		622	12,530
Total	<u>\$ 125,092</u>	<u>\$ 21,741</u>		<u>\$ 707</u>	<u>\$ 147,540</u>

**Deferred income tax liabilities**

Temporary difference				
Unrealized exchange gain	\$ (597)	\$ (1,222)		\$ (1,819)
Recognition of pension expenses (deficit)	(10,324)	1,561		(8,763)
Tax difference on depreciation expenses	-	(18,674)	\$ (452)	(19,126)
Total	<u>\$ (10,921)</u>	<u>\$ (18,335)</u>	<u>\$ (452)</u>	<u>\$ (29,708)</u>

(b) Unrecognized deferred income tax assets

The information of the amount for which no deferred income tax assets have been recognized were as follows:

	December 31, 2023	December 31, 2022
Unused tax loss carry-forward	\$ 14,921	\$ 12,167
Deductible temporary differences	6,785	8,640
Total	<u>\$ 21,706</u>	<u>\$ 20,807</u>

(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:

	Year
MPI Corporation	2021
Chain-Logic International Corp.	2021
Allstron Corp	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 accessed the impact of the change in income tax rate. Besides, the tax rate of undistributed earnings in 2018 was 5%.

## **(22) 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\$)
<b>Basic EPS</b>						
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
<b>Diluted EPS</b>						
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(18).

**(23) Business combinations - acquisition of subsidiaries**

A. For the business development strategy, the Group has 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 it’s 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 following table summarizes the consideration paid for Celadon and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the acquisition date:

	<b>Acquisition Date September 9, 2021</b>
Purchase consideration	
Cash paid	\$ 283,471
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalent	\$ 10,911
Accounts Receivables	25,568
Inventories	15,710
Prepayments	1,664
Property , plant and equipment	18,279
Right-of-use asset	16,512
Identifiable intangible assets-software	2,540
Identifiable intangible assets-patent and others	34,305
Short-term and long-term loans	(11,361)
Contract liability	(1,792)
Account payable	(2,644)
Other payables	(8,133)
Lease liability	(16,512)
Total identifiable net assets	\$ 85,047
Goodwill	\$ 198,424

The fair value of the assets and liabilities of Celadon (excluding identifiable intangible assets-patent and others) were according to the book value as of September 9, 2021 audited by public accountant. The fair value was the optimum expectation at acquisition date.

The gross contractual amounts of accounts receivable totaled NT\$26,347 thousand, of which NT\$779 thousand was expected to be uncollectible at the acquisition date.

The Group has hired expert for the valuation of fair value of the identifiable intangible assets. The Group received the purchase price allocation report in

January 2022 which indicated that the fair value of identifiable intangible assets (including patent, intangible asset from lease and client base) of Celadon at the date of acquisition was NT\$34,305 thousand.

The comparative figures have been restated as if the initial accounting was completed at the acquisition date. The balance of the items on the consolidated balance sheets before and after the adjustments are the following:

	<b>Acquisition Date (Provisional Amount)</b>	<b>Acquisition Date (Fair Value)</b>
Accounts receivable	\$ 26,347	\$ 25,568
Inventories	\$ 19,326	\$ 15,710
Identifiable intangible assets-patent	\$ -	\$ 23,111
Identifiable intangible assets-others	\$ -	\$ 11,194
Account payable	\$ 3,873	\$ 2,644
Other payable	\$ 6,774	\$ 8,133
Goodwill	\$ 228,204	\$ 198,424

The goodwill is attributable mainly from expanding the U.S market and the business scope and creating momentum for operational growth to the Group by merging Celadon. It will enhance the competitive advantage of the Group's products, provide completing solution services to the customers and expand the scale of the U.S market etc, as well as the synergies expected to be achieved from integrating business.

C. The operating revenue included in the consolidated statement of comprehensive income since September 9, 2021, contributed by Celadon was NT\$57,915 thousand Celadon also contributed profit before income tax of NT\$6,015 thousand over the same period. Had Celadon been consolidated from January 1, 2021, the consolidated statement of comprehensive income would show operating revenue of NT\$169,366 thousand and profit before income tax of NT\$(34,547) thousand.

**(24) Employee benefits, depreciation, depletion and amortization expenses are summarized as follow**

Nature \ Function	2023			2022		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expense						
Wages and salaries	1,358,853	1,163,913	2,522,766	1,236,377	1,067,093	2,303,470
Labor and health insurance expense	90,786	78,920	169,706	83,409	71,079	154,488
Pension costs	50,531	48,410	98,941	49,038	40,586	89,624
Director remuneration	—	34,663	34,663	—	31,950	31,950
Other personnel expense (Note)	116,018	56,667	172,685	115,959	45,255	161,214
Depreciation expenses	310,979	150,918	461,897	326,624	139,171	465,795
Depletion expenses	—	—	—	—	—	—
Amortization expenses	15,711	58,893	74,604	15,196	44,258	59,454
Less: operating cost and expense attributable to the discontinued operation	(10,048)	(10,825)	(20,873)	(10,519)	(5,210)	(15,729)

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

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

B. 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.

C. 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).

D. 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.

E. 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.

F. 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".

**(25) 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	\$ 394,010	\$ 290,548
Add: opening balance of payable on equipment	60,141	61,003
Less: ending balance of payable on equipment	<u>(142,339)</u>	<u>(60,141)</u>
Cash paid during the period	<u>\$ 311,812</u>	<u>\$ 291,410</u>

B. Financing activities not affecting cash flow:

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

**7. Transactions with related parties**

**(1) Parent company and ultimate controller**

The Company is the ultimate controller of the Group.

**(2) The names and relationship of related parties: None.**

**(3) Important transactions with related parties**

The balance and transaction between the Company and its subsidiaries have been derecognized from the consolidated financial statements and were not disclosed accordingly. There was no transaction between the Group and other related parties for the year ended December 31, 2023 and 2022.

**(4) Information about remuneration to the management**

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

	<u>2023</u>	<u>2022</u>
Salary and other short-term employee benefits	\$ 15,491	\$ 10,965
Resignation benefits	-	-
Retirement benefits	-	-
Other long-term benefits	-	-
Share-based payments	<u>-</u>	<u>-</u>
Total	<u>\$ 15,491</u>	<u>\$ 10,965</u>

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 Group to pledge for bank loans, import business tax, sale commitment, notes payable, payment commitment and repatriated offshore funds. The book value thereof is stated as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land (Including investment properties)	\$ 1,505,103	\$ 770,963
Building (Including investment properties)	1,534,884	1,514,020
Pledged bank deposit (stated as other current assets)	5,659	31,904
Other non-current financial assets (stated as other non-current assets)	13,132	13,246
Total	<u>\$ 3,058,778</u>	<u>\$ 2,330,133</u>

## 9. **Significant contingent liability and unrecognized contractual commitment**

(1) **Contingency**: None.

(2) **Commitment**

A. Balance of unused letter of credit issued by the Group, 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>
Purchases of property, plant and equipment	<u>\$ 117,576</u>	<u>\$ 70,833</u>

C. The Group 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 <sup>th</sup> Quarter 2023 to 3 <sup>rd</sup> 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 Group terminates the Agreement before validation of Block 1, the Group shall be responsible for 100% of the Total Agreement Price. 2. If the Group terminates the Agreement after the validation of Block 1 but before the validation of Block 2, the Group will pay 100% of the Total Agreement Price plus 2 years of royalties. 3. If the Group terminates the Agreement after the validation of Block 2, the Group will pay 3 years of royalties.

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

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

12. **Others**

## **(1) Capital management**

The Group's capital management objective is intended to protect the Group'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 Group manages and adjusts the capital structure subject to the economic condition. The Group 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 Group controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Group 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 2022 are stated as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 4,819,373	\$ 4,008,938
Total net worth	7,620,499	6,893,993
Debt/equity ratio	63%	58%

## **(2) Financial instruments by category**

A. The financial instruments of the group 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, financial assets at amortized cost, 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 Group'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 Group 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 Group 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 Group'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 Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets.

The Group'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 Group 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 Group's income and equity. The Group's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen, Euro and RMB.

The Group'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:

<b>December 31, 2023</b>				
	<b>Currency unit</b>	<b>Amount in foreign currency (thousand dollars)</b>	<b>Applicable foreign exchange rate, ending (Dollar)</b>	<b>Book value (NTD) (thousand dollars)</b>
<b>Financial assets</b>	NTD/USD	\$ 37,660	30.6752	\$ 1,155,220
	NTD/JPY	\$ 44,062	0.21715	\$ 9,568
	NTD/EUR	\$ 4,735	33.916	\$ 160,609
	NTD/RMB	\$ 164,361	4.3277	\$ 711,304
	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/GBP	\$ 170	39.13304	\$ 6,655
	NTD/INR	\$ 10	0.3700	\$ 4
	NTD/PHP	\$ 89	0.55450	\$ 50
	NTD/CAD	\$ 189	23.19825	\$ 4,394
<b>Financial liabilities</b>	NTD/USD	\$ 2,571	30.75700	\$ 79,077
	NTD/JPY	\$ 74,407	0.21910	\$ 16,299
	NTD/EUR	\$ 1,279	34.16000	\$ 43,681
	NTD/RMB	\$ 296	4.37800	\$ 1,297
	NTD/GBP	\$ 4	39.35650	\$ 145
	NTD/CAD	\$ 17	23.29000	\$ 389

<b>December 31, 2022</b>				
	<b>Currency unit</b>	<b>Amount in foreign currency (thousand dollars)</b>	<b>Applicable foreign exchange rate, ending (Dollar)</b>	<b>Book value (NTD) (thousand dollars)</b>
<b>Financial assets</b>	NTD/USD	\$ 37,229	30.6961	\$ 1,142,783
	NTD/JPY	\$ 23,358	0.23211	\$ 5,422
	NTD/EUR	\$ 2,491	32.612	\$ 81,242
	NTD/RMB	\$ 168,726	4.3873	\$ 740,306
	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/GBP	\$ 102	37.00300	\$ 3,765
	NTD/INR	\$ 10	0.3629	\$ 4
	NTD/PHP	\$ 91	0.54430	\$ 49
	<b>Financial liabilities</b>	NTD/USD	\$ 1,892	30.790
NTD/JPY		\$ 56,126	0.2340	\$ 13,833
NTD/EUR		\$ 628	32.888	\$ 20,664
NTD/RMB		\$ 224	4.439	\$ 994
NTD/GBP		\$ 7	37.2261	\$ 247

In consideration of the Group'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) was NT\$ 25,362 thousand and NT\$151,503 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 Group's interest rate risk arises primarily from the loan with floating interest rate.

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

Ⓒ Equity price risk

a. Equity securities held by the Group are susceptible to price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Group'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%	\$ -	\$ 502	\$ -	\$ 431
Decreasing 1%	\$ -	\$ (507)	\$ -	\$ (536)

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Group 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 is stated as following:

<b>December 31,2023</b>		
<b>Primary risk</b>	<b>Range of change</b>	<b>Sensitivity of Profit or Loss</b>
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/-57,224 Thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-4,203 thousand

<b>December 31, 2022</b>		
<b>Primary risk</b>	<b>Range of change</b>	<b>Sensitivity of Profit or Loss</b>
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/-56,412 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-2,874 thousand

(b) Credit risk

- Ⓐ Credit risk refers to the risk of financial loss to the Group 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 group set up the management of credit risk by Group perspective. According to the loan policy expressly defined internally in the Group, each business dept. Within the Group 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 Group 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.
- ④ The Group's Finance Dept. Manage the credit risk over the deposits in banks and other financial instruments according to the Group's policy. The Group'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 Group's policy, the Group may only make financial guarantee for the subsidiaries wholly owned by the Group. As of December 31, 2023 and 2022, the Group has never made any endorsements/guarantees.
  - ⑥ The Group 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 Group 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 Group 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 Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
  - ⑨ The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
  - ⑩ The Group 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 group 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 Group updated the observed historical default rates and analyzed changes. On December 31, 2023 and 2022, the Group 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 Group 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 Group's impairment on receivable accounts and account age analysis on loans, please see Note 6(3) and Note 6(4).

(c) Liquidity risk

- Ⓐ The liquidity risk arises when the Group fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Group managed the liquidity in a manner ensuring that the Group has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Group's goodwill.
- Ⓑ The Group'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 Group 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 Group's loan totaled NT\$2,114,797 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			Total
	Within 1 year	1~2 years	More than 2 years	
Short-term loan	\$ -	\$ -	\$ -	\$ -
Payable accounts (including related party)	563,656	-	-	563,656
Other payable accounts (including related party)	1,314,732	-	-	1,314,732
Lease liabilities (note)	87,253	72,706	32,826	192,785
Long-term loan (including the current portion)	170,166	197,814	1,313,209	1,681,189
Total	<u>\$ 2,135,807</u>	<u>\$ 270,520</u>	<u>\$ 1,346,035</u>	<u>\$ 3,752,362</u>

Non-derivative financial liabilities	December 31, 2022			Total
	Within 1 year	1~2 years	More than 2 years	
Short-term loan	\$ -	\$ -	\$ -	\$ -
Payable accounts (including related party)	527,950	-	-	527,950
Other payable accounts (including related party)	1,155,693	-	-	1,155,693
Lease liabilities (note)	70,387	55,141	61,599	187,127
Long-term loan (including the current portion)	110,676	172,934	865,879	1,149,489
Total	<u>\$ 1,864,706</u>	<u>\$ 228,075</u>	<u>\$ 927,478</u>	<u>\$ 3,020,259</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 Group's investment in Equity instruments- Stock in domestic listed company through private placement, financial products 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, financial assets at amortized cost-current, 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 Group measured at fair value by level on the basis of the assets and liabilities:

	<b>December 31, 2023</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
<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	46,262		46,262	
Equity instruments				
-Domestic innovation board common stock				
<u>Non-recurring fair value measurements</u>	-	-	-	-
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>	-	-	-	-
	<b>December 31, 2022</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
<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 income-Noncurrent items	46,836		46,836	

Equity instruments				
-Domestic innovation board common stock				
<u>Non-recurring fair value measurements</u>	-	-	-	-

**Liabilities**

<u>Recurring fair value measurements</u>	-	-	-	-
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Ⓔ 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>
Convertible bonds option	Binomial tree valuation model : 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>
Equity instruments -Stock in domestic listed company through private placement	Black-Scholes valuation model : 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.
Equity instruments -Domestic innovation board stocks	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. 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 Group shall also disclose the information about important transactions:(The following transactions with consolidated subsidiaries have been eliminated in the accompanying consolidated financial statement.)

No.	Contents	January~ December 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.	N/A
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	N/A
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	Attached table 3

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	
MPI	Private equity of domestic listed company – Spirox Corporation	–	Note 1	7,000	\$226,940	6.09%	\$226,940	–
MPI	Common stock – PlayNitride Inc.	–	Note 1	380	37,088	0.35%	37,088	–
Chain-Logic International Corp.	Common stock – PlayNitride Inc.	–	Note 1	94	9,174	0.09%	9,174	–

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	Counterparty	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(9) for details)

Attached table 3 : Business relationship and important transactions between parent company and subsidiaries

a.2023

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue	\$ 109,831	Note 4	1%
				Receivable accounts	\$ 26,205	Note 6	-
				Advance sale receipts	\$ 24,799	Note 4	-
				Other receivable accounts	\$ 563	Note 8	-
				Rent revenue	\$ 3,683	Note 7	-
				Other revenue	\$ 94	Note 4	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 770	Note 4	-
				Receivable accounts	\$ 256	Note 6	-
				Other receivable accounts	\$ 22,044	Note 8	-
				Other revenue	\$ 26,271	Note 4	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 833,313	Note 4	10%
				Receivable accounts	\$ 499,882	Note 6	4%
				Other receivable accounts	\$ 12	Note 8	-
				Advance sale receipts	\$ 72,805	Note 4	1%
				Other revenue	\$ 14,144	Note 4	-
				Temporary receipts	\$ 982	Note 6	-

0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 1,644,147	Note 4	20%
				Receivable accounts	\$ 644,158	Note 6	5%
				Other receivable accounts	\$ 25,215	Note 8	-
				Advance sale receipts	\$ 85	Note 4	-
				Other revenue	\$ 29,617	Note 4	-
0	MPI Corporation	MEGTAS CO.,LTD.	1	Sales revenue	\$ 1,588	Note 4	-
				Receivable accounts	\$ 1,572	Note 6	-
				Other receivable accounts	\$ 307	Note 8	-
0	MPI Corporation	Celadon Systems Inc.	1	Sales revenue	\$ 19,882	Note 4	-
				Receivable accounts	\$ 213	Note 6	-
				Other revenue	\$ 406	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 21,795	Note 4	-
				Receivable accounts	\$ 12,963	Note 6	-
				Revenue from commission	\$ 56,880	Note 5	1%
				Receivable Commission	\$ 19,617	Note 6	-
				Other receivable accounts	\$ 195	Note 8	-
				Other revenue	\$ 2,450	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 309	Note 4	-
				Receivable accounts	\$ 195	Note 6	-
				Advance sale receipts	\$ 14	Note 4	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 11,016	Note 4	-
				Receivable accounts	\$ 2,339	Note 6	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 2,218	Note 5	-
				Receivable Commission	\$ 10	Note 6	-
1	Chain-Logic International Corp.	MPI AMERICA INC.	3	Sales revenue	\$ 493	Note 4	-
				Receivable accounts	\$ 85	Note 6	-
2	MEGTAS CO., LTD.	Chain-Logic International Corp.	3	Sales revenue	\$ 5,097	Note 4	-
				Receivable accounts	\$ 296	Note 6	-
2	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 7,528	Note 4	-
				Receivable accounts	\$ 865	Note 6	-
3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sales revenue	\$ 6,476	Note 4	-
				Revenue from commission	\$ 15,838	Note 5	-
				Receivable accounts	\$ 1,022	Note 6	-
3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 129	Note 4	-
				Receivable accounts	\$ 75	Note 6	-

3	MPI (SUZHOU) CORPORATION	MPI AMERICA INC.	3	Sales revenue	\$ 477	Note 4	
3	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 1,070	Note 4	-
				Receivable accounts	\$ 104	Note 6	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 25,932	Note 4	-
4	MPI AMERICA INC.	Celadon Systems Inc.	1	Sales revenue	\$ 35	Note 4	-
				Revenue from commission	\$ 667	Note 5	-
5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 1,187	Note 4	-
				Other revenue	\$ 1,610	Note 4	-
				Receivable accounts	\$ 335	Note 6	-
				Other receivable accounts	\$ 43	Note 8	-
6	Celadon Systems, Inc.	MPI Corporation	2	Sales revenue	\$ 238	Note 4	-
				Receivable accounts	\$ 121	Note 6	-
6	Celadon Systems, Inc.	MPI AMERICA INC.	2	Sales revenue	\$ 2,801	Note 4	-
6	Celadon Systems, Inc.	Chain-Logic International Corp.	3	Sales revenue	\$ 3,119	Note 4	-
				Receivable accounts	\$ 530	Note 6	-

b. 2022

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue	\$ 124,195	Note 4	2%
				Receivable accounts	\$ 14,843	Note 6	-
				Advance sale receipts	\$ 21,796	Note 4	-
				Other receivable accounts	\$ 651	Note 8	-
				Rent revenue	\$ 3,762	Note 7	-
				Other revenue	\$ 235	Note 4	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 599	Note 4	-
				Receivable accounts	\$ 175	Note 6	-
				Other receivable accounts	\$ 17,123	Note 8	-
				Other revenue	\$ 20,229	Note 4	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 822,847	Note 4	11%
				Receivable accounts	\$ 491,178	Note 6	5%
				Advance sale receipts	\$ 30,804	Note 4	-
				Other revenue	\$ 12,756	Note 4	-

				Temporary receipts	\$ 126	Note 6	-
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 1,025,718	Note 4	14%
				Receivable accounts	\$ 594,420	Note 6	5%
				Other receivable accounts	\$ 23,089	Note 8	-
				Other revenue	\$ 25,762	Note 4	-
0	MPI Corporation	MEGTAS CO.,LTD.	1	Sales revenue	\$ 3,437	Note 4	-
				Receivable accounts	\$ 1,297	Note 6	-
				Other receivable accounts	\$ 307	Note 8	-
0	MPI Corporation	Celadon Systems Inc.	1	Sales revenue	\$ 151	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 23,248	Note 4	-
				Receivable accounts	\$ 11,219	Note 6	-
				Revenue from commission	\$ 43,724	Note 5	1%
				Receivable Commission	\$ 22,004	Note 6	-
				Other receivable accounts	\$ 149	Note 8	-
				Other revenue	\$ 1,701	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 1,464	Note 4	-
				Receivable accounts	\$ 17	Note 6	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 13,831	Note 4	-
				Receivable accounts	\$ 668	Note 6	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 1,841	Note 5	-
1	Chain-Logic International Corp.	MPI AMERICA INC.	3	Sales revenue	\$ 271	Note 4	-
1	Chain-Logic International Corp.	Chain-Logic TRADING Corp.	1	other unearned revenue	\$ 3	Note 8	-
2	MEGTAS CO., LTD.	Chain-Logic International Corp.	3	Sales revenue	\$ 4,454	Note 4	-
2	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 6,426	Note 4	
				Receivable accounts	\$ 362	Note 6	
3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sales revenue	\$ 1,526	Note 4	-
				Revenue from commission	\$ 16,152	Note 5	-
				Receivable accounts	\$ 2,672	Note 6	
				Receivable Commission	\$ 4,124	Note 6	-
3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 2,710	Note 4	-
				Receivable accounts	\$ 202	Note 6	-
3	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 134	Note 4	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 16,473	Note 4	-
				Other revenue	\$ 4	Note 4	-

5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 432	Note 4	-
				Other revenue	\$ 77	Note 4	-
6	Celadon Systems, Inc.	MPI Corporation	2	Repairs and Maintenance Income	\$ 2,672	Note 4	-
				Receivable accounts	\$ 997	Note 6	-
6	Celadon Systems, Inc.	MPI AMERICA INC.	2	Sales revenue	\$ 1,732	Note 4	-
				Receivable accounts	\$ 1,403	Note 6	-

Note 1: Transactions between parent company and its subsidiaries are numbered as follows:

- (1) "0" for parent company.
- (2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related-party transactions are divided into the three categories as follows (If it refers to the same transaction between parent company and subsidiary or subsidiary and subsidiary, the transaction is not required to be disclosed repeatedly. For example, if the parent company has disclosed any transaction between it and its subsidiary, the subsidiary is not required to disclose the same transaction again. If either of the subsidiaries which trade with each other has disclosed the transaction, the other subsidiary is not required to disclose the same transaction again.)

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: For assets and liabilities, the proportion to the consolidated total income or total assets is shown as the Ratio of Shareholding to the consolidated total assets for the years ended on Dec.31. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the years ended on Dec 31.

Note 4: Processed under the general trading conditions and price.

Note 5: Based on the price agreed by both parties.

Note 6: O/A 60~210 days, same as that applicable to the general customers or suppliers.

Note 7: Based on the rent agreed by both parties.

Note 8: Out-of-pocket expenses of the general expenditure.

## **(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 Group 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%	\$ 842,201	\$ 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 (Note4)	—	—	\$ —	\$ —	—	Subsidiary of Chain-Logic International Corp.
MPA TRADING CORP.	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 31, 2022, the Group 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 Group’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)	(Note 1)	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 agency and import/export of electronic materials, electronic components,	USD 2,000,000 (\$60,180) Registered capital USD 3,000,000 (\$ 90,270)	(Note 1)	USD 2,000,000 (\$60,180)	-	-	USD 2,000,000 (\$60,180)	\$ 149,473	100 %	\$ 149,473	\$245,082	—

electronic products, LED process equipment, mechanical equipment and spare parts.											
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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

Note 1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note2 : (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 Group with the investees in Mainland China, direct or indirect, for the year ended December 31, 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”.

**(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**

(1) General information

The Group primarily engages in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments. In accordance with IFRS 8 “Operating segments”, the Group has only one operating segment.

(2) To report the information about department income, assets and liabilities, and basis of measurement and reconciliation

The department income, department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(3) By product and labor service:

The Group engages in a single industry. Its revenue from customers is primarily generated from the sale of semi-conductor production process and testing equipment.

(4) By territory

The Group's information by territory is stated as following. The revenue is classified based on the customers' geographical locations, while the non-current assets are classified based on the geographical locations of the assets.

By territory	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,026,993	\$ 4,587,339	\$ 2,356,472	\$ 3,642,065
China	2,579,610	194,924	1,991,576	182,165
U.S.A.	1,208,343	306,717	1,171,816	308,834
Singapore	908,460	—	768,969	—
Korea	7,035	—	17,820	5,662
Other countries	1,416,671	—	1,132,522	—
Total	<u>\$ 8,147,112</u>	<u>\$ 5,085,980</u>	<u>\$ 7,439,175</u>	<u>\$ 4,138,726</u>

(Note)The non-current assets include property, plant and equipment, investment property, intangible assets and other assets, exclusive of financial instruments, deferred income tax assets, assets of retirement/termination benefits and non-current assets generated from insurance contract.

(5) Information about major customers

Information about the Group's revenue from the transaction with single customer accounting for 10% of the operating revenue, net:

2023 : None.

2022 : None.