

TAIMIDE TECH. INC.
and Subsidiaries

Consolidated Financial Statements
and Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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Notice to Readers

The English consolidated financial statements are not reviewed nor audited by independent auditors. They have been translated into English from the original Chinese version which are audited by independent auditors. 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 version shall prevail.

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Representation Letter

We hereby declare that we have confirmed, as identical, the companies which shall be included in the consolidated financial statements of the affiliates and the ones which shall be included in the consolidated financial statements in accordance with IFRS 10; the related information has been disclosed in consolidated financial statements and will hence not be included in consolidated financial statements of the affiliates for the year ended December 31, 2023, (January 1 to December 31, 2023) in accordance with "Criteria Governing Preparation of Affiliation Reports" and "Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises."

Declared by

Company name: TAIMIDE TECH. INC.

Person in Charge: Sheng-Chang Wu

March 8, 2024

Independent Auditors' Report

To the Board of Directors and Shareholders of TAIMIDE TECH. INC.:

Audit opinions

We have audited the accompanying consolidated balance sheets of TAIMIDE TECH. INC. and its subsidiaries as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and notes to the consolidated financial statements (including a summary of significant accounting policies) for the years then ended.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TAIMIDE TECH. INC. and its subsidiaries as of December 31, 2023 and 2022, and its consolidated financial performance and cash flows for the years then ended, are in conformity with the requirements of 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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. Independently governed staff in the accounting firm that the CPAs belong to have followed moral regulations in honor of the profession of CPA and have remained independent of TAIMIDE TECH. INC. and its subsidiaries and fulfilled other responsibilities under the said regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of TAIMIDE TECH. INC. and its subsidiaries 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 for the consolidated financial statements of TAIMIDE TECH. INC. and its subsidiaries for the year ended December 31, 2023 are stated as follows:

Authenticity of sales revenue

AIMIDE TECH. INC. and subsidiaries were affected by the decline in demand in the overall market in 2023. We compared the annual sales growth rates of the major sales of customers to 2022. If their sales had positive growths in 2023 as opposed to the overall decline trend in the market, the sales revenue of these customers was considered as a source of potential fraud risk and was therefore judged to be a key audit matter, and audit procedures performed for these customers to address the above risk were as follows:

1. To understand and test the internal control system and operating procedures related to the sales transaction cycle to confirm and evaluate the effectiveness of the internal control procedures related to the sales transactions.
2. For the breakdown of sales revenue, a sample of the above-mentioned potential risky sales customers was selected for audit, and customers and external related certificates were examined to confirm the authenticity of sales revenue, and to examine whether the subsequent collection from the sales customers was abnormal.

Other Matters

TAIMIDE TECH. INC. has prepared the standalone financial statements for 2023 and 2022, to which we have also issued an independent auditors' report with unqualified opinion on record for reference.

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

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

While preparing the consolidated financial statements, the management is responsible for also evaluating the ability of TAIMIDE TECH. INC. and its subsidiaries to continue with the operation and disclosing related matters and adopting the accounting basis for continued operation, among others. Unless the management intends to liquidate TAIMIDE TECH. INC. and its subsidiaries or discontinue operation or there are no other actually feasible solutions than liquidation or discontinued operation.

Those charged with governance, Including the Audit Committee, are responsible for overseeing the financial reporting process of TAIMIDE TECH. INC. and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. The term of "reasonable assurance" refers to

high level of assurance. Nevertheless, the audit performed according to the Auditing Standards cannot guarantee the discovery of material misstatement in the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements 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 the consolidated financial statements.

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

1. Identify and assess the risk of material misstatement of the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain 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 internal control of TAIMIDE TECH. INC. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Reach a conclusion with regard to the adequacy of the accounting basis adopted to continue with operation by the management and whether significant uncertainties of events or conditions that might result in significant concerns about the ability of TAIMIDE TECH. INC. and its subsidiaries to continue with operation exist or not according to the evidence obtained from the audit. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. Future events or conditions, however, are likely to result in TAIMIDE TECH. INC. and its subsidiaries no longer capable of continuing with operation.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entity of TAIMIDE TECH. INC. and its subsidiaries, and express an opinion on consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of TAIMIDE TECH. INC. and its subsidiaries. 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 the governance units with statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters (including relevant protective measures) that may be considered to affect the independence of auditors.

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

Deloitte Taiwan

CPA Chang Ya-Yun

CPA Fang Su-Li

Approval document No. of the Financial
Supervisory Commission

Financial Management Certificate Audit
Zi No. 1110348898

Approval document No. of the Financial
Supervisory Commission

Financial Management Certificate VI Zi
No. 0940161384

March 8, 2024

TAIMIDE TECH. INC. and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

| | | | | | | Unit: Thousands of NTD | | | | | |
|------|---|-------------------|-----|-------------------|-----|------------------------|--|-------------------|-----|-------------------|-----|
| Code | Assets | December 31, 2023 | | December 31, 2022 | | Code | Liabilities and equity | December 31, 2023 | | December 31, 2022 | |
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| | Current assets | | | | | | Current liabilities | | | | |
| 1100 | Cash and cash equivalents (Notes 4, 6 and 31) | \$ 366,633 | 8 | \$ 454,318 | 9 | 2100 | Short-term loans (Notes 17, 31 and 33) | \$ 105,000 | 2 | \$ 130,000 | 3 |
| 1136 | Financial assets at amortized cost - current (Notes 4, 9 and 31) | 15,626 | - | - | - | 2120 | Financial liabilities at fair value through profit or loss-current (Notes 4, 7, 18 and 31) | 1,014 | - | 3,894 | - |
| 1150 | Notes receivable (Notes 4, 10 and 31) | 75,129 | 1 | 27,967 | 1 | 2130 | Contract liabilities - current (Notes 4 and 24) | 3,400 | - | 161 | - |
| 1170 | Accounts receivable (Notes 4, 10, 24 and 31) | 322,786 | 7 | 257,799 | 5 | 2170 | Notes and accounts payable (Notes 31 and 32) | 50,791 | 1 | 18,710 | - |
| 130X | Inventories (Notes 4, 5 and 11) | 480,481 | 10 | 643,790 | 12 | 2206 | Remuneration payable to employees and directors (Note 25) | - | - | 21,520 | 1 |
| 1470 | Other current assets (Notes 4 and 16) | 64,943 | 1 | 78,057 | 1 | 2213 | Payables for equipment (Note 31) | 30,420 | 1 | 72,171 | 1 |
| 11XX | Total current assets | 1,325,598 | 27 | 1,461,931 | 28 | 2219 | Other payables (Notes 19 and 31) | 144,391 | 3 | 152,033 | 3 |
| | Non-current assets | | | | | 2230 | Current tax liabilities (Notes 4 and 26) | 10,287 | - | 13,871 | - |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31) | 467 | - | 439 | - | 2280 | Lease liabilities - current (Notes 4, 14 and 31) | 22,113 | 1 | 21,684 | 1 |
| 1535 | Financial assets at amortized cost - non-current (Notes 4, 9, 31 and 33) | 16,923 | 1 | 16,923 | - | 2321 | Corporate bonds due or with put option exercisable within one year (Notes 4, 18 and 31) | 583,415 | 12 | - | - |
| 1600 | Property, plant and equipment (Notes 4, 5, 13 and 33) | 3,303,570 | 68 | 3,521,403 | 68 | 2322 | Long-term loans due within one year (Notes 17, 31 and 33) | 262,700 | 5 | 268,655 | 5 |
| 1755 | Right-of-use assets (Notes 4 and 14) | 167,347 | 4 | 188,608 | 4 | 2399 | Other current liabilities (Notes 4, 20, 29 and 32) | 35,795 | 1 | 6,244 | - |
| 1780 | Intangible assets (Notes 4 and 15) | 7,249 | - | 10,015 | - | 21XX | Total current liabilities | 1,249,326 | 26 | 708,943 | 14 |
| 1915 | Prepayments for equipment | 12,069 | - | 5,908 | - | | Non-current liabilities | | | | |
| 1920 | Refundable deposits | 5,044 | - | 5,029 | - | 2530 | Corporate bonds payable (Notes 4, 18 and 31) | - | - | 572,433 | 11 |
| 1975 | Net defined benefit assets (Notes 4 and 21) | 353 | - | 1,121 | - | 2540 | Long-term loans (Notes 17, 31 and 33) | 619,710 | 13 | 719,849 | 14 |
| 15XX | Total non-current assets | 3,513,022 | 73 | 3,749,446 | 72 | 2580 | Lease liabilities - non-current (Notes 4, 14 and 31) | 152,992 | 3 | 173,820 | 3 |
| | | | | | | 2645 | Deposits received | 19 | - | 19 | - |
| | | | | | | 25XX | Total non-current liabilities | 772,721 | 16 | 1,466,121 | 28 |
| | | | | | | 2XXX | Total liabilities | 2,022,047 | 42 | 2,175,064 | 42 |
| | | | | | | | Equity attributable to owners of the Company (Notes 4, 18, 22, 23 and 28) | | | | |
| | | | | | | 3110 | Common stock capital | 1,322,053 | 27 | 1,317,990 | 25 |
| | | | | | | 3200 | Capital surplus | 593,455 | 12 | 582,422 | 11 |
| | | | | | | | Retained earnings | | | | |
| | | | | | | 3310 | Legal reserve | 279,983 | 6 | 264,789 | 5 |
| | | | | | | 3320 | Special reserve | 1,586 | - | 2,538 | - |
| | | | | | | 3350 | Undistributed earnings | 611,310 | 13 | 845,122 | 17 |
| | | | | | | 3300 | Total retained earnings | 892,879 | 19 | 1,112,449 | 22 |
| | | | | | | 3400 | Other equity | (2,635) | - | (1,586) | - |
| | | | | | | 31XX | Total owners' equity of the Company | 2,805,752 | 58 | 3,011,275 | 58 |
| | | | | | | 36XX | Non-controlling interests (Notes 4, 22 and 28) | 10,821 | - | 25,038 | - |
| | | | | | | 3XXX | Total equity | 2,816,573 | 58 | 3,036,313 | 58 |
| 1XXX | Total assets | \$ 4,838,620 | 100 | \$ 5,211,377 | 100 | | Total liabilities and equity | \$ 4,838,620 | 100 | \$ 5,211,377 | 100 |

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

Chairperson: Sheng-Chang Wu

Managerial Officer: Chen-Ying Huang

Accounting Officer: Tai-Tsun Chen

TAIMIDE TECH. INC. and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022

Unit: In thousands of NTD; except (loss) earnings per share in NTD

| Code | | 2023 | | 2022 | |
|------|---|--------------------|---------------|-------------------|--------------|
| | | Amount | % | Amount | % |
| 4110 | Total operating revenue | \$ 1,609,718 | 101 | \$ 1,922,686 | 102 |
| 4170 | Returns and discounts on sales | <u>16,697</u> | <u>1</u> | <u>33,326</u> | <u>2</u> |
| 4100 | Net operating revenue (Notes 4, 24 and 32) | 1,593,021 | 100 | 1,889,360 | 100 |
| 5000 | Operating cost (Notes 11, 25 and 32) | <u>1,351,660</u> | <u>85</u> | <u>1,408,388</u> | <u>75</u> |
| 5900 | Operating gross profit | <u>241,361</u> | <u>15</u> | <u>480,972</u> | <u>25</u> |
| | Operating expense (Note 25) | | | | |
| 6100 | Selling expense | 48,409 | 3 | 45,065 | 2 |
| 6200 | Administrative expense | 100,746 | 6 | 114,502 | 6 |
| 6300 | Research and development expense | 218,231 | 14 | 183,742 | 10 |
| 6450 | Expected credit impairment losses | <u>88</u> | <u>-</u> | <u>125</u> | <u>-</u> |
| 6000 | Total operating expense | <u>367,474</u> | <u>23</u> | <u>343,434</u> | <u>18</u> |
| 6900 | Net operating (loss) profit | (<u>126,113</u>) | (<u>8</u>) | <u>137,538</u> | <u>7</u> |
| | Non-operating income and expenses | | | | |
| 7100 | Interest income (Note 25) | 3,730 | - | 1,824 | - |
| 7010 | Other income (Notes 25, 29 and 32) | 9,152 | 1 | 10,592 | 1 |
| 7020 | Other gain and loss (Note 25) | 5,721 | - | 10,088 | 1 |
| 7050 | Financial costs (Note 25) | (<u>34,124</u>) | (<u>2</u>) | (<u>30,972</u>) | (<u>2</u>) |
| 7000 | Non-operating income and expenses Total | (<u>15,521</u>) | (<u>1</u>) | (<u>8,468</u>) | <u>-</u> |
| 7900 | Net (loss) profit before tax | (141,634) | (9) | 129,070 | 7 |
| 7950 | Income tax expense (benefit) (Notes 4 and 26) | <u>11,851</u> | <u>1</u> | (<u>7,187</u>) | <u>-</u> |
| 8200 | Net profit (loss) for the year | (<u>153,485</u>) | (<u>10</u>) | <u>136,257</u> | <u>7</u> |

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| Code | | 2023 | | 2022 | |
|------|---|----------------|--------|------------|-------|
| | | Amount | % | Amount | % |
| | Other comprehensive income | | | | |
| 8310 | Items not reclassified subsequently to profit or loss: | | | | |
| 8311 | Remeasurement of defined benefit plans (Note 21) | (\$ 1,223) | - | \$ 3,182 | - |
| 8316 | Unrealized valuation gain or loss on investments in equity instruments at fair value through other comprehensive income (Note 22) | 28 | - | 145 | - |
| 8360 | Items that may be reclassified subsequently to profit or loss: | | | | |
| 8361 | Exchange differences on translation of the financial statements of foreign operations (Note 22) | (1,077) | - | 808 | - |
| 8300 | Other comprehensive income for the year | (2,272) | - | 4,135 | - |
| 8500 | Total comprehensive income for the year | (\$ 155,757) | (10) | \$ 140,392 | 7 |
| | Net (loss) profit attributable to: | | | | |
| 8610 | Owners of the Company | (\$ 139,268) | (9) | \$ 148,758 | 8 |
| 8620 | Non-controlling interests | (14,217) | (1) | (12,501) | (1) |
| 8600 | | (\$ 153,485) | (10) | \$ 136,257 | 7 |
| | Total comprehensive income attributable to: | | | | |
| 8710 | Owners of the Company | (\$ 141,540) | (9) | \$ 152,893 | 8 |
| 8720 | Non-controlling interests | (14,217) | (1) | (12,501) | (1) |
| 8700 | | (\$ 155,757) | (10) | \$ 140,392 | 7 |
| | (Loss) earnings per share (Note 27) | | | | |
| 9750 | Basic | (\$ 1.06) | | \$ 1.13 | |
| 9850 | Diluted | (\$ 1.06) | | \$ 1.12 | |

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

Chairperson: Sheng-Chang Wu

Managerial Officer: Chen-Ying Huang

Accounting Officer: Tai-Tsun Chen

TAIMIDE TECH. INC. and Subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

Unit: Thousands of NTD

| | | Equity attributable to owners of the Company | | | | | | | | | | |
|------|--|--|--------------|-----------------|-------------------|-----------------|------------------------|---|--|--------------|---------------------------|--------------|
| | | | | | | | | Other equity | | | | |
| | | Common stock capital | | | Retained earnings | | | Exchange differences on translation of the financial statements of foreign operations | Unrealized gain or loss on financial assets at fair value through other comprehensive income | Total | Non-controlling interests | Total equity |
| Code | | Number of shares (in thousands) | Amount | Capital surplus | Legal reserve | Special reserve | Undistributed earnings | | | | | |
| A1 | Balance at January 1, 2022 | 131,018 | \$ 1,310,185 | \$ 478,342 | \$ 234,484 | \$ 2,290 | \$ 880,990 | (\$ 2,363) | (\$ 176) | \$ 2,903,752 | (\$ 4,832) | \$ 2,898,920 |
| | Distribution of earnings for 2021 | | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 30,305 | - | (30,305) | - | - | - | - | - |
| B3 | Provision of special reserve | - | - | - | - | 248 | (248) | - | - | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | - | - | (157,255) | - | - | (157,255) | - | (157,255) |
| | Changes in other capital surplus: | | | | | | | | | | | |
| C5 | Issuance of convertible bonds recognized as a component of equity | - | - | 79,259 | - | - | - | - | - | 79,259 | - | 79,259 |
| C17 | Unclaimed dividends to shareholders after the statute of limitations | - | - | 9 | - | - | - | - | - | 9 | - | 9 |
| D1 | Net profit (loss) for 2022 | - | - | - | - | - | 148,758 | - | - | 148,758 | (12,501) | 136,257 |
| D3 | Other comprehensive income for 2022 | - | - | - | - | - | 3,182 | 808 | 145 | 4,135 | - | 4,135 |
| D5 | Total comprehensive income for 2022 | - | - | - | - | - | 151,940 | 808 | 145 | 152,893 | (12,501) | 140,392 |
| M7 | Change in ownership interests in subsidiaries | - | - | 2,470 | - | - | - | - | - | 2,470 | (2,470) | - |
| N1 | Share-based payment transaction | 781 | 7,805 | 22,342 | - | - | - | - | - | 30,147 | 117 | 30,264 |
| O1 | Non-controlling interests | - | - | - | - | - | - | - | - | - | 44,724 | 44,724 |
| Z1 | Balance at December 31, 2022 | 131,799 | 1,317,990 | 582,422 | 264,789 | 2,538 | 845,122 | (1,555) | (31) | 3,011,275 | 25,038 | 3,036,313 |
| | Distribution of earnings for 2022 | | | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 15,194 | - | (15,194) | - | - | - | - | - |
| B17 | Reversal of special reserve | - | - | - | - | (952) | 952 | - | - | - | - | - |
| B5 | Cash dividends to shareholders of the Company | - | - | - | - | - | (79,079) | - | - | (79,079) | - | (79,079) |
| | Changes in other capital surplus | | | | | | | | | | | |
| C17 | Unclaimed dividends to shareholders after the statute of limitations | - | - | 23 | - | - | - | - | - | 23 | - | 23 |
| D1 | Net loss for 2023 | - | - | - | - | - | (139,268) | - | - | (139,268) | (14,217) | (153,485) |
| D3 | Other comprehensive income for 2023 | - | - | - | - | - | (1,223) | (1,077) | 28 | (2,272) | - | (2,272) |
| D5 | Total comprehensive income for 2023 | - | - | - | - | - | (140,491) | (1,077) | 28 | (141,540) | (14,217) | (155,757) |
| N1 | Share-based payment transaction | 406 | 4,063 | 11,010 | - | - | - | - | - | 15,073 | - | 15,073 |
| Z1 | Balance at December 31, 2023 | 132,205 | \$ 1,322,053 | \$ 593,455 | \$ 279,983 | \$ 1,586 | \$ 611,310 | (\$ 2,632) | (\$ 3) | \$ 2,805,752 | \$ 10,821 | \$ 2,816,573 |

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

Chairperson: Sheng-Chang Wu

Managerial Officer: Chen-Ying Huang

Accounting Officer: Tai-Tsun Chen

TAIMIDE TECH. INC. and Subsidiaries
Consolidated Statement of Cash Flows
From January 1 to December 31, 2023 and 2022

| | | Unit: Thousands of NTD | |
|--------|--|------------------------|----------------|
| Code | | 2023 | 2022 |
| | Cash flows from operating activities | | |
| A10000 | Net profit (loss) before tax for the year | (\$ 141,634) | \$ 129,070 |
| A20010 | Income and expense items | | |
| A20100 | Depreciation expense | 374,471 | 348,687 |
| A20200 | Amortization expense | 3,477 | 4,118 |
| A20300 | Expected credit impairment losses | 88 | 125 |
| A20400 | Net (profit) loss on financial liabilities at fair value through profit or loss | (2,880) | 3,180 |
| A20900 | Financial cost | 34,124 | 30,972 |
| A21200 | Interest income | (3,730) | (1,824) |
| A21900 | Share-based payment remuneration cost | - | 450 |
| A23700 | Loss on decline in value of inventories | 70,738 | 34,864 |
| A24100 | Net gain on foreign exchange | (3,264) | (13,268) |
| A30000 | Net changes in operating assets and liabilities | | |
| A31130 | Notes receivable | (47,162) | 64,882 |
| A31150 | Accounts receivable | (65,574) | 179,640 |
| A31200 | Inventories | 92,589 | (135,231) |
| A31240 | Other current assets | 13,220 | 38,160 |
| A31990 | Net defined benefit assets | (455) | 2,061 |
| A32125 | Contract liabilities | 3,239 | (7,839) |
| A32150 | Notes and accounts payable | 33,698 | (146,187) |
| A32180 | Other payables | (7,589) | (36,817) |
| A32230 | Other current liabilities | 29,551 | (856) |
| A32240 | Net defined benefit liabilities | - | (2,480) |
| A32990 | Remuneration payable to employees and directors | (21,520) | (35,389) |
| A33000 | Net cash inflows from operations | 361,387 | 456,318 |
| A33100 | Interest received | 3,427 | 1,537 |
| A33300 | Interest paid | (23,190) | (25,255) |
| A33500 | Income tax paid | (15,238) | (78,506) |
| AAAA | Net cash in-flows from operating activities | <u>326,386</u> | <u>354,094</u> |

(Continued on next page)

(Continued from previous page)

| Code | | 2023 | 2022 |
|--------|--|--------------------|--------------------|
| | Cash flows from investing activities | | |
| B00040 | Acquisition of financial assets at amortized cost | (\$ 15,626) | (\$ 8,392) |
| B00050 | Disposal of financial assets at amortized cost | - | 10,768 |
| B02700 | Purchase of property, plant and equipment | (175,678) | (361,363) |
| B03700 | Increase in refundable deposits | (15) | - |
| B03800 | Decrease in refundable deposits | - | 2,702 |
| B04500 | Purchase of intangible asset | (711) | (3,619) |
| B07100 | Increase in prepayments for equipment | (6,161) | - |
| B07200 | Decrease in prepayments for equipment | - | 3,429 |
| BBBB | Net cash outflows from investing activities | (<u>198,191</u>) | (<u>356,475</u>) |
| | Cash flows from financing activities | | |
| C00100 | Increase in short-term loans | 570,000 | 1,135,000 |
| C00200 | Decrease in short-term loans | (595,000) | (1,120,000) |
| C01200 | Issuance of convertible bonds | - | 646,723 |
| C01600 | Borrowing of long-term loans | 300,000 | 629,000 |
| C01700 | Repayment of long-term loans | (406,094) | (1,206,847) |
| C03100 | Refund of deposits received | - | (390) |
| C04020 | Repayment of principal for lease liabilities | (21,760) | (21,073) |
| C04500 | Cash dividends to shareholders | (79,079) | (157,255) |
| C04800 | Employee exercise of stock options | 15,073 | 29,814 |
| C05800 | Changes in non-controlling interests | - | 44,724 |
| C09900 | Unclaimed dividends to shareholders after the statute of limitations | <u>23</u> | <u>9</u> |
| CCCC | Net cash outflows from financing activities | (<u>216,837</u>) | (<u>20,295</u>) |
| DDDD | Effect of exchange rate changes on cash and cash equivalents | <u>957</u> | <u>3,969</u> |
| EEEE | Net decrease in cash and cash equivalents | (87,685) | (18,707) |
| E00100 | Balance of cash and cash equivalents at the beginning of the year | <u>454,318</u> | <u>473,025</u> |
| E00200 | Balance of cash and cash equivalents at the end of the year | <u>\$ 366,633</u> | <u>\$ 454,318</u> |

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

Chairperson: Sheng-Chang Wu Managerial Officer: Chen-Ying Huang Accounting Officer: Tai-Tsun Chen

TAIMIDE TECH. INC. and Subsidiaries
Notes to consolidated financial statements
From January 1 to December 31, 2023 and 2022
(Amounts in thousands of NTD unless otherwise specified)

I. Company History

TAIMIDE TECH. INC. (hereinafter referred to as the Company) was established on June 22, 2000 with the approval of the Ministry of Economic Affairs and was listed for trading on the Taiwan Stock Exchange on October 5, 2011.

The Company's business scope mainly covers international trade and wholesale, manufacturing and sales of electronic components and materials.

The consolidated financial statements were expressed in New Taiwan Dollars, which is the Company's functional currency.

II. Date and Procedure for Approval of Financial Statements

These consolidated financial statements were approved by the Board of Directors on March 8, 2024.

III. Application of New and Revised Standards and Interpretations

- (I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Application of aforementioned amendments to IFRSs will not have a significant effect on the Company and controlled entities (hereinafter referred to as the "Consolidated Company")'s accounting policies.

- (II) IFRSs endorsed by FSC applicable in 2024

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 16 "Lease liabilities in sale-and-leasebacks" | January 1, 2024 (Note 2) |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current liabilities with contractual terms" | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 "Supplier financing arrangements" | January 1, 2024 (Note 3) |

Note 1: Unless stated otherwise, the above New, Revised or Amended Standards and Interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: Disclosure requirements for exemption from this amendment upon initial application

As of the date the consolidated financial statements were authorized for issue, the Consolidated Company has assessed the possible impact that the application of the above standards and interpretations would have on the Consolidated Company's financial position and financial performance, and has determined that there would be no such material impact.

(III) IFRSs already announced by IASB but not yet endorsed and issued into effect by the FSC

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|--|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture" | Undecided |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "First time of application of IFRS 17 and IFRS 9—comparison information" | January 1, 2023 |
| Amendment to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

Note 1: Unless stated otherwise, the above New, Revised or Amended Standards and Interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: Applicable to the reporting periods beginning on or after January 1, 2025. Upon initial application of this amendment, the impact amount is recognized in retained earnings at the date of initial application. When the Consolidated Company uses a non-functional currency as the presentation currency, the effect will be adjusted to the exchange differences of foreign operations under equity at the date of initial application.

As of the date of publication of the consolidated financial statements, the Consolidated Company will continue to evaluate the impact of the above-mentioned amendments to standards and interpretations on its financial position and financial performance, which will be disclosed when the evaluation is completed.

IV. Summary of Significant Accounting Policies

(I) Compliance Statement

The preparation of the consolidated financial statements is based on the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRSs accepted and effectively published by FSC.

(II) Basis of preparation

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

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

1. Level 1 input values: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
2. Level 2 input values are input values other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 input values are unobservable input values for the asset or liability.

(III) Standard for distinguishing current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets that are expected to be realized within twelve months from the balance sheet date; and
3. Cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the date of statement of financial position).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities that will be due for settlement within 12 months from the balance sheet date, and
3. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

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

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Adjustments have been made to the financial statements of subsidiaries to allow their accounting policies to be consistent with those used by the Consolidated Company. During the preparation of the consolidated financial statements, the transaction, account balance, revenue and expense among entities have been eliminated completely. The total comprehensive income/loss of the subsidiaries are attributed to the owner's and non-controlling interests of the Company, and the same is true when the non-controlling interests consequently become loss balance.

Changes in the Consolidated Company's ownership interests in subsidiaries that do not result in the Consolidated Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value paid or received is recognized directly in equity and attributed to shareholders of the Company.

Please see Note 12 and Table 5 for details of subsidiaries, percentage of ownership and business.

(V) Foreign currency

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

Foreign currency monetary amount is translated at the closing rate at each date of the balance sheet. Exchange differences arising from settlement or translation are recognized as profit or loss at the period.

Non-monetary foreign currencies held at fair value at the exchange rates prevailing at the date of transaction; however, non-monetary foreign currencies held at fair value through other comprehensive income are recognized in other comprehensive income.

Non-monetary items carried at historical cost is reported using the exchange rate at the date of the transaction and will not calculated again.

In preparing the consolidated financial statements, assets and liabilities from foreign operations of the Consolidated Company, including subsidiaries whose location or currency are different from the Company, are translated into the presentation currency, the NTD, at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates at the period. The resulting currency translation differences are recognized in other comprehensive income.

(VI) Inventories

Inventories include raw materials, work in process, and finished goods. Inventories are stated at the lower of cost or net realizable value. The lower of cost and net realizable value is based on the individual inventory items. Net realized value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted-average method.

(VII) Property, Plant and Equipment

Property, plant and equipment are recognized at costs and subsequently measured at costs of the amount less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component, except for the land owned by the consolidated Company, which is not depreciated. The Consolidated Company reviews the estimated useful lives, residual values and depreciation method by the end of each reporting period, and defers the impact of changes in applicable accounting estimates.

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

(VIII) Intangible assets

1. Acquired separately

Intangible assets with finite useful lives acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The Consolidated Company reviews the estimated useful lives, residual values and amortization methods at least at the end of each year and defers the effect of changes in applicable accounting estimates.

2. Derecognition

When intangible assets are derecognized, the difference between the net disposal price and the carrying amount of the assets is recognized in profit or loss for the year.

(IX) Impairments of related assets including property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Consolidated Company reviews whether there is any indication that its property, plant and equipment, right-of-use assets and intangible assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

When impairment loss subsequently reverses, the carrying amounts of the asset, or cash-generating units are increased to the revised recoverable amounts. However, the increased carrying amounts shall not exceed the carrying amounts of the asset, or cash-generating units which were not recognized as impairment loss at the past period (less amortization or depreciation). The reversal of impairment loss is recognized as profit or loss.

(X) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

All regular purchases or sales of financial assets are recognized and derecognized using trade date accounting.

(1) Type of measurement

Financial assets held by the Consolidated Company are classified to financial assets at amortized cost and investments in equity instruments measured through other comprehensive income at fair value.

A. Financial assets at amortized cost

When the financial assets invested by the Consolidated Company satisfies the following two criteria at the same time, it is classified as the amortized cost financial assets:

- a. Where the financial assets are held under certain business model, and the purpose of such model is to hold the financial assets in order to collect contract cash flows; and
- b. Where contract terms incur cash flow of specific date, and such cash flow is completely for the payment of the interest of principle and external circulating principle amount.

Financial assets at amortized cost include cash and cash equivalents and notes receivable, accounts receivable, pledged time deposits and other current assets at amortized cost). When the recognition commences, effective interest method is used to determine the carrying amount less any amortized cost of depreciation. Any exchange gains and losses are recognized as gains and losses.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except for the following two cases:

- a. Interest income on credit-impaired financial assets acquired or created is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial assets.
- b. Interest income is computed by multiplying the effective interest rate by the amortized cost of the financial assets from the next reporting period after credits are impaired to financial assets that are not credit-impaired when acquired or created but subsequently become credit-impaired.

A credit-impaired financial asset is one for which the issuer or the debtor has experienced significant financial difficulties, defaulted, or it is probable that the debtor will declare bankruptcy or other financial reorganization or that an active market for the financial assets will disappear due to financial difficulties.

Cash equivalents are highly liquid bonds with repurchase agreement and time deposits that are readily convertible into fixed amounts of cash with minimal risk of changes in value.

B. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Consolidated Company may irrevocably designate investments in equity instruments that is not held for trading and not recognized as contingent consideration as at fair value through other comprehensive income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. On disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and it is not reclassified to profit or loss.

The dividend from investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss upon the Consolidated Company's right to receive payment is established, except for apparently the dividend representing the recovery of the partial investment cost.

(2) Impairment of financial assets

At the date of each balance sheet, the Consolidated Company reviews expected credit losses to estimate the impairment loss of financial assets, including notes receivable, measured at amortized cost.

The allowance for loss on accounts receivable is measured at an amount equal to useful lives expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

Expected credit losses are weighted average credit losses with the probability of default events. The 12-month expected credit losses are expected credit losses that result from default events possible within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

For the purpose of internal credit risk management, the Consolidated Company determines that a breach of contract on financial assets has occurred when there is internal or external information indicating that the debtor is unlikely to pay its debts, without considering the collateral held.

All impairment losses on financial assets is decreased its carrying amount through contra accounts.

(3) Derecognition of financial assets

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

On derecognition of financial assets at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of Investments in equity instruments at fair value through other comprehensive income, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2. Equity instruments

Equity instruments issued by the Consolidated Company are classified as equity based on the substance of the contractual agreements and the definition of equity instruments.

Equity instruments issued by the Consolidated Company are recognized at the acquisition price less direct issue costs.

The Company's own equity instruments re-acquired is recognized and derecognized under equity. The purchase, sale, issuance or retirement of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

On the derecognition of financial liabilities, the difference between their carrying amount and the consideration paid and payable, including any transfer of non-cash assets or liabilities, is recognized as profit or loss.

4. Convertible bonds

The components of the compound financial instruments (convertible bonds) issued by the Company are classified as financial liabilities and equity, respectively, on initial recognition based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate of a similar non-convertible instrument and is measured at amortized cost using the effective interest method until the date of conversion or maturity. The components of liabilities that are embedded in non-equity derivatives are measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the fair value of the complex instrument as a whole less the fair value of the liability component determined separately and is recognized in equity, net of income tax effect, and is not subsequently measured. When the conversion right is exercised, the related liability component and the amount in equity are transferred to equity and capital surplus - issue premium. If the conversion rights of convertible bonds are not exercised on the maturity date, the amount recognized in equity will be transferred to capital surplus - issue premium.

Transaction costs related to the issuance of convertible bonds are allocated to the liability (included in the carrying amount of the liability) and equity components (included in equity) of the instrument in proportion to the total apportioned price.

(XI) Revenue recognition

The Consolidated Company allocates the transaction price to each performance obligation and recognizes the revenue when each of the obligation is satisfied after the customer has identified it.

Revenue from merchandise sales

Revenue from merchandise sales is derived from the sale of polyamide films and flexible copper foil substrates. The Consolidated Company recognizes revenue and accounts receivable at the point when the merchandise arrives at the customer's designated location because the customer has the right to set the price and use the merchandise and has the primary responsibility for re-selling the merchandise and bears the risk of obsolescence. Advance receipts for merchandise are recognized as contract liabilities until the merchandise arrives.

When materials are exported for processing, the control of the ownership of the processed products has not been transferred. Therefore, no revenue is recognized when materials are exported for processing.

(XII) Leases

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

1. The Consolidated Company as lessor

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

Under the operating lease, lease payments less lease incentives granted are recognized as revenue on a straight-line basis. The initial direct cost which occurs on granting operating leases is the carrying amount accumulated to the underlying assets and is recognized as expense on a straight of line basis.

2. The Consolidated Company as lessee

Except for payments for low-value asset leases and short-term leases applicable to exemption of recognition are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

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

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

Lease liabilities are measured initially at the present value of lease payments (including fixed payments). The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

When there is a change in a lease term, the Consolidated Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized as profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Rentals under lease agreements that do not depend on changes in indices or rates are recognized as expenses in the period in which they are incurred.

(XIII) Borrowing costs

Borrowing costs require that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are included in the cost of the asset.

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Except for the above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XIV) Government grants

A government grant is recognized only when there is reasonable assurance that the Consolidated Company will comply with any conditions attached to the grant and the grant will be received.

Government grants related to revenue are recognized in profit or loss on a systematic basis over the period in which they are intended to compensate for the related costs recognized as expenses by the Consolidated Company.

The grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, shall be recognized as profit or loss in the period in which it is receivable.

(XV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Post-employment benefits

For defined contribution plans, the amount of contribution payable in respect of service rendered by employees in that period should be recognized as expenses.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan. Net defined benefit liability shall not exceed the present value of refunds from the plan or reductions in future contributions to the plan.

(XVI) Employee stock options

Employee stock options granted to employees

Employee stock options are recognized as expense on a straight-line basis over the vesting period based on the fair value of the equity instruments at the date of grant and the expected best estimate of the number to be vested, with a simultaneous adjustment to capital surplus - employee stock options and non-controlling interests. If an equity instrument is vested immediately on the date of grant, the expense is recognized in full on the date of grant.

The Consolidated Company revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the cumulative expense reflects the revised estimate and the capital surplus - employee stock options and non-controlling interests are adjusted accordingly.

(XVII) Income tax

The provision for income tax recognized in profit or loss comprises current and deferred tax.

1. Current income tax

The Consolidated Company has determined the current income (losses) and calculated taxes payable (receivable) in accordance with regulations established by the jurisdiction for tax return.

According to Income Tax Act in Republic of China, an additional income tax levied at unappropriated earnings are recognized in shareholders' meeting.

Income tax payable for prior year is adjusted to the current income tax.

2. Deferred income tax

Deferred income tax is accounted for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit or loss.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for deductible temporary differences or income tax credits for purchases of equipment and other expenditures to the extent that taxable profit is probably available.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Consolidated Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits to realize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the date of balance sheet and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed at the date of balance sheet and

increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is recovered, based on tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that arise from the manner in which the Consolidated Company expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except the current and deferred income tax that relates to items recognized in other comprehensive income or directly in equity are recognized respectively in other comprehensive income or directly in equity.

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

In the application of the Consolidated Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered relevant. Actual results may differ from these estimates.

When developing significant accounting estimates, the Consolidated Company will take into account the possible impact on inflation and market interest rate fluctuations in cash flow estimates, growth rates, discount rates, profitability and other relevant significant estimates. Management will continue to review estimates and basic assumptions.

Major source of estimates and assumption uncertainty

(I) Impairment of property, plant, and equipment

The Consolidated Company assesses impairment of property, plant and equipment based on the recoverable amount of those assets (i.e., the higher of the fair value of those assets less costs to sell and their value in use). Changes in market prices, future cash flows or discount rates will affect the recoverable amount of those assets and may result in additional impairment losses being recognized or reversal of impairment losses already recognized. In addition, the estimated cash flow, growth rate and discount rate are subject to greater uncertainty due to the uncertainty of the impact of inflation and market interest rate fluctuations, as well as the volatility of financial markets.

(II) Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to complete and estimated costs to sell, which are based on current market conditions and historical sales experience of similar products. Changes in market conditions could materially affect these estimates. In addition, the net realizable value estimate is subject to a high degree of uncertainty due to the uncertainty of the subsequent development of inflation and fluctuations in market interest rates, resulting in greater volatility in raw material prices.

VI. Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| Cash on hand and revolving funds | \$ 809 | \$ 657 |
| Bank demand deposits | 213,102 | 300,467 |
| Cash equivalents (investments with original maturity of less than 3 months) | | |
| Bonds with repurchase agreements | 117,570 | 99,962 |
| Bank time deposits | 35,152 | 53,232 |
| | <u>\$ 366,633</u> | <u>\$ 454,318</u> |

The market interest rate range of bank deposits and bonds with repurchase agreements at the balance sheet date is as follows:

| | December 31, 2023 | December 31, 2022 |
|----------------------------------|-------------------|-------------------|
| Bank deposits | 0.001%~5.47% | 0%~3.70% |
| Bonds with repurchase agreements | 0.8%~5.45% | 0.72%~0.80% |

VII. Financial instruments at fair value through profit or loss

| | December 31, 2023 | December 31, 2022 |
|--|-------------------|-------------------|
| <u>Financial liabilities - current</u> | | |
| Held for trading | | |
| Derivative instruments (not designated as hedges) | | |
| -Value of convertible bond redemption rights (Note 18) | <u>\$ 1,014</u> | <u>\$ 3,894</u> |

VIII. Financial assets at fair value through other comprehensive income

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| <u>Non-current</u> | | |
| Domestic investments | | |
| Unlisted stocks | | |
| Common stock of POMIRAN TECHNOLOGY, LIMITED | <u>\$ 467</u> | <u>\$ 439</u> |

The Consolidated Company invests in the aforementioned common stocks in accordance with the medium and long-term strategic objectives and expects to profit from the long-term investments. The management of the Consolidated Company considers that if the short-term volatility at fair value of such investments recognized in profit or loss is not consistent with the aforementioned long-term investment plan, it will be determined that such investments are measured through other comprehensive income at fair value.

IX. Financial assets at amortized cost

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| <u>Current</u> | | |
| Time deposits with original maturity over 3 months | <u>\$ 15,626</u> | <u>\$ -</u> |
| <u>Non-current</u> | | |
| Pledged time deposits | <u>\$ 16,923</u> | <u>\$ 16,923</u> |

(I) For information on credit risk management and impairment assessment related to financial assets at amortized cost, please refer to Note 31.

(II) For information on pledges of financial assets at amortized cost, refer to Note 33.

X. Notes and accounts receivable

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------|--------------------------|--------------------------|
| <u>Notes receivable</u> | | |
| Incurred as a result of operations | <u>\$ 75,129</u> | <u>\$ 27,967</u> |

The Consolidated Company considered any change in the credit quality of the notes receivable at the balance sheet date and assessed that there was no material change in the credit quality and the related amounts were still recoverable, therefore, no impairment was suspected.

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| <u>Accounts receivable</u> | | |
| Accounts receivable - non-related parties | | |
| Measure at amortized cost | | |
| Total carrying amount | \$ 323,031 | \$ 257,960 |
| Less: Allowance for loss | (245) | (161) |
| | <u>\$ 322,786</u> | <u>\$ 257,799</u> |

The average collection period for selling products of the Consolidated Company is 10 to 100 days, excluding accounts receivable. To mitigate credit risk, the management of the Consolidate Company has designated functional working Consolidated Company responsible for decision on line of credit, credit approval and other supervision to ensure proper action has been taken to collect overdue receivables. In addition, the collectible amount of accounts receivable of the Consolidated

Company shall be reviewed individually at the date of balance sheet to ensure the uncollectible receivables has been listed to appropriate impairment loss. According these, the management considers the Consolidated Company's credit risk has significantly decreased.

The allowance for loss on accounts receivable of the Consolidated Company is measured at an amount equal to useful lives expected credit losses. The expected credit losses over the duration are calculated using an allowance matrix, which takes into account the customer's past default history, current financial condition, and the economic conditions of the industry. Since the Consolidated Company's credit loss history shows that there is no significant difference in loss patterns among different customer groups, the allowance matrix does not further differentiate between customer groups and only uses the number of days overdue on accounts receivable to determine the expected credit loss rate.

If any evidence shows the counterparty faces significant financial difficulty and the collectible amount cannot be reasonably expected, for example, if the counterparty is in liquidation, the Consolidated Company will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The Consolidated Company measures the allowance for loss on accounts receivable based on the allowance matrix as follows:

December 31, 2023

| | Not past due | 1 to 60 days overdue | 61 to 90 days overdue | 91 to 180 days overdue | Over 180 days overdue | Total |
|---|------------------|----------------------------|-----------------------------|------------------------------|-----------------------------|------------------|
| Total carrying amount | \$298,517 | \$ 24,514 | \$ - | \$ - | \$ - | \$323,031 |
| Allowance for loss (expected credit losses during the duration) | - | (245) | - | - | - | (245) |
| Amortized cost | <u>\$298,517</u> | <u>\$ 24,269</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$322,786</u> |

December 31, 2022

| | Not past due | 1 to 60 days overdue | 61 to 90 days overdue | 91 to 180 days overdue | Over 180 days overdue | Total |
|---|------------------|----------------------------|-----------------------------|------------------------------|-----------------------------|------------------|
| Total carrying amount | \$254,522 | \$ 1,761 | \$ 706 | \$ 971 | \$ - | \$257,960 |
| Allowance for loss (expected credit losses during the duration) | - | (29) | (35) | (97) | - | (161) |
| Amortized cost | <u>\$254,522</u> | <u>\$ 1,732</u> | <u>\$ 671</u> | <u>\$ 874</u> | <u>\$ -</u> | <u>\$257,799</u> |

Changes on allowance for accounts receivable loss are as below:

| | 2023 | 2022 |
|---|---------------|---------------|
| Balance at the beginning of the year | \$ 161 | \$ 37 |
| Provision of impairment loss for the year | 88 | 125 |
| Exchange differences on translation | (4) | (1) |
| Balance at the end of the year | <u>\$ 245</u> | <u>\$ 161</u> |

XI. Inventories

| | December 31, 2023 | December 31, 2022 |
|-----------------|-------------------|-------------------|
| Finished goods | \$ 226,536 | \$ 312,963 |
| Work in process | 188,323 | 231,209 |
| Raw materials | <u>65,622</u> | <u>99,618</u> |
| | <u>\$ 480,481</u> | <u>\$ 643,790</u> |

The cost of goods sold related to inventory amounted to \$1,351,660 thousand and \$1,408,388 thousand for 2023 and 2022, respectively. Cost of goods sold includes inventory depreciation losses of \$70,738 thousand and \$34,864 thousand, respectively.

XII. Subsidiary

Subsidiaries incorporated in the consolidated financial statements

The basis for the consolidated financial statements is as follows:

| Investor name | Subsidiary name | Business nature | Percentage of shareholding | |
|-------------------------|--|---|----------------------------|-------------------|
| | | | December 31, 2023 | December 31, 2022 |
| The Company | POMIRAN METALIZATION RESEARCH CO., LTD. | Manufacturing of electronic components, wholesale and surface treatment of electronic materials | 85% | 85% |
| | TAIMIDE INTERNATIONAL INC. (TAIMIDE INTERNATIONAL) | Investee business | 100% | 100% |
| TAIMIDE INTERNATIONAL L | KUNSHAN TAIMIDE TECH. INC. | Wholesale of electronic equipment, parts and components, chemical products and chemical materials | 100% | 100% |

The financial statements of the above subsidiaries included in the consolidated financial statements for 2023 and 2022 were recognized on the basis of the financial statements audited by CPAs for the same period.

XIII. Property, plant and equipment

For the use of the Consolidated Company

| | Land owned by the Company | Houses and buildings | Machinery and equipment | Facility equipment | Transportation equipment | Office equipment | Other equipment | Leasehold improvements | Construction in progress and equipment pending inspection | Total |
|------------------------------------|---------------------------------|-------------------------|-------------------------------|-----------------------|-----------------------------|---------------------|--------------------|---------------------------|--|--------------------|
| Cost | | | | | | | | | | |
| Balance at January 1, 2022 | \$291,073 | \$1,623,635 | \$2,547,019 | \$859,685 | \$ 5,836 | \$ 15,286 | \$ 613 | \$ 3,532 | \$270,619 | \$5,617,298 |
| Increase for the year | - | 7,624 | 156,094 | 48,787 | 1,431 | 4,041 | 1,003 | 35,490 | 146,569 | 401,039 |
| Decrease for the year | - | - | (606,911) | (194,715) | (1,756) | (3,481) | - | (477) | - | (807,340) |
| Reclassification for the year | - | 138,013 | 30,247 | 173,567 | 330 | 721 | - | - | (342,878) | - |
| Effect of exchange rate | - | - | - | - | 25 | 1 | - | - | - | 26 |
| Balance at December 31, 2022 | <u>291,073</u> | <u>1,769,272</u> | <u>2,126,449</u> | <u>887,324</u> | <u>5,866</u> | <u>16,568</u> | <u>1,616</u> | <u>38,545</u> | <u>74,310</u> | <u>5,211,023</u> |
| Accumulated depreciation | | | | | | | | | | |
| Balance at January 1, 2022 | - | 349,123 | 1,373,903 | 436,093 | 2,402 | 7,692 | 15 | 1,338 | - | 2,170,566 |
| Increase for the year | - | 30,453 | 212,721 | 78,577 | 900 | 3,006 | 95 | 634 | - | 326,386 |
| Decrease for the year | - | - | (606,911) | (194,715) | (1,756) | (3,481) | - | (477) | - | (807,340) |
| Effect of exchange rate | - | - | - | - | 7 | 1 | - | - | - | 8 |
| Balance at December 31, 2022 | - | <u>379,576</u> | <u>979,713</u> | <u>319,955</u> | <u>1,553</u> | <u>7,218</u> | <u>110</u> | <u>1,495</u> | - | <u>1,689,620</u> |
| Net as of December 31, 2022 | <u>\$291,073</u> | <u>\$1,389,696</u> | <u>\$1,146,736</u> | <u>\$567,369</u> | <u>\$ 4,313</u> | <u>\$ 9,350</u> | <u>\$ 1,506</u> | <u>\$ 37,050</u> | <u>\$ 74,310</u> | <u>\$3,521,403</u> |
| Cost | | | | | | | | | | |
| Balance at January 1, 2023 | \$291,073 | \$ 1,769,272 | \$ 2,126,449 | \$887,324 | \$ 5,866 | \$ 16,568 | \$ 1,616 | \$ 38,545 | \$ 74,310 | \$ 5,211,023 |
| Increase for the year | - | - | 63,253 | 18,008 | 95 | 2,447 | 473 | 861 | 48,892 | 134,029 |
| Decrease for the year | - | - | (88,723) | (22,319) | - | (1,479) | - | - | - | (112,521) |
| Reclassification for the year | - | - | 83,662 | 1,738 | - | 320 | 136 | - | (85,856) | - |
| Effect of exchange rate | - | - | - | - | (31) | (2) | - | - | - | (33) |
| Balance at December 31, 2023 | <u>291,073</u> | <u>1,769,272</u> | <u>2,184,641</u> | <u>884,751</u> | <u>5,930</u> | <u>17,854</u> | <u>2,225</u> | <u>39,406</u> | <u>37,346</u> | <u>5,232,498</u> |
| Accumulated depreciation | | | | | | | | | | |
| Balance at January 1, 2023 | - | 379,576 | 979,713 | 319,955 | 1,553 | 7,218 | 110 | 1,495 | - | 1,689,620 |
| Increase for the year | - | 32,493 | 214,839 | 93,542 | 859 | 3,288 | 300 | 6,527 | - | 351,848 |
| Decrease for the year | - | - | (88,723) | (22,319) | - | (1,479) | - | - | - | (112,521) |
| Effect of exchange rate | - | - | - | - | (17) | (2) | - | - | - | (19) |
| Balance at December 31, 2023 | - | <u>412,069</u> | <u>1,105,829</u> | <u>391,178</u> | <u>2,395</u> | <u>9,025</u> | <u>410</u> | <u>8,022</u> | - | <u>1,928,928</u> |
| Net at December 31, 2023 | <u>\$291,073</u> | <u>\$1,357,203</u> | <u>\$1,078,812</u> | <u>\$493,573</u> | <u>\$ 3,535</u> | <u>\$ 8,829</u> | <u>\$ 1,815</u> | <u>\$ 31,384</u> | <u>\$ 37,346</u> | <u>\$3,303,570</u> |

Depreciation is computed on a straight-line basis over the following estimated useful life:

| | |
|--------------------------|----------------|
| Houses and buildings | 10 to 50 years |
| Machinery and equipment | 1 to 20 years |
| Facility equipment | 2 to 15 years |
| Transportation equipment | 5 to 10 years |
| Office equipment | 3 to 10 years |

| | |
|------------------------|--------------|
| Other equipment | 5 to 8 years |
| Leasehold improvements | 6 to 7 years |

For the amount of property, plant and equipment pledged as collateral for loans by the Consolidated Company, please refer to Note 33.

XIV. Lease agreements

(I) Right-of-use assets

| | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| Carrying amount of right-of-use assets | | |
| Land | \$ 103,493 | \$ 118,180 |
| Buildings | 62,633 | 70,146 |
| Transportation equipment | <u>1,221</u> | <u>282</u> |
| | <u>\$ 167,347</u> | <u>\$ 188,608</u> |
| | 2023 | 2022 |
| Addition to right-of-use assets | <u>\$ 1,367</u> | <u>\$ 5,306</u> |
| Depreciation expense of right-of-use assets | | |
| Land | \$ 14,761 | \$ 14,755 |
| Buildings | 7,508 | 7,208 |
| Transportation equipment | <u>354</u> | <u>338</u> |
| | <u>\$ 22,623</u> | <u>\$ 22,301</u> |
| Sublease income of right-of-use assets (included in other income) | <u>\$ -</u> | <u>\$ 1,092</u> |

(II) Lease liabilities

| | December 31, 2023 | December 31, 2022 |
|--------------------------------------|-------------------|-------------------|
| Carrying amount of lease liabilities | | |
| Current | <u>\$ 22,113</u> | <u>\$ 21,684</u> |
| Non-current | <u>\$ 152,992</u> | <u>\$ 173,820</u> |

Ranges of discount rates for lease liabilities are as follows:

| | December 31, 2023 | December 31, 2022 |
|--------------------------|-------------------|-------------------|
| Land | 1.50%~1.79% | 1.50%~1.79% |
| Buildings | 2.32%~4.75% | 2.32%~4.75% |
| Transportation equipment | 2.20% | 1.60% |

(III) Material leases and terms

The Consolidated Company leases certain land and buildings for use for a period of 11 to 14 years. Upon the termination of the lease period, the Consolidated Company has no bargain purchase option for leased lands and buildings.

(IV) Information on other leases

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Short-term lease expense | <u>\$ 843</u> | <u>\$ 945</u> |
| Lease expense for low-value assets | <u>\$ 204</u> | <u>\$ 185</u> |
| Variable lease payment expense not included in the measurement of lease liabilities | <u>\$ 1,589</u> | <u>\$ 5,175</u> |
| Total cash (outflows) from leases | <u>(\$ 28,061)</u> | <u>(\$ 31,347)</u> |

The Consolidated Company leases certain computer software, houses and buildings and office equipment which qualify as short-term leases. The Consolidated Company has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

XV. Intangible assets

| | Computer software cost | Power circuit subsidy cost | Royalty payment | Total |
|---------------------------------|---------------------------|-------------------------------|--------------------|------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 20,817 | \$ 14,768 | \$ 1,500 | \$ 37,085 |
| Increase for the year | <u>3,087</u> | <u>532</u> | <u>-</u> | <u>3,619</u> |
| Balance at December 31, 2022 | <u>\$ 23,904</u> | <u>\$ 15,300</u> | <u>\$ 1,500</u> | <u>\$ 40,704</u> |
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2022 | \$ 15,735 | \$ 10,427 | \$ 409 | \$ 26,571 |
| Increase for the year | <u>2,702</u> | <u>1,325</u> | <u>91</u> | <u>4,118</u> |
| Balance at December 31, 2022 | <u>\$ 18,437</u> | <u>\$ 11,752</u> | <u>\$ 500</u> | <u>\$ 30,689</u> |
| Net as of December 31, 2022 | <u>\$ 5,467</u> | <u>\$ 3,548</u> | <u>\$ 1,000</u> | <u>\$ 10,015</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2023 | \$ 23,904 | \$ 15,300 | \$ 1,500 | \$ 40,704 |
| Increase for the year | <u>711</u> | <u>-</u> | <u>-</u> | <u>711</u> |
| Balance at December 31, 2023 | <u>\$ 24,615</u> | <u>\$ 15,300</u> | <u>\$ 1,500</u> | <u>\$ 41,415</u> |
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2023 | \$ 18,437 | \$ 11,752 | \$ 500 | \$ 30,689 |
| Increase for the year | <u>2,006</u> | <u>1,380</u> | <u>91</u> | <u>3,477</u> |
| Balance at December 31, 2023 | <u>\$ 20,443</u> | <u>\$ 13,132</u> | <u>\$ 591</u> | <u>\$ 34,166</u> |
| Net at December 31, 2023 | <u>\$ 4,172</u> | <u>\$ 2,168</u> | <u>\$ 909</u> | <u>\$ 7,249</u> |

Amortization is computed on a straight-line basis over the following estimated useful life:

| | |
|----------------------------|--------------|
| Computer software cost | 1 to 8 years |
| Power circuit subsidy cost | 5 years |
| Royalty payment | 16.5 years |

XVI. Other current assets

| | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
| Tax overpaid retained | \$ 23,258 | \$ 36,012 |
| Supply inventory | 18,413 | 24,013 |
| Input tax | 6,099 | 3,827 |
| Prepayment for goods | 2,843 | 58 |
| Others | 14,330 | 14,147 |
| | <u>\$ 64,943</u> | <u>\$ 78,057</u> |

XVII. Loans

(I) Short-term loans

| | December 31, 2023 | December 31, 2022 |
|------------------------|-------------------|-------------------|
| <u>Unsecured loans</u> | | |
| Line of credit loans | \$ 40,000 | \$ 110,000 |
| <u>Secured loans</u> | | |
| Line of credit loans | 65,000 | 20,000 |
| | <u>\$ 105,000</u> | <u>\$ 130,000</u> |

The interest rates on revolving bank loans ranged from 2.20%~2.52% and 1.88%~2.33% as of December 31, 2023 and 2022, respectively.

(II) Long-term loans

| | December 31, 2023 | December 31, 2022 |
|-----------------------------|--------------------|--------------------|
| <u>Unsecured loans</u> | | |
| Bank credit loans (1) | \$ 471,753 | \$ 626,500 |
| <u>Secured loans</u> | | |
| Bank loans (2) | 410,657 | 362,004 |
| | 882,410 | 988,504 |
| Portion due within one year | (<u>262,700</u>) | (<u>268,655</u>) |
| | <u>\$ 619,710</u> | <u>\$ 719,849</u> |

1. The bank credit loans as of December 31, 2023 and 2022 are due for repayment by the end of April 2028, with interest rates ranging from 1.3% to 2.20% and 1.18% to 2.12% as of December 31, 2023 and 2022, respectively.
2. The bank loans are secured by pledges of the Consolidated Company's own land, buildings and equipment (see Note 33). The loans are both due for repayment upon maturity by the end of April 2028 for both December 31, 2023 and 2022, with the interest rates ranging from 1.30% to 2.90% and 1.18% to 2.76% for 2023 and 2022, respectively.

In accordance with the restrictions on current ratio, debt ratio, interest coverage multiplier, and tangible net worth in the Consolidated Company's half-year and annual consolidated financial statements in accordance with the relevant loan agreements. The Consolidated Company's financial ratios were in compliance with the requirements as of December 31, 2023.

XVIII. Corporate bonds payable

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Domestic unsecured convertible bonds | \$ 600,000 | \$ 600,000 |
| Less: Discount on corporate bonds payable | (<u>16,585</u>) | (<u>27,567</u>) |
| | 583,415 | 572,433 |
| Less: Portion recorded as due within one year | (<u>583,415</u>) | - |
| | <u>\$ -</u> | <u>\$ 572,433</u> |
| Value of redemption rights | \$ 1,014 | \$ 3,894 |
| Value of conversion rights | 79,259 | 79,259 |

(I) Domestic unsecured convertible bonds

On June 21, 2022, the Company issued 6,000 thousand units of NTD-denominated unsecured convertible bonds with a face value of \$100 thousand and 0% interest rate in Taiwan, with a total principal amount of \$600,000 thousand. The issue price was based on 108.67% of the face value. The bondholders may request the Company to convert the convertible bonds into common stock at a conversion price of \$57 per share from the day after three months from the date of issuance (September 22, 2022) to the maturity date (June 21, 2025), or request the Company to repurchase the bonds at face value in cash 30 days prior to two years from the date of issuance (June 21, 2024). If the closing price of the Company's common stock exceeds the prevailing conversion price by 30% or more for 30 consecutive business days from the day after the third month after the issuance of the convertible bonds (September 22, 2022) to 40 days before the expiration of the issuance period (May 12, 2025), the Company may also redeem all of the bonds at their face value. Since the Company distributed cash dividends in July 2023, the conversion price was adjusted to \$54.5 effective August 6, 2023.

This convertible bond includes liabilities and equity components, which are expressed as capital surplus - stock options under equity. The effective interest rate originally recognized for the liability component was 1.90%.

| | |
|--|-------------------|
| Issue price (\$652,006 thousand minus transaction costs of \$5,283 thousand) | \$646,723 |
| Equity component (net of transaction costs allocated to equity of \$647 thousand) | (79,259) |
| Value of redemption rights (net of transaction costs of \$6 thousand allocated to liabilities) | (<u>714</u>) |
| Liabilities component at issuance date (net of \$4,630 thousand of transaction costs allocated to liabilities) | \$ 566,750 |
| Interest calculated at the effective interest rate of 1.90% | <u>5,683</u> |
| Liabilities component as of December 31, 2022 | 572,433 |
| Interest calculated at the effective interest rate of 1.90% | <u>10,982</u> |
| Liabilities component as of December 31, 2023 | <u>\$ 583,415</u> |

XIX. Other payables

| | December 31, 2023 | December 31, 2022 |
|---------------------------|-------------------|-------------------|
| Wages and bonuses payable | \$ 41,724 | \$ 50,491 |
| Utilities payable | 15,160 | 12,240 |
| Waste disposals payable | 12,265 | 9,939 |
| Others | <u>75,242</u> | <u>79,363</u> |
| | <u>\$ 144,391</u> | <u>\$ 152,033</u> |

XX. Other current liabilities

| | December 31, 2023 | December 31, 2022 |
|------------------------|-------------------|-------------------|
| Deferred income | \$ 30,429 | \$ - |
| Receipts under custody | 3,777 | 3,976 |
| Temporary receipts | <u>1,589</u> | <u>2,268</u> |
| | <u>\$ 35,795</u> | <u>\$ 6,244</u> |

XXI. Post-employment benefit plans

(I) Defined contribution plans

The labor pension system under the “Labor Pension Act” applicable to the Company and POMIRAN METALIZATION RESEARCH CO., LTD. of the Consolidated Company refers to the defined contribution retirement benefit plans managed by the government. The employer shall contribute labor pension funds equal to 6 percent of an employee's monthly salary to individual labor pension accounts at the Bureau of Labor Insurance (the Bureau) for employees.

(II) Defined benefit plans

The Company has labor pension system as defined benefit plans under the Labor Standards Act of R.O.C.. The payment of the employee pension is made based on an employee's length of service and average monthly salary for the six-month period prior to retirement approved. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the balance in the Funds is assessed. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees qualified with retirement requirements in the next year, the Company is required to make up the difference all at once with one appropriation, which is required to be made before the end of March of next year. The Funds are operated and managed by the government's designated authorities. Accordingly, the Company does not have any right to intervene in the investments of the Funds.

The amount of defined benefit plans recognized in the consolidated balance sheets is as follows:

| | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| Present value of defined benefit obligation | \$ 13,213 | \$ 11,734 |
| Fair value of plan assets | (13,566) | (12,855) |
| Net defined benefit assets | (\$ 353) | (\$ 1,121) |

Changes in net defined benefit liabilities (assets) are as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities (assets) |
|--|---|---------------------------|--|
| January 1, 2022 | <u>\$ 13,948</u> | <u>(\$ 11,468)</u> | <u>\$ 2,480</u> |
| Service cost | | | |
| Interest expense (income) | <u>70</u> | <u>(59)</u> | <u>11</u> |
| Recognized in profit or loss | <u>70</u> | <u>(59)</u> | <u>11</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (898) | (898) |
| Actuarial gain - changes in financial assumptions | (1,020) | - | (1,020) |
| Actuarial gain - adjustments through experiences | (1,264) | - | (1,264) |
| Recognized in other comprehensive income | (2,284) | (898) | (3,182) |
| Contributions from employer | - | (430) | (430) |
| December 31, 2022 | <u>11,734</u> | <u>(12,855)</u> | <u>(1,121)</u> |
| Service cost | | | |
| Interest expense (income) | <u>162</u> | <u>(180)</u> | <u>(18)</u> |
| Recognized in profit or loss | <u>162</u> | <u>(180)</u> | <u>(18)</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (94) | (94) |
| Actuarial gain - changes in financial assumptions | 140 | - | 140 |
| Actuarial gain - adjustments through experiences | <u>1,177</u> | - | <u>1,177</u> |
| Recognized in other comprehensive income | <u>1,317</u> | <u>(94)</u> | <u>1,223</u> |
| Contributions from employer | - | (437) | (437) |
| December 31, 2023 | <u>\$ 13,213</u> | <u>(\$ 13,566)</u> | <u>(\$ 353)</u> |

Due to the defined benefit plans under the Labor Standards Act of R.O.C. the Company is exposed to the following risks:

1. Investment risk: The pension funds are invested in domestic and foreign equity securities, debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds' designated authorities or under the mandated management. However, the distributable amount of plan assets of the Company shall not be less than the return calculated by the average interest rate on a two-year time deposit published by the local banks.
2. Interest risk: A decrease in the interest rate of government bond/corporate bond will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will increase as well. The two will be partially offset on net defined benefit liabilities.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company are carried out by qualified actuaries. The principal assumptions are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|--------------------------|--------------------------|
| Discount rate | 1.25% | 1.38% |
| Expected salary increase rate | 2.00% | 2.00% |

If reasonably likely changes respectively occur in the principal assumptions and all other assumptions are held constant, the amount of present value of the defined benefit obligation is increased (decreased) as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|--------------------------|--------------------------|
| Discount rate | | |
| Increase by 0.25% | (\$ <u>277</u>) | (\$ <u>269</u>) |
| Decrease by 0.25% | \$ <u>287</u> | \$ <u>279</u> |
| Expected salary increase rate | | |
| Increase by 0.25% | \$ <u>280</u> | \$ <u>272</u> |
| Decrease by 0.25% | (\$ <u>272</u>) | (\$ <u>264</u>) |

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Contributions expected to be made within 1 year | \$ <u>456</u> | \$ <u>414</u> |
| Average maturity of defined benefit obligation | 8.5 years | 9.3 years |

XXII. Equity

(I) Common stock capital

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Authorized number of shares (in thousands) | <u>200,000</u> | <u>200,000</u> |
| Authorized capital | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |
| Issued and fully paid shares (in thousands) | <u>132,205</u> | <u>131,799</u> |
| Public offering of ordinary shares | \$ 1,282,363 | \$ 1,278,300 |
| Private equity | <u>39,690</u> | <u>39,690</u> |
| Issued capital | <u>\$ 1,322,053</u> | <u>\$ 1,317,990</u> |

The shareholders resolved to amend the Articles of Incorporation at the shareholders' meeting held on June 21, 2023. After the amendment of the Articles of Incorporation, 30,000 thousand shares of the authorized capital are reserved for issuance of employee stock options, preferred shares with warrants or corporate bonds with warrants. Prior to the amendment, 20,000 thousand shares of the authorized capital were reserved for issuance of employee stock options, preferred shares with warrants or corporate bonds with warrants.

The change in the Company's common stock capital was mainly due to the execution of stock options by employees.

On June 21, 2023, the shareholders' meeting of the Company resolved to increase capital by cash through a private placement of up to 10 million shares with specific parties.

Within 3 years from the date of delivery, the aforesaid private placement securities shall not be sold to other objects except those transferred in accordance with the Securities Exchange Law.

The rights and obligations of the company's private common shares listed above are the same as those of the Company's issued common shares, except that the company's private common shares are subject to restrictions on circulation and transfer in accordance with the Securities Exchange Law and can only apply for listing and trading after 3 years from the date of delivery and a public offering.

(II) Capital surplus

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| <u>For loss make-up, distribution in cash or capitalization as equity</u> | | |
| Stock issue premium (1) | \$ 488,746 | \$ 461,517 |
| <u>Only for loss make-up</u> | | |
| Recognition of changes in ownership interests in subsidiaries (2) | 24,928 | 25,992 |
| Unclaimed dividends to shareholders after the statute of limitations | 522 | 499 |
| <u>Not to be used for any purpose</u> | | |
| Employee stock options | - | 15,155 |
| Stock options (Note 18) | <u>79,259</u> | <u>79,259</u> |
| | <u>\$ 593,455</u> | <u>\$ 582,422</u> |

1. This type of capital surplus may be used to make up for losses or, in the absence of losses, to distribute cash or to capitalize as equity, provided that the capitalization is limited to a certain percentage of the paid-in capital each year.
2. This type of capital surplus represents the effect of equity transactions recognized for changes in the Company's equity when the Company has not actually acquired or disposed of the subsidiary's shares, or adjustments to the capital surplus of the Company's subsidiaries recognized under the equity method.

(III) Retained earnings and dividend policy

In accordance with the Company's earnings distribution policy as stipulated in the Articles of Incorporation, if there is any surplus earnings as indicated by the Company's final accounts, 10% of the annual earnings shall be set aside as legal reserve after paying taxes and making up for accumulated losses in accordance with the law. But if the legal reserve has reached the Company's paid-in capital, no further provision shall be made, and the remainder shall be set aside as or reversed from special reserve as provided by law. If there are still remaining earnings, the Board of Directors shall prepare a proposal for distribution of the remaining earnings together with the accumulated undistributed earnings as dividends to shareholder, and submit it to the shareholders' meeting for resolution on the distribution. For the Company's policy on the distribution of remuneration to employees and directors, please refer to Note 25 (7) Remuneration to Employees and Directors.

The Company's dividend policy is to cater to the current and future development plans with consideration of the investment environment, capital requirements and domestic and international competition, and the interests of shareholders; dividends to shareholders may be distributed in cash or in stocks, with cash dividends not less than 10% of the total dividends.

Legal capital reserve shall be set aside until its balance equals to full amount of the paid-in capital. The reserve may be used to make up for losses. When the Company has no losses, the portion in excess of 25% of the paid-in capital may be used to distributed as dividends in stocks or cash.

The shareholders' meetings of the Company held on June 21, 2023 and June 24, 2022 resolved to distribute the earnings of 2022 and 2021 as follows:

| | Earnings distribution proposal | |
|---|--------------------------------|-----------|
| | 2022 | 2021 |
| Legal reserve | \$ 15,194 | \$ 30,305 |
| (Reversal) Provision of special reserve | (952) | 248 |
| Cash dividends | 79,079 | 157,255 |
| Cash dividends per share (NTD) | 0.60 | 1.20 |

The 2023 earnings distribution proposal made by the Board of Directors on March 8, 2024 was as follows:

| | <u>2023</u> |
|---|-------------------|
| Undistributed earnings at the beginning of the year | \$ 751,801 |
| Remeasurement of defined benefit plans | (1,223) |
| Net loss for the period | (139,268) |
| Provision of special reserve | (1,049) |
| Cash dividends (\$0.3 per share) | (<u>39,662</u>) |
| Undistributed earnings at the end of the year | <u>\$ 570,599</u> |

The 2023 earnings distribution proposal is subject to the resolution of the shareholders' meeting to be held on June 25, 2024.

(IV) Other equity

1. Exchange differences on translation of the financial statements of foreign operations

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Balance at the beginning of the year | (\$ 1,555) | (\$ 2,363) |
| Incurred during the year | | |
| Exchange differences arising from translation of the financial statements of foreign operations | (<u>1,077</u>) | <u>808</u> |
| Balance at the end of the year | (<u>\$ 2,632</u>) | (<u>\$ 1,555</u>) |

2. Unrealized gain or loss on financial assets at fair value through other comprehensive income

| | <u>2023</u> | <u>2022</u> |
|---|------------------|-------------------|
| Balance at the beginning of the year | (<u>\$ 31</u>) | (<u>\$ 176</u>) |
| Incurred during the year | | |
| Unrealized profit or loss | | |
| Equity instruments | <u>28</u> | <u>145</u> |
| Other comprehensive income for the year | <u>28</u> | <u>145</u> |
| Balance at the end of the year | (<u>\$ 3</u>) | (<u>\$ 31</u>) |

(V) Non-controlling interests

| | 2023 | 2022 |
|--|------------------|------------------|
| Balance at the beginning of the year | \$ 25,038 | (\$ 4,832) |
| Share attributable to non-controlling interests. | | |
| Net loss for the year | (14,217) | (12,501) |
| Increase in non-controlling interest in POMIRAN METALIZATION RESEARCH CO., LTD. (Note 28) | \$ - | \$ 42,254 |
| Non-controlling interests related to outstanding vested stock options held by employees of POMIRAN METALIZATION RESEARCH CO., LTD. (Note 23) | <u>-</u> | <u>117</u> |
| Balance at the end of the year | <u>\$ 10,821</u> | <u>\$ 25,038</u> |

XXIII. Employee stock options

(I) The Company's employee stock options plan

In August 2017, the Company granted 3,698 thousand units of stock options to employees, each unit of which is entitled to subscribe for one share of common stock. The stock options were granted to employees of the Company and its subsidiaries who meet certain criteria. The stock options are granted for a duration of 6 years, and the holders of the stock options may exercise a certain percentage of the stock options granted after 2 years from the date of issuance. The exercise price of the stock options is the closing price of the Company's common stock on the date of issuance. If there is a change in the Company's common stock after the stock options are issued, the exercise price of the stock options will be adjusted according to the prescribed formula.

Information on employee stock options is as follows:

| | 2023 | | 2022 | |
|--|----------------------|---------------------------------------|----------------------|---------------------------------------|
| Employee stock options | Units (in thousands) | Weighted average exercise price (NTD) | Units (in thousands) | Weighted average exercise price (NTD) |
| Outstanding at the beginning of the year | 1,031 | \$ 37.10 | 1,813 | \$ 38.20 |
| Executed during the year | (406) | 37.10 | (781) | 38.20 |
| Renounced during the year | (625) | 37.10 | (1) | 38.20 |
| Outstanding at the end of the year | <u>-</u> | | <u>1,031</u> | |
| Executable at the end of the year | <u>-</u> | | <u>1,031</u> | |

| | 2023 | | 2022 | |
|--|----------------------|---------------------------------------|----------------------|---------------------------------------|
| | Units (in thousands) | Weighted average exercise price (NTD) | Units (in thousands) | Weighted average exercise price (NTD) |
| Employee stock options | | | | |
| Weighted average fair value of stock options granted during the year (NTD) | | | | |
| | \$15.02~16.04 | | \$15.02~16.04 | |

Information on outstanding employee stock options as of the balance sheet date as follows:

| | December 31, 2023 | December 31, 2022 |
|--|-------------------|-------------------|
| Range of exercise prices (NTD) | \$ - | \$37.10 |
| Weighted average remaining contract period (years) | - | 0.61 years |

The Company used the Black-Scholes valuation model for the employee stock options granted in August 2017, and the input values used in the valuation model were as follows:

| | August 2017 |
|-------------------------------|-----------------|
| Stock price at the grant date | \$47.00 |
| Exercise price | NT\$37.10 |
| Expected volatility | 46.89%~51.17% |
| Duration | 2.03~3.03 years |
| Expected dividend yield | - |
| Risk-free interest rate | 0.53%~0.56% |

In July 2022, the Company modified the terms of the then outstanding employee stock options plan to reduce the exercise price from \$38.20 per share to the stock price on that date of \$37.10 per share.

(II) Employee stock options reserved in cash capital increase

The Board of Directors resolved to increase capital of POMIRAN METALIZATION RESEARCH CO., LTD. by cash with issuance of new shares. On March 9, 2022, the Board of Directors resolved to adjust the final number of shares to be issued and the amount to be raised, and to reserve 15% of the total number of new shares (4,500 thousand shares) to be subscribed by employees of the Company and subsidiaries in accordance with the Company Act. For fractional shares or stock options renounced by employees for subscription, the Chairperson of the Board of Directors is authorized to negotiate with specific persons to subscribe for the shares.

The fair value of the employee stock options granted by POMIRAN METALIZATION RESEARCH CO., LTD. in March 2022 is based on the Black-Scholes valuation model, and the parameters used in the valuation model were as follows:

| | March 2022 |
|-------------------------------|------------|
| Stock price at the grant date | NT\$8.89 |
| Exercise price | NT\$10.00 |
| Expected volatility | 36.17% |
| Expected duration | 0.12 years |
| Expected dividend yield | - |
| Risk-free interest rate | 0.27% |

For 2022, the Company recognized profit-sharing remuneration cost of \$450 thousand.

XXIV. Revenue

| | 2023 | 2022 | |
|---------------------------------------|----------------------|----------------------|-------------------|
| Revenue from contracts with customers | | | |
| Revenue form merchandise sales | \$ 1,549,174 | \$ 1,887,769 | |
| Other income | <u>43,847</u> | <u>1,591</u> | |
| | <u>\$ 1,593,021</u> | <u>\$ 1,889,360</u> | |
| (I) Contract balance | | | |
| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
| Accounts receivable (Note 10) | <u>\$ 322,786</u> | <u>\$ 257,799</u> | <u>\$ 423,805</u> |
| Contract liabilities - current | | | |
| Merchandise sales | <u>\$ 3,400</u> | <u>\$ 161</u> | <u>\$ 8,000</u> |

The amount of revenue recognized during the year in which the performance obligation was satisfied from the contract liabilities at the beginning of the year was as follows:

| | 2023 | 2022 |
|---|---------------|-----------------|
| <u>From the contract liabilities at the beginning of the year</u> | | |
| Merchandise sales | <u>\$ 161</u> | <u>\$ 8,000</u> |

(II) Breakdown of revenue from contracts with customers

| Region | 2023 | 2022 |
|---------------------------------------|---------------------|---------------------|
| Taiwan (where the Company is located) | \$ 657,721 | \$ 831,705 |
| Mainland China | 579,189 | 715,951 |
| South Korea | 267,965 | 262,702 |
| U.S.A. | 69,009 | 46,316 |
| Japan | 12,000 | 23,897 |
| Others | <u>7,137</u> | <u>8,789</u> |
| | <u>\$ 1,593,021</u> | <u>\$ 1,889,360</u> |

XXV. Net profit

(I) Interest income

| | 2023 | 2022 |
|---------------|-----------------|-----------------|
| Bank deposits | <u>\$ 3,730</u> | <u>\$ 1,824</u> |

(II) Other income

| | 2023 | 2022 |
|-----------------------------------|-----------------|------------------|
| Lease income (operating lease) | \$ 820 | \$ 1,969 |
| Government grant income (Note 29) | 6,086 | 2,608 |
| Others | <u>2,246</u> | <u>6,015</u> |
| | <u>\$ 9,152</u> | <u>\$ 10,592</u> |

(III) Other gain and loss

| | 2023 | 2022 |
|---|-----------------|------------------|
| Net gain on foreign currency exchange | \$ 3,264 | \$ 13,268 |
| Gain (Loss) on financial instruments at fair value through profit or loss | 2,880 | (3,180) |
| Others | (423) | - |
| | <u>\$ 5,721</u> | <u>\$ 10,088</u> |

(IV) Financial cost

| | 2023 | 2022 |
|-------------------------------|------------------|------------------|
| Interest on bank loans | \$ 19,477 | \$ 21,320 |
| Interest on convertible bonds | 10,982 | 5,683 |
| Interest on lease liabilities | <u>3,665</u> | <u>3,969</u> |
| | <u>\$ 34,124</u> | <u>\$ 30,972</u> |

(V) Depreciation and amortization

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Summary of depreciation expense by function | | |
| Operating costs | \$302,378 | \$279,881 |
| Operating expenses | <u>72,093</u> | <u>68,806</u> |
| | <u>\$ 374,471</u> | <u>\$ 348,687</u> |
| Summary of amortization expense by function | | |
| Operating cost | \$ 1,908 | \$ 2,583 |
| Operating expense | <u>1,569</u> | <u>1,535</u> |
| | <u>\$ 3,477</u> | <u>\$ 4,118</u> |

(VI) Employee benefit expense

| | 2023 | 2022 |
|------------------------------------|-------------------|-------------------|
| Post-employment benefits (Note 21) | | |
| Defined contribution plans | \$ 14,552 | \$ 14,210 |
| Defined benefit plans | <u>62</u> | <u>11</u> |
| | 14,614 | 14,221 |
| Share-based payment (Note 23) | | |
| Equity settlement | - | 450 |
| Other employee benefits | <u>368,418</u> | <u>414,069</u> |
| | <u>\$ 383,032</u> | <u>\$ 428,740</u> |
| Summary by function | | |
| Operating costs | \$ 258,509 | \$ 295,403 |
| Operating expenses | <u>124,523</u> | <u>133,337</u> |
| | <u>\$ 383,032</u> | <u>\$ 428,740</u> |

(VII) Profit-sharing remuneration for employees and directors

If the Company makes a profit in a year, the Company shall set aside 6% to 15% of the profit as profit-sharing remuneration for employees, in stock or cash as resolved by the Board of Directors in the form of stock or cash, including employees of the Company's subsidiaries who meet certain criteria; the Company may set aside not more than 3% of the above profit as remuneration to directors as resolved by the Board of Directors. Proposal for profit-sharing remuneration for employees and profit-sharing remuneration for directors should be reported to the shareholders' meeting. However, if the Company still has accumulated losses, the amount of loss make-up shall be reserved first, and then the profit-sharing remuneration for employees and directors can be appropriated in accordance with the aforementioned percentages.

The Company had a net loss before tax for 2023, so profit-sharing remunerations for employees and directors were not estimated.

The Board of Directors resolved the following on March 9, 2023 for 2022 profit-sharing remuneration for employees and directors:

Estimated percentage

| | <u>2022</u> |
|---|-------------|
| Profit-sharing remuneration for employees | 10% |
| Profit-sharing remuneration for directors | 3% |

Amount

| | <u>2022</u> |
|---|-------------|
| | <u>Cash</u> |
| Profit-sharing remuneration for employees | \$ 16,554 |
| Profit-sharing remuneration for directors | 4,966 |

If there is a change in the amounts after the standalone financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and adjusted in the next year.

There was no difference between the actual amount of profit-sharing remuneration for employees and profit-sharing remuneration for directors for 2022 and 2021 and the amounts recognized in the consolidated financial statements for 2022 and 2021.

Please see "Market Observation Post System" (MOPS) under the Taiwan Stock Exchange for the information on the profit-sharing remuneration for employees and profit-sharing remuneration for directors resolved by the Board of Directors.

XXVI. Income tax on continuing operations

(I) Main components of income tax expense (benefit) recognized in profit or loss

| | <u>2023</u> | <u>2022</u> |
|---|------------------|---------------------|
| Current income tax | | |
| Incurred during the year | \$ 10,647 | \$ 11,474 |
| Additional levy on undistributed earnings | - | - |
| Adjustments for prior years | <u>1,204</u> | (<u>18,661</u>) |
| Income tax expense (benefit) recognized in profit or loss | <u>\$ 11,851</u> | (<u>\$ 7,187</u>) |

A reconciliation of accounting income and income tax expense (benefit) is as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|---------------------|
| Net profit (loss) before tax from continuing operations | (<u>\$ 141,634</u>) | <u>\$ 129,070</u> |
| Income tax expense (benefit) calculated at the statutory rate on net profit before tax | (\$ 44,138) | \$ 10,521 |
| Non-deduction expense or loss for tax purpose | 16,549 | 15,719 |
| Unrecognized (Recognized) deductible temporary difference | 18,892 | (33,208) |
| Unrecognized loss carryforward | 19,344 | 18,442 |
| Adjustments during the year for current income tax expenses of previous years | <u>1,204</u> | (<u>18,661</u>) |
| Income tax expense (benefit) recognized in profit or loss | <u>\$ 11,851</u> | (<u>\$ 7,187</u>) |

(II) Current income tax liabilities

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------|--------------------------|--------------------------|
| Current income tax liabilities | | |
| Income tax payable | <u>\$ 10,287</u> | <u>\$ 13,871</u> |

(III) Amount of deductible temporary difference and unused loss carryforwards of deferred income tax assets which was not recognized in the consolidated balance sheet.

| | December 31, 2023 | December 31, 2022 |
|---------------------------------|-------------------|-------------------|
| Loss carryforward | | |
| Expire in 2023 | \$ - | \$ 15,667 |
| Expire in 2024 | 32,824 | 32,824 |
| Expire in 2025 | 29,373 | 29,373 |
| Expire in 2026 | 36,206 | 36,206 |
| Expire in 2027 | 57,303 | 57,303 |
| Expire in 2028 | 72,150 | 72,150 |
| Expire in 2029 | 69,843 | 69,843 |
| Expire in 2030 | 73,269 | 73,269 |
| Expire in 2031 | 78,125 | 78,125 |
| Expire in 2032 | 92,622 | 92,148 |
| Expire in 2033 | <u>86,202</u> | <u>-</u> |
| | <u>\$ 627,917</u> | <u>\$ 556,908</u> |
| Deductible temporary difference | <u>\$ 125,584</u> | <u>\$ 111,382</u> |

(IV) Income tax assessment

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

XXVII. Earnings per share (loss)

| | 2023 | 2022 |
|-----------------------------------|--------------------|---------------------|
| | | Unit: NTD per share |
| Basic (loss) earnings per share | (<u>\$ 1.06</u>) | <u>\$ 1.13</u> |
| Diluted (loss) earnings per share | (<u>\$ 1.06</u>) | <u>\$ 1.12</u> |

The net (loss) profit and weighted average number of shares of common stock used to calculate (loss) earnings per share were as follows:

Net (loss) profit for the year

| | 2023 | 2022 |
|---|-----------------------|-------------------|
| Net (Loss) profit attributed to owners of the Company | (<u>\$ 139,268</u>) | <u>\$ 148,758</u> |
| Net (loss) profit used to calculate basic (loss) earnings per share | (\$ 139,268) | \$ 148,758 |
| Effect of potentially dilutive common stock | | |
| Convertible bonds | - | - |
| Profit-sharing remuneration for employees | - | - |
| Employee stock options | <u>-</u> | <u>-</u> |
| Net (loss) profit used to calculate diluted (loss) earnings per share | (<u>\$ 139,268</u>) | <u>\$ 148,758</u> |

| <u>Number of shares</u> | (Units: In thousands) | |
|---|-----------------------|----------------|
| | 2023 | 2022 |
| Weighted average number of shares of common stock used to calculate basic (loss) earnings per share | 131,958 | 131,607 |
| Effect of potentially dilutive common stock | | |
| Convertible bonds | - | - |
| Profit-sharing remuneration for employees | - | 693 |
| Employee stock options | - | 212 |
| Weighted average number of shares of common stock used to calculate diluted (loss) earnings per share | <u>131,958</u> | <u>132,512</u> |

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

If the company's outstanding convertible corporate bonds are converted, they are not included in the calculation of diluted earnings per share due to their anti-dilution effect.

The Company had a net loss for the period January 1 to December 31, 2023 and the potential common stocks were anti-dilutive and therefore not included in the calculation of loss per share.

XXVIII. Equity transactions with non-controlling interests

On April 21, 2022, the Consolidated Company did not recognize the new shares issued by POMIRAN METALIZATION RESEARCH CO., LTD. in cash capital increase in proportion to shareholding, resulting in an decrease in shareholding from 88% to 85%.

Since the above transaction did not change the Consolidated Company's control over the subsidiary, the Consolidated Company treated it as an equity transaction.

| | POMIRAN METALIZATION RESEARCH CO., LTD. |
|---|--|
| <u>2022</u> | |
| Cash consideration received | \$ 44,724 |
| The carrying amount of net assets of subsidiaries should be transferred to non-controlling interests based on the relative changes in equity. | (<u>42,254</u>) |
| Equity transaction difference | <u>\$ 2,470</u> |

Adjustment for equity transaction difference:

POMIRAN
METALIZATION
RESEARCH CO.,
LTD.

2022

Capital surplus - recognition of changes in ownership interests in subsidiaries

\$ 2,470

XXIX. Government grants

The Consolidated Company's application for the "Subsidy Program for Demonstration and Promotion of Energy Conservation Performance Guarantee Project" of the Ministry of Economic Affairs has been reviewed and approved with a grant amount of \$8,694 thousand. As of December 31, 2023, the accumulated amount granted was \$8,694 thousand, which was recorded as non-operating income at the approved time and the case was closed.

The Consolidated Company's application for the "Low Carbon Millimeter Wave Materials and Carbon Reduction Process Technology Development Project" of the Ministry of Economic Affairs has been reviewed and approved with a grant amount of \$40,000 thousand. As of December 31, 2023, the accumulated amount granted was \$30,429 thousand.

XXX. Capital risk management

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

The Consolidated Company's capital structure consists of net debt of the Consolidated Company (leases less cash and cash equivalent) and equity (stock capital, capital surplus, retained earnings, other equity and non-controlling interests).

XXXI. Financial instruments

(I) Information on fair value - Financial instruments not at fair value

December 31, 2023

| | Carrying amount | Fair value | | | |
|---|-----------------|------------|---------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| - Convertible bonds | \$ 583,415 | \$ 585,240 | \$ - | \$ - | \$ 585,240 |

December 31, 2022

| | Carrying amount | Fair value | | | |
|---|-----------------|------------|---------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| - Convertible bonds | \$ 572,433 | \$ 575,520 | \$ - | \$ - | \$ 575,520 |

(II) Information on fair value - Financial instruments at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivative instruments | \$ - | \$ 1,014 | \$ - | \$ 1,014 |
| <u>Financial assets at fair value through other comprehensive income</u> | | | | |
| Investments in equity instruments | | | | |
| Unlisted stocks | \$ - | \$ - | \$ 467 | \$ 467 |

December 31, 2022

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| <u>Financial liabilities at fair value through profit or loss</u> | | | | |
| Derivative instruments | \$ - | \$ 3,894 | \$ - | \$ 3,894 |
| <u>Financial assets at fair value through other comprehensive income</u> | | | | |
| Investments in equity instruments | | | | |
| Unlisted stocks | \$ - | \$ - | \$ 439 | \$ 439 |

There was no transfer of fair value measurements between Level 1 and Level 2 for 2023 and 2022.

2. Valuation techniques and input value used in Level 2 fair value measurement

| <u>Type of financial instruments</u> | <u>Valuation techniques and input values</u> |
|---|---|
| Derivative instruments - Value of convertible bond redemption rights | Binary tree convertible bond valuation model: tracks the evolution of option key underlying variables over discrete time periods through a binary tree at multiple time steps between the valuation date and the maturity date. Each node of the tree represents the probable price at a given point in time. |

3. Reconciliation of Level 3 fair value measurements on financial instruments

2023

| | Financial assets at fair value through other comprehensive income Equity instruments |
|---|--|
| Balance at the beginning of the year | \$ 439 |
| Recognized in other comprehensive income - Unrealized gain or loss on financial assets at fair value through other comprehensive income | 28 |
| Balance at the end of the year | <u>\$ 467</u> |

2022

| | Financial assets at fair value through other comprehensive income Equity instruments |
|---|--|
| Balance at the beginning of the year | \$ 294 |
| Recognized in other comprehensive income - Unrealized gain or loss on financial assets at fair value through other comprehensive income | 145 |
| Balance at the end of the year | <u>\$ 439</u> |

4. Valuation techniques and input value used in Level 3 fair value measurement

Domestic unlisted equity investments are valued using the asset method, and the total value of individual assets and liabilities covered by the underlying asset is assessed to reflect the overall value of the enterprise or business.

(III) Type of financial instruments

| | December 31, 2023 | December 31, 2022 |
|--|-------------------|-------------------|
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (Note 1) | \$ 799,205 | \$ 758,928 |
| Financial assets at fair value through other comprehensive income - investments in equity instruments | 467 | 439 |
| <u>Financial liabilities</u> | | |
| at fair value through profit or loss | | |
| Held for trading | 1,014 | 3,894 |
| Measure at amortized cost (Note 2) | 1,748,814 | 1,850,956 |

Note 1: The balance includes cash and cash equivalents, financial assets at amortized cost such as notes receivable, accounts receivable, other receivables (including related parties) and other current assets at amortized cost.

Note 2: The balance includes short-term loans, notes receivable and accounts payable, other payables, corporate bonds due within one year, payables for equipment, other current liabilities, long-term loans due within one year and long-term loans and other financial liabilities at amortized cost.

(IV) Financial risk management objectives and policies

The Consolidated Company's major financial instruments include equity, accounts receivable, accounts payable, corporate bonds payable and loans. The Consolidated Company's financial management department provides services to each business unit, coordinates access to financial markets, and monitors and manages the financial risks associated with the Consolidated Company's operations through internal risk reporting that analyzes the exposure based on the level and breadth of risk. Such risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Consolidated Company mitigates the impact of these risks by hedging the exposure through derivative financial instruments. The use of derivative financial instruments is governed by the policies approved by the Consolidated Company's Board of Directors, which are the written principles for exchange rate risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of surplus liquidity. Internal auditors review compliance with the policies and the exposure limits on an ongoing basis. The Consolidated Company does not trade in financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The main financial risks to which the Consolidated Company is exposed as a result of its operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below).

The Consolidated Company engages in derivative financial instruments (including forward exchange contracts) to manage its exposure to risk of foreign currency exchange rate.

(1) Exchange rate risk

A portion of the Consolidated Company's cash inflows and outflows are denominated in foreign currencies, and therefore have a natural hedging effect. The Consolidated Company's management of exchange rate risk is for hedging purposes and not for profit-making purposes.

The carrying amounts of the Consolidated Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been eliminated in the Consolidated Financial Statements) are described in Note 34.

Sensitivity analysis

The Consolidated Company is mainly affected by fluctuations in USD and RMB.

The following table details the Consolidated Company's sensitivity analysis when the functional currency appreciates and depreciates by 5% against each of the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translations at year end by a 5% change in exchange rates. The sensitivity analysis covers cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables and short-term loans. The following table represents the increase or decrease in net profit before tax if NTD appreciates by 5% against each of the relevant currencies.

| | Effect of USD | | Effect of RMB | |
|----------------|---------------|--------------|---------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Profit or loss | (\$ 3,768) | (\$ 6,451) | (\$ 12,915) | (\$ 9,179) |

(2) Interest rate risk

Interest rate risk arises because the Consolidated Company holds both fixed and floating rate assets and liabilities.

The carrying accounts of financial assets and liabilities exposed to interest rate risk at the date of balance sheet are as follows:

| | December 31, 2023 | December 31, 2022 |
|------------------------------------|-------------------|-------------------|
| With fair value interest rate risk | | |
| - Financial assets | \$ 169,655 | \$ 154,543 |
| - Financial liabilities | 788,521 | 672,433 |
| With cash flow interest rate risk | | |
| - Financial assets | 228,718 | 316,041 |
| - Financial liabilities | 957,409 | 1,018,504 |

Sensitivity analysis

The following sensitivity analysis is determined in accordance with interest rate risk of non-derivative instruments at the date of balance sheet. For the floating rate assets and liabilities, the analysis is to assume that the amount of assets and liabilities outstanding at the date of balance sheet is all outstanding for the entire year.

If the annual interest rate had increased/decreased by 0.1%, with all other variables holding constant, the Consolidated Company's net profit before tax would have decreased/increased by \$729 thousand and \$702 thousand for 2023 and 2022, respectively, mainly due to the interest rate exposure on the Consolidated Company's variable-rate net liabilities and loans.

2. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Company. As of the balance sheet date, the Consolidated Company's maximum exposure to credit risk that may result in financial losses due to non-performance of counterparties' obligations mainly arises from the carrying amount of financial assets recognized in the consolidated balance sheets.

As of December 31, 2023 and 2022, the percentages of receivables from the top ten customers to the Consolidated Company's receivables were 78% and 84%, respectively.

3. Liquidity risk

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

Bank loans are a material source of liquidity to the Consolidated Company. As of December 31, 2023 and 2022, the Consolidated Company had undrawn financing lines as described in (2) Description of Financing Facilities below.

(1) Liquidity and interest rate risk table

The following table details the analysis of the remaining contract maturities of the Consolidated Company's non-derivative financial liabilities with agreed repayment periods, which are based on the earliest possible date on which the Consolidated Company could be required to make repayments, and is prepared using the undiscounted cash flows of financial liabilities, including cash flows of interests and principals.

The Consolidated Company's bank loans that are repayable on demand immediately are listed in the table below with the earliest possible date, regardless of the probability that banks will immediately enforce the rights; the maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment dates.

December 31, 2023

| | Repayable on demand or less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years |
|---|--|------------------|-----------------------|------------------|----------------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest-bearing liabilities | \$56,173 | \$68,810 | \$ 16,921 | \$ 19 | \$ - |
| Lease liabilities | 2,126 | 4,252 | 18,987 | 100,933 | 67,469 |
| Floating interest rate instruments | 13,068 | 130,072 | 208,629 | 636,121 | - |
| Fixed interest rate instruments | - | 30,165 | 600,000 | - | - |
| | <u>\$ 71,367</u> | <u>\$233,299</u> | <u>\$844,537</u> | <u>\$737,073</u> | <u>\$ 67,469</u> |

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

| | Less than 1 year | 1 to 5 years | 5 to 10 years | 10 to 15 years |
|---------------------------------------|--------------------|-------------------|------------------|----------------|
| Lease liabilities | \$ 25,365 | \$ 100,933 | \$ 67,469 | \$ - |
| Floating interest rate instruments | 351,769 | 636,121 | - | - |
| Fixed interest rate instruments | 630,165 | - | - | - |
| | <u>\$1,007,299</u> | <u>\$ 737,054</u> | <u>\$ 67,469</u> | <u>\$ -</u> |

December 31, 2022

| | Repayable on demand or less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years |
|---|--|------------------|-----------------------|--------------------|----------------------|
| <u>Non-derivative financial liabilities</u> | | | | | |
| Non-interest-bearing liabilities | \$55,996 | \$75,975 | \$21,498 | \$ 19 | \$ - |
| Lease liabilities | 2,117 | 4,233 | 19,000 | 100,114 | 92,396 |
| Floating interest rate instruments | 8,735 | 95,989 | 206,962 | 715,031 | 23,163 |
| Fixed interest rate instruments | 90,148 | 10,058 | - | 600,000 | - |
| | <u>\$156,996</u> | <u>\$186,255</u> | <u>\$247,460</u> | <u>\$1,415,164</u> | <u>\$115,559</u> |

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

| | Less than 1 year | 1 to 5 years | 5 to 10 years | 10 to 15 years |
|---------------------------------------|-------------------|--------------------|-------------------|----------------|
| Lease liabilities | \$ 25,350 | \$ 100,114 | \$ 92,396 | \$ - |
| Floating interest rate instruments | 311,686 | 715,031 | 23,163 | - |
| Fixed interest rate instruments | 100,206 | 600,000 | - | - |
| | <u>\$ 437,242</u> | <u>\$1,415,145</u> | <u>\$ 115,559</u> | <u>\$ -</u> |

(2) Financing lines

| | December 31, 2023 | December 31, 2022 |
|---|---------------------|---------------------|
| The unsecured bank loan lines may be extended by mutual consent | | |
| - Amount drawn | \$ 511,753 | \$ 738,009 |
| - Amount undrawn | <u>1,193,525</u> | <u>1,291,041</u> |
| | <u>\$ 1,705,278</u> | <u>\$ 2,029,050</u> |
| The secured bank loan lines may be extended by mutual consent | | |
| - Amount drawn | \$ 475,657 | \$ 382,005 |
| - Amount undrawn | <u>589,999</u> | <u>168,000</u> |
| | <u>\$ 1,065,656</u> | <u>\$ 550,005</u> |

XXXII. Related party transactions

Transactions, balances, income and expenses between the Company and subsidiaries (related parties of the Company) may be all eliminated in consolidation, which are thus not disclosed in the note. Transactions between the Consolidated Company and other related parties as follows:

(I) Related party name and relationship

| Related party name | Relationship with the Consolidated Company |
|-----------------------------|--|
| POMIRAN TECHNOLOGY, LIMITED | De facto related party |

(II) Operating revenue

| Type of related party | 2023 | 2022 |
|------------------------|---------------|-----------------|
| De facto related party | <u>\$ 965</u> | <u>\$ 2,317</u> |

(III) Purchases

| Type of related party | 2023 | 2022 |
|------------------------|-----------------|-----------------|
| De facto related party | <u>\$ 2,760</u> | <u>\$ 6,083</u> |

(IV) Lease income (operating lease)

| Type of related party | 2023 | 2022 |
|------------------------|--------------|--------------|
| De facto related party | <u>\$ 23</u> | <u>\$ 23</u> |

(V) Other receivables - related parties (posted as other current assets)

| Type of related party | December 31, 2023 | December 31, 2022 |
|------------------------|-------------------|-------------------|
| De facto related party | <u>\$ 2</u> | <u>\$ 2</u> |

(VI) Accounts payable - related parties

| Account on the financial statements | Type of related party | December 31, 2023 | December 31, 2022 |
|-------------------------------------|------------------------|-------------------|-------------------|
| Accounts payable | De facto related party | <u>\$ 334</u> | <u>\$ -</u> |

(VII) Temporary receipts (posted as other current liabilities)

| Type of related party | December 31, 2023 | December 31, 2022 |
|------------------------|-------------------|-------------------|
| De facto related party | <u>\$ 1,427</u> | <u>\$ 1,898</u> |

The purchase and sale transactions between the Consolidated Company and its related parties are based on mutually agreed prices and terms, and there are no other counterparties for comparison.

Rentals under lease contracts between the Consolidated Company and its related parties are determined and collected in accordance with contractual provisions.

(VIII) Part of the long-term and short-term loans and letters of credit issued by the Company were jointly guaranteed by key management, and the remaining amount was \$573 thousand and \$11,085 thousand as of December 31, 2023 and 2022, respectively.

(IX) Remuneration of key management

| | 2023 | 2022 |
|------------------------------|------------------|------------------|
| Short-term employee benefits | \$ 16,349 | \$ 22,454 |
| Post-employment benefits | 454 | 439 |
| Share-based payment | <u>-</u> | <u>-</u> |
| | <u>\$ 16,803</u> | <u>\$ 22,893</u> |

The remuneration of directors and other key management is determined by the Remuneration Committee based on the value of the individual's participation in and contribution to the operations of the Consolidated Company and with reference to the usual industry standards.

XXXIII. Pledged assets

The following assets of the Consolidated Company were pledged as collaterals for bank loans, post release duty payment to customs, and security deposits for the land leased from the Science Park Administration and for issuing letters of credit.

| | December 31, 2023 | December 31, 2022 |
|--|---------------------|---------------------|
| Property, plant and equipment | \$ 1,522,794 | \$ 1,560,327 |
| Pledged time deposits (posted as financial assets at amortized cost) | <u>16,923</u> | <u>16,923</u> |
| | <u>\$ 1,539,717</u> | <u>\$ 1,577,250</u> |

XXXIV. Significant Contingent Liabilities and Unrecognized Commitments

(I) On October 7, 2020, DuPont de Nemours, Inc. (DuPont) filed a patent infringement lawsuit against the Company and its person in charge in the Intellectual Property Court, claiming that the Company infringed its R.O.C. patent No. I519576, "Polymethyleneimine Film for Matting Surface Treatment and Method of Relating to Such Film", and requesting payment of NT\$6,650 thousand, plus interest at 5% per annum from the date of service of the statement of claim to the date of settlement. On November 30, 2021, the Intellectual Property Court rendered a judgment of first instance, ruling that "the plaintiff's suit and the claim for provisional execution are dismissed, and the plaintiff shall bear the costs of the litigation. After receiving the judgment of defeat in the first instance, DuPont appealed against the judgment and on July 29, 2022, the Intellectual Property Court entered the second instance judgment dismissing DuPont's appeal. However, DuPont still refused to accept the judgment of the second instance and filed an appeal on August 31, 2022, which is currently being heard by the Supreme Court.

- (II) The amounts of unused letters of credit issued by the Consolidated Company as of December 31, 2023 and 2022, respectively, were shown below:

| Unit: In thousands of each foreign currency | | |
|---|-------------------|-------------------|
| | December 31, 2023 | December 31, 2022 |
| USD | \$ 111 | \$ 2 |
| RMB | \$ 4,070 | \$ - |

XXXV. Information on Foreign-currency-denominated Assets And Liabilities with significant effect

The following information is summarized according to the foreign currencies other than the functional currency of the Consolidated Company. The exchange rates disclosed are used to translate the foreign currencies into the functional currency. Assets and liabilities denominated in foreign currencies with significant effect were as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---|-------------------|---------------|-------------------|---------------|
| | Foreign currency | Exchange rate | Foreign currency | Exchange rate |
| <u>Foreign currency assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | \$ 2,706 | 30.705 | \$ 4,343 | 30.71 |
| RMB | 65,598 | 4.327 | 41,648 | 4.408 |
| JPY | 606 | 0.2172 | 29,217 | 0.2324 |
| <u>Foreign currency liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD | 252 | 30.705 | 142 | 30.71 |
| RMB | 5,901 | 4.327 | - | 4.408 |
| JPY | 1,250 | 0.2172 | 30,080 | 0.2324 |

Gain and loss (realized and unrealized) on translation of foreign currencies with significant effect were as follows:

| Foreign currency | 2023 | | 2022 | |
|------------------|------------------|---------------------------|------------------|---------------------------|
| | Exchange rate | Net exchange gain or loss | Exchange rate | Net exchange gain or loss |
| USD | 30.705(USD: NTD) | \$ 3,256 | 30.71(USD: NTD) | \$ 5,835 |
| JPY | 0.2172(JPY: NTD) | (21) | 0.2324(JPY: NTD) | 896 |
| RMB | 4.327(RMB: NTD) | (54) | 4.408(RMB: NTD) | 6,435 |
| EUR | 33.98(EUR : NTD) | 83 | 32.72(EUR : NTD) | 66 |
| SGD | 23.29(SGD: NTD) | - | 22.88(SGD: NTD) | 36 |
| | | <u>\$ 3,264</u> | | <u>\$13,268</u> |

XXXVI. Other Disclosures

- (I) Significant transactions: There are no other disclosures than those listed below:
 - 1. Endorsements and guarantees for others: Table 1.
 - 2. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates and joint ventures under control): Table 2 .
 - 3. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
 - 4. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
 - 5. The business relationship between the parent and the subsidiaries and significant transactions between them: Table 8.
- (II) Information on Investees: Table 5.
- (III) Information on Investment in Mainland China:
 - 1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment gain or loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 6.
 - 2. Significant direct or indirect transactions through a third area with the investee in the Mainland Area, and its prices and terms of payment, unrealized gain or loss are as follows: Table 7.
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (3) The amount of property transactions and the amount of the resultant gains or losses.
 - (4) The balance of negotiable instrument endorsements and guarantees or pledges of collateral at the end of the period and the purposes.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financial accommodation.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (IV) Information on major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity (Table 9).

XXXVII. Segment information

(I) Segment revenue, operating results and segment assets

The operating decision makers of the Consolidated Company allocate resources and evaluate segment performance with emphasis on the overall consolidated financial information. While individual companies have similar economic characteristics and use similar manufacturing processes to produce similar products and sell them by the same sales methods. Therefore, the Consolidated Company is reported as a single operating segment. The segment information provided by the Consolidated Company to the operating decision makers is measured on the same basis as the financial statements, and the operating segment profit or loss, assets and liabilities are measured on the same basis as the consolidated financial statements. Therefore, the reportable segment revenue and operating results for 2023 and 2022 can be referred to the consolidated statements of comprehensive income for 2023 and 2022. The reportable segment assets as of December 31, 2023 and 2022 can be referred to the consolidated balance sheets as of December 31, 2023 and 2022.

(II) Revenue from major products and services:

An analysis of the Consolidated Company's revenue from major products and services as follows:

| | 2023 | 2022 |
|-----------------|---------------------|---------------------|
| Polyimide films | \$ 1,549,174 | \$ 1,887,769 |
| Others | <u>43,847</u> | <u>1,591</u> |
| | <u>\$ 1,593,021</u> | <u>\$ 1,889,360</u> |

(III) Information by regions

Information on the Consolidated Company's operating revenue from external customers by country of customer and non-current assets by location of assets is presented below:

| | Revenue from external customers | | Non-current assets | |
|--|---------------------------------|---------------------|----------------------|----------------------|
| | 2023 | 2022 | December 31, 2023 | December 31, 2022 |
| Taiwan (where the Company is located) | \$ 657,721 | \$ 831,705 | \$ 3,489,302 | \$ 3,724,434 |
| Mainland China | 579,189 | 715,951 | 933 | 1,500 |
| South Korea | 267,965 | 262,702 | - | - |
| U.S.A. | 69,009 | 46,316 | - | - |
| Japan | 12,000 | 23,897 | - | - |
| Others | <u>7,137</u> | <u>8,789</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,593,021</u> | <u>\$ 1,889,360</u> | <u>\$ 3,490,235</u> | <u>\$ 3,725,934</u> |

Non-current assets do not include financial instruments, refundable deposits, and defined benefit assets.

(IV) Information on major customers

Revenue from a single customer which exceeds ten percent of total revenue of the Consolidated Company is as follows:

| | 2023 | 2022 |
|-------------------|-------------------|-------------------|
| Customer A (Note) | \$ 347,550 | \$ 419,230 |
| Customer E (Note) | <u>269,943</u> | <u>264,196</u> |
| | <u>\$ 617,493</u> | <u>\$ 683,426</u> |

Note: This is revenue from merchandise sales.

TAIMIDE TECH. INC. and Subsidiaries
 Endorsements and guarantees for others
 From January 1 to December 31, 2023

Table 1

Unit: Thousands of NTD, unless otherwise specified.

| No. | The company providing endorsement and guarantee | The party receiving endorsement and guarantee | | Limit of endorsement and guarantee to a single enterprise (Note 2) | Maximum balance of endorsement and guarantee for the period | Balance of endorsement and guarantee at the end of the period | Actual amount drawn | Amount of endorsement and guarantee collateralized by properties | Ratio of accumulated guarantees to net worth of the most recent financial statements (%) | Maximum limit of endorsement and guarantee (Note 2) | Endorsement and guarantee by parent company for subsidiary | Endorsement and guarantee by subsidiary for parent company | Endorsement and guarantee for party in Mainland China | Remark |
|-----|---|---|--------------|--|---|---|---------------------|--|--|---|--|--|---|--------|
| | | Company name | Relationship | | | | | | | | | | | |
| 0 | The Company | POMIRAN METALIZATION RESEARCH CO., LTD. | Note 1 | \$ 1,122,300 | \$ 430,000 | \$ 300,000 | \$ 270,000 | \$ - | 11 | \$ 2,244,601 | Yes | — | — | — |

Note 1: Subsidiaries directly held

Note 2: The limit of the Company's endorsement and guarantee obligations for a single enterprise and subsidiary and the total amount of external endorsement and guarantee are limited to 40% and 80% of the Company's net worth, respectively.

TAIMIDE TECH. INC. and Subsidiaries
Marketable securities held at the end of the period
December 31, 2023

Table 2Unit: Thousands of NTD, unless otherwise specified

| Company held | Type of marketable securities | Name of marketable securities | Relationship with the issuers of the marketable securities | Account on the financial statements | The end of the period | | | | Remark |
|--------------|-------------------------------|-------------------------------|--|---|--|-----------------|-----------------------------|------------|--------|
| | | | | | Number of units / board lots Number of shares | Carrying amount | Shareholding percentage (%) | Fair value | |
| The Company | Stock | POMIRAN TECHNOLOGY, LIMITED | — | Financial assets at fair value through other comprehensive income-non-current | 110,000 | \$ 467 | 10 | \$ 467 | Note 1 |

Note 1: Presented at book value.

Note 2: As of December 31, 2023, there were no guarantees, collateral loans or other contractually restriction on the use of the marketable securities listed above.

TAIMIDE TECH. INC. and Subsidiaries
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital
From January 1 to December 31, 2023

Table 3

Unit In Thousands of NTD, unless stated otherwise

| Purchase (sales) company | Name of counterparty | Relationship | Transaction details | | | | Circumstances and reasons why the terms of the transaction differ from those of general transactions | | Notes and accounts receivable (payable) | | Remark |
|-----------------------------|-------------------------------|-------------------------------|---------------------|------------|---|--|--|---------------|--|--|--------|
| | | | Purchase (sales) | Amount | As a percentage of total purchases (sales) | Credit period | Unit price | Credit period | Balance | As a percentage of total notes and accounts receivable (payable) | |
| The Company | KUNSHAN TAIMIDE TECH. INC. | Subsidiary indirectly held | Sales | \$ 194,926 | 13% | In accordance with the mutually agreed terms | \$ - | — | \$ 158,444 | 38% | — |

TAIMIDE TECH. INC. and Subsidiaries
Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital
December 31, 2023

Table 4

Unit In Thousands of NTD, unless stated otherwise

| The company recorded the transaction as accounts receivable | Name of counterparty | Relationship | Balance of receivables from related parties (Note 1) | Turnover rate | Past due receivables from related parties | | Amount of receivables from related parties collected in the subsequent period | Provision of allowance for loss |
|---|----------------------------|----------------------------|--|---------------|---|-----------------|---|---------------------------------|
| | | | | | Amount | Handling method | | |
| The Company | KUNSHAN TAIMIDE TECH. INC. | Subsidiary indirectly held | \$ 158,444 | 2.05 | \$ - | — | \$ 15,054 | \$ - |

Note 1: The related transactions between the investees were eliminated in full in the preparation of the consolidated financial statements.

TAIMIDE TECH. INC. and Subsidiaries
Information on investees, locations... and other related information
From January 1 to December 31, 2023

Table 5

Unit In Thousands of NTD, unless stated otherwise

| Investor name | Investee name | Location | Main business | Initial investment amount | | Holding at the end of the period | | | (Loss) Profit of investee for the period | Investment (loss) gain recognized in the period | Remark |
|----------------------------|---|----------------|---|-----------------------------|-----------------------------|----------------------------------|---------|-----------------|--|---|------------------|
| | | | | The end of the period | The end of last year | Number of shares | Ratio % | Carrying amount | | | |
| The Company | POMIRAN METALIZATION RESEARCH CO., LTD. | Taiwan | Manufacturing of electronic components, wholesale and surface treatment of electronic materials | \$ 610,567 | \$ 610,567 | 27,479,905 | 85 | \$ 61,813 | (\$ 96,722) | (\$ 83,214) | Notes 2 and 3 |
| | TAIMIDE INTERNATIONAL INC. | Samoa | Investee business | 6,141 (USD 200 thousand) | 6,141 (USD 200 thousand) | 200,000 | 100 | 45,179 | 2,729 | (11,252) | Notes 1, 2 and 3 |
| TAIMIDE INTERNATIONAL INC. | KUNSHAN TAIMIDE TECH. INC. | Mainland China | Wholesale of electronic equipment, parts and components, chemical products and chemical materials | 6,141 (USD 200 thousand) | 6,141 (USD 200 thousand) | - | 100 | 45,146 | 2,729 | (11,251) | Notes 1, 2 and 3 |

Note 1: The foreign currency portion is converted at the US dollar exchange rate as of December 31, 2023.

Note 2: The calculation was made based on the investee's financial statements for the same period audited by CPAs.

Note 3: Including the elimination of unrealized profit or loss on intercompany transactions.

TAIMIDE TECH. INC. and Subsidiaries
Information on Investment in Mainland China
From January 1 to December 31, 2023

Table 6

Unit In Thousands of NTD, unless stated otherwise

| Name of Investee in Mainland China | Main business | Paid-in capital | Investment method | Accumulated investment amount remitted from Taiwan at the beginning of the year | Investment amount remitted or repatriated during the period | | Accumulated investment amount remitted from Taiwan at the end of the year | Profit for the period of investee | Shareholding percentage of the Company's direct or indirect investment | Investment gain (loss) recognized in the period (Note 2) | Carrying amount of investment at the end of the period | Investment income repatriated as of the end of the period |
|------------------------------------|---|--------------------------------|-------------------|---|---|--------------|---|-----------------------------------|--|--|--|---|
| | | | | | Outward remittance | Repatriation | | | | | | |
| KUNSHAN TAIMIDE TECH. INC. | Wholesale of electronic equipment, parts and components, chemical products and chemical materials | \$ 6,141 (USD 200 thousand) | Note 1 | \$ 6,141 (USD 200 thousand) | \$ - | \$ - | \$ 6,141 (USD 200 thousand) | \$ 2,729 | 100% | (\$ 11,251) | \$ 45,146 | \$ - |

| | | |
|---|---|--|
| Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period | Investment amount approved by Investment Commission, MOEA | 60% of the net investment limit in Mainland China as stipulated by the Investment Commission, MOEA |
| \$6,141 (USD 200 thousand) | \$6,141 (USD 200 thousand) | \$1,683,451 |

- Note 1: The Company invested in TAIMIDE INTERNATIONAL INC. and then invested in Mainland China through this company. The investment was approved by the Investment Commission, MOEA and the approved investment amount was USD 200 thousand.
- Note 2: The calculation was made based on the investee's financial statements for the same period audited by CPAs.
- Note 3 Translation was made based on the USD exchange rate as of December 31, 2023 where foreign currencies were involved.

TAIMIDE TECH. INC. and Subsidiaries

Significant direct or indirect transactions through a third region with the investee in the Mainland China, and its prices and terms of payment, unrealized gain or loss and other related information.

From January 1 to December 31, 2023

Table 7

Unit In Thousands of NTD, unless stated otherwise

| Name of the trading party | Counterparty | Relationship between the Company and the counterparty | Type of transaction | Sales | | Price | Trading terms | | Notes and accounts receivable (payable) | | Unrealized profit | Remark |
|---------------------------|----------------------------|---|---------------------|------------|------------|--|--|--------------------------------------|---|------------|-------------------|--------|
| | | | | Amount | Percentage | | Payment terms | Comparison with general transactions | Amount | Percentage | | |
| The Company | KUNSHAN TAIMIDE TECH. INC. | Subsidiary indirectly held | Sales | \$ 194,926 | 13% | In accordance with the mutually agreed price | In accordance with the mutually agreed terms | No other comparable counterparty | \$ 158,444 | 38% | \$ 12,769 | — |

TAIMIDE TECH. INC. and Subsidiaries

The business relationship and significant transactions between the parent and the subsidiaries

From January 1 to December 31, 2023

Table 8

Unit: In thousands of NTD

| No. | Name of the trading party | Counterparty | Relationship with the trading party (Note 1) | Transaction details | | | |
|-----|---------------------------|---|--|-------------------------------------|----------|------------------------|---|
| | | | | Account on the financial statements | Amount | Trading terms (Note 2) | As a percentage of consolidated total revenue or total assets |
| 0 | The Company | POMIRAN METALIZATION RESEARCH CO., LTD. | 1 | Sales revenue | \$ 2,410 | — | - |
| | | | | Accounts receivable | 618 | — | - |
| | | | | Other payables | 74 | — | - |
| | | KUNSHAN TAIMIDE TECH. INC. | 2 | Sales revenue | 194,926 | — | 12% |
| | | | | Accounts receivable | 158,444 | — | 3% |
| | | | | Other receivables | 8 | — | - |

Note 1: 1. Representing parent company's transactions to subsidiary.

2. Representing parent company's transactions to sub-subsidiary.

Note 2: The transactions between the Company and its subsidiaries are based on the prices and terms agreed by both parties, and there is no other comparable counterparties.

TAIMIDE TECH. INC.
Information on Major Shareholders
December 31, 2023

Table 9

| Name of major shareholder | Shares | |
|---------------------------|-----------------------|-------------------------|
| | Number of shares held | Shareholding percentage |
| Sheng-Chang Wu | 7,059,232 | 5.33% |

Note: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for shareholders holding greater than five percent of the shares completed the process of registration and book-entry delivery in dematerialized form, including treasury stocks, at the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.