

I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
2023 and 2022
(Stock Code: 2486)

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I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditor's Audit Report
(2024) Cai-Shen-Bao No. 23004620

To the Board of Directors and Shareholders of I-CHIUN PRECISION INDUSTRY CO., LTD.

Audit Opinion

We have reviewed the accompanying parent company only balance sheets of I-CHIUN PRECISION INDUSTRY CO., LTD. (the "Company") for the years ended December 31, 2023 and 2022 and the relevant parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies "(collectively referred to as the parent company only financial statements)."

In our opinion, the accompanying parent company only financial statements, based on our audit results and other accountants' audit reports (see the "other matters" paragraph) present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

The certified public accountant (CPA) engaged to audit and attest financial statements shall do so in accordance with the Standards on Auditing (TWSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audit results and other accountants' audit reports, 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 the Company's audit of the parent company only financial statements of 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for 2023 is stated as follows:

Assessment of allowance for inventory valuation losses

Description

For accounting policies for inventories, please refer to Note 4(11) of the parent company only financial statements; for the uncertainty of accounting estimates and assumptions in evaluation of inventories, please refer to Note 5(2) of the parent company only financial statements; for the description of allowance for inventory valuation losses, please refer to Note 6(5) of the parent company only financial statements. The Company's inventories and allowance for inventory valuation losses on December 31, 2023 were NTD 851,556 thousand and NTD 125,069 thousand, respectively.

The Company's evaluation of inventories is based on the cost or net realizable value, whichever is lower. Considering the rapid changes in the technological environment, its measurement is based on the judgment and estimation that there is a higher risk in inventories due to obsolete products or no market value. The Company's inventories are measured at cost or net realizable value, whichever is lower; for inventories exceeding a certain period of age and individually identified obsolete and outdated inventories, the net realizable value is calculated based on historical

information on the selling rate of inventories and the extent of discount.

Because the Company's inventories and its allowance for inventory valuation losses has a significant impact on the financial statements, and the net realizable value adopted in the evaluation of outdated and obsolete inventories often involves subjective judgments of whether there is still market sales value in the future, there is a high degree of estimation uncertainty. Therefore, we have listed the assessment of allowance for inventory valuation losses as a key audit matter.

Corresponding audit procedures

Our audit procedures performed in respect of the key audit matter above included the following:

1. Assess the reasonableness of the policies and procedures used in the allowance for inventory valuation losses based on our understanding of the Company and the nature of the industry, including the inventory classification used to determine the net realizable value and the judgment of obsolete inventory items.
2. Understand the Company's inventory management process, review its annual inventory plan, and participate in the annual inventory taking to evaluate the effectiveness of distinguishing and controlling obsolete and outdated inventories by the management.
3. The methods for verifying the accounting estimates are appropriate and adopted consistently, including the Company's procedures, methods, and assumptions regarding the identification of net realizable value, obsolete inventories, and outdated or damaged items, which are consistent with the previous period.
4. Randomly check the source information on selling prices used for the serial number of individual inventory items, compare the allowance for valuation losses in the previous period, and consider events taking place after the balance sheet, to assess the reasonableness of the allowance for valuation loss provided by the Company.

Other matters – reference to the audit or review of other accountants

Since the Company's investments accounted for under equity method are included in the parent company only financial statements, the financial statements were audited by another auditor. Therefore, for the auditor's opinion on the abovementioned parent company only financial statements, the financial statement amounts are based on the reports of other auditors. As of December 31, 2022, the investments accounted for under equity method was NTD 61,143 thousand, representing 1% of the total assets. The comprehensive loss recognized for the aforementioned investments in 2022 was (NTD 25,190 thousand), accounting for (17%) of the Company's total comprehensive income.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

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

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit of parent company only financial statements conducted in accordance with TWSA will always detect a material misstatement when it exists. Misstatements can arise from error or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence (including relevant protective measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Company's parent company only financial statements of 2023 and are therefore the key audit matters. We describe these matters in our auditor's 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.

PRICEWATERHOUSECOOPERS TAIWAN

JUAN LU, MAN-YU

Certified Public Accountant

FENG, MIN-CHUAN

Former Financial Supervisory Commission, Executive Yuan
Approval Document No.: Jin-Guan-Zheng-Shen No.
0990058257

Securities and Futures Bureau, Former Financial
Supervisory Commission, Executive Yuan
Approval Document No.: Jin-Guan-Zheng-Six No.
0960038033

March 5, 2024

I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2023 and 2022

Unit: NTD thousand

Asset	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 557,972	8	\$ 519,503	8
1110	Financial assets at fair value through profit and loss – current	6(2)	137,225	2	124,680	2
1136	Financial assets at amortized cost – current	6(3) and 8	28,000	-	-	-
1170	Accounts receivable, net	6(4) and 12(2)	960,792	15	881,579	13
1180	Accounts receivable – related parties, net	6(4), 7 and 12(2)	17,519	-	75,188	1
1200	Other receivables		88,689	1	32,837	1
1210	Other receivables – related parties	7	44,346	1	44,563	1
1220	Current income tax assets		-	-	52	-
130X	Inventories	6(5)	726,487	11	851,081	13
1479	Other current assets – others		33,849	1	24,310	-
11XX	Total current assets		<u>2,594,879</u>	<u>39</u>	<u>2,553,793</u>	<u>39</u>
Non-current assets						
1510	Financial assets at fair value through profit and loss – non-current	6(2)	20,000	-	-	-
1535	Financial assets at amortized cost – non-current	6(3) and 8	-	-	28,000	-
1550	Investments accounted for under equity method	6(6)	2,747,591	42	2,651,628	40
1600	Property, plant and equipment	6(7) and 8	834,707	13	884,031	13
1755	Right-of-use assets	6(8)	293,579	5	320,683	5
1780	Intangible assets		22,147	-	16,790	-
1840	Deferred income tax assets	6(22)	78,620	1	67,549	1
1900	Other non-current assets	6(24)	20,459	-	99,340	2
15XX	Total non-current assets		<u>4,017,103</u>	<u>61</u>	<u>4,068,021</u>	<u>61</u>
1XXX	Total assets		<u>\$ 6,611,982</u>	<u>100</u>	<u>\$ 6,621,814</u>	<u>100</u>

(Continued)

I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2023 and 2022

Unit: NTD thousand

Liabilities and shareholders' equity	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Liability						
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 240,000	4	\$ 260,000	4
2130	Contract liabilities – current	6(17)	-	-	13,029	-
2170	Accounts payable	7	304,055	5	219,482	3
2200	Other payables	6(10)	183,606	3	150,047	2
2230	Current income tax liabilities		10,140	-	7,399	-
2280	Lease liabilities – current		43,205	1	37,322	1
2320	Long-term borrowings (including due within one year or one operating cycle)	6(11) and 8	960,000	14	240,000	4
2399	Other current liabilities – others		3,632	-	5,021	-
21XX	Total current liabilities		<u>1,744,638</u>	<u>27</u>	<u>932,300</u>	<u>14</u>
Non-current liabilities						
2540	Long-term borrowings	6(11) and 8	-	-	960,000	14
2570	Deferred income tax liabilities	6(7)(22)	321,416	5	299,658	5
2580	Lease liabilities – non-current		271,880	4	301,780	5
2600	Other non-current liabilities	6(12)	82,959	1	84,997	1
25XX	Total non-current liabilities		<u>676,255</u>	<u>10</u>	<u>1,646,435</u>	<u>25</u>
2XXX	Total liabilities		<u>2,420,893</u>	<u>37</u>	<u>2,578,735</u>	<u>39</u>
Equity						
Share capital						
3110	Share capital – common stock	6(14)	2,219,586	34	2,219,586	34
Capital surplus						
3200	Capital surplus	6(15)	1,864,432	28	1,814,424	27
Retained earnings						
3310	Legal reserve	6(16)	32,697	-	22,267	-
3320	Special reserve		122,718	2	115,330	2
3350	Undistributed earnings		203,870	3	111,683	2
Other equity						
3400	Other equity		(212,676)	(3)	(179,509)	(3)
3500	Treasury stock	6(14)	(39,538)	(1)	(60,702)	(1)
3XXX	Total equity		<u>4,191,089</u>	<u>63</u>	<u>4,043,079</u>	<u>61</u>
Significant Contingent Liabilities and Unrecognized Contract Commitments						
Significant Events after the Balance Sheet Date						
3X2X	Total liabilities and equity		<u>\$ 6,611,982</u>	<u>100</u>	<u>\$ 6,621,814</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements, and shall be read together.

Chairman: CHOU, WAN-SHUN

Manager: CHOU, WAN-SHUN

Accounting Officer: YANG, PAI-JUNG

I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand
(except for earnings per share which is in NTD)

	Items	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	6(17) and 7	\$ 2,598,476	100	\$ 2,725,404	100
5000	Operating costs	6(5)(21) and 7	(2,227,955)	(86)	(2,422,592)	(89)
5900	Gross profit		370,521	14	302,812	11
5910	Unrealized profit/loss from sales		(2,033)	-	4,181	-
5950	Net operating margin		368,488	14	306,993	11
	Operating expense	6(21) and 7				
6100	Selling expenses		(72,068)	(3)	(77,911)	(3)
6200	Administrative expenses		(191,915)	(7)	(114,289)	(4)
6300	Research and development expenses		(36,540)	(1)	(39,654)	(1)
6450	Expected credit impairment profit	12(2)	7,673	-	8,511	-
6000	Total operating expenses		(292,850)	(11)	(223,343)	(8)
6900	Operating profit		75,638	3	83,650	3
	Non-operating revenues and expenses					
7100	Interest revenue		11,219	1	1,378	-
7010	Other revenue	6(18)	3,171	-	6,915	-
7020	Other gains and losses	6(19)	61,309	2	127,196	5
7050	Finance costs	6(20)	(46,360)	(2)	(39,334)	(1)
7070	Share of profit or loss on associates and joint ventures accounted for under equity method	6(6)	128,824	5	(48,024)	(2)
7000	Total non-operating revenues and expenses		158,163	6	48,131	2
7900	Net profit before tax		233,801	9	131,781	5
7950	Income tax expense	6(22)	(32,914)	(1)	(28,493)	(1)
8200	Current net profit		\$ 200,887	8	\$ 103,288	4
	Other comprehensive income (net)					
	Items that will not be reclassified to profit or loss					
8311	Remeasurements of defined benefit plans	6(12)	(\$ 4,623)	-	\$ 3,500	-
8349	Income tax related to items that will not be reclassified to profit or loss	6(22)	924	-	(700)	-
8310	Total of items that will not be reclassified to profit or loss		(3,699)	-	2,800	-
	Items that may be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(41,459)	(2)	47,799	2
8399	Income tax relating to the items that may be reclassified to profit or loss	6(22)	8,292	-	(9,560)	(1)
8360	Sum of items that may be reclassified to profit or loss		(33,167)	(2)	38,239	1
8300	Other comprehensive income (net)		(\$ 36,866)	(2)	\$ 41,039	1
8500	Total comprehensive income for current period		\$ 164,021	6	\$ 144,327	5
	Earnings per share (EPS)	6(23)				
9750	Basic earnings per share		\$ 0.92		\$ 0.47	
9850	Diluted earnings per share		\$ 0.92		\$ 0.46	

The accompanying notes are an integral part of the parent company only financial statements, and shall be read together.

Chairman: CHOU, WAN-SHUN

Manager: CHOU, WAN-SHUN

Accounting Officer: YANG, PAI-JUNG

I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

	Notes	Share capital – common stock	Capital surplus	Retained earnings			Other equity	Treasury stock	Total equity
				Legal reserve	Special reserve	Retained earnings	Financial statements translation differences of foreign operations		
<u>2022</u>									
Balance at January 1, 2022		\$ 2,219,586	\$ 1,847,718	\$ -	\$ -	\$ 222,670	(\$ 217,748)	\$ -	\$ 4,072,226
Current net profit		-	-	-	-	103,288	-	-	103,288
Other comprehensive income for current period		-	-	-	-	2,800	38,239	-	41,039
Total comprehensive income for current period		-	-	-	-	106,088	38,239	-	144,327
Earnings appropriation and distribution for 2021:	6(16)								
Allocation for Legal reserve		-	-	22,267	-	(22,267)	-	-	-
Allocation for Special reserve		-	-	-	115,330	(115,330)	-	-	-
Cash dividend paid out		-	-	-	-	(77,686)	-	-	(77,686)
Cash dividend paid out from capital surplus	6(15)(16)	-	(33,294)	-	-	-	-	-	(33,294)
Changes in ownership interests in subsidiaries		-	-	-	-	(1,792)	-	-	(1,792)
Treasury shares repurchased	6(14)	-	-	-	-	-	-	(60,702)	(60,702)
Balance at December 31, 2022		\$ 2,219,586	\$ 1,814,424	\$ 22,267	\$ 115,330	\$ 111,683	(\$ 179,509)	(\$ 60,702)	\$ 4,043,079
<u>2023</u>									
Balance at January 1, 2023		\$ 2,219,586	\$ 1,814,424	\$ 22,267	\$ 115,330	\$ 111,683	(\$ 179,509)	(\$ 60,702)	\$ 4,043,079
Current net profit		-	-	-	-	200,887	-	-	200,887
Other comprehensive income for current period		-	-	-	-	(3,699)	(33,167)	-	(36,866)
Total comprehensive income for current period		-	-	-	-	197,188	(33,167)	-	164,021
Earnings appropriation and distribution for 2022:	6(16)								
Allocation for Legal reserve		-	-	10,430	-	(10,430)	-	-	-
Allocation for Special reserve		-	-	-	7,388	(7,388)	-	-	-
Cash dividend paid out		-	-	-	-	(87,183)	-	-	(87,183)
Treasury shares repurchased	6(14)	-	-	-	-	-	-	(29,326)	(29,326)
Cost of share-based payment	6(13)(15)	-	47,962	-	-	-	-	-	47,962
Treasury shares subscribed for by employees	6(14)(15)	-	(151)	-	-	-	-	50,490	50,339
Disposal of equity in a subsidiary (without losing control)	6(15)	-	2,197	-	-	-	-	-	2,197
Balance at December 31, 2023		\$ 2,219,586	\$ 1,864,432	\$ 32,697	\$ 122,718	\$ 203,870	(\$ 212,676)	(\$ 39,538)	\$ 4,191,089

The accompanying notes are an integral part of the parent company only financial statements, and shall be read together.

Chairman: CHOU, WAN-SHUN

Manager: CHOU, WAN-SHUN

Accounting Officer: YANG,
PAI-JUNG

I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

	Notes	January 1 to December 31, 2023	January 1 to December 31, 2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Current net profit before tax		\$ 233,801	\$ 131,781
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expenses	6(7)(8) (21)	193,018	190,101
Amortization expenses	6(21)	4,361	3,394
Gain on reversal of expected credit loss	12(2)	(7,673)	(8,511)
Net gains on financial assets at fair value through profit and loss	6(2)(19)	(50,042)	(9,871)
Interest expenses	6(20)	46,360	39,334
Interest revenue	6(18)	(11,219)	(1,378)
Dividend revenue	6(13)	-	(180)
Cost of share-based payment	6(6)	47,962	-
Share of profit or loss on subsidiaries using equity method	6(19)	(128,824)	48,024
Gains on disposal of property, plant and equipment	6(19)	(2,185)	(6,945)
Unrealized gains with associates		(2,003)	(6,357)
Unrealized loss (profit) from sales		2,033	(4,181)
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit and loss		(23,462)	(109,289)
Accounts receivable (including related parties)		(53,098)	294,987
Other receivables – (including related parties)		49,602	52,996
Inventories		177,254	133,679
Other current assets		(9,539)	34,307
Other non-current assets		1,623	(382)
Net changes in operating liabilities			
Contract liabilities – current		(13,029)	(15,775)
Accounts payable		84,573	(183,513)
Other payables		42,009	(102,435)
Other current liabilities		(1,543)	(140)
Other non-current liabilities		(6,660)	(2,033)
Cash inflow generated from operations		573,319	477,613
Interest received		11,219	1,378
Dividends received		-	180
Interest paid	6(24)	(46,364)	(38,927)
Income tax paid		(10,270)	-
Net cash inflow from operating activities		527,904	440,244

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I-CHIUN PRECISION INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

	Notes	January 1 to December 31, 2023		January 1 to December 31, 2022
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Acquisition of financial assets at fair value through profit and loss – non-current		(\$ 20,000)	\$	-
Increase in financial assets at amortized cost		-	(	4,000)
Price of purchase of property, plant and equipment	6(24)	(72,558)	(	213,044)
Proceeds from disposal of property, plant and equipment		2,736		20,617
Price of acquisition of intangible assets		(9,718)	(	6,014)
Acquisition of subsidiary	6(6)	(20,000)		-
Increase in other receivables – related parties		(5,000)		-
Proceeds from the disposal of equity in a subsidiary (without loss of control)		6,223		-
Cash dividend paid out by subsidiary		7,346		-
Increase/decrease in other non-current assets		(94)		6,025
Cash outflow from investing activities		(111,065)	(	196,416)
<u>CASH FLOWS FROM FINANCING</u>				
<u>ACTIVITIES</u>				
Increase in short-term borrowings	6(25)	-		130,000
Decrease in short-term borrowings	6(25)	(20,000)		-
Repayment of long-term borrowings	6(25)	(240,000)		-
Cash dividend paid out	6(16)	(87,183)	(	110,980)
Repurchased treasury shares	6(24)	(40,367)	(	49,661)
Repayment of lease principal	6(25)	(41,310)	(	36,965)
Treasury shares transferred to employees	6(14)	50,490		-
Net cash outflow from financing activities		(378,370)	(	67,606)
Net increase in cash and cash equivalents of the current period		38,469		176,222
Balance of cash and cash equivalents, beginning of period		519,503		343,281
Balance of cash and cash equivalents, end of period		\$ 557,972	\$	519,503

The accompanying notes are an integral part of the parent company only financial statements, and shall be read together.

Chairman: CHOU, WAN-SHUN

Manager: CHOU, WAN-SHUN

Accounting Officer: YANG, PAI-JUNG

I-CHIUN PRECISION INDUSTRY CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
2023 and 2022

Unit: NTD thousand
(except as otherwise indicated)

I. Company Profile

I-CHIUN PRECISION INDUSTRY CO., LTD. (hereinafter referred to as the “Company”) was incorporated in August 1977. The Company merged with Yi-Chiun Industrial Co., Ltd., I-Zhan Industrial Co., Ltd., and I-Che Technology Co., Ltd. in July, 1990, November 1993, September 2001, and September 2004, with the Company as the surviving company. The Company is mainly engaged in the manufacturing, processing, and trading of machinery and parts, electronic parts, parts for appliances, semiconductor LED lead frames, precision molds, etc., as well as relevant import and export trade.

The Company’s stock had been listed on the Taipei Exchange since March 21, 2000 for trading, and then has been listed and traded on the Taiwan Stock Exchange since September 19, 2001.

II. Date and Procedures for Approval of the Financial Report

The parent company only financial statements were authorized for issuance by the Board of Directors on March 5, 2024.

III. Application of Newly Issued and Amended Standards and Interpretations

- (I) Effect of adopting the newly issued or amended International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the FSC

New standards, interpretations and amendments in the IFRS Accounting Standards as endorsed and issued into effect by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IAS 1, “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform – Pillar 2 Template”	May 23, 2023

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

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

New standards, interpretations and amendments in the IFRS Accounting Standards as endorsed by the FSC effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	January 1, 2024

The standards and interpretations above have no significant impact on the Group’s financial position and financial performance based on the Company’s assessment

(III) Effects of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
	To be determined by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, “Sale of contribution of assets between an investor and its associate or joint venture”	
IFRS 17, “Insurance contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance Statement

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of preparation

1. Except for the following important items, the parent company only financial statements have been prepared at historical cost:
 - (1) Financial assets at fair value through profit and loss
 - (2) Defined benefit liabilities recognized at the net amount of pension fund assets less the present value of defined benefit obligations.
2. The preparation of the financial statements in conformity with IFRSs endorsed and issued into effect by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(III) Translation of foreign currency

Items included in the parent company only financial statements is measured and presented using the currency of the primary economic environment in which the Company operates (the "functional currency"), which is New Taiwan dollars.

1. Foreign currency transactions and balances
 - (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
 - (2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation at the balance sheet date are recognized in profit or loss.
 - (3) The balance of non-monetary assets and liabilities in foreign currencies that are not measured at fair value shall be measured at the historical exchange rate at the initial transaction date.
 - (4) All foreign exchange gains and losses are recognized in "other gains and losses" in the statement of comprehensive income.
2. Translation of foreign operations
 - (1) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the balance sheet date;
 - B. Income and expenses for each statement of comprehensive income are translated

at average exchange rates of that period; and

C. All resulting exchange differences are recognized in other comprehensive income.

- (2) When a foreign operation that is partially disposed of or sold is a subsidiary, the accumulated exchange differences recognized in other comprehensive income is reattributed to the foreign operation's non-controlling interests on a pro rata basis. However, if the Company still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such a transaction shall be accounted for as the disposal of all interests in the foreign operation.

(IV) Classification of current and non-current items of assets and liabilities

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Assets that are expected to be realized within twelve months from the balance sheet date;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The Company has classified all assets that do not meet the criteria above as non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be settled within twelve months from the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company has classified all liabilities that do not meet the criteria above as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VI) Financial assets at fair value through profit and loss

1. Financial assets that are not measured at amortized cost or at fair value through other

comprehensive income.

2. The Company's financial assets measured at fair value through profit and loss in accordance with trading conventions are accounted for on the trade date.
3. The Company's initial recognition is on a fair value basis, with relevant transaction costs recognized in profit or loss, and subsequently at fair value, and gains or losses thereof are recognized in profit or loss.
4. When the right to receive dividends is established, the future economic benefits related to dividends may flow to the Company, and when the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.

(VII) Financial assets at amortized cost

1. Those that meet all of the following criteria:
 - (1) The financial asset is held under a business model for the purpose of collecting contractual cash flows.
 - (2) The contract terms of the financial asset generate cash flow on a specific date, which is entirely to pay for the interest on the principal and the amount of principal outstanding.
2. The Company's financial assets measured at amortized cost in accordance with trading conventions are accounted for on the trade date.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs, and subsequently adopts the effective interest method to recognize said assets in interest revenue and in impairment loss during the outstanding period according to the amortization procedure. During derecognition, the gains or losses thereof are recognized in profit or loss.

(VIII) Accounts receivable

For the Company, the short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of financial assets

The Company, at each balance sheet date, considers all reasonable and corroborative information (including forward-looking one) based on the accounts receivable that contains significant financial components. For those with no significant increase in credit risk since initial recognition, the loss allowance is measured at 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the loss allowance is measured at the lifetime expected credit losses. For accounts receivable that does not contain significant financial components, the loss allowance is measured at the lifetime expected credit losses.

(X) Derecognition of financial assets

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

(XI) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. When cost and the net realizable value are compared to see which is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

(XII) Investments accounted for using equity method – subsidiaries

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or entitled, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. The Company's share of profit or loss on subsidiaries after acquisition is recognized in profit or loss, whereas its share of other comprehensive income on subsidiaries after acquisition is recognized in other comprehensive income. When the share of loss from a subsidiary exceeds the Company's interests in that subsidiary, the Company continues to recognize the loss in proportion to its ownership percentage.
3. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
4. Unrealized profit (loss) arising from the transactions between the Company and subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted as necessary and are consistent with the ones adopted by the Company.
5. Where a subsidiary issues new shares and the Company fails to subscribe for or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the subsidiary but still maintains significant influence on the subsidiary, the "capital surplus" or "retained earnings" and "investments accounted for using the equity method" shall be adjusted for the increase or decrease in the net value of the equity.

6. According to “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit and other comprehensive income in the parent company only financial statements shall be the same as profit and other comprehensive income attributable to owners of the parent in the consolidated financial statements, and the equity in the parent company only financial statements shall be the same as the equity attributable to owners of the parent in the consolidated financial statements.

(XIII) Property, plant and equipment

1. Property, plant and equipment are accounted for on the basis of acquisition cost.
2. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the components of property, plant and equipment are significant, they shall be separately depreciated.
4. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date of the Company. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 “Accounting Policies, Changes in Accounting Estimates, and Errors,” from the date of the change. The estimated useful lives of assets are as follows:

Buildings and structures	5–52 years
Machinery and equipment	1–20 years
Mold equipment	2 years
Other equipment	1–10 years

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

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

3. Right-of-use asset is recognized at cost at the commencement date of the lease; the cost includes the original measurement amount of the lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

4. For lease modifications with the scope of a lease reduced, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between said carrying amount and the remeasured amount of the lease liability is recognized in profit or loss.

(XV) Intangible assets

Intangible assets refer to computer software recognized at cost and amortized on a straight-line basis over its estimated useful life of 2 to 10 years.

(XVI) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XVII) Borrowings

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

(XVIII) Accounts payable

For the Company, the short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is

immaterial.

(XIX) 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 expense in that period when the employees render service.

2. Pension

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

(2) Defined benefit plans

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net obligation under the defined benefit plan is calculated annually by actuaries using the projected unit benefit method. The discount rate is based on the market yields on high-quality corporate bonds of which the currency and duration are consistent with those of the defined benefit plan, or the market yields on government bonds (at the balance sheet date) in countries where there is no deep market for such corporate bonds.

B. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are presented in retained earnings.

3. Employees' compensation and directors' remuneration

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

(XX) Employee share-based payments

In the share-based payment agreement for equity delivery, the employees' services obtained are measured at fair value of the equity given on the grant day, and it is recognized as a remuneration cost, and the equity is adjusted relatively during the vesting period. The fair value of the equity instruments granted shall reflect the effect of market

vesting conditions and non-market vesting conditions. Remuneration cost recognized is subject to adjustment based on the service conditions that are expected to be satisfied and the amount of rewards under non-market vesting conditions. The amount of remuneration cost ultimately recognized is based on the number of equity instruments that are eventually vested at the vesting date.

(XXI) Income Taxes

1. The income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the income tax is recognized in other comprehensive income or directly in equity.
2. The Company calculates current income tax at the rates enacted or substantively enacted at the balance sheet date in countries where the Company operates and taxable income are generated. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes income tax liabilities where appropriate based on the amounts expected to be paid to the tax authorities. A surtax is imposed on the undistributed earnings in accordance with the Income Tax Act. In the year following the year in which the earnings are generated, after the shareholders' meeting has passed the earnings distribution proposal, the income tax expense on the undistributed earnings will be recognized based on the earnings actually distributed.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rate that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset in the balance sheet when the entity has the legally enforceable right to offset current income tax assets

against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXII) Share capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are listed in equity as a deduction, net tax, from the proceeds.
2. Where the Company repurchases the Company's shares that has been issued, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's shareholders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental costs and the relevant income tax effects, is recognized as adjustment to equity attributable to the Company's shareholders.

(XXIII) Dividend distribution

Dividends distributed to the Company's shareholders by resolution of the shareholders' meeting will be recognized in the financial statements, with cash dividends recorded as liabilities.

(XXIV) Revenue recognition

Sales revenue is recognized when the control of products is transferred to the customer. When goods are shipped to a designated location, the risk of obsolescence and loss has been transferred to the customer, and the customer is required to accept the goods in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered. The amount of sales revenue recognized is limited to the part where it is highly likely that there will not be a major reversal in the future. Because the time interval between the transfer of the promised goods or services to the customer and the customer's payment did not exceed one year, the Company did not adjust the transaction price to reflect the time value of money.

Sales revenue is recognized as the net amount of contract prices less estimated sales discounts. The sales discount granted is usually calculated on the basis of accumulated sales volume over twelve months. The Company estimates the sales discount based on historical experience. The amount of sales revenue recognized is limited to the part where it is highly likely that there will not be a major reversal in the future, and the estimate is updated at each balance sheet date.

Accounts receivable is recognized when goods are delivered to customers because at which time the Company's right to the consideration for contracts from customers is unconditional, except for the passage of time.

Although the increase in costs incurred by the Company to obtain customer contracts is expected to be recoverable, the relevant contract periods are shorter than one year, so such costs are recognized in expenses when incurred.

(XXV) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a

systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

V. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In the preparation of these parent company only financial statements, the management has exercised its judgment in deciding the Company's accounting policies to be applied. The management makes critical assumptions and estimates concerning future events based on the information on the balance sheet date. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company has taken the economic impact of the COVID-19 pandemic into consideration for critical accounting estimates, and will continue to assess its influence on the Company's financial position and performance. Please refer to the description of the uncertainties of critical accounting judgments, assumptions, and estimation uncertainty below:

(I) Important judgments for accounting policies applied

None.

(II) Important accounting estimates and assumptions

Evaluation of inventories

Since inventory must be calculated at the lower of cost or net realizable value, the Company must exercise judgment and make estimation to determine the net realizable value of inventory at the balance sheet date. Due to the rapid changes in technology, the Company assesses the value of inventory due to normal wear and tear, obsolescence, or market sales value at the balance sheet date, and adopts demand as the basis for estimation, which may cause major changes.

As of December 31, 2023, the carrying amount of the Company's inventories was NTD 726,487.

VI. Description of Significant Accounting Titles

(I) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 230	\$ 304
Checking account deposits and demand deposits	536,107	304,229
Time deposit	21,635	214,970
	<u>\$ 557,972</u>	<u>\$ 519,503</u>

1. The Company transacts with a variety of financial institutions all with high credit quality to diversify credit risk, so it expects that the probability of counterparty default is very low.

- The Company's restricted cash due to the regulations of syndicated loan contracts is recognized in "financial assets at amortized cost," please refer to Notes 6(3) and 8 for details.

(II) Financial assets at fair value through profit and loss

Items	December 31, 2023	December 31, 2022
Current items:		
Financial assets mandatorily at fair value through profit and loss		
Listed stocks	\$ 138,858	\$ 142,406
Unlisted stocks	4,505	4,505
Valuation adjustment	(6,138)	(22,231)
	\$ 137,225	\$ 124,680
Items	December 31, 2023	December 31, 2022
Non-current items:		
Financial assets mandatorily at fair value through profit and loss		
Investments in stocks and private funds of venture capital companies	\$ 20,000	\$ -
Unlisted stocks	79,992	79,992
Valuation adjustment	(79,992)	(79,992)
	\$ 20,000	\$ -

- The Company's financial assets measured at fair value through profit and loss were recognized in net gains on financial assets for 2023 and 2022 were NTD 50,042 and NTD 9,871, respectively.
- The Company did not pledge financial assets at fair value through profit and loss as collateral.

(III) Financial assets at amortized cost

Items	December 31, 2023	December 31, 2022
Current: pledged deposit	\$ 28,000	\$ -
Non-current: pledged deposit	-	28,000
	\$ 28,000	\$ 28,000

- The interest revenue from the Company's financial assets measured at amortized cost for 2023 and 2022 were NTD 138 and NTD 36, respectively.
- As of December 31, 2023 and 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's financial assets at amortized cost was in the amount of NTD28,000 and NTD28,000, respectively.
- The situation in which the Company pledges financial assets measured at amortized cost as collateral, please refer to Note 8 for details.

4. The credit quality of the financial institutions that the Company deals with is good, and the probability of their default is expected to be very low. Therefore, the twelve months expected credit loss is adopted to measure the loss allowance. The Company did not provide allowance for losses in 2023 and 2022.

(IV) Accounts receivable

	December 31, 2023		
	Total	Loss allowance	Net amount
Accounts receivable	\$ 1,151,127	(\$ 190,335)	\$ 960,792
Accounts receivable – related parties	17,524	(5)	17,519
	<u>\$ 1,168,651</u>	<u>(\$ 190,340)</u>	<u>\$ 978,311</u>
	December 31, 2021		
	Total	Loss allowance	Net amount
Accounts receivable	\$ 1,079,689	(\$ 198,110)	\$ 881,579
Accounts receivable – related parties	75,210	(22)	75,188
	<u>\$ 1,154,899</u>	<u>(\$ 198,132)</u>	<u>\$ 956,767</u>

1. The aging analysis of accounts receivable is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable		Accounts receivable	
Not past due	\$	977,681	\$	897,352
Less than 60 days		5,755		10,614
61 to 180 days		2,410		1,553
Over 181 days		182,805		245,380
	<u>\$</u>	<u>1,168,651</u>	<u>\$</u>	<u>1,154,899</u>

The above aging analysis was based on the number of overdue days.

2. The balances of the Company's accounts receivable are generated from customer contracts. The balance of accounts receivable from customer contracts as of December 31, 2023, December 31, 2022, and January 1, 2022 was NTD 1,168,651, NTD 1,154,899, and NTD 1,449,886, respectively.
3. The Company did not pledge accounts receivable as collateral.
4. As of December 31, 2023 and 2022, regardless of the collateral held and other credit enhancements, the maximum amount of the exposure to the credit risk arising from the Company's accounts receivable was in the amount of NTD978,311 and NTD956,767, respectively.
5. Information on credit risk of accounts receivable is provided in Note 12(2).

(V) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 397,624	(\$ 66,906)	\$ 330,718
Supplies	12,041	-	12,041
Semi-finished goods	108,331	(14,088)	94,243
Finished good	279,206	(43,863)	235,343
Merchandise inventory	54,354	(212)	54,142
	<u>\$ 851,556</u>	<u>(\$ 125,069)</u>	<u>\$ 726,487</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 599,017	(\$ 104,658)	\$ 494,359
Supplies	13,153	-	13,153
Semi-finished goods	75,207	(6,327)	68,880
Finished good	260,963	(26,953)	234,010
Merchandise inventory	42,283	(1,604)	40,679
	<u>\$ 990,623</u>	<u>(\$ 139,542)</u>	<u>\$ 851,081</u>

The cost of inventories recognized in expenses of the current period for the Company:

	2023	2022
Cost of inventories sold	\$ 2,116,529	\$ 2,218,443
Unamortized fixed production overheads	150,470	132,895
Inventory scrap loss	17,035	13,167
Inventories valuation (reversal gains) losses	(14,473)	95,980
Sale of tailings and scraps income	(41,606)	(37,893)
	<u>\$ 2,227,955</u>	<u>\$ 2,422,592</u>

In 2023, the Company recognized a decrease in cost of sales due to a recovery in the net realizable value of inventories arising from destocking.

(VI) Investments accounted for using equity method – subsidiaries

	December 31, 2023		December 31, 2022	
	Amount recognized	Shareholding ratio (%)	Amount recognized	Shareholding ratio (%)
Subsidiary:				
MORE FORTUNE PROFITS LIMITED	\$ 2,360,749	100.000	\$ 2,291,505	100.000
Ecocera Optronics Co., Ltd.	332,583	69.720	298,980	70.669
Advance Venture Corporation	34,698	55.556	61,143	55.556
CMTEK Co., Ltd.	19,561	56.259	-	-
	<u>\$ 2,747,591</u>		<u>\$ 2,651,628</u>	

1. Subsidiary

- (1) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2023 consolidated financial statements.
 - (2) In March 2023, the Company disposed of 250 thousand shares of Ecocera Optronics Co., Ltd., a Group's subsidiary, and the shareholding ratio was adjusted from 70.669% to 69.720%.
 - (3) In November and December, 2023, the Company invested in the establishment of CMTEK Co., Ltd. and acquired 2,000 thousand shares through a capital contribution of NTD20,000; the shareholding ratio was 56.259%. The Company acquired control of CMTEK Co., Ltd., making it one of the Company's subsidiaries.
2. The Company's subsidiaries accounted for under the equity method are evaluated based on the financial statements audited by CPAs during the same period. The details of the investment gains (losses) recognized are as follows:

	2023	2022
MORE FORTUNE PROFITS LIMITED	\$ 110,734	(\$ 44,084)
Ecocera Optronics Co., Ltd.	44,974	21,250
Advance Venture Corporation	(26,444)	(25,190)
CMTEK Co., Ltd.	(440)	-
	<u>\$ 128,824</u>	<u>(\$ 48,024)</u>

(VII) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Others	Total
<u>January 1, 2023</u>						
Cost	\$ 15,538	\$ 444,345	\$ 564,021	\$ 70,859	\$ 293,480	\$ 1,388,243
Revaluation surplus	98,221	-	-	-	-	98,221
Accumulated depreciation	-	(202,308)	(268,883)	(42,423)	(86,495)	(600,109)
Accumulated impairment	-	-	(2,324)	-	-	(2,324)
	<u>\$ 113,759</u>	<u>\$ 242,037</u>	<u>\$ 292,814</u>	<u>\$ 28,436</u>	<u>\$ 206,985</u>	<u>\$ 884,031</u>
<u>2023</u>						
Opening balance	\$ 113,759	\$ 242,037	\$ 292,814	\$ 28,436	\$ 206,985	\$ 884,031
Additions	-	-	48,565	28,239	75,705	152,509
Disposals	-	-	-	-	(551)	(551)
Reclassification	-	-	-	-	(52,661)	(52,661)
Depreciation expenses	-	(9,703)	(55,534)	(30,294)	(53,090)	(148,621)
Closing balance	<u>\$ 113,759</u>	<u>\$ 232,334</u>	<u>\$ 285,845</u>	<u>\$ 26,381</u>	<u>\$ 176,388</u>	<u>\$ 834,707</u>
<u>December 31, 2023</u>						
Cost	\$ 15,538	\$ 442,305	\$ 511,347	\$ 52,775	\$ 293,299	\$ 1,315,264
Revaluation surplus	98,221	-	-	-	-	98,221
Accumulated depreciation	-	(209,971)	(223,178)	(26,394)	(116,911)	(576,454)
Accumulated impairment	-	-	(2,324)	-	-	(2,324)
	<u>\$ 113,759</u>	<u>\$ 232,334</u>	<u>\$ 285,845</u>	<u>\$ 26,381</u>	<u>\$ 176,388</u>	<u>\$ 834,707</u>

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Others	Total
<u>January 1, 2022</u>						
Cost	\$ 15,538	\$ 444,345	\$ 554,573	\$ 96,710	\$ 279,149	\$ 1,390,315
Revaluation surplus	98,221	-	-	-	-	98,221
Accumulated depreciation	-	(192,463)	(295,910)	(48,105)	(76,120)	(612,598)
Accumulated impairment	-	-	(2,324)	-	-	(2,324)
	<u>\$ 113,759</u>	<u>\$ 251,882</u>	<u>\$ 256,339</u>	<u>\$ 48,605</u>	<u>\$ 203,029</u>	<u>\$ 873,614</u>
<u>2022</u>						
Opening balance	\$ 113,759	\$ 251,882	\$ 256,339	\$ 48,605	\$ 203,029	\$ 873,614
Additions	-	-	89,122	1,350	79,857	170,329
Disposals	-	-	(13,150)	-	(522)	(13,672)
Reclassification	-	-	17,645	18,521	(36,166)	-
Depreciation expenses	-	(9,845)	(57,142)	(40,040)	(39,213)	(146,240)
Closing balance	<u>\$ 113,759</u>	<u>\$ 242,037</u>	<u>\$ 292,814</u>	<u>\$ 28,436</u>	<u>\$ 206,985</u>	<u>\$ 884,031</u>
<u>December 31, 2022</u>						
Cost	\$ 15,538	\$ 444,345	\$ 564,021	\$ 70,859	\$ 293,480	\$ 1,388,243
Revaluation surplus	98,221	-	-	-	-	98,221
Accumulated depreciation	-	(202,308)	(268,883)	(42,423)	(86,495)	(600,109)
Accumulated impairment	-	-	(2,324)	-	-	(2,324)
	<u>\$ 113,759</u>	<u>\$ 242,037</u>	<u>\$ 292,814</u>	<u>\$ 28,436</u>	<u>\$ 206,985</u>	<u>\$ 884,031</u>

1. The Company's total land revaluation surplus over the years is NTD98,221, and a provision for land value increment tax of NTD41,193 has been made. As of December 31, 2023 and 2022, the amount of the Company's provision for land value increment tax (recognized in "deferred income tax liabilities") was NTD41,193, respectively.
2. For information on collateral provided by the Company for property, plant and equipment, please refer to Note 8 for details.

(VIII) Leasing arrangements – lessee

1. The assets leased by the Company include factory buildings and company vehicles. The lease contract terms range from 3 to 10 years. The lease contract are negotiated separately and contain various terms and conditions without other restrictions imposed.
2. The low-value assets leased by the Company are photocopiers and fax machines.

3. The book value of right-of-use assets and the depreciation expenses are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings and structures	\$ 292,763	\$ 319,905
Transportation equipment (company vehicles)	816	774
	<u>\$ 293,579</u>	<u>\$ 320,682</u>
	<u>2023</u>	<u>2022</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings and structures	\$ 44,013	\$ 43,450
Transportation equipment (company vehicles)	384	411
	<u>\$ 44,397</u>	<u>\$ 43,861</u>

4. In 2023 and 2022, the Company's additions of the right-of-use assets were NTD 17,291 and NTD 735, respectively.

5. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>2023</u>	<u>2022</u>
Items affecting current profit or loss		
Interest expense of lease liabilities	\$ 11,430	\$ 12,503
Expense on short-term lease contracts	22	36
Expense on leases of low-value assets	278	259

6. In 2023 and 2022, the Company's total lease cash outflow was NTD 53,038 and NTD 49,763, respectively.

(IX) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Borrowings from banks		
Credit loan	\$ 240,000	\$ 260,000
Interest rate range	<u>1.85%~1.98%</u>	<u>1.70%~1.98%</u>

(X) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salary and bonus payable	\$ 68,987	\$ 55,508
Employees' compensation and directors' remuneration payable	49,186	30,844
Payable on labor and health insurance premiums	11,666	8,536
Payable on equipment	9,273	6,678
Pension payable	5,868	5,519
Others	38,626	42,962
	<u>\$ 183,606</u>	<u>\$ 150,047</u>

(XI) Long-term borrowings

<u>Lender</u>	<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>December 31, 2023</u>
Syndicated loan led by First Commercial Bank	Secured loan	2021.11.19-2024.11.19	\$ 960,000
Less: Current portion of long-term borrowings			(960,000)
			<u>\$ -</u>
Borrowing facility			<u>\$ 960,000</u>
Interest rate range			<u>2.625%</u>

<u>Lender</u>	<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>December 31, 2022</u>
Syndicated loan led by First Commercial Bank	Secured loan	2021.11.19-2024.11.19	\$ 1,200,000
Less: Current portion of long-term borrowings			(240,000)
			<u>\$ 960,000</u>
Borrowing facility			<u>\$ 1,200,000</u>
Interest rate range			<u>2.317%</u>

1. Please refer to Note 8 for details of collateral for long-term borrowings above.
2. Syndicated loan led by First Commercial Bank:
 - (1) In order to replenish the medium-term working capital and obtain the funds needed to repay the borrowings due, the Company, as the borrower, signed a syndicated loan contract with the First Commercial Bank in a total amount of NTD1,200,000 in August 2021. The contract period is 3 years from the first drawdown date (November 19, 2021), and the first installment of the principal shall be repaid within 2 years after the drawdown date. The Company shall make an installment payment every six months thereafter, and there are three installments in total without revolving credit. The amount of revolving credit shall first settle the 2018 outstanding loan balance mentioned in the preceding paragraph.
 - (2) The Company promises to maintain the following financial ratios in the second quarter and annual consolidated financial statements during the duration of the contract period:
 - A. The current ratio shall not be less than 100%.
 - B. The debt ratio shall not be higher than 150%.
 - C. The interest coverage ratio must not be less than 500%.
 - D. The net worth of tangible assets (total shareholder equity less intangible assets) shall be maintained at NTD2,500,000 (inclusive) or more, and starting from 2023, it shall be maintained at NTD3,000,000 (inclusive) or more.The financial ratios above are reviewed once every six months as agreed in the contract.

(XII) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Employees who are qualified for retirement, under the defined benefit pension plan, pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes 2% of the total salaries every month as a pension fund and deposit it at the Bank of Taiwan. Also, the Company estimates the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by March 31 of the following year.
- (2) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 90,676	\$ 85,435
Fair value of plan assets	(42,657)	(36,578)
Net defined benefit liabilities (recognized in other non-current liabilities)	<u>\$ 48,019</u>	<u>\$ 48,857</u>

(3) Movements in net defined benefit liabilities are as follows:

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1	\$ 85,435	(\$ 36,57)	\$ 48,857
Current service cost	-	-	-
Interest expense (revenue)	1,051	(450)	601
	<u>86,486</u>	<u>(37,028)</u>	<u>49,458</u>
Remeasurements:			
Return on plan assets (excluding the amount included in interest revenue or expenses)	-	-	-
Effect of change in demographic assumptions	1	-	1
Effect of change in financial assumptions	322	-	322
Experience adjustments	4,477	(177)	4,300
	<u>4,800</u>	<u>(177)</u>	<u>4,623</u>
Pension fund contribution	-	(6,062)	(6,062)
Benefits paid	(610)	610	-
Balance at December 31	<u>\$ 90,676</u>	<u>(\$ 42,65)</u>	<u>\$ 48,019</u>

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1	\$ 87,250	(\$ 34,06)	\$ 53,190
Current service cost	-	-	-
Interest expense (revenue)	602	(235)	367
	<u>87,852</u>	<u>(34,295)</u>	<u>53,557</u>
Remeasurements:			
Return on plan assets (excluding the amount included in interest revenue or expenses)	-	-	-
Effect of change in demographic assumptions	429	-	429
Effect of change in financial assumptions	880	-	880
Experience adjustments	(2,271)	(2,538)	(4,809)
	<u>(962)</u>	<u>(2,538)</u>	<u>(3,500)</u>
Pension fund contribution	-	(1,200)	(1,200)
Benefits paid	(1,455)	1,455	-
Balance at December 31	<u>\$ 85,435</u>	<u>(\$ 36,57)</u>	<u>\$ 48,857</u>

The details of expenses above recognized in various costs and expenses in the statement of comprehensive income are as follows:

	<u>2023</u>	<u>2022</u>
Administrative expenses	\$ 601	\$ 367

- (4) The Bank of Taiwan was commissioned to manage the fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.) With regard to the utilization of the fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall compensate the deficit after being authorized by the competent authorities. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of the fair value of plan assets in accordance with paragraph 142, IAS 19. The composition of fair value of plan assets as of December 31, 2023 and 2022 is available in the Annual Labor Retirement Fund Utilization Report announced by the government.

- (5) The actuarial assumptions related to pension were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	1.15%	1.23%
Future salary increases rate	1.20%	1.20%

The assumptions for the future mortality rate are based on the Taiwan Life Insurance Life Table No. 6.

The analysis of the present value of defined benefit obligations affected by changes in the main actuarial assumptions adopted is as follows:

	<u>Discount rate</u>		<u>Future salary increases rate</u>	
	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 1,937)	\$ 2,945	\$ 2,918	\$ 1,946
	<u>Discount rate</u>		<u>Future salary increases rate</u>	
	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>	<u>Increase by 0.5%</u>	<u>Decrease by 0.5%</u>
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 2,798)	\$ 3,371	\$ 3,347	(\$ 2,812)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (6) The Company’s expected contributions to the defined benefit pension plans for 2024 amount to NTD4,541.
- (7) As of December 31, 2023, the weighted average duration of the pension plan is 5 years. An analysis of the maturity of pension payments is as follows:

Less than 2 years	\$	76,435
3–5 years		12,904
6–10 years		3,155
Over 10 years		310
	\$	<u>92,804</u>

2. Effective on July 1, 2005, the Company has established a defined contribution pension plan under the Labor Pension Act, covering all regular employees with R.O.C. Nationality. Under the Labor Pension Act, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Company’s pension costs under the defined contribution pension plan for 2023 and 2022 were NTD 20,431 and NTD 22,806, respectively.
3. The Company has made additional contributions to the pension reserve for some employees who concurrently serve as directors/supervisors and managers in accordance with the relevant provisions of the Labor Standards Act during the concurrent employment period. As of December 31, 2023 and 2022, the accrued pension liabilities (recognized as “other non-current liabilities”) accounted for were NTD34,837 and NTD36,037, respectively.

(XIII) Share-based payment

The Company's share-based payment arrangement is as follows:

Type of arrangement	Grant date	Number of shares granted	Contract period	Vesting conditions
Treasury shares transferred to employees	2023.08.03	2,307 thousand shares	2023.08.16-2023.08.22	Vested immediately

Details of the transfer of treasury stocks to employees are as follows:

	2023	
	Quantity (number of shares)	Strike price (NTD)
Outstanding stock options, beginning of period	-	-
Stock options granted for the current period	2,307,000	\$ 22.51
Stock options forfeited in the current period	(64,000)	\$ 22.51
Stock options executed for the current period	(2,243,000)	\$ 22.51
Outstanding stock options, end of period	-	-
Stock options executed, end of period	-	-

1. The Company uses the Black-Scholes options model to estimate the fair value of the stock options for its share-based payment transactions on the grant date. The relevant information is as follows:

Type of arrangement	Grant date	Stock price (NTD)	Strike price (NTD)	Expected volatility	Expected duration	Expected dividend	Risk-free interest rate	Fair value per unit (NTD)
Treasury shares transferred to employees	2023.08.03	\$ 43.30	\$ 22.51	49.09%	0.0192	-	1.0101%	\$ 20.79

2. The cost incurred in the share-based payment transaction and equity delivery in 2023 was NTD 47,962.

(XIV) Share capital

1. As of December 31, 2023, the Company's registered capital was NTD 3,000,000 thousand (including 50,000 thousand shares of convertible corporate bonds and 5,000 thousand shares of employee stock options), and the paid-in capital was NTD 2,219,586 thousand, with a par value of NTD 10 per share.

The number of Company's outstanding ordinary shares (thousand shares) at the beginning and end of period is reconciled as follows:

		2023		2022
January 1		219,262		221,959
Treasury shares repurchased	(	1,303)	(	2,697)
Repurchased treasury shares		2,243		-
December 31		<u>220,202</u>		<u>219,262</u>

2. Treasury shares

(1) Reasons for share repurchase and changes in the number (thousand shares):

		2023			
Reason for repurchase		January 1	Increase in the current period	Decrease in the current period	January 1
Shares transferable to employees	Shares	2,697	1,303	(2,243)	1,757
	Carrying amount	\$ 60,702	\$ 29,326	(\$ 50,490)	\$ 39,538
		2022			
Reason for repurchase		January 1	Increase in the current period	Decrease in the current period	January 1
Shares transferable to employees	Shares	-	2,697	-	2,697
	Carrying amount	\$ -	\$ 60,702	\$ -	\$ 60,702

- (2) The Company has repurchased its outstanding shares and transferred them to its employees as resolved by the Board of Directors. According to the Securities and Exchange Act, the Company's proportion of the number of outstanding shares repurchased shall not exceed 10% of the total issued shares, and the total amount of shares repurchased shall not exceed the amount retained earnings plus the share premium and the realized capital surplus.
- (3) Treasury shares held by the Company shall not be pledged in accordance with the provisions of the Securities and Exchange Act, and shall be entitled to shareholder rights before being transferred.
- (4) In accordance with the provisions of the Securities and Exchange Act, the shares repurchased for shares transferable to employees shall be transferred within five years from the date of the repurchase. If the transfer is not made within the time limit, the Company shall be deemed to have not issued the shares, and the shares shall be canceled through change registration. For the shares repurchased to maintain the Company's credit and shareholders' rights, the change registration and share cancellation shall be conducted within six months after the repurchase.

(XV) Capital surplus

1. Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above may not exceed 10% of the paid-in capital each year. However, capital surplus shall not be used to compensate accumulated deficit unless the legal reserve is insufficient.
2. Changes in capital surplus are as follows:

	2023					
	Opening balance	Disposal of equity in a subsidiary (without losing control)	Cost of share-based payment	Employee stock option expired	Treasury shares subscribed for by employees	Closing balance
Share premium	\$ 1,792,249	\$ -	\$ -	\$ 1,330	\$ -	\$ 1,793,579
Treasury stock transaction	22,175	-	-	-	46,481	68,656
Employee stock option	-	-	47,962	(1,330)	(46,632)	-
Difference between the actual acquisition or disposal of the equity of subsidiary and the book value	-	2,197	-	-	-	2,197
	<u>\$ 1,814,424</u>	<u>\$ 2,197</u>	<u>\$ 47,962</u>	<u>\$ -</u>	<u>(\$ 151)</u>	<u>\$ 1,864,432</u>

	2022		
	Opening balance	Cash dividend distributed from capital surplus	Closing balance
Share premium	\$ 1,825,543	(\$ 33,294)	\$ 1,792,249
Treasury stock transaction	22,175		22,175
	<u>\$ 1,847,718</u>	<u>(\$ 33,294)</u>	<u>\$ 1,814,424</u>

(XVI) Retained earnings

1. According to the Company's Articles of Incorporation, if there are earnings in the annual final accounts, the Company shall pay income taxes first and compensate the accumulated deficits; appropriate 10% of the balance for legal reserve. For the remaining amount, a special reserve shall be set aside or reversed according to the laws or regulations of the competent authorities. Subsequently, if there is still a remaining amount, together with the undistributed earnings at the beginning of the same period, as accumulated distributable earnings to shareholders, the Board of Directors shall draft an earnings distribution proposal, and when it is distributed through the issuance of new shares, it shall be submitted to the shareholders' meeting for resolution before distribution.

The Company is in the technology industry and the industrial environment change is rapid. With consideration of the future capital demand and sound financial planning for the sustainable development of the Company, it is preferable to adopt a stable dividend policy. The dividend rate is expected to be above 20%, and cash dividend accounts for more than 20% of the total shareholders' bonus. Nevertheless, when the price per share for the cash dividend is lower than NTD 0.1 (inclusive), no cash dividends are to be issued, but stock dividends are issued instead.

2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
 (2) Upon first-time adoption of IFRSs, the special reserve was set aside per Letter Jin-Guan-Zheng-Fa No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes of, or reclassifies relevant assets, the original proportion of the special reserve shall be reversed.
4. On March 5, 2024, the Board of Directors made the following proposal for the distribution of surplus in 2023:

	2023	
	Amount	Dividends per share (NTD)
Legal reserve	\$ 19,719	
Special reserve	33,167	
Cash dividend	144,273	\$ 0.65
	<u>\$ 197,159</u>	

5. The 2022 earnings distribution proposal resolved by the Company's shareholders' meeting on May 30, 2023 was as follows:

	2022	
	Amount	Dividends per share (NTD)
Legal reserve	\$ 10,430	
Special reserve	7,388	
Cash dividend	87,183	\$ 0.40
	<u>\$ 105,001</u>	

6. The 2021 earnings distribution proposal resolved by the Company's shareholders' meeting on June 1, 2022 was as follows:

	2021	
	Amount	Dividends per share (NTD)
Legal reserve	\$ 22,267	
Special reserve	115,330	
Cash dividend	77,686	\$ 0.35
	<u>\$ 215,283</u>	

On June 1, 2022, the shareholders' meeting resolved a decision to pay out cash from a capital surplus of NTD33,294 from the excess of shares issued in excess of the par value at NTD0.15 per share based on the number of shares held by the shareholders recorded in the shareholder register on the distribution record date.

7. For the abovementioned information regarding the proposal approved by the Board of Directors and the resolution of the shareholders' meeting for the distribution of earnings, please visit the "Market Observatory Post System (MOPS)" for details.

(XVII) Operating revenue

1. The Company's revenue is all from customer contracts, which are for goods transferred at a certain point in time. Please refer to the Operating Revenue Statement for the breakdown of its revenue.
2. The contract liabilities related to revenue from customer contracts recognized by the Company are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities			
- Advance sales receipts	<u>\$ -</u>	<u>\$ 13,029</u>	<u>\$ 28,804</u>

3. The opening balance of contract liabilities is recognized in income in the current period

	<u>2023</u>	<u>2022</u>
The opening balance of contract liabilities was recognized as income in the current period	<u>\$ 13,029</u>	<u>\$ 28,804</u>

(XVIII) Other revenue

	2023	2022
Dividend revenue	\$ -	\$ 180
Other revenue	3,171	6,735
	<u>\$ 3,171</u>	<u>\$ 6,915</u>

(XIX) Other gains and losses

	2023	2022
Net gains on financial assets at fair value through profit and loss	\$ 50,042	\$ 9,871
Net foreign currency exchange gains	9,770	110,803
Gains on disposal of property, plant and equipment	2,185	6,945
Other expenditures	688	423
	<u>(\$ 61,309)</u>	<u>(\$ 127,196)</u>

(XX) Finance costs

	2023	2022
Interest expenses:		
Borrowings from banks	\$ 34,930	\$ 26,831
Lease liabilities	11,430	12,503
	<u>\$ 46,360</u>	<u>\$ 39,334</u>

(XXI) Expenses by nature

By nature \ By function	2023			2022		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expenses						
Wages and salaries	\$ 386,475	\$ 123,664	\$ 510,139	\$ 394,670	\$ 110,840	\$ 505,510
Employee stock option expenses	-	47,962	47,962	-	-	-
Labor and health insurance expenses	41,761	9,302	51,063	44,806	9,197	54,003
Pension expenses	15,789	5,243	21,032	18,032	5,141	23,173
Remuneration to Directors	-	8,942	8,942	-	5,294	5,294
Other personnel expenses	22,196	3,395	25,591	23,744	3,561	27,305
Depreciation expenses	172,932	20,086	193,018	173,677	16,424	190,101
Amortization expenses	3,769	592	4,361	2,137	1,257	3,394

Note: (1) The average number of employees per month for 2023 and 2022 were 807 and 842, respectively; among them, the number of directors who were not serving as employees concurrently was 7 and 5, respectively.

(2) Information on average employee benefit expenses and salaries and wages:

	2023	2022
Average employee benefit expenses	\$ 820	\$ 729
Average salaries and wages	\$ 638	\$ 604

A. The average employee benefits expense is calculated as: "Total employee benefit expenses - Total remuneration of directors" / "Number of employees for this year"

- Number of directors who did not serve as employees concurrently.”

B. The average employee salaries and wages are calculated as: Total employee salary expenses / “Number of employees for this year - Number of directors who did not serve as employees concurrently.”

- (3) The average salaries and wages of employees for 2023 have no material changes as compared to 2022.
 - (4) The Company has set up an audit committee rather than engaging supervisors. Therefore, the remuneration of supervisors for 2023 and 2022 was both NTD0.
 - (5) The Company’s salary and remuneration policy: When the directors of the Company perform their duties, regardless of its operating profit or loss, the Company has to pay remuneration to directors. The Board of Directors is authorized to determine the remuneration does not exceed the amount of the highest job level as in the Company’s management regulations based on their degree of participation in the Company’s operations and the value of their contribution, while with reference to the usual standards of the industry. In addition, the appointment, dismissal, and remuneration of the President and Vice Presidents of the Company shall be handled in accordance with the provisions of the Company Act. If the Company has a surplus, it shall be allocated for employee remuneration in accordance with Article 17 of the Company’s Articles of Incorporation.
1. According to the Company’s Articles of Incorporation, the Company shall deduct the distribution of the remuneration of employees and the remuneration of directors from the income before tax of the current fiscal year first, followed by compensating the accumulated loss amount. Where there is any remaining amount after such deduction, no less than 10% of such amount shall be appropriated as the remuneration of employees and no more than 3% of such amount shall be appropriated as the remuneration of Directors. Where the distribution of the employee remuneration is executed in stock or cash, it shall be passed with the consents of a majority of the attending Directors through a resolution at the Board of Directors’ Meeting attended by more than two-thirds of the directors. In addition, a report to the shareholders’ meeting shall also be made. Where the distribution of the employee remuneration is executed in stock, the employees of the Company’s subsidiaries who meet certain specific requirements may be included.
 2. The estimated employees’ compensation and directors’ remuneration amounted to NTD 26,874 and NTD 8,062, respectively in 2023, with employees’ compensation recorded as wages and salaries, which were recognized according to company profitability within the range stipulated in the Company’s Articles of Incorporation.

The amounts of 2022 employee remuneration and director remuneration approved by resolution of the Board of Directors were NTD 15,147 and NTD 4,544. The amounts are consistent with those recognized in the 2022 financial report. They were all paid out in cash. As of December 31, 2023, they have not yet been fully paid out.
 3. The relevant information on employee remuneration and remuneration of directors approved by the Board of Directors of the Company is available on the MOPS.

(XXII) Income Taxes

1. Income tax expense

(1) Income tax expense components:

	<u>2023</u>	<u>2022</u>
Current income tax:		
Current income tax payable on income	\$ 14,880	\$ 7,502
Income tax overestimates for prior years	(1,869)	-
Total of current income tax	<u>13,011</u>	<u>7,502</u>
Deferred income tax:		
Initial recognition and reversal of temporary differences	19,903	20,991
Income tax expense	<u>\$ 32,914</u>	<u>\$ 28,493</u>

(2) Income tax relating to components of other comprehensive income is as follows:

	<u>2023</u>	<u>2022</u>
Differences on translation of foreign operations	\$ 8,292	(\$ 9,560)
Remeasurement of defined benefit obligations	924	(700)
	<u>\$ 9,216</u>	<u>(\$ 10,260)</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2023</u>	<u>2022</u>
Income tax calculated based on profit before tax and statutory tax rate	\$ 46,760	\$ 26,356
Effect of income tax adjusted according to tax law	(10,551)	1,543
Changes in the assessment of realizability of deferred income tax	(1,665)	594
Income tax overestimates for prior years	(1,630)	-
Income tax expense	<u>\$ 32,914</u>	<u>\$ 28,493</u>

3. Amounts of deferred income tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>2023</u> <u>Recognized in other comprehensive net profit</u>	<u>December 31</u>
Temporary differences:				
Deferred income tax assets:				
Remeasurement of pension	\$ 9,329	\$ -	\$ 924	\$ 10,253
Differences on translation of foreign operations	18,112	-	8,292	26,404
Inventory valuation losses	27,908	(2,895)	-	25,013
Unrealized exchange loss	-	6,315	-	6,315
Others	12,200	(1,565)	-	10,635
	<u>67,549</u>	<u>1,855</u>	<u>9,216</u>	<u>78,620</u>
Deferred income tax liabilities:				
Gains on investment in foreign long-term equity	(258,076)	(22,147)	-	(280,223)
Provision for land value increment tax	(41,193)	-	-	(41,193)
Unrealized exchange gains	(389)	389	-	-
	<u>(299,658)</u>	<u>(21,758)</u>	<u>-</u>	<u>(321,416)</u>
	<u>(\$ 232,109)</u>	<u>(\$ 19,903)</u>	<u>\$ 9,216</u>	<u>(\$ 242,796)</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive net profit	December 31
Temporary differences:				
Deferred income tax assets:				
Remeasurement of pension	\$ 10,029	\$ -	(\$ 700)	\$ 9,329
Differences on translation of foreign operations	27,672	-	(9,560)	18,112
Inventory valuation losses	8,712	19,196	-	27,908
Unrealized exchange loss	158	(158)	-	-
Others	14,724	(2,524)	-	12,200
Tax losses	45,933	(45,933)	-	-
	<u>107,228</u>	<u>(29,419)</u>	<u>(10,260)</u>	<u>67,549</u>
Deferred income tax liabilities:				
Gains on investment in foreign long-term equity	(266,893)	8,817	-	(258,076)
Provision for land value increment tax	(41,193)	-	-	(41,193)
Unrealized exchange gains	-	(389)	-	(389)
	<u>(308,086)</u>	<u>(8,428)</u>	<u>-</u>	<u>(299,658)</u>
	<u>(\$ 200,858)</u>	<u>(\$ 20,991)</u>	<u>\$ 10,260</u>	<u>(\$ 232,109)</u>

4. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(XXIII) Earnings per share (EPS)

	2023		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand shares)	Earnings per share (NTD)
Basic earnings per share			
Net profit attributable to ordinary shareholders for current period	<u>\$ 200,887</u>	<u>218,725</u>	<u>\$ 0.92</u>
Diluted earnings per share			
Net profit attributable to ordinary shareholders for current period	\$ 200,887	218,725	
Effect of dilutive potential ordinary shares on employees' compensation	-	683	
Net profit attributable to ordinary shareholders for current period plus the effect of potential ordinary shares	<u>\$ 200,887</u>	<u>219,408</u>	<u>\$ 0.92</u>

	2022		
	After-tax amount	Weighted average number of ordinary shares outstanding (thousand shares)	Earnings per share (NTD)
Basic earnings per share			
Net profit attributable to ordinary shareholders for current period	\$ 103,288	221,891	\$ 0.47
Diluted earnings per share			
Net profit attributable to ordinary shareholders for current period	\$ 103,288	221,891	
Effect of dilutive potential ordinary shares on employees' compensation	-	835	
Net profit attributable to ordinary shareholders for current period plus the effect of potential ordinary shares	\$ 103,288	222,726	\$ 0.46

(XXIV) Additional information on cash flow

1. Operating activities only with partial cash payments:

	2023	2022
Interest expenses	\$ 46,360	\$ 39,334
Add: Interest payable, beginning of period	1,079	672
Less: Interest payable, end of period	(1,075)	(1,079)
Cash paid during the current period	\$ 46,364	\$ 38,927

2. Investing activities only with partial cash payments:

Cash paid for purchase of property, plant and equipment

	2023	2022
Purchase of property, plant and equipment	\$ 152,509	\$ 170,329
Add: Opening balance of payable on equipment	6,678	62,117
Add: Ending balance of prepayments for equipment (Note)	11,562	88,918
Less: Opening balance of prepayments for equipment (Note)	(88,918)	(101,642)
Less: Ending balance of payable on equipment	(9,273)	(6,678)
Cash paid during the current period	\$ 72,558	\$ 213,044

(Note: Recognized as "other non-current assets")

3. Net cash payment for repurchase of treasury shares

	2023	2022
Monetary amount of repurchased treasury shares	\$ 29,326	\$ 60,702
Less: Capital not yet paid	\$ 11,041	
Less: Capital not yet paid (Note)	-	(11,041)
Net cash payment for repurchase of treasury shares	\$ 40,367	\$ 49,661

(Note: Recognized in "other payables")

(XXV) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
January 1, 2023	\$ 260,000	\$ 1,200,000	\$ 339,102	\$ 1,799,102
Changes in cash flow from financing activities	(20,000)	(240,000)	(41,308)	(301,308)
Non-cash changes	-	-	17,291	17,291
– Lease changes	-	-	17,291	17,291
December 31, 2023	\$ 240,000	\$ 960,000	\$ 315,085	\$ 1,515,085

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Total liabilities from financing activities
January 1, 2022	\$ 130,000	\$ 1,200,000	\$ 375,332	\$ 1,705,332
Changes in cash flow from financing activities	130,000	-	(36,965)	93,035
Non-cash changes	-	-	735	735
– Lease changes	-	-	735	735
December 31, 2022	\$ 260,000	\$ 1,200,000	\$ 339,102	\$ 1,799,102

VII. Related Party Transactions

(I) Names of related parties and relationship

Names of related parties	Relationship with the Company
Ecocera Optronics Co., Ltd.	Subsidiary of the Company
Advance Venture Corporation	Subsidiary of the Company
I-Chiun Technology (China) Co., Ltd.	Third-tier subsidiary of the Company
Zhuo Chuan Enterprise Co., Ltd.	The person in charge is a relative within the second degree of kinship of a director of the Company

(II) Significant related party transactions are as follows

1. Operating revenue

	2023	2022
Sales of finished goods:		
I-Chiun Technology (China) Co., Ltd.	\$ 25,707	\$ 30,231
Subsidiary	152	377
	<u>25,859</u>	<u>30,608</u>
Sales of modules:		
I-Chiun Technology (China) Co., Ltd.	3,989	34,814
	<u>\$ 29,848</u>	<u>\$ 65,422</u>

There is no significant difference in the transaction price of the Company's sales between related parties and non-related parties. The payment terms vary from O/A with net 90 days to 150 days depending on transaction counterparties.

2. Purchases

	<u>2023</u>	<u>2022</u>
Purchases of goods:		
I-Chiun Technology (China) Co., Ltd.	\$ 385,400	\$ 355,386
Subsidiary	972	108
Other related parties	6,352	5,224
	<u>\$ 392,724</u>	<u>\$ 360,718</u>

The transaction price and payment terms in the Company's purchase of goods from related parties are not significantly different from those of general suppliers.

3. Receivables from related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
I-Chiun Technology (China) Co., Ltd.	\$ 17,524	\$ 75,210
Loss allowance	(5)	(22)
	<u>\$ 17,519</u>	<u>\$ 75,188</u>
	December 31, 2023	December 31, 2022
Other receivables:		
Sales of property, plant and equipment		
I-Chiun Technology (China) Co., Ltd.	<u>\$ -</u>	<u>\$ 2,047</u>

Receivables from related parties mainly come from sales transactions. The terms of sales transaction vary from O/A with net 90 days to 120 days depending on transaction counterparties. The receivables are unsecured in nature and bear no interest. As of December 31, 2023 and 2022, the allowance for losses was NTD 5 and NTD 22, respectively.

4. Payables to related parties

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable:		
I-Chiun Technology (China) Co., Ltd.	\$ 35,803	\$ 21,152
Subsidiary	345	-
Other related parties	2,586	2,172
	<u>\$ 38,734</u>	<u>\$ 23,324</u>

Amounts payable to related parties mainly come from purchase transactions and acquisition of property, plant and equipment, and payment is made within 30–90 days after acceptance. The payable does not bear interest.

5. Loans to related parties

Closing balance (recognized in “Other receivables – related parties”)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
I-Chiun Technology (China) Co., Ltd.	\$ 39,346	\$ 42,495
Subsidiary	5,000	-
	<u>\$ 44,346</u>	<u>\$ 42,495</u>

6. For the endorsements/guarantees provided by the Company to related parties, please refer to Note 9(2) for details.

(III) Information on key management compensation

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 21,813	\$ 18,408
Share-based payment	8,295	-
Post-employment benefits	361	330
	<u>\$ 30,469</u>	<u>\$ 18,738</u>

VIII. Pledged Assets

The Company’s assets pledged as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose of collateral</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Land	\$ 113,759	\$ 113,759	Collateral for long-term borrowings (including current portion)
Buildings and structures	229,828	238,367	Collateral for long-term borrowings (including current portion)
Machinery and equipment	82,763	97,910	Collateral for long-term borrowings (including current portion)
Other equipment	38,390	47,480	Collateral for long-term borrowings (including current portion)
Financial assets at amortized cost – current	28,000	-	Collateral for long-term borrowings (including current portion)
Financial assets at amortized cost – non-current	-	28,000	Collateral for long-term borrowings (including current portion)
	<u>\$ 492,740</u>	<u>\$ 525,516</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(IV) Contingencies

None.

(V) Commitments

1. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ 1,745	\$ 12,725

2. For subsidiaries to obtain borrowing facilities from banks, the amount of the endorsements/guarantees provided by the Company is detailed in Table 2 of Note 13.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

On March 5, 2024, the Company's 2023 earnings distribution plan was approved by the Board of Directors. Please refer to Note 6(16) for details.

XII. Others

(I) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

According to the loan contracts signed by the Company with financial institutions, the consolidated financial statements are required to meet the key performance indicators, please see details in Note 6(11).

(II) Financial Instruments

1. Categories of financial instruments

For the information on the Company's financial assets (financial assets at fair value through profit and loss, cash and cash equivalents, accounts receivable, financial assets at amortized cost, other receivables, and other financial assets) and financial liabilities (short-term borrowings, accounts payable, other payables, lease liabilities, long-term loans (including current portion), and other non-current liabilities), please refer to Note 6 and the balance sheet.

2. Risk management policy

(1) The Company's activities have exposed it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk, and liquidity risk.

(2) Risk management is carried out by the Company's finance department in line with the policies approved by the Board of Directors. The finance department identifies, evaluates, and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and

non-derivative financial instruments, and remaining circulating capital investment.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Exchange rate risk

- A. The Company operates its business transnationally, so it is subject to the exchange rate risk arising from transactions in currencies different from the functional currencies (mainly USD and RMB) used by the Company. The exchange rate risk arises from future business transactions and assets and liabilities recognized.
- B. The management of the Company has established policies to regulate the exchange rate risk of each company within the Group in relation to its functional currency. The companies shall hedge against the overall exchange rate risk through the Group's finance department. The exchange rate risk is measured by expected transactions with USD and RMB expenditures that are highly likely to occur. The Company achieves natural hedging through the positions of foreign currency assets and liabilities held and the arrangement of the recovery period.
- C. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2023		
		Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD : NTD	\$	35,891	30.705	\$ 1,102,033
RMB : NTD		30,384	4.327	131,472
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	\$	3,548	30.705	\$ 108,941
JPY : NTD		5,424	0.217	1,178
		December 31, 2022		
		Foreign currency amount (in thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
USD : NTD	\$	30,267	30.710	\$ 929,500
RMB : NTD		41,836	4.408	184,413
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	\$	1,541	30.710	\$ 47,324

JPY : NTD 13,548 0.232 3,143

D. As exchange rate fluctuations have a significant influence on the Company's monetary items. The aggregate amount of all exchange gains (including realized and unrealized) were NTD 9,770 and NTD 110,803 in 2023 and 2022, respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

		2023		
		Sensitivity analysis		
		Exchange rate band	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
	USD : NTD	1%	\$ 11,020	\$ -
	RMB : NTD	1%	1,315	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD : NTD	1%	\$ 1,090	\$ -
	JPY : NTD	1%	12	-
		2022		
		Sensitivity analysis		
		Exchange rate band	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial asset</u>				
<u>Monetary items</u>				
	USD : NTD	1%	\$ 9,295	\$ -
	RMB : NTD	1%	1,844	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD : NTD	1%	\$ 473	\$ -
	JPY : NTD	1%	31	-

Price risk

- A. The Company's equity instruments exposed to price risk are financial assets held at fair value through profit and loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company mainly invests in equity instruments issued by domestic companies. The prices of such equity instruments would change due to the change in the future value of the targets in the investments. If the prices of these equity instruments had increased/decreased by 1% with all other variables held

constant, the net profit after tax for 2023 and 2022 would have increased or decreased by NTD 1,572 and NTD 1,247, respectively, due to the gains or losses on equity instruments at fair value through profit and loss.

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk mainly comes from short- and long-term borrowings issued at floating interest rates, exposing the Company to the interest rate risk of cash flow. In 2023 and 2022, the Company's loans taken out at floating interest rates were mainly in New Taiwan dollars.
- B. The Company's loans are measured at amortized cost and the annual interest rate will be repriced every year according to the contracts. Therefore, the Company is exposed to the risk of future market interest rate changes.
- C. When the NTD borrowing interest rate rose or fell by 1%, with all other factors held constant, the net profit after tax would have decreased or increased by NTD 9,600 and NTD 11,680 in 2023 and 2022, respectively, as the interest expenses would change with the floating interest rates for the borrowings.

(2) Credit risk

- A. The credit risk of the Company is the risk of financial loss suffered by the Company arising from the failure of customers or counterparties of financial instruments to fulfill contractual obligations. It mainly comes from counterparties' inability to settle the accounts receivable paid in accordance with the payment terms and the contractual cash flow of financial assets at amortized cost.
- B. The Company has established a management mechanism for credit risk. In accordance with the internal credit policy, the Company must conduct management and credit risk analysis of each new customer before deciding payment and delivery terms and conditions. The internal risk control system evaluates the credit quality of customers by considering their financial positions, past experience, and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings, and the drawdown of credit limits is regularly monitored.
- C. When a contract payment is overdue for more than 90 days according to the agreed payment terms, it is deemed to have been in default by the Company.
- D. The Company adopts the following conditions and assumptions as the basis for judging whether the credit risk of financial instruments has increased significantly since initial recognition:
 - (A) When a contract payment is overdue for more than 30 days in accordance with the agreed payment terms, it is deemed that the credit risk of a financial asset has increased significantly since the initial recognition.
 - (B) Actual or expected significant changes in the external credit ratings of

financial instruments occur.

- E. The indicators adopted by the Company to judge whether there are signs of credit impairment for debt instrument investment are as follows:
- (A) The issuer has encountered major financial difficulties, or has the increasing possibility of going into bankruptcy or other financial restructuring;
 - (B) The active market for the financial asset disappears due to the issuer's financial difficulties;
 - (C) The issuer's delay or non-payment of interest or principal;
 - (D) Unfavorable changes in national or regional economic conditions related to the issuer's breach of contract.
- F. The Company conducts individual assessments on notes and accounts receivable that have been in default, and recognizes allowance for 100% of losses. For the rest, the notes and accounts receivable according to the Company's credit conditions and historical loss rate, and adopts a simplified approach to estimate expected credit losses based on loss rates. The Company includes the forward-looking information of the Taiwan Institute of Economic Research's business observation report and adjusts the loss rates established based on historical and current information for a specific period to estimate the loss allowance for notes and accounts receivable. According to the individual and loss rate methods as of December 31, 2023 and 2022, the estimated loss allowance for notes and accounts receivable is as follows:

	Individuals	Group A	Group B	Group C	Total
<u>December 31, 2023</u>					
Expected loss rate	100%	0.6%	2.15%-63.04%	0.03%	
Total book value	\$ 182,965	\$ 893,974	\$ 74,188	\$ 17,524	\$ 1,168,651
Loss allowance	\$ 182,965	\$ 5,364	\$ 2,006	\$ 5	\$ 190,340
<u>December 31, 2022</u>					
Expected loss rate	100%	0.10%	0.03%-73.70%	0.03%	
Total book value	\$ 191,813	\$ 777,775	\$ 110,101	\$ 75,210	\$ 1,154,899
Loss allowance	\$ 191,813	\$ 778	\$ 5,519	\$ 22	\$ 198,132

Group A: High-quality customers rated by the Company.

Group B: Other customers.

Group C: Related parties

- G. The Company's table of changes in simplified loss allowance for account receivable are as follows:

	2023	2022
January 1	\$ 198,132	\$ 206,048
Impairment loss reversed	(7,673)	(8,511)
Others	(119)	595
December 31	\$ 190,340	\$ 198,132

(3) Liquidity risk

- A. Cash flow forecasting is performed by the Company's general management

office and compiled by the finance department. The finance department monitors forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities.

- B. When the remaining cash held by the Company exceeds the working capital required, the Company's finance department invests the remaining funds in time deposits, money market deposits, and securities. The instruments selected are with an appropriate maturity date or sufficient liquidity to respond to the forecast above and provide adequate liquidity.
- C. The Company's non-derivative financial liabilities are analyzed into relevant maturity groupings in the table below; the non-derivative financial liabilities are based on the remaining period from the balance sheet date to the contractual maturity date. The contractual cash flow amounts disclosed in the table below are undiscounted.

Non-derivative financial liabilities:

	December 31, 2023		December 31, 2022	
	Less than 1 year	Over 1 year	Less than 1 year	Over 1 year
Short-term borrowings	\$ 240,785	\$ -	\$ 260,519	\$ -
Accounts payable	304,055	-	219,482	-
Other payables	183,606	-	150,047	-
Long-term borrowings (including current portion)	979,193	-	267,164	979,941
Lease liabilities	53,451	304,675	48,556	344,561
Guarantee deposits received (recognized in other non-current liabilities)	-	104	-	104

(III) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date. A market is regarded as active when transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the listed stocks invested by the Company belongs to this level.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the unlisted stocks and the privately offered stocks by listed companies invested by the Company belong to this level.

2. Financial instruments not measured at fair value include cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost, short-term

borrowings, accounts payable, other payables, and long-term borrowings (including current portion), which carrying amount are based on the reasonable approximation of the fair value.

3. Financial and non-financial instruments at fair value, the Company are classified according to the nature, characteristics, and risks of assets and the basis of fair value levels. The relevant information is as follows:

- (1) The Company has classified assets according to their nature, and the relevant information is as follows:

December 31, 2023	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Asset			
<u>Fair value on a recurring basis</u>			
Financial assets at fair value through profit and loss			
Equity securities	\$ 137,225	\$ 20,000	\$ 157,225
	<u> </u>	<u> </u>	<u> </u>
 December 31, 2022	 <u>Level 1</u>	 <u>Level 3</u>	 <u>Total</u>
Asset			
<u>Fair value on a recurring basis</u>			
Financial assets at fair value through profit and loss			
Equity securities	\$ 124,680	\$ -	\$ 124,680
	<u> </u>	<u> </u>	<u> </u>

- (2) The methods and assumptions used by the Company to measure fair value are explained as follows:

- A. The closing price of the listed stocks is used by the Company as the fair value input (i.e. Level 1).
- B. Except for the abovementioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or by referring to the quoted prices offered by counterparties.

4. The Company did not have any transfers between the Level 1 and Level 2 fair value in 2023 and 2022.
5. The Company did not have any transfers into or out of Level 3 fair value in 2023 and 2022.
6. The Company conducts independent fair value verification for financial instruments with their fair value classified as Level 3, through which data from independent sources is used to make the evaluation results close to the market level, so as to confirm that the data sources are independent, reliable, consistent with other resources, and representative of executable prices. The Company also regularly calibrates the valuation model, conducts back-testing, updates inputs, data, and any other necessary fair value adjustments to ensure that the valuation results are reasonable.
7. The quantitative information about the significant unobservable inputs of the valuation model used in the Level 3 fair value measurement items and the sensitivity analysis of

the significant unobservable input changes are described below:

	December 31, 2023 Fair value	Valuation technique	Significant unobservable input	Relationship between input and fair value
Non-derivative equity instruments:				
Unlisted stocks	\$ -	Market method	Discount for lack of market liquidity	The higher the discount for market liquidity, the lower the fair value
Investments in stocks and private funds of venture capital companies	<u>20,000</u>	Net asset value method	Not applicable	Not applicable
	<u>\$ 20,000</u>			
	December 31, 2022 Fair value	Valuation technique	Significant unobservable input	Relationship between input and fair value
Non-derivative equity instruments:				
Unlisted stocks	<u>\$ -</u>	Market method	Discount for lack of market liquidity	The higher the discount for market liquidity, the lower the fair value

8. The valuation model and valuation parameters are selected by the Company after prudent evaluation, but the use of different valuation models or valuation parameters may result in different valuation results. For financial assets classified as Level 3 fair value, in the case of a change in valuation parameters, the effect on the current profit and loss will be as follows:

	input	Change	December 31, 2023	
			Recognized in profit or loss Favorable change	Unfavorable change
Financial asset Equity instrument	Discount for lack of market liquidity	± 1%	\$ 200	(\$ 200)
	input	Change	December 31, 2022	
			Recognized in profit or loss Favorable change	Unfavorable change
Financial asset Equity instrument	Discount for lack of market liquidity	± 1%	\$ -	\$ -

XIII. Supplementary Disclosures

(I) Information on significant transactions

- Loans to others: Please refer to Table 1.
- Provision of endorsements and guarantees to others: Please refer to Table 2.
- Marketable securities held at the end of period (excluding the parts under control in subsidiaries, associates, and joint ventures): Please refer to Table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding at least NTD 300 million or 20% of the paid-in capital: None.
- Acquisition of property reaching at least NTD300 million or 20% of the paid-in capital:

None.

6. Disposal of property reaching at least NTD300 million or 20% of the paid-in capital: None.
7. Purchases or sales of goods from or to related parties reaching at least NTD100 million or 20% of the paid-in capital: Please refer to Table 4.
8. Receivables from related parties reaching at least NTD 100 million or 20% of the paid-in capital: Please refer to Table 5.
9. Trading in derivative instruments: None.
10. Business relations and important transactions between parent company and subsidiaries and among subsidiaries and amounts: Please refer to Table 6.

(II) Information related to reinvested enterprises

Information on investees (name, location, etc.) (excluding investees in mainland China): Please refer to Table 7.

(III) Information on Investments in Mainland China

1. Basic information: Please refer to Table 8.
2. Significant transactions with investees in mainland China, either directly or indirectly, through third-region businesses: Please refer to Note 13(1).

(IV) Information on major shareholders

Information on major shareholders: Please refer to Table 9.

XIV. Segment Information

Not applicable.

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I-CHIUN PRECISION INDUSTRY CO., LTD.

Loans to Others

For the Year Ended December 31, 2023

Table 1

Unit: NTD thousand
(except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party status	Maximum amount of the current period	Closing balance (Note 3)	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with borrower (Note 2)	Reason for necessity of short-term financing	Allowance for bad debt	Collateral		Limit on loan granted to a single party (Note 1)	Total limit on loans granted (Note 1)	Remarks
													Name	Value			
0	I-CHIUN PRECISION INDUSTRY CO., LTD.	I-Chiun Technology (China) Co., Ltd.	Other receivables - related parties	Y	\$ 87,261	\$ 39,346	\$ 39,346	0.00%	Short-term financing	-	Working capital	-	-	-	209,554	1,676,436	-
0	I-CHIUN PRECISION INDUSTRY CO., LTD.	Advance Venture Corporation	Other receivables - related parties	Y	30,000	30,000	5,000	2.50%	Short-term financing	-	Working capital	-	-	-	209,554	1,676,436	-
1	I-Chiun Precision Electric Industry (China) Co., Ltd.	I-Chiun Technology (China) Co., Ltd.	Other receivables - related parties	Y	167,526	111,155	111,155	2.00%	Short-term financing	-	Working capital	-	-	-	271,234	542,469	-

Note 1: The Operating Procedures for Loaning of Funds to Others of the Company and I-CHIUN CAYMAN PRECISION INDUSTRY CO. LTD. stipulate that the total amount of funds loaned to others is limited to 40% of the net worth of the Company as stated in the latest financial statements. Meanwhile, the cumulative amount of loans lent because of business relationship shall not exceed 30% of the net worth of the Company as stated in the latest financial statements, and the amount of a loan lent because of business transactions shall not exceed the amount of the business transactions (Note 2). The cumulative amount of loans lent for short-term financing shall not exceed 10% of the net worth of the Company as stated in the latest financial statements; the amount of loans to individual companies shall not exceed 5% of the net worth of the Company.

I-Chiun Precision Electric Industry (China) Co., Ltd.'s Operating Procedures for Loaning of Funds to Others stipulate that short-term financing and the cumulative amount shall not exceed 20% of the net worth of the company as stated in the latest financial statements; the amount of loans to individual companies shall not exceed 10% of the company's net worth; the total amount of loans to foreign subsidiaries, in which the parent company holds 100% of the voting shares directly or indirectly, shall not exceed 40% of the company's net worth, and the amount of loans to each of said companies shall not exceed 20% of the company's net worth.

I-Zou Hi-Tech (SZN) Co., Ltd.'s Operating Procedures for Loaning of Funds to Others stipulate that the cumulative amount of short-term financing and loans shall not exceed 10% of the net worth of the company as stated in the latest financial statements; the amount of loans to individual companies shall not exceed 8% of the net worth of the company. The amount of a loan lent because of business transactions shall not exceed the amount of the business transactions (Note 2). For loans to foreign subsidiaries whose parent company directly or indirectly holds 100% of their voting shares, the total amount of loans to them shall not exceed 40% of the Company's net worth, and the amount of loans to each of such subsidiaries shall not exceed 20% of the Company's net worth.

I-Chiun Technology (China) Co., Ltd.'s Operating Procedures for Loaning of Funds to Others stipulate that short-term financing and the cumulative amount shall not exceed 20% of the net worth of the company as stated in the latest financial statements; the amount of loans to individual companies shall not exceed 10% of the company's net worth; the total amount of loans to foreign subsidiaries, in which the parent company holds 100% of the voting shares directly or indirectly, shall not exceed 40% of the company's net worth, and the amount of loans to each of said companies shall not exceed 20% of the company's net worth.

The latest recent financial statements refer to the most recent financial statements that have been audited (attested) by CPAs.

Note 2: The amount of business transactions refers to the amount of purchases, sales, or purchases of fixed assets between both parties; if there are purchases, sales, or purchases of fixed assets at the same time, the higher of the statistical amount of purchases, sales, or purchases of fixed assets in the previous year shall prevail.

Note 3: The closing balance refers to the amount of loans approved by the Board of Directors.

I-CHIUN PRECISION INDUSTRY CO., LTD.

Provision of endorsements and guarantees to others

For the Year Ended December 31, 2023

Table 2 Unit: NTD thousand
(except as otherwise indicated)

No. (Note 1)	Endorser/guarantor or	Party endorsed/guaranteed		Limit on endorsements/ guarantees provided to a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the current period (Note 4)	Outstanding endorsement/ guarantee amount at the end of period (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with assets as collateral	Ratio of cumulative endorsement/ guarantee amount to net asset value of the endorser/guarantor	Upper limit on endorsements/ guarantees provided	Parent company to subsidiary	Subsidiary to parent company (Note 7)	To party in Mainland China (Note 7)	Remarks
		Company name	Relationship (Note 2)											
0	I-CHIUN PRECISION INDUSTRY CO., LTD.	I-Chiun Technology (China) Co., Ltd.	2	838,218	366,993	305,112	86,969	-	7%	2,095,545	Y	N	Y	-
0	I-CHIUN PRECISION INDUSTRY CO., LTD.	Ecocera Optronics Co., Ltd.	2	838,218	50,000	-	-	-	0%	2,095,545	Y	N	N	-

Note 1: The information shall be indicated in the No. column as follows:

- (1) The Issuer is coded "0."
- (2) The investees are coded sequentially beginning from "1" by each individual company.

Note 2: Relationship between the endorser/guarantor and the party endorsed/guaranteed is classified into the following 7 categories; just enter the code:

- (1) A company with which it does business.
- (2) A company in which the Company directly or indirectly holds more than 50% of the voting shares.
- (3) A company that directly or indirectly holds more than 50% of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- (5) Between companies in the same industry or joint applicants to undertake projects who are required to provide mutual endorsements/guarantees to the other company in accordance with the contractual terms.
- (6) Companies that are endorsed and guaranteed by all shareholders based on their shareholding ratios because of a joint investment relationship.
- (7) The joint guarantee for the performance of a pre-sale property sales contract between entities in the same industry in accordance with the Consumer Protection Act.

Note 3: The guarantees provided by the Company or I-Chiun Technology (China) Co., Ltd. to other companies shall not exceed 50% of the net worth of the company as in the latest financial statements. For guarantee provided to a single company, it shall not exceed 20% of the Company's and I-Chiun Technology (China) Co., Ltd.'s net worth as in the latest financial statements.

The latest recent financial statements refer to the most recent financial statements that have been audited (attested) by CPAs.

Note 4: The highest balance of the endorsements/guarantees provided to others in the current year.

Note 5: The amount approved by the Board of Directors shall be entered. However, where the Board of Directors authorizes the Chairman to make a decision in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, it refers to the amount to be determined by the Chairman.

Note 6: The actual amount drawn by the company endorsed within the limit of the balance of endorsement/guarantee shall be entered.

Note 7: "Y" shall be entered only for the endorsement/guarantee provided by the publicly listed parent company to subsidiary, by subsidiary to the publicly listed parent company, and to entities in mainland China.

I-CHIUN PRECISION INDUSTRY CO., LTD.
Marketable securities held at the end of period (excluding subsidiaries and associates)
December 31, 2023

Table 3

Unit: NTD thousand
(except as otherwise indicated)

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	End of period				Remarks	
				Number of shares (thousand shares)	Carrying amount	Shareholding ratio	Fair value		
I-CHIUN PRECISION INDUSTRY CO., LTD.	Stock	I-Energy	-	Financial assets at fair value through profit and loss – current	84	\$ -	0.13%	\$ -	No pledge provided
I-CHIUN PRECISION INDUSTRY CO., LTD.	Stock	Forcecon	-	Financial assets at fair value through profit and loss – current	570	92,625	0.69%	92,625	No pledge provided
I-CHIUN PRECISION INDUSTRY CO., LTD.	Stock	Foxtron	-	Financial assets at fair value through profit and loss – current	1,000	44,600	0.06%	44,600	No pledge provided
I-Zou Hi-Tech (SZN) Co., Ltd.	Stock	Lanke Electronic Co., Ltd.	-	Financial assets at fair value through profit and loss – non-current	1,519	-	1.48%	-	No pledge provided
I-CHIUN PRECISION INDUSTRY CO., LTD.	Stock	Beili Biotechnology	-	Financial assets at fair value through profit and loss – non-current	2,000	20,000	1.00%	20,000	No pledge provided
I-CHIUN PRECISION INDUSTRY CO., LTD.	Stock	Unity Opto	-	Financial assets at fair value through profit and loss – non-current	3,157	-	0.68%	-	No pledge provided
I-CHIUN PRECISION INDUSTRY CO., LTD.	Preference share	Mylight Technology	The person in charge is a relative within the second degree of kinship of a director of the Company	Financial assets at fair value through profit and loss – non-current	5,000	-	15.14%	-	No pledge provided

I-CHIUN PRECISION INDUSTRY CO., LTD.

Purchases or Sales of Goods from or to Related Parties Reaching at Least NTD100 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2023

Table 4

Unit: NTD thousand
(except as otherwise indicated)

Purchase (sale) Company	Transaction counterparty	Relationship	Transaction				transaction conditions are different from general ones		Notes/Accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Proportion to total purchases (sales)	Credit period	Unit price	Credit period	Balance	Proportion to notes/accounts receivable (payable)	
I-Chiun Technology (China) Co., Ltd.	I-CHIUN PRECISION INDUSTRY CO., LTD.	Ultimate parent company	Sales	385,400	27%	O/A with net 30 days	Not applicable	-	35,803	7%	

I-CHIUN PRECISION INDUSTRY CO., LTD.

Receivables from Related Parties Reaching at Least NTD100 million or 20% of the Paid-in Capital

December 31, 2023

Table 5

Unit: NTD thousand
(except as otherwise indicated)

Company under accounts receivable	Transaction counterparty	Relationship	Balance of trade receivable from related parties	Turnover rate	Overdue receivables from related parties		Amount from related party after balance sheet date	Allowance for bad debt
					Amount	Response method		
I-Chiun Precision Electric Industry (China) Co., Ltd.	I-Chiun Technology (China) Co., Ltd.	Same ultimate parent company	\$ 125,934	-	\$ 125,934	Note 1, Note 2	\$ 8,654	-

Note 1: I-Chiun Precision Electric Industry (China) Co., Ltd.'s receivables of NTD 135,691 from I-Chiun Technology (China) Co., Ltd., which have exceeded the normal credit period by a certain period of time, are proved to be substantive loan after assessment, and have been transferred to other receivables and disclosed in "Table 1 – Loans to Others."

Note 2: The Group has strengthened the collection of said overdue payments.

I-CHIUN PRECISION INDUSTRY CO., LTD.

Business Relations and Important Transactions Between Parent Company and Subsidiaries and Among Subsidiaries and Amounts

For the Year Ended December 31, 2023

Table 6

Unit: NTD thousand
(except as otherwise indicated)

No. (Note 1)	Company name	Transaction counterparty	Relationship (Note 2)	Transactions			
				General ledger account	Amount	Transaction terms	Proportion to consolidated total operating revenues or total assets (%) (Note 3)
1	I-Chiun Technology (China) Co., Ltd.	I-CHIUN PRECISION INDUSTRY CO., L	2	Sales revenue	381,999	O/A with net 30 days	8
2	I-Chiun Precision Electric Industry (China) Co.,	I-Chiun Technology (China) Co., Ltd.	3	Accounts receivable (including	125,934	-	2

Note 1: The information on such transactions between the parent company and its subsidiaries and inter-company ones shall be indicated in the No. column as follows:

- (1) Parent company is coded "0."
- (2) The subsidiaries are coded sequentially beginning from "1" by each individual company.

Note 2: There are three types of relationships with the Company. Just enter the code:

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

Note 3: Regarding the proportion of transaction amount to consolidated total operating revenues or total assets, it is computed based on the closing balance of transactions to consolidated total assets if it is recognized in the balance sheet account while based on the closing balance of the cumulative transaction amount to consolidated total operating revenues if it is recognized in the profit or loss account.

Note 4: The criteria for said disclosure is a transaction reaching at least NTD100 million or 20% of the paid-in capital. However, the abovementioned related party transactions were eliminated when the consolidated statements were prepared.

I-CHIUN PRECISION INDUSTRY CO., LTD.
Information on Investees (Name, Location, etc.) (excluding Investees in Mainland China)
For the Year Ended December 31, 2023

Table 7 Unit: NTD thousand
(except as otherwise indicated)

Name of Investor	Name of investee	Location	Main business activities	Initial investment amount		Shares held at the end of period			investee of the current period (Note 1)	Investment gains (loss) recognized for current period (Note 2)	Remarks
				End of current period	Balance as the end of last year	Shares	Ratio	Carrying amount			
I-CHIUN PRECISION INDUSTRY CO., LTD.	MORE FORTUNE PROFITS LIMITED	British Virgin Islands	General investment	\$ 1,155,595	\$ 1,155,595	36,179,299	100%	\$ 2,360,749	\$ 110,734	\$ 110,734	-
I-CHIUN PRECISION INDUSTRY CO., LTD.	Ecocera Optronics Co., Ltd.	Taiwan	Manufacturing and trading of LED ceramic bases	260,497	264,043	18,365,773	69.720%	332,583	64,492	44,974	-
I-CHIUN PRECISION INDUSTRY CO., LTD.	Advance Venture Corporation	Taiwan	Electronics Components Manufacturing and Trading	125,000	125,000	12,500,000	55.556%	34,698	(47,599)	(26,444)	-
I-CHIUN PRECISION INDUSTRY CO., LTD.	CMTEK Co., Ltd.	Taiwan	Other Metal Products	20,000	-	2,000,000	56.259%	19,561	(781)	(440)	-
MORE FORTUNE PROFITS LIMITED	I-CHIUN (CAYMAN) PRECISION	Cayman Islands	General investment	443,168 (Note 3)	443,186 (Note 3)	14,433,075	100%	1,470,380	53,460	-	-
MORE FORTUNE PROFITS LIMITED	I-CHIUN TECHNOLOGY CO., LTD.	Republic of Seychelles	General investment	921,150 (Note 3)	921,150 (Note 3)	30,000,000	100%	841,845	47,693	-	-

Note 1: The abovementioned information on the investees is prepared based on the financial statements audited by the CPAs.

Note 2: Only the profit and loss on each investee directly invested by the Company and each investee measured under the equity method recognized by the Company shall be entered, and the rest of the investees are exempted from disclosed in this regard.

Note 3: It is based on the initial investment amount of each investee, at the exchange rate of USD 1 to NTD 30.705 and RMB 1 to NTD 4.327 at the end of period.

I-CHIUN PRECISION INDUSTRY CO., LTD.
Information on Investments in Mainland China – Basic Information
For the Year Ended December 31, 2023

Table 8

Unit: NTD thousand
(except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method	Cumulative amount of remittance from Taiwan, beginning of current period (Note 2)	Amount remitted from Taiwan to mainland China/Amount remitted back to Taiwan for the current period		Cumulative amount of remittance from Taiwan, end of current period	Net profit (loss) on investee of the current period	Ownership held by the Company (direct or indirect)	Investment gains (loss) recognized for current period (Note 1)	Book value of investments at the end of period	Cumulative amount of investment income remitted back to Taiwan as of the current period		Remarks
					Remitted to Mainland China	Remitted back to Taiwan								
I-Zou Hi-Tech (SZN) Co., Ltd.	Trading and manufacturing of LED lead frames	\$ 32,453	Other methods: Investment by I-Chiun Precision Electric Industry (China) Co., Ltd.	\$ 78,298	\$ -	\$ -	\$ 78,298	(\$ 719)	100.00	(\$ 719)	\$ 4,724	\$ -	-	
I-Chiun Precision Electric Industry (China) Co., Ltd.	Manufacturing, processing, and trading of TFT-LCD backlight module components and LED lead frames, as well as investment property leasing	745,151	Investment in the companies in mainland China through investment in the existing company in the third region (I- CHIUN (CAYMAN))	506,633	-	-	506,633	53,337	100.00	53,337	1,356,172	-	-	
I-Chiun Precision Electric (Nanjing) Co., Ltd.	Manufacturing, processing, and trading of mobile communications and electronic components, as well as investment property leasing	243,236	Investment in the companies in mainland China through investment in the existing company in the third region (I- CHIUN (CAYMAN))	153,525	-	-	153,525	(3,381)	100.00	(3,381)	29,185	-	-	
I-Chiun Technology (China) Co., Ltd.	Trading and manufacturing of LED lead frames and investment property leasing	1,244,549	Investment in the companies in mainland China through investment in the existing company in the third region (I- CHIUN TECH and I-Chiun Precision Electric Industry (China) Co., Ltd.)	614,100	-	-	614,100	73,115	100.00	73,115	1,290,572	-	-	
Yong-Xu-Sheng Technology (Shenzhen) Co., Ltd.	Manufacturing, processing, and trading of hardware products	-	Investment in the companies in mainland China through investment in the existing company in the third region (MORE FORTUNE)	30,366	-	-	30,366	-	-	-	-	-	-	Note 3

Note 1: The abovementioned information on the investees is prepared based on the financial statements audited by the CPAs.

Note 2: It is based on the initial investment amount of each investee, at the exchange rate of USD 1 to NTD 30.705 and RMB 1 to NTD 4.327 at the end of period.

Note 3: Yong-Xu-Sheng Technology (Shenzhen) Co., Ltd. completed the liquidation and deregistration in 2020, and there was no remaining property after liquidation. As of December 31, 2023, the Group has not applied for the deduction of the investment amount in mainland China to the Investment Commission.

Company name	Cumulative amount of remittance from Taiwan to mainland China, end of current period	Investment	
		amount approved by the Investment Commission of MOEA	Limit on investments in mainland China imposed by the Investment Commission of MOEA
I-CHIUN PRECISION INDUSTRY CO., LTD.	\$ 1,382,921	\$ 1,382,921	\$ 2,629,927

Table 8

I-CHIUN PRECISION INDUSTRY CO., LTD.

Information on major shareholders

December 31, 2023

Table 9

Name of major shareholders	Share	
	No. of shares held (shares)	Shareholding ratio
CHOU, WAN-SHUN	21,756,157	9.80%
LEE, CHUNG-YI	16,007,705	7.21%

Explanation: If the information obtained by the Company for this table is from the Taiwan Depository & Clearing Corporation through application, it may disclose the matters below in the notes to the table:

(1) The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares (including treasury stocks) with the dematerialized registration and delivery completed on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

(2) If the information above is for the shares entrusted by shareholders to a trust, the aforesaid information shall be disclosed by the individual trust account opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings include their shareholdings plus the shares entrusted to the trust and with the right to make decisions on trust property, please refer to the MOPS.

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Cash and Cash Equivalents
December 31, 2023

Statement 1

Unit: NTD thousand

Items	Summary				Amount
Cash on hand and petty cash					\$ 230
Checking account deposits					193
Demand deposits					
- NTD currency deposits					163,418
- Foreign currency deposits	USD	10,151 thousand	Exchange rate	30.705	311,685
	RMB	14,054 thousand	Exchange rate	4.3270	60,811
Time deposit					
- Foreign currency deposits	RMB	5,000 thousand	Exchange rate	4.3270	21,635
					\$ 557,972

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Accounts Receivable (including related parties)
December 31, 2023

Statement 2

Unit: NTD thousand

Name of Customer	Summary	Amount	Remarks
Non-related party:			
Lite-On Opto Technology (Changzhou)		\$ 300,649	
Unity Opto Technology co., Ltd.		167,061	
LITE-ON ELECTRONICS (THAILAND) CO.LTD		107,568	
CoolIT Systems Inc.		73,849	
Suzhou TF-AMD Semiconductor CO., LTD		68,102	
Siliconware Precision Industries Co., Ltd.		66,625	
Amkor Technology Taiwan Ltd.		66,009	
LITE-ON SINGAPORE PTE. LTD.		60,818	
			Each customer's balance did not exceed 5% of the general ledger amount
Others		<u>240,446</u>	
		1,151,127	
Less: Allowance for bad debt		<u>(190,335)</u>	
		<u>960,792</u>	
Related party:			
I-Chiun Technology (China) Co., Ltd.		17,524	
Less: Allowance for bad debt		<u>(5)</u>	
		<u>17,519</u>	
		<u>\$ 978,311</u>	

I-CHIUN PRECISION INDUSTRY CO., LTD.

Inventory Statement

December 31, 2023

Statement 3

Unit: NTD thousand

Items	Amount		Remarks
	Cost	Net realizable value	
Raw materials	\$ 397,624	\$ 397,625	
Supplies	12,041	12,041	
Semi-finished goods	108,331	131,338	
Finished good	279,206	338,503	
Merchandise inventory	54,354	54,354	
	851,556	\$ 933,861	
Less: Allowance for inventory valuation losses	(125,069)		
	\$ 726,487		

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Investment Accounted for Using Equity Method
January 1, 2023 to December 31, 2023

Statement 4

Unit: NTD thousand

Name	Opening balance		Increase in the current period (Note 1)		Decrease in the current period (Note 2)		Closing balance			Net equity		Valuation basis	Security or pledge	Remarks
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Shareholding ratio	Amount	Unit price (NTD)	Total			
MORE FORTUNE PROFITS LIMITED	36,179	\$ 2,291,505	-	\$ 110,734	-	(\$ 41,490)	36,179	100.000%	\$ 2,360,749	65.25	\$ 2,360,749	Equity method	None	
Ecocera Optronics Co., Ltd.	18,616	298,980	-	44,974	(250)	(11,371)	18,366	69.720%	332,583	18.11	332,583			“
CMTEK Co., Ltd.	-	-	2,000	20,000	-	(439)	2,000	56.259%	19,561	9.78	19,561			“
Advance Venture Corporation	12,500	61,143	-	-	-	(26,445)	12,500	55.556%	34,698	2.78	34,698			“
		<u>\$ 2,651,628</u>		<u>\$ 175,708</u>		<u>(\$ 79,745)</u>			<u>\$ 2,747,591</u>					

Note 1: The increase in the current period includes the additional investment in subsidiaries, investment gains, and changes in the net value of investees' equity.

Note 2: The decrease in the current period includes disposal of partial equity of subsidiaries, investment losses, cumulative translation adjustment, unrealized gross profit on sales, and distribution of dividends by investees.

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Right-of-use Assets
December 31, 2023

Statement 5

Unit: NTD thousand

<u>Items</u>	<u>Opening balance</u>	<u>Increase in the current period</u>	<u>Decrease in the current period</u>	<u>Closing balance</u>
Buildings and structures				
Cost	\$ 400,336	\$ 16,866	(\$ 32,876)	\$ 384,326
Accumulated depreciation	(80,427)	(44,012)	32,876	(: 91,563)
	<u>\$ 319,909</u>	<u>(\$ 27,146)</u>	<u>\$ -</u>	<u>\$ 292,763</u>
Transportation equipment				
Cost	\$ 1,145	\$ 427	(\$ 410)	\$ 1,162
Accumulated depreciation	(371)	(385)	410	(346)
	<u>\$ 774</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 816</u>

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Lease Liabilities
December 31, 2023

Statement 6

Unit: NTD thousand

<u>Items</u>	<u>Summary</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Closing balance</u>	<u>Remarks</u>
Buildings and structures	Plant	2021/8/1-2031/9/30	3.5500%	\$ 252,462	
Buildings and structures	Plant	2021/8/1-2031/9/30	3.5500%	48,864	
Buildings and structures	Plant	2023/7/1-2025/6/30	2.6236%	12,937	
Transportation equipment	Company vehicles	2022/11/15-2025/11/14	1.7895%	454	
Transportation equipment	Company vehicles	2023/8/21-2026/8/20	2.6250%	368	
				<u>\$ 315,085</u>	

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Short-Term Borrowings
December 31, 2023

Statement 7

Unit: NTD thousand

<u>Type of borrowings</u>	<u>Closing balance</u>	<u>Contract period</u>	<u>Interest rate range</u>	<u>Financing limit</u>	<u>Secured or guaranteed</u>	<u>Remarks</u>
Borrowings from financial institutions						
Credit loan	\$ 100,000	2023/09/15-2024/03/13	1.85%	\$ 300,000	None	-
Credit loan	50,000	2023/05/12-2024/03/12	1.89%	50,000	None	-
Credit loan	30,000	2023/12/14-2024/03/14	1.98%	200,000	None	-
Credit loan	60,000	2023/10/11-2024/03/26	1.90%	80,000	None	-
	<u>\$ 240,000</u>			<u>\$ 630,000</u>		

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Accounts Payable
December 31, 2023

Statement 8

Unit: NTD thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Non-related party			
Xing Zan Enterprise Co., Ltd.		\$ 68,855	
Shenzhen Guanoding Metal Technology Co., Ltd.		38,329	
Others		<u>158,137</u>	Each supplier's balance did not exceed 5% of the general ledger amount
		<u>265,321</u>	
Related party			
I-Chiun Technology (China) Co., Ltd.		35,803	
Others		<u>2,931</u>	
		<u>38,734</u>	
		<u>\$ 304,055</u>	

I-CHIUN PRECISION INDUSTRY CO., LTD.
Operating Revenue Statement
2023

Statement 9

Unit: NTD thousand

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Total sales revenue			
Heat spreader	76,767Pcs	\$ 1,091,107	
LED	5,215,000 K	853,346	
SMD	2,382,000 K	432,919	
Water-cooling radiator	26,000	126,246	
Others		206,679	
		<u>2,710,297</u>	
Less: Sales returns		(21,502)	
Sales discounts and allowances		(90,319)	
Net sales revenue		<u>\$ 2,598,476</u>	

I-CHIUN PRECISION INDUSTRY CO., LTD.
Operating Cost Statement
2023

Statement 10

Unit: NTD thousand

Items	Amount
Merchandise	
Inventories, beginning of period	\$ 42,283
Add: Purchase in the current period	426,169
Supplies transferred in	1,360
Semi-finished goods transferred in	3,089
Less: Inventories, end of period	(54,354)
Transferred to semi-finished goods	(12,013)
Scrapped merchandise	(44)
Transferred to production overheads and operating expense	(30)
Total cost of sales and purchases	<u>406,460</u>
Direct raw material	
Raw materials, beginning of period	599,017
Add: Materials of the current period	701,517
Semi-finished goods transferred in	122,959
Less: Raw materials, end of period	(397,624)
Transferred to production overheads and operating expense	(2,636)
Raw material scraps	(369)
Raw materials consumed for current period	<u>1,022,864</u>
Supplies, beginning of period	13,153
Add: Materials of the current period	38,259
Semi-finished goods transferred in	88,577
Less: Supplies, end of period	(12,041)
Transferred to merchandise	(1,360)
Transferred to supplies inventory	(1,738)
Transferred to operating expense	(39,725)
Supplies consumed for current period	85,125
Direct labor	284,473
Production overheads	733,623
Manufacturing cost	<u>2,126,085</u>

I-CHIUN PRECISION INDUSTRY CO., LTD.
Operating Cost Statement (Continued)
2023

Statement 10

Unit: NTD thousand

Items	Amount
Add: Semi-finished goods, beginning of period	\$ 75,207
Merchandise transferred in	12,013
Finished goods transferred in	102,047
Less: Semi-finished goods, end of period	(108,331)
Scrapped semi-finished goods	(2,168)
Transferred to merchandise	(3,089)
Transferred to supplies	(88,577)
Transferred to raw materials	(122,959)
Cost of finished goods	1,990,228
Add: Finished goods, beginning of period	260,963
Fixed assets transferred in	52,661
Less: Finished goods, end of period	(279,206)
Transferred to semi-finished goods	(102,047)
Scrapped finished goods	(14,454)
Transferred to operating expense	(44,521)
Manufacturing, production and sales costs	1,863,624
Inventory scrap loss	17,035
Inventory valuation losses	(14,473)
Revenue from tailings	(41,606)
Export tax rebate income	(3,085)
Operating costs	\$ 2,227,955

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Production Overheads
2023

Statement 11

Unit: NTD thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Depreciation expenses		\$ 172,932	
Consumables		98,926	
Salaries and wages		88,201	
Processing fee		45,579	
Utility fees		88,316	
Social insurance		41,761	
Others		197,908	
		<u>\$ 733,623</u>	The balance of each item did not exceed 5% of the balance of this account

I-CHIUN PRECISION INDUSTRY CO., LTD.
Statement of Selling Expenses, Administrative Expenses, and R&D Expenses
2023

Statement 12

Unit: NTD thousand

Items	Selling expenses	Administrative expenses	R&D expenses
Salaries and wages	\$ 20,350	\$ 44,645	\$ 13,179
Export fees	18,226	-	-
Freight charge	4,236	27	59
Bonus paid	3,204	11,579	2,297
Depreciation expenses	736	13,835	5,515
Employee stock options expenses	-	47,962	-
Employees' compensation	-	26,874	-
Other expenses (Note)	25,316	46,993	15,490
	<u>\$ 72,068</u>	<u>\$ 191,915</u>	<u>\$ 36,540</u>

Note: The amount of each item did not exceed 5% of the total amount of this account.