stock code
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Paragon Technologies Co., Ltd.
2023 Annual Report

Corporate website：http：//www.pttech.com.tw

Annual Report is available at：http：//mops.twse.com.tw

Printed on April 20th , 2024

1. Spokesperson & Deputy Spokesperson

Spokesperson：Liu, Ming-Yi

Title：Financial Dept. Assistant Manager

Tel：（03）212-8833

E-mail：mingi@pttech.com.tw

Deputy Spokesperson：Yu, Hsiu-Ping

Name：Executive Deputy General Manager

Tel：（03）396-3518

E-mail：paragon@pttech.com.tw

2. Headquarters and Plant

Address：No. 2, Ln. 108, Sec. 1, Nanshan Rd., Luzhu Dist., Taoyuan City 338 , Taiwan (R.O.C.)

Tel：（03）212-8833

3. Stock Transfer Agent

Name：Taishin Securities Co., Limited Stock Agency Department

Website：https://www.tssco.com.tw

Address：No. 96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City 104496, Taiwan

Tel：(02) 2504-8125

4. Auditors of the latest fiscal year

Auditors：Auditor Weng, Bon-Wun, Auditor He, Ruei-Syuan

Accounting Firm：Deloitte & Touche Taiwan

Website：http：//www.deloitte.com.tw

Address：20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 110016, Taiwan

Tel：(02)2725-9988

5. Overseas Securities Exchange

Name of exchange for trading listed foreign securities and methods for obtaining information on such securities: N/A

6. Corporate Website

http：//www.pttech.com.tw

Catalogue

I.Letter to Shareholders

After two years of inventory adjustment in the notebook industry, the market inventory is gradually turning healthy. Research organizations estimate that global notebook shipments will end two consecutive years of recession in 2024, and the overall notebook shipments are expected to grow by 4.7% due to the slowdown of inflation and new product launches. Although the global economic recession is slowing down, Paragon is still facing many challenges such as geopolitics, regional wars, and net-zero carbon emissions, etc. Paragon has adjusted its strategies according to its operational needs to cope with the market changes. The 2023 operating results and 2024 business plan are summarized below:

1. 2023 business report

(1) Operating results

2023 consolidated operating revenue of Paragon was NT$ 382,573 thousand; operating net loss was NT$ 56,575 thousand; net loss after tax was NT$ 49,915 thousand; net loss after tax per share was NT$ 0.59; shareholders' equity was NT$ 1,225,785 thousand, and net worth per share was NT$ 14.59.

(2) Budget implementation: the Company did not publish financial forecasting, so there's no situation of budget achievement.

(3) Financial balance and profitability analysis:

Item			FY 2023	FY 2022
Financial Structure	Debt-to-Asset Ratio (%)		21.49	16.30
	Long-term capital to fixed assets ratio (%)		489.97	746.30
Profitability	Debt-to-Asset Ratio (%)		(2.67)	1.60
	Long-term capital to fixed assets ratio (%)		(3.68)	1.67
	Percentage of paid-in capital (%)	Operating income	(6.73)	(6.35)
		Profit Before Tax	1.45	7.08
	Net Profit Margin (%)		(13.05)	5.30
	EPS (NT$)		(0.59)	0.31

(4) Research and development condition: R&D expenses invested in 2023 was NT$ 29,683 thousand, and accounted for 7.76% of consolidated operating revenue.

2. 2024 business plan

(1) Business objectives

With the principle of honest business operation, we focus on developing our core business of "vacuum sputtering technology." We have the ability to continuously innovate and research, providing customers with the latest PVD coating products with advanced appearance and functionality. With excellent management and production capabilities, we offer customers high-quality products and services and are a trustworthy long-term partner for them.

(2) Sales forecast and sales policy

Looking ahead to 2024, with global trade activities expected to recover, according to a survey report by DIGITIMES, it is estimated that the notebook market will terminate two years of recession and grow by 4.7% in 2024 due to the slowdown of inflation and the stimulation of new product launches and will enter a new wave of expansion in 2025 with a growth rate of up to 6%. From 2024 to 2028, the compound annual growth rate (CAGR) of global notebook shipments will reach 3%, and the future product growth will be moderate. The Company will not only continue to focus on the NB anti-EMI market to maintain its market share but will also adjust the direction of its product development in the future towards the development of exterior coating, functional coating, and silicon carbide (SiC) products. In addition to expanding the scope of application of PVD technology, Paragon will invest more resources to continuously increase the production capacity of non-EMI products and SiC wafers in order to reduce the risk of single industry and customer concentration through diversification.

(3) Production and Sales Strategy

A. Production Strategy

(a) Increase production line automation and introduce process optimization projects to reduce energy and labor costs, construct a low-labor production plant to reduce labor demand and improve production efficiency.

(b) In response to changes in the future NB supply chain production capacity layout, strengthen the production capacity adjustment ability among factories in different regions to cope with possible changes in the future industry environment. (c) Continuously invest in process energy-saving and increase the ratio of renewable energy use to reduce electricity costs and mitigate the impact of rising energy costs on production costs.

(d) Build silicon carbide product capacity in accordance with order demand and improve product quality and process yield.

(e) Continuously improve the production efficiency of existing equipment to increase effective production capacity, reduce the investment cost of establishing new capacity, and improve the return on asset investment.

B.Sales Strategy

(a) Actively develop appearance coating products that meet environmental protection processes and combine functionality, such as magnesium-aluminum alloy appearance film, appearance film that does not affect 5G signal reception and transmission, and appearance film that is antibacterial and easy to clean..

(b) Develop functional coatings according to customer product needs, such as special functional conductive film, non-NB product anti-EMI coating, specific electromagnetic wave penetration film, anti-reflective film, and antibacterial film, to increase the breadth of PVD technology applications.

(c) Increase revenue from non-NB products and reduce the risk of over-concentration in operations.

(d) Establish an early involvement design mechanism with customers to provide customized mass production services and enhance closer collaboration with customers.

(e) Establish good communication channels with customers to keep abreast of the latest market information and changes.

3. Development Strategy

Looking ahead to 2024, Paragon will continue to optimize its product mix and has the following business strategies for the future:

(1) Continue to cultivate the EMI and appearance film products in the notebook market to consolidate the market share.
(2) Expand the application of PVD process technology to increase capacity utilization.
(3) Adjust the business model to reduce the proportion of OEM revenue.
(4) Continuously carry out production line automation and introduction of process optimization projects to reduce energy and labor costs and improve production efficiency.
(5) Actively develop SiC products and diversify operations to spread operational risks.

4. The impact of External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions.

Regarding PVD product layout, Paragon currently ranks first in the market share of NB anti-EMI shipments. In addition to strengthening its leading position in existing products and technologies, Paragon will continue to invest in the development of non-EMI product technologies in the future, especially focusing on the application of PVD appearance technology in compliance with ESG and environmental protection and carbon reduction, and Paragon will work with its customers to develop new PVD appearance process technologies, and gradually transform its role to equipment development and technical services.

Regarding the product layout of silicon carbide (SiC), Paragon 's reinvested subsidiary, Crystalline Materials, expects to increase the production capacity of silicon carbide (SiC) long-grain and crystal processing and invest in the development of 8-inch product technology in this fiscal year. The new capacity will be compatible with both 6-inch and 8-inch products in the future, in order to respond to the demand of the future growth of the silicon carbide (SiC) market.

In the aspect of research and development, Paragon adheres to the core values of "environmental protection, innovation, and professionalism" and focuses on the development of innovative materials and technological advancement of manufacturing processes, combining material innovation, process design, and the ability of equipment autonomy. Paragon will focus more on the research and development of new technologies in the future. In addition to emphasizing the connection between products and market demands, Paragon will also increase its core competitiveness in the future through the integration of front and back-end manufacturing processes, cross-industry cooperation, and strategic alliances with upstream and downstream industries to establish partnerships, with a view to establishing and demonstrating the long-term value of the enterprise.

Looking to the future, Paragon will take a positive view of its future operations and actively plan for its growth objectives.

In addition to strengthening its leading position in existing products and technologies, Paragon will continue to increase revenue from PVD non-EMI products and silicon carbide (SiC) substrates, which will provide Paragon with growth momentum for its future operations.

Hereby, I represent the Company sincerely appreciate shareholders' long-term support and faith and look forward to keeping to give encouragement.

Chairman: Chen, Tsai-Pu

II.Company Profile

1. Date of Incorporation

Oct 20, 1995

2. Company History

1995 ·Founded in 1995 with NT$2,400 million capital，the primary businesses are vacuum coating technology, vacuum equipment R&D, and business dealings.

1996 ·The paid-in capital increased to NT$50 million after a cash capital increase of NT$26 million was included.

1997 ·The paid-in capital increased to NT$80 million after a cash capital increase of NT$30 million was included.

1999 ·The paid-in capital increased to NT$120 million after a cash capital increase of NT$40 million was included.

2000 ·The paid-in capital increased to NT$165 million after a cash capital increase of NT$45 million was included.

2001 ·The paid-in capital increased to NT$254.38 million after a cash capital increase of NT$45.88 million and a capital return of NT$43.5 million were included

2003 ·The paid-in capital increased to NT$266.98 million after a cash capital increase of NT$12.6 million was included

2004 ·The paid-in capital increased to NT$300.32 million after a cash capital increase of NT$33.34 million was included.

·Obtained ISO9001 certification.

2005 ·The paid in capital increase to NT$ 360.32 million after a cash capital increase of NT $60 million was included.

·The paid in capital increased to NT$380.32 million dollars after a cash capital increase of NT$20 million was included.

2006 ·The paid in capital increase to NT$ 536.78 million dollars after retained earnings and distributed employee bonuses increased by NT$106.46M and a cash capital increase of NT$50 million were included.

·The company conducted the initial public offering and started the registration of the trading in emerging stock market.

2007 ·Retained earnings and distributed employee bonuses increased by 84.68M NT dollars, employee stock option certificates increased by 6.00M NT dollars. Paid in capital increased to NT$ 699.46 million after a cash capital increase of NT$ 72.00 million was included..

·The company's stock was officially listed for trading.

2008 ·The paid in capital increased to 785.41M NT dollars after retained earnings and distributed employee bonuses increased by NT$ 85.95 million.

2009 he paid in capital increased to NT$786.41 million after employee stock option certificate increased by NT$ 1 million was included.

2010 ·The paid in capital increased to NT$ 829.21 million after retained earnings increased by NT$ 38 million and employee stock option certificate increased by NT$4.8 million were included.

2011 ·The paid in capital increased to NT$ 800.41 million dollars after treasury stock reduced by NT$ 30 million and employee stock option certificate increased by NT$ 1.2 million were included.

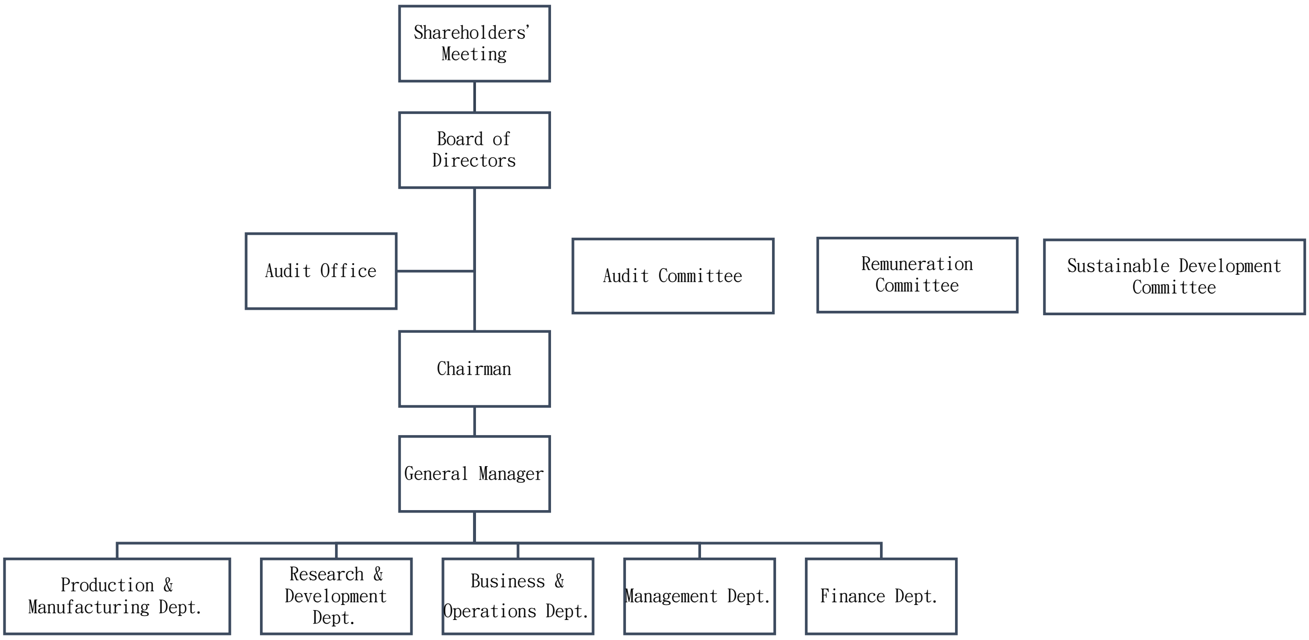
2012 ·The paid in capital increased to NT$ 842.32 million after retained earnings increased by NT$ 40.11 million and employee stock option certificate increased by NT$ 1.8 million were included.

2013	·The paid in capital increased to NT$ 850.74 million after capital reserve increased by NT$8.42 million was included.
2015	·The paid in capital increased to NT$ 867.07 million after employee stock option certificate increased by NT$ 16.33 million was included.
2016	·The paid in capital decreased to NT$ 807.07 million after treasury stock reduced by NT$ 60 million was included.
2017	·The paid in capital decreased to NT$ 801.07 million after treasury stock reduced by NT$ 6 million was included.
2018	·The paid in capital increased to NT$ 807.52 million after the employee stock option certificate increased by NT$ 6.45 million was included.
2022	·The paid in capital decreased to NT$ 791.42 million after the treasury stock reduced by NT$ 16.1 million was included. ·The paid in capital NT$ 807.42 million after the private placement NT$16 million was included.
2023	. The paid in capital increased to NT$ 830.42 million after conducting a private placement of NT$23 million. . The paid in capital increased to NT$ 840.42 million after implementing a restricted employee rights new share issuance of NT$10 million.

III.Corporate Governance Report

1. Organization

(1) Organizational Chart



(2) Major Corporate Functions

Department	Functions
Executive Dept.	1. Develop overall business strategies and goals for the company. 2. Supervise operational units to ensure they meet their business goals and responsibilities. 3. Assist operational units in integrating front-end development and reliability verification. 4. Allocate and integrate resources among units, and evaluate performance. 5. Collect information on new products and markets and conduct forward-looking evaluations. 6. Evaluate feasibility of alliances with different or similar industries.
Management Dept.	1. Assist in the Annual strategic planning and supervision. 2. Assess, audit and improve the standard process of operation. 3. Management Analysis (1) Set up management module for every plant area and create analysis and control of business indicators (2) Project cost-efficiency, feasibility and management data analysis, integration and advice. 4. Promote and maintain IT system and regulatory. 5. Promote and maintain HR regulatory. 6. Handle administrative, general affairs, and procurement matters at headquarters. 7. Safeguard and manage the legal affairs and intellectual property rights. 8. Plan and execute project-based tasks.
Business & Operations Dept.	1. Formulate business marketing strategy plans, implement new business opportunities for related products, and develop new models. 2. Coordinate the market operations of the entire group, establish a comprehensive business operation system, lead and streamline the business team. 3. Report on the analysis and evaluation of the market trends. 4. Negotiate customer transaction patterns and conditions, maintain customer relationships and manage order placement. 5. Project manage the introduction of new models into the factory production stage (coordination and progress control between customers and factories) 6. Assist in the collection management of accounts receivable 7. Coordinate, track, and ensure production meets customer delivery requirements.
Production & Manufacturing Dept.	1. Establish peripheral functions for each plant area and integrate and promote the 5S system. 2. Integrate and allocate resources among different plants. 3. Project manage the introduction of new models/products into mass production. 4. Promote and achieve responsible goals for quality, delivery, inventory, and payment. 5. Maintain and manage customer relationships for mass production customers. 6. Improve production yield and manage and optimize the processes. 7. Manage production scheduling and delivery. 8. Control and ensure the achievement of various cost targets 9. Other plant management work.
Research & Development Dept.	1. New technology/new product development: (1) Evaluation, introduction, design verification, R&D and analysis of the new technology/products (2) New product development: process design technology development, specification formulation, cost analysis, mass production planning and execution (3) Sourcing, evaluation, introduction, and development of new technology for special processes 2. Improve production technology. 3. Improve technologies such as sputtering and assembly. 4. Cultivate and improve professional talents in product R&D/process development. 5. Assist operational units in the development of product lines and the enhancement of process technology capabilities. 6. Patent Management.
Finance Dept.	1. Financial Planning(policy, fiscal and tax planning) 2. Maintenance and management of accounting, financial, and fund systems 3. Handling of board of directors, shareholder meetings, and shareholder affairs, and maintenance of external relationships 4. Business analysis and investment project evaluations

2.Director, Supervisors and Management Team

(1)Directors

A. Director Information (1)

Apr. 15, 2023

Title	Nationality / Place of Incorporation	Name	Gender	Date Elected (Note1)	Term (Years)	Date First Elected	Shareholding when Eleted		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	Chen, Tsai-Pu	M 61~70	2021.08.04	3	1995.10.17	1,911,810	2.37%	2,046,810	2.44%	501	0.00%	0	0.00%	MBA of National Chengchi University Deputy Chairman of Paragon Technologies Co., Ltd. GM,Paragon Technologies Co., Ltd. Deputy GM, Shing Chang Plastics CO., LTD.	Chairman& CIO of Paragon Technologies Co., Ltd. Chairman, Macro Sight International Co., Ltd Chairman, Macro Sight Technology Limited. Chairman, Clear Smart Investments Limited. Chairman, Paragon Technology Investment Ltd . Chairman, Essence International Investment Limited. Chairman, Precise International Investment Limited. Director, Paragon (Suzhou) Technology LTD Director,Paragon (Kunshan) Technology Co., Ltd. Director, Paragon (Jiangsu) Technology Co.,LTD Director, Paragon (Neijiang) Technology Co.,LTD. Director, Zhejiang Paragon Technology Co.,LTD. Director, Paragon Semiconductor Lighting Technology Co., Ltd.	None	None	None	None
Deputy Chairman	Taiwan	Wang, Xiao-Long (Note4)	M 61~70	2021.08.04	3	2012.06.19	1,028,053	1.27%	0	0%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Taipei Technological University GM, Paragon Technologies Co., Ltd. Executive Deputy GM , Paragon Technologies Co., Ltd. Manager of Manufacturing Office , Hon Hai Precision Industry Co., LTD. Manager of Manufacturing Dept., Dragonjet Corporation General Manager, Ang Ming Plastic Co., LTD	None	None	None	None	None
Director	Taiwan	Lin, Qi-Yang	M 61~70	2021.08.04	3	2006.03.31	738,784	0.91%	988,784	1.18%	953	0.00%	0	0.00%	St. John's University Graduate School of Mechanical Engineering General Manager, Stanley Electric Works Co., LTD.	Chairman, Stanley Electric Works Co., LTD.	None	None	None	None
Director	Taiwan	Chen, Wan-De	M 71~80	2021.08.04	3	1998.06.26 (Note2)	1,177,566	1.46%	1,427,566	1.70%	1,082,190	1.29%	0	0.00%	The 12th session of the advanced research class for managers of the Association of Professional Managers of Small and Medium-sized Enterprises of Taiwan Chairman, Huei De Industrial Co., Ltd.	Supervisor, Jing Cheng Material Co.,LTD	None	None	None	None
Director	Taiwan	Gao, Wen-Xiang	M 61~70	2021.08.04	3	1998.06.26 (Note3)	1,894,142	2.35%	2,294,142	2.73%	420,008	0.50%	0	0.00%	California State University, Fullerton Computer Science and Business. Taiwan Fluid Power Association Director. Deputy Chairperson, Taiwan Fluid Power Association International Committee. Deputy Chairperson, Taiwan Machine Tool & Accessory of Builders' Association Air Hydraulic Machinery Professional Committee. Director, Chinese Small & Medium Enterprise Inter-industry Association Rainbow Group.	Chairman, Sunny Enterprises Co., Ltd. Director, Sun Delta Enterprises Co., Ltd. Director, Hi-Q Marine Biotech International Ltd.	None	None	None	None

Title	Nationality / Place of Incorporation	Name	Gender	Date Elected (Note1)	Term (Years)	Date First Elected	Shareholding when Eleted		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark (s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Taiwan	Wang, Le-Chun	M 61~70	2021.08.04	3	2005.06.18	48,000	0.06%	48,000	0.06%	0	0.00%	0	0.00%	National Tsinghua University Master of Science M.S. General Manager, Shuimu Management Consulting Co., Ltd.	Corporate Representative/Director ,Jing Cheng Material Co., LTD.	None	None	None	None
Independent Director	Taiwan	Hsu, Jui-Tsan	M 61~70	2021.08.04	3	2015.06.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master f Science in Information Management M.S., University of Leicester Senior Manager,Hon Hai Precision Industry Co., LTD. General Manager ,Tension Steel Industries Co., Ltd. General Manager & Spokesperson, Chi Sheng Pharma & Biotech Co., Ltd.	None	None	None	None	None
Independent Director	Taiwan	Su, Tsung-Min	M 61~70	2021.08.04	3	2021.08.04	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Australia Curtin University Master of International Business Director/special assistant, Dong Feng Yulon Motor Co., LTD. Assistant Manager, Hua-Chuang Automobile Information Technical Center Co., LTD. Procurement Manager, Yulon Motor Co., LTD. Manager of Sales and Service Office, Yulon Motor Co., LTD. Assistant Manager/Manager(Production Office),Yulon Motor Co., LTD. Director of Production Dept.,Yulon Motor Co., LTD.	Senior Specialist , Jui Li Enterprise Co., LTD.	None	None	None	None
Independent Director	Taiwan	Liu, Yi-Chen	M 71~80	2021.08.04	3	2021.08.04	0	0.00%	0	0.00%	0	0.00%	0	0.00%	National Yang Ming Chiao Tung University EMBA 5E EMBA General Manager, Yulon Motor Co., LTD. General Manager, Yulon Motor Co.,LTD. Hua-Chuang Automobile Information General Manager , Technical Center Co., LTD. Director, Taiwan Transportation Vehicle Manufacturers Association Deputy Chairman , Hua-Chuang Automobile Information Technical Center Co., LTD. Chairman , Yueki Industrial Co., Ltd. Chairman , Y-Teks Co., Ltd.	Corporate Representative/ Director , Mecom Industries Corp	None	None	None	None

Note 1: The term of the 13th director is from August 4th, 2021 to August 3rd, 2024.

Note 2: Mr. Chen Wan-De was first appointed as the company's supervisor on June 26th, 1998. He resigned on December 24th, 2002 due to personal reasons, and was re-appointed as the company's supervisor on March 31st, 2006. His tenure was from March 31st, 2006 to June 18th, 2015.

Note 3: Mr. Gao Wen-Xiang was first appointed as the company's supervisor on June 26th, 1998. He served as the company's director from April 30th, 2008 to June 19th, 2012, and was a supervisor of the company for the rest of his tenure.

Note 4: Mr. Wang, Xiao-Long resigned as the company's director from December 04th, 2023.

B. Major shareholders of the institutional shareholders: None

C. Directors (2)

(a) Director's Professional Qualifications and Independence analysis of Independent Directors：

Criteria / Name	Professional qualifications and experiences	Independence criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Chen, Tsai-Pu	Graduated from National Cheng Chi University MBA, Chen used to be Deputy Chairman and General Manager of Paragon Technologies and a Deputy GM in Shing Chang Plastics Co., Ltd. Chen is now a Chairman & CIO of paragon Technology. Possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs, There is no circumstances under Section 30 of the Company Law.	Not applicable	None
Deputy Chairman Wang, Xiao-Long (note1)	Graduated from National Taipei University of Technology Bachelor of Science in Mechanical Engineering B.S., Wang used to be GM and Deputy GM of Paragon Technologies and Paragon Technologies Executive, Manager of Manufacturing Office in Hon Hai Precision Industry Co., LTD., Manager of Manufacturing Dept. in Dragonjet Corporation, and GM of Ang Ming Plastic Co., LTD. Wang is now Deputy Director & General Manager of Paragon Technology. Possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs. There is no circumstances under Section 30 of the Company Law.	Not applicable	None
Director Lin, Qi-Yang	Graduated from St. John's University Graduate School of Mechanical Engineering, Lin used to be St. John's University Graduate School of Mechanical Engineering and a GM of Stanley Electric Works Co., Ltd. , Lin is now Chairman of Stanley Electric Works Co., LTD. and Fufu Co., Ltd. Possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs. There is no circumstances under Section 30 of the Company Law.	Not applicable	None
Director Chen, Wan-De	Graduated from The 12th session of the advanced re-search class for managers of the Association of Professional Managers of Small and Medium-sized Enterprises of Tai-wan, Chen used to be Chairman of Hui Ken CO., Ltd, Chen is now a Supervisor of Jing Cheng Material Co.,LTD possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs. There is no circumstances under Section 30 of the Company Law.	Not applicable	None
Director Gao, Wen-Xiang	Graduated from California State University, Fullerton Computer Science and Business, Gao used to be Director and Chairperson of Taiwan Fluid Power Association, Chairperson of Taiwan Fluid Power Association International Committee Deputy, Taiwan Machine Tool & Accessory.of Builders' Association Air Hydraulic Machinery Professional Committee Deputy Chairperson. Director of Chinese Small & Medium Enterprise Inter-industry Association Rainbow Group Director. Gao is now Executive Supervisor,Sunny Enterprises Co., Ltd. Director of Sun Delta Enterprises Co., Ltd. And Director, Hi-Q Marine Biotech International Ltd., Possessing more than five years of work experience in business, legal affairs, finance,	Not applicable	None

Criteria / Name	Professional qualifications and experiences	Independence criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	accounting, or corporate affairs.There is no circumstances under Section 30 of the Company Law.		
Director Wang, Le-Chun	Graduated from National Tsinghua University Master of Science M.S., Wang used to be GM of Shuimu Management Consulting Co., Ltd. Wang is now Corporate Representative/Director ,Jing Cheng Material Co., LTD., Possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs, There is no circumstances under Section 30 of the Company Law.	Not applicable	None
Independent Director Hsu, Jui-Tsan	Graduated from Master of Science in Information Management M.S., Hsu used to be Senior Manager of Hon Hai Precision Industry Co., LTD., GM of Tension Steel Industries Co., Ltd., GM and Spokesperson of Chi Sheng Pharma & Biotech Co., Ltd, possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs.	The statement means that during the two years before the election and the period of employment, the individual must meet the following independence evaluation criteria: (1)They cannot be an employee of the company or any of its related enterprises. (2)They cannot be a director or supervisor of the company or any of its related enterprises. However, if the independent director serves as an independent director of the company and its parent company, subsidiaries, or affiliates established under securities trading laws or local laws, the restriction does not apply. (3)They, their spouse, minor children, or natural person shareholders holding more than 1% of the total issued shares of the company or the top ten shareholders cannot hold shares under the name of others. (4)They cannot be a manager listed in (1) or a spouse, a relative within two degrees of kinship, or a direct lineal relative within three degrees of kinship of the personnel listed in (2) or (3). (5)They cannot be a director, supervisor, or employee of a legal person shareholder who directly holds more than 5% of the total issued shares of the company, is one of the top five shareholders, or is appointed as a representative of the company's director or supervisor under Article 27, paragraph 1 or 2 of the Company Act. However, if the independent director serves as an independent director of the company and its parent company, subsidiaries, or affiliates established under securities trading laws or local laws, the restriction does not apply. (6)They cannot be a director, supervisor, or employee of a company or institution whose board of directors, supervisors, or employees who control more than half of the company's voting rights or seats on the board of directors are controlled by the same person. However, if the independent director serves as an independent director of the company and its parent company, subsidiaries, or affiliates established under securities trading laws or local laws, the restriction does not apply. (7)They cannot be a director (trustee), supervisor (auditor), or employee of a company or institution whose chairman or general manager or equivalent position is the same person or spouse as the company's chairman, general manager, or equivalent position. However, if the independent director serves as an independent director of the company and its parent company, subsidiaries, or affiliates established under securities trading laws or local laws, the restriction does not apply. (8)They cannot be a director (trustee), supervisor (auditor), manager, or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the company, except that if the specific company or institution holds more than 20% of the company's total issued shares, but not more than 50%, and is a parent company, subsidiary, or affiliate established under securities trading laws or local laws, the restriction does not apply. (9)They cannot be a professional, sole proprietorship, partnership, company, or institution that provides related services in business, law, finance, accounting, or related fields to the company or related enterprises, and the cumulative amount of compensation received in the past two years does not exceed NT$500,000. However, remuneration committees, public acquisition review committees, or merger special committees performing duties under securities trading laws or relevant laws are not subject to this restriction. (10)They cannot have a spouse or relative within two degrees of kinship with any other director. (11)They must meet other requirements as stipulated by the Company Act. (12)There is no provision in Article 27 of the Company Law that allows the government, legal entities, or their representatives to be elected.	None
Independent Director Su, Tsung-Min	Graduated from Australia Curtin University Master of International Business, Su used to be Director/special assistant of Dong FengYulon Motor Co.,Ltd, Assistant Manager of Hua-Chuang Automobile Information Technical Center Co., Ltd., Procurement Manager of Yulon Motor Co.,Ltd, .Manager of Sales and Service Office of Yulon Motor Co., LTD., Assistant Manager/Manager(Production Office) of Yulon Motor Co., LTD., and Director of Production Dept. of Yulon Motor Co., LTD.Su is now Senior Specialist in Jui Li Enterprise Co., LTD., Possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs.		None
Independent Director Liu, Yi-Chen	Graduated from National Yang Ming Chiao Tung University EMBA 5E EMBA , Liu used to be GM of Yulon Motor Co.,Ltd. General Manager and Hua-Chuang Automobile Information Technical Center Co., Ltd. and Association Director of Taiwan Transportation Vehicle Manufacturers Association, Vice Chairman of Hua-Chuang Automobile Information Technical Center Co., Ltd., Chairman of Yueki Industrial Co., Ltd. and Y-Teks Co., Ltd Chairman. Liu is now a Representative Director in Mecom Industries Corp., Possessing more than five years of work experience in business, legal affairs, finance, accounting, or corporate affairs.		None

Note 1: Mr. Wang, Xiao-Long resigned as the company's deputy chair from December 04th, 2023.

(b)Diversity policy and independence analysis of the Board of Directors:

a.Diversity of the Board of Directors:

Our company has a 'Corporate Governance Best Practice Guidelines' which mandates diversity in the composition of the Board of Directors. The number of directors who are also company executives should not exceed one-third of the total number of directors. Furthermore, the Board should establish appropriate diversity policies considering factors such as gender, age, nationality, culture, professional background, skills, and industry experience, based on the company's operations, business model, and development needs.

Board members should possess the necessary knowledge, skills, and qualities required to perform their duties. To achieve the ideal goal of corporate governance, the Board as a whole should possess the following abilities:

(1) Operational judgement
(2) Accounting and financial analysis
(3) Business management
(4) Crisis management
(5) Industry expertise
(6) International market awareness
(7) Leadership
(8) Decision-making

Our Board of Directors consists of 8 members, including 3 independent directors, who have extensive experience and expertise in finance, commerce, and management. The proportion of employee directors is 13%, while independent directors make up 37%. Among the 3 independent directors, their tenure ranges from 2 to 9 years. Of the remaining directors, 6 are between the ages of 61-70, and 2 are between 71-80. Our company places emphasis on gender equality in the composition of the Board of Directors. Currently, there are no female directors, but we plan to increase the number of female directors within the next five years to achieve our goal of gender equality and diversity.

●Diversity Implementation of board of Directors：

Core Project / Name	Basic Compositions							Industry Experiences								Professions				
	Gender	Nationality	Concurrently Employed in the company	Age		Term of service		Other Electronics	Electronic Components	Automotive Industry	Accounting and assessment management	Electrical Cables	Chemical Industry	Computer Peripherals	Other	Business Management	Accounting and Risk Management	Electronic Engineering	Mechanical and Industrial design	Information Technology
				61 to 70	71 to 80	Below 3 yrs	3 to 9 yrs													
Chen, Tsai-Pu	M	Taiwan	V	V				V						V		V				
Wang, Xiao-Long (Note 1)	M	Taiwan		V				V	V										V	
Lin, Qi-Yang	M	Taiwan		V								V							V	
Chen, Wan-De	M	Taiwan			V										V	V				
Gao, Wen-Xiang	M	Taiwan		V					V											V
Wang, Le-Chun	M	Taiwan		V							V							V		
Hsu, Jui-Tsan	M	Taiwan		V			V	V					V							V
Su, Tsung-Min	M	Taiwan		V		V				V						V	V			
Liu, Yi-Chen	M	Taiwan			V	V				V									V	

Note 1: Mr. Wang, Xiao-Long resigned as the company's director from December 04th, 2023.

b.Independence of the Board of Directors:

The company currently has 8 directors, including 3 independent directors, accounting for 37%. The directors all perform their duties faithfully. The board of directors is independent and operates well. The independent directors all comply with the Financial Supervisory Commission's regulations on independent directors. The directors There is no provision for Paragraph 3 and Paragraph 4 of Article 26-3 of the Securities and Exchange Act, and more than half of the persons have spouses and relatives within the second degree.

(2) General Manager, Deputy GM, Exec. Director, Dept.& Branch Head

Record date for shareholding： 2024/04/20

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholdings		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers who are Spouses or Within Two Degrees or Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman & CIO	Taiwan	Chen, Tsai-Pu	M	June 19th 2012	2,046,810	2.44%	501	0.00%	0	0%	National ChengChi University MBA Paragon Technologies Vice Chairman Paragon Technologies General Manager Shing Chang Plastics Co., Ltd. Deputy General Manager	Chairman& CIO of Paragon Technologies Co., Ltd. Chairman, Macro Sight International Co., Ltd Chairman, Macro Sight Technology Limited. Chairman, Clear Smart Investments Limited. Chairman, Paragon Technology Investment Ltd . Chairman, Essence International Investment Limited. Chairman, Precise International Investment Limited. Director, Paragon (Suzhou) Technology LTD Director,Paragon (Kunshan) Technology Co., Ltd. Director, Paragon (Jiangsu) Technology Co.,LTD Director, Paragon (Neijiang) Technology Co.,LTD. Director, Zhejiang Paragon Technology Co.,LTD. Director, Paragon Semiconductor Lighting Technology Co., Ltd.	None	None	None	None
Deputy Chair & GM	Taiwan	Wang, Xiao-Long (Note1)	M	June 19th 2012	0	0%	0	0%	0	0%	Department of Mechanical Engineering, Taipei Technological University GM, Paragon Technologies Co., Ltd. Executive Deputy GM , Paragon Technologies Co., Ltd. Manager of Manufacturing Office , Hon Hai Precision Industry Co., LTD. Manager of Manufacturing Dept., Dragonjet Corporation General Manager, Ang Ming Plastic Co., LTD	None	None	None	None	Note 1
Executive Deputy GM & Acting GM	Taiwan	Yu, Hsiu-Ping	F	March 16th 2012	33,553	0.04%	0	0%	0	0%	Chung Hua University Bachelor of Business Administration Paragon Technologies Head of Operation Office Paragon Technologies Marketing Manager	Chairman, Paragon (Suzhou) Technology LTD Director, Paragon (Kunshan) Technology Co., Ltd. Chairman, Paragon (Jiangsu) Technology Co.,LTD Chairman, Paragon (Neijiang) Technology Co.,LTD. Director, Zhejiang Paragon Technology Co.,LTD.	Asst. Manager	Yu, Jing-Feng	Sibling	None
Head of Finance and Accounting Departments	Taiwan	Liu, Ming-Yi	F	March 25th 2010	91,928	0.11%	0	0%	0	0%	National Central University Master of Finance Paragon Technologies Financial Dept. Manager	Director, Paragon (Suzhou) Technology LTD Supervisor, Paragon (Kunshan) Technology Co., Ltd. Director, Paragon (Jiangsu) Technology Co.,LTD Director, Paragon (Neijiang) Technology Co.,LTD. Chairman, Zhejiang Paragon Technology Co.,LTD. Supervisor of Paragon Cubee auto parts inc. Supervisor , Cubee auto parts inc. Chairman & GM, Jing Cheng Material Co., Ltd.	None	None	None	None
Asst. Manager	Taiwan	Yu, Jing-Feng	M	Feb 1st 2019	0	0%	1,654	0%	0	0%	National Central University Master of Mechanical Engineering Engineer in Chi Hua Fitness Co.,Ltd. Paragon Technologies Manager of R&D	None	Executive Deputy GM & Acting GM	Yu, Hsiu-Ping	Sibling	None

Note 1: Mr. Wang, Xiao-Long retired as the company's deputy chair from December 04th, 2023.

3. Remuneration of directors, supervisors, GM, and Deputy GM in the most recent years

(1). Remuneration of Ordinary Directors and Independent Directors

Unit: NT$ thousands/thousand shares

Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income (%) (Note6)		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income (Note6)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note7)
		Base Compensation (A) (Note1)		Retirement pay and pension(B)		Director profit-sharing compensation(C) (Note2)		Expenses and perquisites (D)(Note3)				Salary, rewards, and special disbursement (E)(Note4)		Retirement pay and pension(F)		Employee Compensation(G) (Note5)						
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	
																Cash	Stock	Cash	Stock			
Chairman	Chen, Tsai-Pu	0	0	0	0	0	0	42	42	42 NA	42 NA	4,137	5,705	0	0	0	0	0	0	4,179 NA	5,747 NA	None
GM	Wang, Xiao-Long (Note 8)	0	0	0	0	0	0	0	0	0	0	200	785	0	0	0	0	0	0	200 NA	785 NA	None
Director	Lin, Qi-Yang	0	0	0	0	0	0	42	42	42 NA	42 NA	0	0	0	0	0	0	0	0	42 NA	42 NA	None
Director	Chen, Wan-De	0	0	0	0	0	0	36	36	36 NA	36 NA	0	0	0	0	0	0	0	0	36 NA	36 NA	None
Director	Gao, Wen-Xiang	0	0	0	0	0	0	30	30	30 NA	30 NA	0	0	0	0	0	0	0	0	30 NA	30 NA	None
Director	Wang, Le-Chun	0	0	0	0	0	0	36	36	36 NA	36 NA	0	0	0	0	0	0	0	0	36 NA	36 NA	None
Ind. Director	Hsu, Jui-Tsan	480	480	0	0	0	0	42	42	522 NA	522 NA	0	0	0	0	0	0	0	0	522 NA	522 NA	None
Ind. Director	Su, Tsung-Min	480	480	0	0	0	0	42	42	522 NA	522 NA	0	0	0	0	0	0	0	0	522 NA	522 NA	None
Ind. Director	Liu, Yi-Chen	480	480	0	0	0	0	30	30	510 NA	510 NA	0	0	0	0	0	0	0	0	510 NA	510 NA	None

1. Please describe the independent director's compensation policy, system, standards, and structure, and explain the correlation between the amount of compensation and their responsibilities, risks, and input time: Our company's independent directors serve as members of the Audit Committee and the Remuneration Committee, receiving fixed director remuneration. In addition, their participation in director remuneration distribution is based on their level of involvement in company operations and their contribution value.
2. In addition to the disclosure in the table above, the remuneration received by company directors for services provided in the past year (such as serving as a consultant for the parent company/ all companies listed in the financial reports/ non-employee advisors for invested businesses): None.

Note 1: Refers to the compensation of directors in the latest fiscal year, including director salaries, job allowances, severance pay, various bonuses, rewards, and so on.
Note 2: No directors' remuneration is planned to be paid in 2023.
Note 3: Refers to the expenses related to the execution of business by directors in the latest fiscal year, including transportation expenses, special support fees, various subsidies, dormitories, vehicles provided in kind, and so on.
Note 4: Refers to the compensation received by directors who also serve as employees in the latest fiscal year (including those who serve as general managers, deputy general managers, other managers, and employees), including salaries, job allowances, severance pay, various bonuses, rewards, transportation expenses, special support fees, various subsidies, dormitories, vehicles provided in kind, and so on.
Note 5: No remuneration for employees is planned to be paid in 2023.
Note 6: Since the year 2023 is a net loss after tax, the relevant proportion is not calculated.
Note 7: The amount of remuneration received by Company directors from investee companies or the parent company outside of subsidiaries.
Note 8: Mr. Wang, Xiao-Long retired as the company's GM from December 04th, 2023.

(2). Remuneration of the GM and Deputy GM

Unit: NT$ thousand/thousand shares

Title	Name	Base compensation(A) (Note 1)		Retirement pay and pension (B)		Rewards, and special disbursement (C)(Note2)		Employee profit-sharing compensation(D) (Note3)				Sum of A+B+C+D ands ratio to net income (%)(Note4)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 5)
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	
								Cash	Stock	Cash	Stock			
CIO	Chen, Tsai-Pu	3,002	4,570	0	0	1,135	1,135	0	0	0	0	4,137 NA	5,705 NA	None
GM	Wang, Xiao-Long (Note 6)	0	585	0	0	200	200	0	0	0	0	200 NA	785 NA	None
Executive Deputy GM & Acting GM	Yu, Hsiu-Ping	2,174	3,064	0	0	975	975	0	0	0	0	3,149 NA	4,039 NA	None

Note 1: This Base compensation for the most recent fiscal year for the General Manager and Deputy General Manager. Include the salary, position allowance, and severance pay.
Note 2: This Rewards and special disbursement for the General Manager and Deputy General Manager for the most recent fiscal year. Include the various bonuses, incentives, transportation and other allowances, dormitories, company cars, and other forms of compensation.
Note 3: No remuneration for employees is planned to be paid in 2023.
Note 4: Since the year 2023 is a net loss after tax, the relevant proportion is not calculated.
Note 5: The general manager and deputy general manager of the company receive remuneration amounts from the subsidiaries' external investment enterprises or the parent company.
Note 6: Mr. Wang, Xiao-Long retired as the company's GM from December 04th, 2023..
＊The disclosure of compensation in this table differs from the concept of income under the Income Tax Act, so the purpose of this table is for information disclosure and not for taxation purposes.

(3). Managerial officers with the top five highest remuneration amounts

Unit: NT$ thousand/thousand shares

Title	Name	Base Compensation(A) (Note1)		Retirement pay and pension(B)		Rewards and special disbursement(C) (Note2)		Employee profit-sharing compensation(D) (Note3)				Sum of A+B+C+D and ratio to net income (%)(Note4)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note5)
		The company	All consolidated entities	The company	All consolidated entities	The company	All consolidated entities	The company		All consolidated entities		The company	All consolidated entities	
								Cash	Stock	Cash	Stock			
CIO	Chen, Tsai-Pu	3,002	4,570	0	0	1,135	1,135	0	0	0	0	4,137 NA	5,705 NA	None
Executive Deputy GM & Acting GM	Yu, Hsiu-Ping	2,174	3,064	0	0	975	975	0	0	0	0	3,149 NA	4,039 NA	None
Asst. Manager	Liu, Ming-Yi	1,562	1,905	0	0	491	491	0	0	0	0	2,053 NA	2,396 NA	None
Asst. Manager	You, Jing-Feng	1,350	1,598	0	0	390	390	0	0	0	0	1,740 NA	1,988 NA	None

Note 1: This Base compensation for the most recent fiscal year for the General Manager and Deputy General Manager. Include the salary, position allowance, and severance pay.
Note 2: This Rewards and special disbursement for the General Manager and Deputy General Manager for the most recent fiscal year. Include the various bonuses, incentives, transportation and other allowances, dormitories, company cars, and other forms of compensation.
Note 3: No remuneration for employees is planned to be paid in 2023.
Note 4: Since the year 2023 is a net loss after tax, the relevant proportion is not calculated.
Note 5: Managerial officers with the top five highest remuneration amounts of the company receive remuneration amounts from the subsidiaries' external investment enterprises or the parent company.
Note 6: Because the general manager, Mr. Wang Xiaolong, retired on December 4, 2012, the company has fewer than five managers, and only four managers' information is disclosed.
＊The disclosure of compensation in this table differs from the concept of income under the Income Tax Act, so the purpose of this table is for information disclosure and not for taxation purposes.

(4). Names of Managers who receive employee compensation and the distribution situation

2023 Unit: NT$(in thousands)

	Title	Name	Employee Compensation- in Stock (Fair Market Value)	Employee Compensation- in Cash(Note1)	Total	Ratio of Total Amount to Net Income (%)
Managers	CIO	Chen, Tsai-Pu	0	0	0	0%
	Executive Deputy GM & Acting GM	Yu, Hsiu-Ping				
	Asst. Manager	Liu, Ming-Yi				
	Asst. Manager	Yu, Jing-Feng				

Note 1: T No remuneration for employees is planned to be paid in 2023.

(5).The total amount of remuneration paid to directors, general managers, and deputy general managers of our company and all companies included in the consolidated financial statements in the past two years, as well as an analysis of the proportion of the total amount to the after-tax net income of the individual financial reports, the policies, standards and composition of remuneration payment, the procedures for determining remuneration, and the correlation with business performance and future risks.

A. The total amount of remuneration paid to directors, supervisors, general managers, and deputy general managers in the past two years as a proportion of the after-tax net income:

Unit: NT$ thousand

Title	The company				All consolidated entities			
	2022		2023		2022		2023	
	Total	Ratio of total remuneration to net income	Total	Ratio of total remuneration to net income	Total	Ratio of total remuneration to net income	Total	Ratio of total remuneration to net income
Directors	9,310	37.16%	6,077	NA	13,104	52.31%	8,230	NA
GM& Deputy GM	9,812	39.17%	7,486	NA	16,352	65.27%	10,529	NA
Net income after tax	25,052	-	NA	-	25,052	-	NA	-

Note: Since the year 2023 is a net loss after tax, the relevant proportion is not calculated.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:

(a)Policy, standards, and combination of compensation：

The remuneration for directors of the company is determined according to the company's articles of incorporation. When directors perform their duties, their compensation is authorized by the Board of Directors based on their level of participation and contribution to the company's operations, and with reference to industry standards. The compensation is determined within the highest salary range set by the company's salary administration regulations. If the company makes a profit, remuneration is distributed according to Article 23 of the company's articles of incorporation.

The compensation for the company's executives is determined based on the salary management regulations and is approved by the remuneration committee and the Board of Directors. Additionally, annual performance evaluations are conducted according to the evaluation methods for directors and executives, taking into account the company's annual operating conditions, and bonuses are distributed accordingly. If the company makes a profit for the year, employee remuneration is also distributed according to Article 23 of the company's articles of incorporation.

The company has established annual and performance bonus regulations, which consider individual employee performance throughout the year and distribute rewards accordingly to achieve motivational effects. If the company makes a profit for the year, one to ten percent is allocated for employee remuneration in accordance with the company's articles of incorporation.

(b) Procedures for determining compensation：

The assessment of remuneration for directors and executives of the company is carried out in accordance with the evaluation methods for directors and executives of the company, and in compliance with the provisions of the organizational regulations of the remuneration committee. The process takes into account industry standards for remuneration, as well as the individual's investment of time, responsibilities, achievements of individual goals, performance in other positions, and salaries paid to those in equivalent positions at the company in recent years. Short-term and long-term business goals, the company's financial condition, and other factors are considered to evaluate individual performance, business performance, and the rational relationship with future risks. The assessment of directors' and executives' performance and remuneration is approved through review by the remuneration committee and the Board of Directors.

(c) Relationship with business performance and future risk：

The company's articles of incorporation and the operation of the Board of Directors and the remuneration committee ensure timely review of the compensation for directors and senior executives based on their level of participation and contribution to the company's operations, thereby reducing the likelihood and relevance of future risks to the lowest possible level, to achieve a balance between sustainable business operations and risk management.

i.Directors:

The evaluation of director performance is conducted based on the evaluation methods for directors and executives, and the remuneration committee regularly reviews relevant policies, systems, standards, and structures to ensure the reasonableness of the performance evaluation items.

ii.Managers:

The compensation for executives is determined based on the salary management regulations and is approved by the remuneration committee and the Board of Directors, taking into account the annual performance evaluation and the company's business performance and future risks.

4. Implementation of Corporate Governance

(1). Operations of the Board of Directors

Total of 6 (A) meetings of the Board of Directors were held in the period 2023. The attendance of the director and supervisor were as follows:

Title	Name	Attendance in Person(Ｂ)	By Proxy	Attendance Rate(%)【Ｂ/Ａ】	Remarks
Chairman	Chen, Tsai-Pu	6	0	100%	
Deputy Chairman	Wang, Xiao-Long	0	2	0%	Resigned as the company's director from December 04th, 2023.
Director	Lin, Qi-Yang	6	0	100%	
Director	Chen, Wan-De	5	1	83%	
Director	Gao, Wen-Xiang	5	1	83%	
Director	Wang, Le-Chun	6	0	100%	
Independent director	Hsu, Jui-Tsan	6	0	100%	
Independent director	Su, Tsung-Min	6	0	100%	
Independent director	Liu, Yi-Chen	4	2	67%	

Attendance Status of Independent Directors at each Board Meeting during the Fiscal Year 2023

◎：Attendance in person；☆：By Proxy；∗：No attendance

2023	February 15th	March 15th	May 2nd	June 26rd	August 9th	November 8th
Hsu, Jui-Tsan	◎	◎	◎	◎	◎	◎
Su, Tsung-Min	◎	◎	◎	◎	◎	◎
Liu, Yi-Chen	◎	◎	☆	☆	◎	◎

Other mentionable items：

1. In case of the following situations in the operation of the board of directors, it is necessary to provide details such as the date and session of the meeting, the content of the motion, the opinions of all independent directors, and how the company dealt with those opinions

(1)Regarding the matters listed in Article 14-3 of the Securities and Exchange Act, this company has established an audit committee and is exempt from the regulations. Please refer to pages 22 to 24 of the annual report for information on the operation of the audit committee.

(2) There were no board meeting decisions, other than the ones mentioned earlier, that faced opposition or reservation from independent directors with recorded or written statements. For the current year, independent directors did not express any objections or reservations.

2. When directors recuse themselves from matters related to their interests, the following details should be disclosed: their names, the details of the matter, the reasons for recusal, and whether they participated in the voting.：

Board Meeting Date（period）	Content of proposal	Resolution
February 15th 2023 (13th term 11th session)	1. FY2022 manager year-end bonus and FY 2021 manager bonus distribution case.	Chairman Chen, Tsai-Pu recused due to conflict of interest. Liu, Yi-Zhen obtained board approval for the case after consulting attending directors.
August 9th 2023 (13th term 15th session)	1. FY 2022 manager bonus distribution case.	Chairman Chen, Tsai-Pu recused due to conflict of interest. Liu, Yi-Zhen obtained board approval for the case after consulting attending directors.

3. The Board of Directors' self-evaluation (or peer evaluation) should include information about the evaluation cycle, duration, scope, methods, and content. Additionally, the implementation status of the self-evaluation should be reported.：

The Board of Directors' self-evaluation should include a report on its implementation status.

Evaluation Cycle	Evaluation period	Scope of evaluation	Evaluation Method	Evaluation items
Executed once a year	Jan 1st 2023~ Dec 31st 2023	Individual Performance Director Evaluation	Self-assessment of Board members	Individual Director Performance Evaluation: 1.Understanding of Company Goals and Objectives 2.Awareness of Director Responsibilities 3.Participation in Company Operations 4.Internal Relationship Management and Communication 5.Professionalism and Continuous Learning 6.Internal Control
		Board Performance Evaluations	Internal Board Self-Assessment	Board of Directors Performance Evaluation: 1.Participation in Company Operations 2.Enhancing Decision-Making Quality of the Board 3.Composition and Structure of the Board 4.Director Selection and Continuous Learning 5.Internal Control
		Audit Committee and Remuneration Committee	Internal Sel-Assessment in functional committee	Functional Committee Performance Evaluation: 1.Participation in Company Operations 2.Understanding of Committee Responsibilities 3.Enhancing Decision-Making Quality of the Committee 4.Composition and Member Selection of the Committee 5.Internal Control

4. Assessment of Objectives and Execution in Strengthening Board Functions in the Current and Previous Years (e.g. establishment of audit committee, enhancement of information transparency):

(1) The company's Board of Directors authorized the establishment of the Remuneration Committee and Audit Committee on December 22, 2011, and June 18, 2015, respectively, to assist the Board in fulfilling its supervisory duties. Both committees are comprised of three independent directors, and their chairs regularly report their activities and decisions to the Board.

(2) As per the resolution passed by the Board of Directors on August 8, 2018, Liu, Ming-yi, Assistant Manager, was designated as the company's governance officer to protect shareholder rights and enhance the functions of the Board of Directors."

(2). Audit Committee

The Audit Committee of our company consists of three independent directors, and its purpose is to assist the Board of Directors in supervising the company's accounting, auditing, financial reporting process, financial quality, and integrity.

The Audit Committee held five meetings in 2023, and the matters deliberated mainly included:

1.Establishment or revision of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2.Assessment of the effectiveness of the internal control system.
3.Processing procedures for significant financial business transactions, such as the acquisition or disposal of assets, engaging in derivative transactions, lending funds to others, endorsing or providing guarantees for others, in accordance with Article 36-1 of the Securities and Exchange Act.
4.Review of matters involving conflicts of interest of directors themselves.
5.Review of significant asset or derivative transactions.
6.Review of significant lending, endorsement, or guaranteeing of funds.

7.Review of the issuance, offering, or private placement of equity securities.
8.Review of the qualifications and independence of accountants.
9.Review of the appointment, dismissal, or remuneration of signing accountants.
10. Review of the appointment or dismissal of financial, accounting, or internal audit executives.
11. Review of the annual financial reports and quarterly, semi-annual financial reports.
12. Review of the self-evaluation questionnaire of the committee's performance assessment.
13. Other significant matters stipulated by the company or competent authorities.

●Review of financial reports

The Board of Directors approved the annual operating report, financial statements, and profit distribution proposal, among which the financial reports were audited and issued an unqualified audit report by the joint accounting firm of Deloitte, with the auditors Weng, Bon-Wun and Ruei-Syuan. The above operating report, financial report, and loss offsetting proposal have been reviewed by our audit committee and deemed to be in compliance.

●Evaluation of the effectiveness of the internal control system

The Audit Committee evaluated the effectiveness of the company's policies and procedures regarding the internal control system. It also reviewed the audit department, signing accountants, and management's periodic reports, including risk management and regulatory compliance. The Audit Committee believes that the company's risk management and internal control system are effective, and the company has adopted the necessary control mechanisms to monitor and correct non-compliant behavior.

●Appointment of signing accountants

The Audit Committee is entrusted with the responsibility of supervising the independence of the certified public accounting firm to ensure the fairness of the financial statements. Generally speaking, except for tax-related services or specially approved projects, visa accounting firms are not allowed to provide other services to the company. All services provided by Visa Accountants must be approved by the Audit Committee. In order to ensure the independence of the certified accounting firm, the Audit Committee has formulated an independence assessment form with reference to Article 47 of the Accountant Law and the Accountant Professional Ethics Bulletin No. 10 "Integrity, Fairness, Objectivity and Independence" to evaluate the independence of the accountant. , professionalism and competency assessment, and assessment of whether the company is related to each other, has business or financial interests with each other, etc. The eighth meeting of the third session of the Audit Committee on March 15, 2023 and the 12th meeting of the 13th session of the Board of Directors on March 15, 2023 reviewed and approved the accounting firms Weng Boren Accountants and He Ruixuan Accountants, both of which met the independence assessment standards and met the independence assessment standards. Qualified to serve as our company's financial and tax accounting accountant. The Audit Committee is entrusted with the responsibility of supervising the independence of the certified public accounting firm to ensure the fairness of the financial statements.

Total of 5(A) meetings of the Audit Committee were held in the period(2023). The attendance of the independent director were as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate(%)【B/A】	Remarks
Independent director	Hsu, Jui-Tsan	5	0	100%	
Independent director	Su, Tsung-Min	5	0	100%	
Independent director	Liu, Yi-Chen	3	2	60%	
Other mentionable items：					

1. If any of the following circumstances occur, specify the board meeting date, meeting session number, contents of motion(s), the opinions of all the independent directors, reserved opinions, or significant recommendations, the resolution of the Audit Committee, and the company's handling of the Audit Committee's opinions.

(1) Any matter under Article 14-5 of the Securities and Exchange Act.:

Audit Committee Meeting Date	Period	Content of proposal	Independent Directors' Dissenting Opinions, Reservations, and Key Recommendations.	Audit Committee Resolution Result	Company's handling of Audit Committee opinions
2023.03.15	3rd term 8rd session	1.FY2022 Operating and Financial Statements. 2.FY2022 Profit Distribution Plan. 3.FY2022 Statement of Internal Control System. 4.Appointment and Compensation of Audit Accountant and Independence Assessment. 5.Cash Capital Increase for Subsidiary. 6.Company's capital loan subsidiary.	None	Unanimous Approval by Attending Committee Members	Proposal Approved by Attending Directors for Board Presentation
2023.05.02	3rd term 9th session	1. Q1 FY2023 Financial Statement. 2. Pricing and Issuance of Privately Placed Common Shares for Cash Capital Increase.. 3. Issue new shares that restrict employee rights. 4. Develop "Pre-approval Methods for Non-Confirmed Services". 5. Acquisition of common shares of subsidiary companies.	None	Unanimous Approval by Attending Committee Members	Proposal Approved by Attending Directors for Board Presentation
2023.06.26	3rd term 10th session	1. Pricing and Issuance of Privately Placed Common Shares for Cash Capital Increase.	None	Unanimous Approval by Attending Committee Members	Proposal Approved by Attending Directors for Board Presentation
2023.08.09	3rd term 11th session	1. Q2 FY2022 Financial Statement. 2. Added "Management Measures for Financial Statement Preparation Process". 3. Case of obtaining minority equity in a subsidiary. 4. A case concerning matters related to the roster and quantity of employees receiving new shares with restricted employee rights in 2023..	None	Unanimous Approval by Attending Committee Members	Proposal Approved by Attending Directors for Board Presentation
2023.11.08	3rd term 12th session	1. Q3 FY2022 Financial Statement. 2. FY2023 Audit Plan. 3.Change the company's visa accountant. 4.Company's Significant Endorsement and Guarantee for Subsidiary.	None	Unanimous Approval by Attending Committee Members	Proposal Approved by Attending Directors for Board Presentation

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs.

(1). The head of internal audit regularly reports on the execution of internal audits to the audit committee and communicates with independent directors through face-to-face meetings, phone calls, emails, etc., as needed. At least once a quarter, they hold a review meeting with the audit committee to discuss any deficiencies in the internal control system, with no management or operational personnel present.

(2). Independent directors hold regular meetings with the auditors at least once a quarter, where the auditor's report on the financial condition, domestic and overseas subsidiary financial and operational status, internal control audit status of the company, and fully communicate about any significant adjustment entries or changes in laws and regulations that may affect the financial reporting. In case of significant abnormality, the meeting can be called at any time.

(3). The records of the communication meetings held irregularly between independent directors and auditors or internal audit are available on the company's website at the following URL: http://www.pttech.com.tw/chief-audit-accountant-communication/

(3).Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status(1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" on January 30th 2016. The information has been disclosed on the Company's website.	None
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rule?	V V V V		(1). A spokesperson system has been established and is managed by dedicated personnel to handle related issues appropriately. (2). The company has commissioned a stock agent to effectively grasp the list of major shareholders and maintain proper communication at all times to ensure the stability of management and operational rights. (3). The "Operation Management Procedure for Supervising Subsidiaries" and the "Operation Procedures for Transactions with Specific Companies, Related Parties, Affiliated Companies, and Group Enterprises" have been formulated and implemented. The inance"l, operational, and accounting affairs of related enterprises are independently operated and subject to the control and audit of the parent company. (4). The company has formulated the "Code of Conduct for Honest Operation and Professional Ethics", which prohibits insiders from trading in securities with undisclosed information.	None
3. Composition and Responsibilities of the Board of Directors (1). Does the Board develop and implement a diversified policy for the composition of its members?	V		(1). The company has established a diversified policy for the composition of the board of directors in accordance with the "Corporate Governance Best Practice Principles." The board of directors formulates and implements the diversity policy for its members. The nomination and selection of board members are conducted in accordance with the company's bylaws, using a candidate nomination system. In addition to evaluating the candidates' education, experience, and qualifications, the company adheres to the "Corporate Governance Best Practice Principles" and "Director Election Regulations" to ensure the	None

Evaluation Item	Implementation Status(1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			diversity and independence of board members. "Implementation of the Company's Diversity Policy": The company's board of directors consists of 8 members, including 3 independent directors. The board members collectively possess diverse backgrounds in different industries and professional experiences. For more information, please refer to page 16. In terms of composition, employee directors account for 13%, independent directors account for 27%, and general directors account for 50%. In terms of age distribution, 25% are aged 71-80, 75% are aged 61-70. "Diversity Management Goals": i.The company emphasizes gender equality in the composition of the board of directors. Currently, female directors account for 0%. The company aims to increase the number of female directors within five years to achieve gender equality and diversity goals. ii.The board of directors supports and oversees actions taken by management to improve the ratio of women in senior management positions. The board of directors discloses the diversity policy for member composition on the company's website.	
(2). Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(2). In addition to the legally required remuneration committee and audit committee, the company, on November 8, 2022, adopted a board resolution to establish the "Sustainable Development Committee" and legally appoint members of the committee.	
(3). Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	V		(3). The company has established the "Director and Executive Performance Evaluation Measures." The board of directors conducts regular evaluations of its performance on an annual basis (after the end of each fiscal year). Based on the scoring results from the "Board of Directors Performance Assessment Self-Assessment Form," "Board Member Performance Assessment Self-Assessment Form," and "Functional and Committee Performance Assessment Self-Assessment Form," the evaluations are reviewed by the Remuneration Committee and presented for discussion at the board of directors. The self-assessment of the board of directors' performance for the 2023 fiscal year has been completed, and the results of the	

Evaluation Item	Implementation Status(1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			board of directors' performance evaluation, including relevant assessment items and results, have been reported to the board of directors on March 13 2024. Please refer to Appendix 1 and the company's website for more details.	
(4). Does the company regularly evaluate the independence of CPAs?	V		(4). The audit committee evaluates the independence and suitability of the appointed auditors on an annual basis. In addition to requiring auditors to provide a "Statement of Absolute Independence" and "Audit Quality Indicators (AQIs)," the evaluation is conducted based on the standards and 13 AQI indicators listed in Appendix 2. After confirming that the auditors and the company have no other financial interests or business relationships apart from the audit and tax-related fees, and that the auditors' family members comply with the independence requirements, as well as considering the AQI indicator information, it is confirmed that the auditors and the accounting firm have superior audit experience and training hours compared to industry averages. Additionally, the company has been continuously implementing digital audit tools in the past three years to enhance audit quality. After the audit committee discussed and approved the evaluation results on March 13, the independence and suitability assessment of the auditors was submitted to the board of directors for approval on the same date, March 13, 2024.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		On August 8, 2018, the board of directors of the company passed a resolution appointing Liu, Ming-Yi as an executive to serve as a corporate governance officer. This appointment aims to protect shareholders' rights and strengthen the functions of the board of directors. Liu, Ming-Yi has more than three years of experience in financial, shareholder, and administrative management in publicly traded companies. The main responsibilities of the corporate governance officer include providing the board of directors with the necessary information for executing their duties, assisting the board in complying with laws and regulations, and handling matters related to board meetings and shareholder meetings in accordance with the law. For details on the execution of duties and professional development, please refer to Appendix 5.	None
5. Does the company establish a communication channel and	V		The company has established a dedicated section for stakeholders on	None

Evaluation Item	Implementation Status(1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			its website, providing a channel for open communication with banks, other creditors, employees, customers, and suppliers. The contact telephone numbers and contact points are disclosed to facilitate engagement with stakeholders and address their concerns.	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Taishin Securities Co., Limited to deal with shareholder affairs.	None
7. Information Disclosure (1). Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2). Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3). Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	 V V V		(1). The company has established a corporate website where it discloses financial and business-related information. Stakeholders can also access relevant financial, business, and corporate governance information through the Public Information Observation System. (2). The company has designated individuals responsible for the disclosure of information on the Public Information Observation System ofTaiwan Stock Exchange and the company website. The company has appointed a spokesperson and deputy spokesperson to implement the spokesperson system. The company's corporate presentation materials and video recordings are available on the company website. (3). The financial statements for the 2023 fiscal year will be reported in accordance with the regulations of the Securities and Exchange Act and have not been announced in advance.	None
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1. Employee Rights: The company has always treated employees with integrity, establishing a good relationship of trust and mutual reliance through enriching welfare systems and comprehensive education and training programs, while prioritizing the protection of employee rights. 2. Employee Care: The company has established a Staff Welfare Committee to fully cater to the needs and ensure the well-being of employees. Measures such as subsidizing employee club activities, providing assistance for weddings, funerals, and childbirth, offering education subsidies for employees' children, medical consultation subsidies, and travel allowances are in place. 3. Investor Relations: The company has designated personnel	None

Evaluation Item	Implementation Status(1)			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			responsible for investor relations, handling suggestions, communication, and maintaining relationships with investors. 4. Supplier Relationships: The company has established long-term and mutually beneficial partnerships with suppliers. 5. Stakeholder Relationships: The company respects and safeguards the legitimate rights and interests of stakeholders, including creditors, employees, and suppliers, maintaining effective communication channels. The company also complies with regulatory requirements by making timely disclosures of relevant information and providing various corporate updates. 6. Director Training: The company's directors possess industry expertise and practical management experience. They participate in professional training for at least six hours annually as required by law. For specific details, please refer to Appendix Three. 7. Implementation of Risk Management Policies and Standards: The company has established internal regulations and conducts various risk management and assessment processes. Additionally, the directors uphold a high level of self-discipline, refraining from participating in discussions and voting on agenda items that may involve conflicts of interest and potential harm to the company's interests. 8. Execution of Customer Policies: The company is dedicated to improving quality and enhancing professional skills, providing customers with the best services and products. 9. Purchase of Liability Insurance for Directors and Supervisors: The company has provisions in its articles of incorporation for the purchase of liability insurance for directors and supervisors. It annually purchases directors' and supervisors' liability insurance with coverage of USD 7 million from Shin Kong Property & Casualty Insurance Company. 10. Manager Training: Please refer to Appendix Four for information regarding manager training.	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.：None				

Attachment 1: Board of Directors' Performance Evaluation Methods and Results

The company revised and passed the "Board of Directors' Performance Evaluation Methods" on November 12, 2019. The Board conducts an annual performance evaluation for the previous year, and the evaluation includes the overall operation of the Board, the Audit Committee, and the Remuneration Committee. Each director is also required to conduct a self-evaluation. The criteria for evaluating the Board, the Audit Committee, and the Remuneration Committee include the following:

Board of Directors' Performance Evaluation Criteria:
1.Participation in the Company's operations
2.Improvement of the Board's decision-making quality
3.Composition and structure of the Board of Directors
4.Selection and ongoing education of directors
5.Internal control

Functional Committee Performance Evaluation Criteria:
1.Participation in the Company's operations
2.Understanding of the duties of the functional committee
3.Improvement of the functional committee's decision-making quality
4.Composition and member selection of the functional committee
5.Internal control

Director Performance Evaluation Criteria:
1.Understanding of the company's goals and tasks
2.Understanding of the director's duties
3.Participation in the Company's operations
4.Management of internal relationships and communication
5.Professionalism and continuing education of the director
6.Internal control

The results of the 2023 Board of Directors' Performance Evaluation are as follows:
1.The overall self-evaluation of the Board of Directors' performance is excellent.
2.The overall self-evaluation of the Audit Committee and the Remuneration Committee is excellent.
3.The overall self-evaluation of the director's performance is excellent to outstanding.

The detailed content of the above performance evaluation was reported to the Board of Directors on March 13, 2024.

Attachment 2: Independent Auditor's Independence Evaluation Standards

Item	Evaluation item	Weng, Bon-Wun Accountant		He, Ruei-Syuan Accountant	
		Evaluation Result	Compliance with independence	EvaluationResult	Compliance with independence
1	Whether the accountant has a direct or significant indirect financial interest in the company	No	Yes	No	Yes
2	Whether the accountant has financing or guarantee transactions with the company or its directors	No	Yes	No	Yes
3	Whether the accountant has a close business relationship or potential employment relationship with the company	No	Yes	No	Yes
4	Whether the accountant or any member of their audit team has served as a director, executive, or in a position significantly affecting the audit work in the company in the current or past two years	No	Yes	No	Yes
5	Whether the accountant has provided non-audit services to the company that could have a direct impact on the audit work	No	Yes	No	Yes
6	Whether the accountant holds stocks or other securities issued by an intermediary company	No	Yes	No	Yes
7	Whether the accountant has served as the company's legal counsel or representative in coordinating conflicts with third parties	No	Yes	No	Yes
8	Whether the accountant has a relative who is a director, executive, or a person in a position significantly affecting the audit case in the company	No	Yes	No	Yes

AQI Indicator Information：

Dimension 1: Professionalism

•Indicator 1-1: Audit experience
•Indicator 1-2: Training hours
•Indicator 1-3: Turnover rate
•Indicator 1-4: Professional support

Dimension 2: Quality Control

•Indicator2-1: Auditor workload
•Indicator 2-2: Audit input
•Indicator 2-3: Quality control review (EQCR) review status
•Indicator 2-4: Quality control support capabilities

Dimension 3, Independence:

•Indicator 3-1: Non-audit services
•Indicator 3-2: Client familiarity

Dimension 4, Supervision:

•Indicator 4-1: External inspection deficiencies and penalties
•Indicator 4-2: Improvement letters from regulatory authorities

Dimension 5, Innovation Capability:

•Indicator 5-1: Innovation planning or advocacy.

Attachment 3：Education and Training of Directors

Title	Name	Organizer	Course Title	hours
Chairman	Chen, Tsai-Pu	Securities and Futures Institute, SFI	Annual Insider Trading Prevention Promotion Conference 2023	3
			Legal Compliance Seminar on Insider Trading by Internal Personnel for the Fiscal Year 2023	3
Deputy Chairman	Wang, Xiao-Long	Accounting Research and Development Foundation	Analysis of Common Internal Control Management Deficiencies and Practical Case Studies in Enterprises	6
Director	Lin, Qi-Yang	Accounting Research and Development Foundation	Practical Approaches to Corporate Fraud Detection and Prevention: Legal Responsibilities, Forensics, and Big Data Analysis	6
Director	Chen, Wan-De	Taipei Foundation of Finance	Low Carbon Transformation Path Planning - Carbon Rights and Carbon Pricing	3
		The Chinese National Association of Industry and Commerce (CNAIC)	Generative AI War Room - Seizing Opportunities, Seizing Business Opportunities	3
Director	Gao, Wen-Xiang	Securities and Futures Institute, SFI	Technical Development and Business Opportunities of ChatGPT Chatbot	3
			Economic Outlook and Industry Trends for 2024	3
Director	Wang, Le-Chun	Securities and Futures Institute, SFI	Global Economic and Industrial Technological Development Trends	3
		Taiwan Corporate Governance Association, TCGA	Legal Risks and Responses to Corporate Investment and Financing - Starting from the Perspective of Corporate Director Responsibilities	3
Independent Director	Hsu, Jui-Tsan	Accounting Research and Development Foundation	Latest Developments in "ESG Sustainability" and "Self-Compiled Financial Reports" Policies and Practical Internal Control Management	6
		Taiwan Academy of Banking and Finance	Corporate Governance and Business Operation Seminar	3
Independent Director	Su, Tsung-Min	Accounting Research and Development Foundation	How to Analyze Key Financial Information of Enterprises to Strengthen Crisis Early Warning Capabilities (Online Course)	6
Independent Director	Liu, Yi-Chen	Taiwan Corporate Governance Association	How to Expand Influence, Support Sustainable SDGs, and Enhance Corporate Value	3
			Corporate Growth Strategies and External Innovation	3

Attachment 4：Training and Education for Managerial Staff on Corporate Governance.

Title	Name	Organizer	Course Title	hours
CIO	Chen, Tsai-Pu	Securities and Futures Institute, SFI	Annual Insider Trading Prevention Promotion Conference 2023	3
			Legal Compliance Seminar on Insider Trading by Internal Personnel for the Fiscal Year 2023	3
Deputy Chairman	Wang, Xiao-Long	Accounting Research and Development Foundation	Analysis of Common Internal Control Management Deficiencies and Practical Case Studies in Enterprises	6
Asst. Manager of Finance Dept.	Liu, Ming-Yi	Accounting Research and Development Foundation	Continuing Education Courses for Accounting Managers.	12
			Annual Insider Trading Prevention Promotion Conference 2023	3

Note: Deputy Chairman, Wang Xiao-Long retired on Dec.04, 2023.

Attachment 5：Business Execution and Continuing Education of Corporate Governance Officers

The board of directors of our company resolved in August 8th 2018 to appoint Ms. Liu, Ming-Yi as the corporate governance officer to protect the shareholders' rights and enhance the functions of the board. Ms. Liu has over three years of experience in financial, shareholding, and unit management in publicly traded companies and has obtained a certificate of basic competence in corporate governance issued by the Securities and Futures Market Development Foundation of the Republic of China. The main responsibilities of the corporate governance officer include providing the board with the necessary information for executing its duties, assisting the board in complying with laws and regulations, and handling matters related to board and shareholders' meetings in accordance with the law.

The business execution in 2023 is as follows:

1. Assisting independent directors and ordinary directors in performing their duties, providing necessary information, and arranging their continuing education:
   (1) Regularly informing the members of the board of directors of the latest developments in the company's business and governance-related laws and regulations and assisting the board in complying with laws and regulations and keeping up-to-date with the latest legislative developments.
   (2) Checking the confidentiality level of relevant information and providing the company information required by the directors to maintain smooth communication and exchange with the directors and business executives.
   (3) When internal audit directors or signing accountants need to meet individually to understand the company's financial business needs according to the corporate governance practice guidelines, the independent directors shall assist in arranging relevant meetings.
2. Assisting the board and shareholders' meeting procedures and compliance matters:
   (1) Reporting the company's corporate governance operations to the board of directors, independent directors, and audit committee and ensuring that the convening of shareholders' meetings and board meetings complies with relevant laws and corporate governance guidelines.
   (2) Assisting and reminding the directors to comply with laws and regulations when executing their duties or making formal board resolutions, and providing suggestions if there are any illegal resolutions made during board meetings.
   (3) Responsible for checking the publication of significant information related to important board resolutions after the meeting to ensure the legality and accuracy of the information, thereby ensuring that investment information is equally shared among investors.
3. Maintaining investor relations: arranging for directors to communicate with major shareholders, institutional investors, or ordinary shareholders as necessary, so that investors can obtain sufficient information to evaluate the company's reasonable capital market value and ensure the protection of shareholders' rights.
4. Drafting the board meeting agenda, notifying the directors seven days in advance, convening the meeting, providing meeting materials, giving prior notice if the agenda requires avoiding conflicts of interest, and completing the board meeting minutes within 20 days after the meeting in accordance with the law.

5. Registering the shareholders' meeting date in advance, preparing the notice of meeting, the agenda, the meeting minutes, and revising the registration form within the statutory period, in accordance with the law.

Training Date		Organization	Course Title	hours	Total hours for the year
Starts from	Ends at				
Dec. 12th 2023	Dec. 12th 2023	Accounting Research and Development Foundation	Latest Developments in "ESG Sustainability" and "Self-Compiled Financial Reports" Policies and Practical Internal Control Management	6	12
Dec. 27th 2023	Dec. 27th 2023	Accounting Research and Development Foundation	. Practical Analysis of the Latest "Sustainable Development Action Plan" and Net Zero Carbon Emissions on Financial Statements	6	

(4). If the company has established a remuneration committee, it should disclose its composition, responsibilities, and operation:

Our company established a remuneration committee on December 22, 2011. The committee is composed of all three independent directors authorized by the Board of Directors. The responsibilities of the remuneration committee include "implementing recommendations, evaluating, and supervising the company's overall compensation policies, executive and manager compensation levels, employee stock option plans, employee bonus plans, or other employee incentive plans." Since its establishment, the remuneration committee has operated in accordance with the regulations of the "Remuneration Committee Regulations" of our company, and its operation complies with the "Corporate Governance Best Practice Principles for Listed and OTC Companies" and the "Regulations on the Establishment and Exercise of Remuneration Committees."

A. Member information of the remuneration committee:

April 20th 2024

Title (Note1)	Criteria / Name	Professional qualification and experience Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director (Convener)	Liu, Yi-Chen	Please refer to the information of directors on page 13 for related content.	Note
Independent Director	Su, Tsung-Min		Note
Independent Director	Hsu, Jui-Tsan		Note

B. Information on Remuneration Committee Authority

The function of our company's Remuneration Committee is to evaluate the salary and compensation policies and systems of our company's directors, supervisors, and managers in a professional and objective manner. The committee meets at least twice a year and may convene meetings as needed to provide recommendations to the board of directors for their decision-making reference.

(a). Authority of the Remuneration Committee

(1) Regularly review and propose revisions to this regulation.

(2) Regularly review the annual and long-term performance goals of the company's directors, supervisors, and managers, as well as the policies, systems, standards, and structures of salary and compensation.

(3) Regularly evaluate the performance goals of the company's directors, supervisors, and managers and recommend the content and amount of individual salary and compensation.

(b). When executing the aforementioned authority, the committee shall follow the following principle:

(1) Ensure that the company's salary and compensation arrangements comply with relevant laws and regulations and are sufficient to attract excellent talents.

(2) The performance evaluation and salary and compensation of directors, supervisors, and managers should refer to the usual practice in the industry and consider the time invested, job

responsibilities, personal goals achieved, performance in other positions, and the salary and compensation of equivalent positions given by the company in recent years, as well as the individual performance evaluation based on the company's short-term and long-term business objectives, financial condition, and the reasonable correlation between performance and future risks.

(3) Do not guide directors and managers to engage in risky behavior to pursue salary and compensation.

(4) Regarding the proportion of short-term performance bonuses and the timing of partial variable salary and compensation payments to directors and senior executives, it should be determined based on the characteristics of the industry and the nature of the company's business.

(5) Committee members may not participate in discussions or vote on their own salary and compensation decisions.

The aforementioned salary and compensation include cash compensation, stock options, bonus shares, retirement benefits or severance payments, various allowances, and other substantial reward measures. Their scope should be consistent with the criteria for disclosure in the annual report of a publicly-traded company regarding director, supervisor, and manager compensation.

If the compensation of directors and managers of our subsidiary companies is a decision that is subject to approval by the board of directors of our company based on the company's hierarchical responsibility, the committee shall first provide recommendations and then submit them to the board of directors for discussion.

(c).Information on the Operation of the Remuneration Committee

(1) The remuneration committee of the company consists of three members.

Title	Name	Attendance In person(Ｂ)	By proxy	Attendance rate(%)(Ｂ/Ａ)	Remarks
Convener	Liu, Yi-Chen	3	0	100%	
Committee Member	Hsu, Jui-Tsan	3	0	100%	
Committee Member	Su, Tsung-Min	3	0	100%	

(2) This committee's term is from August 4th, 2021 to August 3rd, 2024. In the past year (2023), the Remuneration Committee held 3 meetings (A), and the membership and attendance of the committee members are as follows:

(3)The dates of the two meetings held by the Remuneration Committee in the most recent fiscal year (2023), the matters discussed, and the resolutions adopted are as follows:

Dates of the meetings of the Remuneration Committee	Agenda and Follow-up Handling	Resolution. Results	Company's Opinions on the Remuneration Committee
2023.02.03 (5rd term 4th session)	1.Manager's Year-end Bonus for the Fiscal Year 2022 and Manager's Employee Bonus Distribution for the Fiscal Year 2021 2.Contribution Ratio Proposal for Employee Bonus and Director Remuneration for the Fiscal Year 2022	Approved by all attending committee members.	Approved by the attending directors at the board meeting
2023.02.03 (5rd term 5th session)	1.Review of Director Performance Evaluation for the Fiscal Year 2022 and Manager Performance Evaluation Items for the Fiscal Year 2023 2.Distribution Proposal for Employee Bonus and Director Remuneration for the Fiscal Year 2022	Approved by all attending committee members.	Approved by the attending directors at the board meeting.
2023.08.09 (5rd term 6th session)	1.Amendment Proposal for the Organization Regulations of the Company's Remuneration Committee 2.Proposal for the Establishment of the Company's Managerial Bonus Distribution Method 3.Manager's Employee Bonus Distribution Proposal for the Fiscal Year 2022	Approved by all attending committee members.	Approved by the attending directors at the board meeting
Other mentionable items： 1. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the board should state the date, term, agenda content, board resolution results, and the company's handling of the Remuneration Committee's opinions. If the board approves compensation and benefits that are better than the recommendations of the Remuneration Committee, the differences and reasons should be stated: None. 2. In the event of opposition or reservations from members of the Remuneration Committee, with records or written statements, the date, term, agenda content, all members' opinions, and the handling of these opinions should be documented: None.			

(5).Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>1. Has the company established a governance framework for promoting sustainable development, set up a dedicated unit for promoting sustainable development, authorized senior management by the board of directors to handle this, and supervised by the board of directors?
(Listed and over-the-counter companies should report the execution status, if not applicable, provide an explanation.)</td><td>V</td><td></td><td>The company established the sustainability development committee on November 8, 2022. The sustainability development committee is established to assist the Board of Directors in promoting sustainable development and enhancing corporate governance to achieve sustainable business objectives. Its responsibilities include the following: 1. Formulating the direction, strategy, and goals of corporate sustainable development, and drafting related management policies and specific implementation plans. 2. Advocating and implementing relevant works about ethical business operations and risk management. 3. Tracking, reviewing, and revising the execution and effectiveness of corporate sustainable development. 4. Handling other matters as decided by the Board of Directors to be managed by the committee.
The sustainable development committee has established the ESG promotion office, with the chairman and executive vice president serving as the chairperson and vice chairperson respectively. Following the principles of sustainable development practices, the office is tasked with developing annual specific plans and implementing them in environmental sustainability, corporate governance, and social issues. It is required to report on the implementation of sustainable development to the Board of Directors at least once a year and disclose this information on the company's website.
Performance in 2023
In 2023, the sustainable development committee held a total of one meeting, covering (1) the establishment of risk management systems, and (2) the promotion of greenhouse gas inventory projects. The sustainable development committee also reported to the Board of Directors on Nov. 8, 2023, regarding the progress of sustainable development initiatives. The Board of Directors received the committee's report on sustainable development, reviewed the relevant implementation content and directions, and provided guidance to the management team for adjustments when necessary. For more information on related operations, please refer to the company's website.</td><td>None</td></tr>
<tr><td>2. Has the company assessed risks related to environmental, social, and corporate governance issues that are material to its operations based on materiality principles, and established corresponding risk management policies or strategies? (Note 2)
(Listed and over-the-counter companies should report the execution status, if not applicable, provide an explanation.)</td><td>Vˇ</td><td></td><td>The company's Risk Management Team has conducted risk assessments on significant issues based on the principles of materiality, corporate strategy objectives, and risk management policies and procedures approved by the Board of Directors. The assessment primarily focus on the company, including its subsidiaries in Taiwan and China. Furthermore, through risk identification, analysis, assessment, response, monitoring, and risk reporting and disclosure management procedures, efforts are made to mitigate the impact of related risks.
Based on the assessed risks, the following risk management policies or strategies have been formulated:
<table>
<tr><th>Significant issues</th><th>Assessment item</th><th>Description</th></tr>
<tr><td>Environment</td><td>Compliance</td><td>Ther company's production processes comply with</td></tr>
</table></td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status (Note 1)					Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description			
				with Regulations and Environmental Standards/Management Systems	WEEE and RoHS regulations, and regularly obtain "IECQ QC80000:2017" and "ISO14001:2015" environmental management certifications.	
			Society	Product Safet	The company's products adhere to international standards such as RoHS, halogen-free flame retardant, and have actively applied for and passed UL certification, containing no harmful substances.	
				Occupational Safety	The company holds two occupational safety seminars and fire drills annually to enhance employees' emergency response capabilities and foster self-awareness in safety management.	
			Corporation Governance	Legal Compliance	1. By establishing a corporate governance structure and implementing internal control mechanisms, the company ensures that all personnel and operations of the company comply with relevant legal requirements. 2. All products developed by the company have applied for patents to safeguard the company's rights.	
				Enhancement of Director Functions	1. Each year, the directors are provided with updates on the latest regulations, institutional laws, and policies, and relevant training topics are planned for their professional development. 2. Every year, directors are legally insured with director's liability insurance to safeguard them in the event of litigation or claims against them.	
				Stakeholder Communication	1. Each year, the company analyzes important stakeholders and their relationship issues to avoid misunderstandings that may arise from differences in perspectives, thus minimizing operational or litigation risks. 2. To establish various communication channels, such as setting up an investor relations contact email, managed by a spokesperson who is responsible for responding to and addressing inquiries, fostering proactive communication,	

Evaluation Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			and reducing confrontation and misunderstandings.	
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1) All subsidiaries of the company have established environmental management systems in accordance with ISO 14001:2015 and have been certified by third-party certification bodies (Validity: 2022.04.25~2025.03.27).	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) 1. The company attaches great importance to environmental protection and material recycling in manufacturing. The production processes adhere to relevant regulations and international standards, such as the EU WEEE and RoHS environmental directives. If new plastics are introduced in the upstream production, we actively apply for and obtain UL certification to ensure that the materials used in recycling contain no harmful substances, thereby reducing environmental impact. 2. The company is committed to improving the efficiency of resource utilization by establishing research and development projects to enhance processes and develop energy-saving equipment, thereby enhancing energy efficiency.	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?		V	(3) The company will establish the Sustainable Development Committee as the highest-level organization for climate change management. Review and formulate response measures and relevant plans for current and future potential risks and opportunities arising from climate change on the company's strategies and goals.	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?		V	(4) The company has not yet compiled statistics, but will follow international standards to formulate policies for reducing greenhouse gas emissions, reducing water usage, and managing waste in the future.	
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The company complies with the regulations of the Labor Standards Act and respects the internationally recognized principles of basic labor rights. It has formulated an employee handbook in accordance with the law to clearly define and protect the rights of employees.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</td><td>V</td><td></td><td>(2) The company has established year-end bonus and performance bonus regulations, which distribute rewards based on individual employees' annual performance to provide motivation. If the company generates profits in a given year, it allocates a percentage ranging from 1 to 10 percent for employee remuneration, as stipulated in the company's articles of incorporation.
To prevent and address workplace harassment, promote gender equality in the workplace, and protect personal dignity, the company has established measures to prevent and address workplace sexual harassment, along with disciplinary guidelines. It has also established a dedicated unit responsible for handling complaints to ensure a complete complaint mechanism.
Gender Equality Indicator
<table><tr><th>Criteria</th><th>proportion</th></tr><tr><td>Female employees/Total employees</td><td>27%</td></tr><tr><td>Female supervisors/Total supervisors</td><td>26%</td></tr><tr><td>Female senior managers/Total senior managers</td><td>25%</td></tr></table><table><tr><th>Pay Equality Indicator</th><th>Difference</th></tr><tr><td>Average Pay Gender Difference</td><td>-6.4%</td></tr><tr><td>Median Pay Gender Difference</td><td>18.6%</td></tr></table></td><td></td></tr>
<tr><td>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</td><td>V</td><td></td><td>(3) The company conducts regular employee health checks and provides relevant courses on labor safety. It also carries out periodic environmental safety inspection.</td><td></td></tr>
<tr><td>(4) Does the company provide its employees with career development and training sessions?</td><td>V</td><td></td><td>(4) The company provides effective training and development programs for employees' professional growth.</td><td></td></tr>
<tr><td>(5)Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</td><td>V</td><td></td><td>(5) As the company operates in the front-end manufacturing supply chain, it does not cater directly to general consumers. However, the company still pays attention to the interests of other stakeholders and has set up a stakeholder zone on its website to provide communication and complaint channels, ensuring the protection of customer rights.</td><td></td></tr>
</table>

Evaluation Item	Implementation Status (Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V ˇ		(6) The company has established a supplier management policy, requiring suppliers to adhere to relevant standards concerning environmental protection, occupational health and safety, and labor rights. Before engaging in business transactions, the company evaluates suppliers for any records that may have an impact on the environment and society, to avoid engaging with suppliers that contradict the company's social responsibility policies. When signing contracts with its main suppliers, the contracts should include provisions for both parties to comply with their respective corporate social responsibility policies. If a supplier violates these policies and significantly affects the environment and society of the supply source community, the company reserves the right to terminate or dissolve the contract at any time	
5. Does the company follow internationally recognized guidelines or frameworks when preparing non-financial information reports such as sustainability reports? Has the aforementioned reports obtained assurance or certification from a third-party verification unit?		ˇ	Currently, the company has not prepared such reports. However, it will consider timely preparation in the future, taking into account international trends and market changes.	None
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any deviation from the principles in the Company's operations: On August 9th, 2022, the Board of Directors of the company approved the establishment of the "Sustainable Development Practices Guidelines" and operated in accordance with regulations. For more details, please refer to the company's website at (http://www.pttech.com.tw/regulations/) in the Corporate Governance section.				
7. Other important information that helps understand the implementation of sustainable development: The schedule for the 2023's Sustainable Development Committee report to the Board of Directors:				

Meeting Name & Date	Report Content
The 6th board meeting (Nov.08, 2023)	Establishment of the Company's Risk Management System Planning Report on Greenhouse Gas Inventory and Verification Schedule of the Company Establishment of Risk Management Organizational Structure Report on the Implementation of Intellectual Property Management Plan for the year 2023 of the Company

A.Climate-related Information of Listed Companies

Implementation Status of Climate-related Information

Item	Implementation Status
1. Disclose the supervision and governance of climate-related risks and opportunities by the Board of Directors and management.	The company's ESG Promotion Office, under the Sustainable Development Committee, is responsible for formulating, promoting, and strengthening action plans for important policies related to sustainability (including climate-related issues) within the company. It reviews, monitors, and revises the implementation status of sustainability, and reports the schedule, progress, and effectiveness to the Board of Directors.
2. Describe how the identified climate risks and opportunities	The company will identify short-term, medium-term, and long-term climate-related risks and opportunities according to the recommendations of the Task Force on

Item	Implementation Status
affect the business, strategy, and finances of the enterprise (short-term, medium-term, long-term).	Climate-related Financial Disclosures (TCFD) framework in the field of sustainable development, and formulate response regarding business, strategy, and financial aspects.
3. Describe the financial impact of extreme weather events and transition actions	Extreme weather events accelerate the demand for the introduction of zero/low-carbon environmental protection processes throughout the entire supply chain. The company gradually improves equipment efficiency, develops environmentally friendly processes, reduces operating costs, and enhances its demand in the supply chain, contributing to an overall increase in revenue
4. Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system	The company incorporates climate change into significant issues of sustainable development and key significant risk items. It identifies, assesses, and manages them according to established risk management procedures to respond accordingly, implementing the PDCA (Plan-Do-Check-Act) operating model. It continually improves the integration of climate change risk management in the environmental aspect into the risk management system
5. If utilizing scenario analysis to assess resilience to climate change risks, it should outline the scenarios, parameters, assumptions, analysis factors, and major financial impacts used/	The company has not yet adopted scenario analysis for climate change.
6. If there is a transformation plan to address climate-related risks, please describe the content of the plan, as well as the indicators and goals used to identify and manage physical risks and transition risk.	The company has not yet established a transformation plan to address climate-related risks.
7. If using internal carbon pricing as a planning tool, please explain the basis for price determination.	The company has not yet adopted internal carbon pricing.
8. If climate-related goals are set, please provide information on the activities covered, greenhouse gas emission scopes, planning timelines, annual progress towards achievement, etc. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these goals, please specify the source and quantity of offset carbon emissions or the quantity of RECs exchanged.	The company has not yet set climate-related goals.
9. Greenhouse gas inventory and verification status, along with reduction targets, strategies, and specific action plans	The company will commence greenhouse gas inventory before the year 2025, setting reduction targets, strategies, and specific action plans. Following the schedule

Item	Implementation Status
(to be filled out separately in sections 1-1 and 1-2).	outlined in the "Sustainability Roadmap for Listed Companies," greenhouse gas inventory will be completed in the third and fourth stages, with verification finalized in the years 2028 and 2029.

(a1) The Company's Greenhouse Gas Inventory and Verification Status for Recent Two-Year

(a1-1).Information of Greenhouse Gas Inventory

Describe the greenhouse gas emissions for the past two years (in metric tons of CO2e), intensity (in metric tons of CO2e per NT$million), and the scope of data coverage.
None.

(a1-2).Information of Greenhouse Gas Verification

Provide an explanation of the verification status for the most recent two years as of the date of the annual report printing, including the scope of verification, verifying organization, verification criteria, and verification opinion.
None.

(a2) Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Outline the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and progress towards achieving reduction targets.
None.

6. Company's adherence to business integrity and measures taken

The company has established internal control systems, internal and external auditing systems, and various management practices. Internal auditors periodically conduct random checks on company operations and announce the internal audit status and results in compliance with regulatory requirements. External accountants are appointed to regularly review the company's operational performance, and relevant financial information is disclosed on the Public Information Observation System (PIOS) to enable shareholders, creditors, employees, suppliers, and other stakeholders to have timely access to company information. The company has also formulated "Operating Procedures for Handling Material Non-Public Information" to ensure the accuracy, completeness, and timeliness of information disclosure.

A.Implementation of business integrity

Evaluation Item	Implementation Status(Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
1. Establishing Ethical Management Policy and Program (1) Has the company established an Ethical Management policy approved by the board of directors and clearly stated the policy and practices of Ethical Management in its regulations and external documents? Does the board of directors and senior management actively implement the commitment to the business policy?	V		(1) On January 30th 2016, the company's board of directors approved the "Ethical Management Operational Procedures and Behavioral Guidelines." It was revised on March 24 2020 to explicitly require directors and senior management to issue statements adhering to the Ethical Management policy. The company also includes compliance with the Ethical Management policy as a requirement for employment. These measures are in place to prevent misconduct.	None
(2) Has the company established a mechanism to assess the risks of dishonest behavior, regularly analyzing and evaluating business activities with a higher risk of dishonest behavior within its scope of operations, and using it to develop preventive measures against dishonest behavior, including at least the preventive measures for the behaviors listed in Article 7, Paragraph 2 of the "Ethical Management Guidelines for Listed and OTC Companies"?	V		(2).The company's "Ethical Management Operational Procedures and Behavioral Guidelines" and "Corporate Governance Practices" clearly define operational procedures, behavioral guidelines, disciplinary measures for violations, and complaint mechanisms, which are effectively implemented. The company encourages both internal and external individuals to report instances of dishonest or improper conduct. Depending on the severity of the reported misconduct, rewards may be granted. However, internal individuals who engage in false reporting or malicious accusations will face disciplinary actions, including termination of employment for severe cases.	
(3) Does the company clearly define operational procedures, behavior guidelines, disciplinary measures for violations, and complaint mechanisms in the preventive measures against dishonest behavior, and effectively implement and	V		(3)A. The company has established the "Ethical Management Operational Procedures and Behavioral Guidelines," which specify operational procedures, behavioral guidelines, disciplinary measures for violations, and complaint	

Evaluation Item	Implementation Status(Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
periodically review and revise the aforementioned measures?			mechanisms. B. The company promotes corporate governance and Ethical Management concepts through monthly or ad hoc meetings. If any integrity-related incidents occur, the company engages relevant units to conduct reviews and deliberations.	
2. Ethical Management Practice (1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts? (2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly(at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V V		(1) When signing contracts with customers and suppliers, the company includes detailed obligations for both parties and incorporates confidentiality clauses. (2) The company designates the Finance Department as the responsible unit (referred to as the company's responsible unit) and provides adequate resources and competent personnel to handle the revision, implementation, and documentation of operational procedures and behavioral guidelines. It also supervises and monitors the execution of these guidelines and reports regularly (at least once a year) to the board of directors. The dedicated unit reported its execution status to the board of directors on November 8th 2023 The company effectively implements the Ethical Management policy. The highlights of its implementation in 2023 are as follows: a Assisting in integrating integrity and ethical values into the company's business strategy and establishing a corporate culture of Ethical Management through compliance with laws and regulations. The company has established the "Corporate Governance Practices" to promote Ethical Management.	None

Evaluation Item	Implementation Status(Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			b. Regularly analyzing and assessing the risks of dishonest behavior within the business scope and developing preventive measures. The company has established operational procedures and behavioral guidelines such as the "Internal Significant Information Handling Operational Procedures" and the "Ethical Management Code of Conduct Operational Procedures and Behavioral Guidelines" to prevent dishonest behavior. c. Planning internal organization, structure, and responsibilities to establish mechanisms for mutual supervision and balance for business activities with higher risks of dishonest behavior. The company has established accounting systems, decision-making authority, and agent management regulations to ensure strict control over each transaction. It has also set up an audit department to conduct regular and ad hoc internal audits. Additionally, annual internal and external ISO operational audits are conducted at each plant to ensure mutual supervision and balance for business activities with higher risks of dishonest behavior. d. Promoting and coordinating the dissemination of integrity policy awareness and training. New employees are briefed on the company's rules and regulations, including the code of conduct and integrity ethics by the HR department. The company periodically communicates ethical management policies, preventive measures, and the consequences of violating integrity during department meetings, management meetings, and	

Evaluation Item	Implementation Status(Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
			educational training sessions e. Establishing a whistleblowing system to ensure its effectiveness. The company has internally announced an independent whistleblowing mailbox, hotline, and mailing address, and published the management regulations and reporting channels on its website for internal and external individuals to use. As of the current year, the Finance Department has not received any whistleblowing letters from internal or external sources. f. Assisting the board of directors and management in verifying and evaluating the effectiveness of the preventive measures established for Ethical Management and conducting regular evaluations of compliance with relevant business processes. The Finance Department conducts periodic audits and reports the results to the management and board of directors.	
(3) Has the company established a policy to prevent conflicts of interest, provide appropriate channels for disclosure, and effectively implement it?	V		(3) Regarding matters related to conflicts of interest, internal employees can report them to their immediate department supervisors.	
(4) Has the company established effective accounting systems and internal control systems to implement Ethical Management? Does the internal audit unit develop relevant audit plans based on the assessment of dishonest behavior risks and conduct audits to ensure compliance with the preventive measures against dishonest behavior? Alternatively, does the company engage external accountants to perform audits?	V		(4) The company has established an internal audit plan, and the internal audit unit carries out various audit operations according to the plan. In the event of special circumstances, separate project audits are arranged.	
(5) Does the company regularly organize internal and external	V		(5) The company regularly participates in external education and	

Evaluation Item	Implementation Status(Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
education and training on ethical management?			training programs.	
3. Operation of Whistleblowing System (1) Has the company established specific whistleblowing and reward systems, and established convenient channels for whistleblowing? Have appropriate personnel been assigned to handle reports against the accused party? (2) Has the company established standard operating procedures for investigating reported matters, including the necessary follow-up actions and related confidentiality mechanisms? (3) Does the company take measures to protect whistleblowers from improper treatment as a result of their reports?	V V V		(1) The company has established the "Employee Rewards and Penalties Policy" and has placed it on the company's internal website for employees to access at any time. (2) If the company encounters any reported whistleblowing matters, they are handled by the Human Resources department, which has established relevant operational procedures and confidentiality mechanisms to protect the rights and confidentiality of the whistleblower. (3) Personnel involved in handling whistleblowing matters in the company are required to provide a written declaration to maintain the confidentiality of the whistleblower's identity and the reported content. The company also commits to protecting the whistleblower from any improper treatment resulting from the whistleblowing incident.	None
4. Enhancing Information Disclosure Does the company disclose the content and effectiveness of its Ethical Management policy on its website and public information platform?	ˇ		The company has established a code of conduct, operational procedures, and behavioral guidelines for ethical operations, which are disclosed on the company's website and public information disclosure platform.	None
5. If the company has established its own Ethical Management policy based on the "Ethical Management Guidelines for Listed and OTC Companies," please describe the operational aspects and any differences from the policy. The company has established a code of conduct, operational procedures, and behavioral guidelines for Ethical Management, which are implemented without				

Evaluation Item	Implementation Status(Note1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary Description	
any differences from the aforementioned policy.				
6. Other important information that contributes to understanding the company's Ethical Management practices (e.g., reviews and revisions of the established Ethical Management policy): None.				

(7). If the company has established corporate governance guidelines and related regulations, it should disclose the methods for accessing them：

The company has successively established various measures in accordance with the "Corporate Governance Best Practice Principles for Listed and Over-the-Counter Companies," including the "Corporate Governance Best Practice Principles," "Sustainable Development Best Practice Principles," "Code of Conduct," "Ethical Operations Procedures and Behavioral Guidelines," "Shareholders' Meeting Rules," "Board Meeting Rules," "Director Election Procedures," "Director Appointment Procedures," "Procedures for Supervising Subsidiaries," "Internal Handling Procedures for Material Non-Public Information," as well as the establishment of a Remuneration Committee and an Audit Committee. For more information on these measures and regulations, please refer to the Public Information Disclosure Platform or the company's website.

(8). Other important information that enhances understanding of the company's corporate governance operations may also be disclosed:

A. Information regarding individuals responsible for financial information transparency and their possession of relevant licenses specified by regulatory authorities.

Title	Name	obtain the relevant licenses as specified by the competent authority
Asst. Manager in Financial Dept.	Liu, Ming-Yi	The issuer's securities firm has obtained professional certification for the accounting director designated by the securities exchange. The issuer has passed the basic competence test for corporate governance conducted by the Securities and Futures Development Fund.

Head of Audit Dept.	Li,Bing-Long	The issuer's securities firm has obtained professional certification for the audit director designated by the securities exchange.

B. Internal Major Information Processing Procedures of the Company

In order to establish a sound internal system for handling and disclosing major information within the company, to prevent improper leakage of information, and to ensure the consistency and accuracy of the company's external disclosures, the company passed the "Internal Major Information Processing Procedures" on May 6, 2015, as approved by the board of directors. All major information processing within the company is carried out in accordance with the relevant regulations.

(9). Implementation Status of Internal Control System

A. Internal Control System

Paragon Technologies Co., Ltd

Internal Control System Statement

March 13th 2024

Based on our self-evaluation results, we hereby declare the following regarding the internal control system established, implemented, and maintained by our company for the fiscal year 2022:

1.Our company acknowledges that it is the responsibility of our board of directors and managers to establish, implement, and maintain an internal control system. We have already established this system with the purpose of achieving reliable reporting on operational effectiveness and efficiency (including profitability, performance, and asset security), as well as ensuring compliance with relevant regulations and laws.

2.The effectiveness of an internal control system is inherently limited, and even the most well-designed system can only provide reasonable assurance towards achieving the above three goals. Furthermore, changes in the environment and circumstances may affect the effectiveness of the internal control system. However, our company's system includes a self-supervision mechanism, and any deficiencies identified will be corrected immediately.

3.Our company evaluated the design and implementation of our internal control system using the criteria for determining the effectiveness of internal control systems outlined in the "Guidelines for Establishing Internal Control Systems for Public Companies" (referred to as the "Guidelines" below). The criteria used in the Guidelines divide internal control systems into five components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each component includes several items, which can be found in the Guidelines.

4.Our company has used the criteria outlined in the Guidelines to evaluate the effectiveness of our internal control system's design and implementation.

5.Based on our evaluation results, we believe that our internal control system, including the supervision and management of our subsidiaries, as of December 31, 111 (2022), which includes understanding the extent to which operational effectiveness and efficiency goals have been achieved, reporting that is reliable, timely, transparent, and compliant with relevant regulations and laws, is effectively designed and implemented to reasonably ensure the achievement of the aforementioned goals.

6.This statement will be a major part of our company's annual report and public disclosure. If any fraudulent or illegal activities such as falsification or concealment are discovered in the disclosed content, our company may face legal responsibilities under the Securities and Exchange Act, Articles 20, 32, 171, and 174.

7.This statement was approved by our board of directors on March 15 2023, with O directors dissenting and the remaining directors agreeing to the contents of this statement.

Paragon Technologies Co., Ltd

Chairman Chen Tsai-pu Signature

Acting General Manager Yu Hsiu-Ping Signature

(2)Disclosure of Auditor's Review Report for Internal Control System entrusted to the accountant: None.

(10). The company and its internal personnel were punished in accordance with the law, or the company punished its internal personnel for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' rights and interests or securities prices, they should List the content of the punishment, main deficiencies and improvements for the fiscal year 2023 and up to April 15, 2023: None.

(11). Important resolutions of the Shareholders' Meeting and Board of Directors for the fiscal year 2023 and up to April 20, 2024：

A. Resolutions and implementation status of the 2023 Annual Shareholders' Meeting:

(a). Approval of the annual business report and financial statements for the fiscal year 2022.

(b). Approval of the profit distribution for the fiscal year 2022.

Implementation status: As of June 13, 2023, legal reserves and special reserves were established in accordance with the law. After the establishment of reserves, the remaining earnings amount to zero.

(c). Approval of the cash dividend distribution for the company's retained earnings.

Implementation status: The distribution reference date was set as July 08, 2023, and the full distribution was completed on July 20, 2023. Cash dividends of NT$0.5 per share were distributed with a total cash amount of NT$40,371,115.

(d). Approval of partial amendments to the "Company Bylaws" of the company.

Implementation status: Approved and announced on the company's website by the Ministry of Economic Affairs on July 14 2023.

(e). It is planned to handle the cash capital increase and issuance of common shares through private placement.

Implementation status: The private placement of common stock cash capital increase case has been completed. Please refer to pages 115 to 116 for the private placement securities processing situation.

(f). Issuance of Restricted Stock for Employees

Implementation status: On July 11, 2023, 1,000,000 shares of restricted stock for employees were issued at a price of NT$10 per share. There are still 2,000,000 shares of restricted stock for employees available for issuance. Please refer to page 63 to 68 for the status of the issuance of restricted stock for employees.

B. Important resolutions of the Board of Directors for the fiscal year 2023 and up to April 20 2024:

Date	Committee	Important Resolution
2023.03.15	Board of Directors	1.Proposal for the Business Report and Financial Statements for the Year 2022. 2.Proposal for the Distribution of Profits for the Year 2022. 3.Proposal for the Distribution of Cash from Capital Surplus. 4.Proposal for the Internal Control System Statement for the Year 2022. 5.Proposal for the Remuneration and Independence Assessment of

		the Appointed Certified Public Accountant for the Company. 6.Proposal for the Treatment of Accounts Receivable in the Fourth Quarter of 2022 that Exceeded the Normal Credit Period by Three Months and Are Not Related to Fund Loans. 7.Proposal for the Cash Increase of Subsidiaries. 8.Proposal for the Revision of Significant Internal Information Processing Procedures. 9.Proposal for the Directors' Purchase of Liability Insurance. 10.Proposal for the Determination of the Date, Venue, and Agenda of the Shareholders' Meeting. 11.Proposal for the Announcement, Review Criteria, and Operation Process for Accepting Shareholder Proposals. 12.Proposal for the Evaluation and Approval of the Board of Directors and Executives' Performance for the Year 2022 and the Evaluation Items for the Year 2023. 13.Proposal for the Allocation of Employee Compensation and Director Remuneration for the Year 2022. 14.Proposal for the Liquidation of Mainland Subsidiaries. 15.Proposal for the Provision of Funds to Subsidiaries.
2023.05.02	Board of Directors	1. Proposal of the Financial Statements for the 1st Quarter of the Year 2023. 2. Proposal of the Decision to Cease the Execution of the Cash Increase of Ordinary Shares by Public Offering or Private Placement, or a Combination Thereof, Approved at the year 2022 Shareholders' Meeting, within the Remaining Period. 3. Amendment Proposal for Certain Articles of the "Articles of Incorporation.” 4. Proposal of Conducting a Cash Increase of Ordinary Shares by Private Placement. 5. Proposal of Issuing Restricted Stock for Employees. 6. Amendment Proposal for the Agenda of the year 2023 Annual Shareholders' Meeting. 7. Proposal of Accounts Receivable Overdue by More Than Three Months from the Normal Credit Term for the 1st Quarter of the Fiscal Year 2023, Not Constituting Loans of Funds. 8. Establishment of the "Pre-Approval Method for Non-Assurance Services" of the Company. 9. Proposal of Acquiring Ordinary Shares of Subsidiaries.
2023.06.26	Board of Directors	1. Proposal of Pricing and Issuance of Common Shares through Private Placement for Cash Increase. 2.Application for Short-Term Bank Loan Facility.
2023.08.09	Board of Directors	1. Proposal of the Financial Statements for the 2nd Quarter of the year 2023. 2. Proposal of Accounts Receivable Overdue for More Than Three Months Beyond the Normal Credit Term in the 2nd Quarter of the year 2023, Not Related to Loan Nature. 3. Application for Short-Term Bank Loan Facility. 4. Amendment Proposal of the Issuance Rules for Restricted Employee Stock Options in the Fiscal Year 2023. 5. Addition of the "Management Regulations for the Preparation Process of Financial Statements" of the Company. 6. Acquisition Proposal of Minority Equity Interest in Subsidiaries. 7. Amendment Proposal of the Organizational Regulations of the Company's Remuneration Committee. 8. Establishment Proposal of the Bonus Disbursement Method for Company Managers. 9. Proposal of Disbursement of Manager and Employee Bonuses for Fiscal Year 2022. 10. Approval of the Distribution List for the Issuance of Restricted Employee Stock Options for the Year 2023 by the Company.

		11. Proposal of the Issuance and Establishment Date of Restricted Employee Stock Options by the Company.
2023.11.08	Board of Directors	1. Proposal of the Financial Statements for the 3rd Quarter of the year 2023. 2. Proposal of Accounts Receivable Overdue for More Than Three Months Beyond the Normal Credit Term in the 3rd Quarter of the year 2023, Not Related to Loan Nature. 3. Application for Short-Term Bank Loan Facility. 4. Proposal of Endorsing and Guaranteeing for Subsidiaries by the Company. 5. Audit Plan for the Fiscal Year 2024. 6. Change of the Company's Accountant. 7. Establishment of the "Risk Management Policies and Procedures" Method. 8. Liquidation Case of Subsidiaries. 9. Case of Offset Debt to Pay for Subsidiary's Cash Capital Increase Subscription.
2024.01.25	Board of Directors	1. Proposal of Retirement Benefits Payment for Wang Xiao Long, General Manager of the Company. 2. Application for Short-term Bank Loan Limit. 3. Company's Relocation Proposal. 4. Budget and Operational Plan for the Fiscal Year 2024. 5. Proposal for the Subsidiary to Acquire Production Equipment. 6. Proposal of Subsidiary Applying for a Short-term Bank Loan Limit, with Endorsement Guarantee Provided by the Subsidiary. 7. Proposal of Subsidiary Planning to Apply for a Short-term Bank Loan Limit, with Endorsement Guarantee Provided by the Company.
2024.03.13	Board of Directors	1. Proposal for the Business Report and Financial Statements for the Year 2023. 2. Proposal for the Appropriation for Losses for the Year 2023. 3. Proposal for the Internal Control System Statement for the Year 2023. 4. Re-election of Directors of the Company. 5. Proposal of the Date, Venue, and Agenda for the Shareholders' Meeting. 6. Proposal of the Announcement, Review Criteria, and Procedures for Accepting Shareholder. 7. Proposal of the Announcement, Review Criteria, and Procedures for Accepting Director and Independent Director Nominations. 8. Proposal for the Directors' Purchase of Liability Insurance 9. Appointment Remuneration for the Company's Accountant and Its Independence Evaluation. 10. Proposal of Receivables Overdue for More Than Three Months in the Fourth Quarter of the Year 2023, Not Related to Fund Loans. 11. Conducting Cash Increase and New Share Issuance for the Year 2024, and Issuing the First Secured Convertible Corporate Bonds in the Domestic Market. 12. Subsidiary Planning to Apply for Financing Lease Business, with Endorsement Guarantee Provided by the Company. 13. Proposal of Evaluation and Approval of Director Performance in the Year 2023 and Performance Evaluation Criteria for Managers in the Year 2024. 14.Proposal of Year-end Bonus Distribution for Managers in the Year 2023. 15.Proposal of Retirement Benefits Payment for Wang Xiao Long, General Manager of the Company.
2024.04.16	Board of	1. Plan to apply to Taishin International Commercial Bank for a

	Directors	guarantee limit of NT$300 million for the issuance of domestic guaranteed convertible corporate bonds. 2. Plan to apply for a short-term guaranteed loan limit of NT$90 million from Taishin International Commercial Bank.

L. Regarding Directors' or Supervisors' Dissenting Opinions on Important Resolutions Passed by the Board of Directors for the Year 2023 and up to April 20 2024, with Records or Written Statements, the main content is as follows: None.

M. Summary of resignations of the company's chairman, general manager, accounting director, financial director, internal audit director, corporate governance director and R&D director for the Year 2023 and up to April 20 2024:

Wan, Xiao-Long, the General Manager, applied for leave without pay starting from November 8, 2022, due to health reasons. During the leave without pay period, Ms. Yu Hsiu-Ping will assume the position of Acting General Manager.

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Title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Termination
General Manager	Wang Xiao Long	Jun.19, 2012	Dec.04, 2023	Retired

5. Information about CPA Audit Fee

(1). Information Regarding the Company's Audit fee and non-audit fee：

Unit: NT$ thousand

Accounting Firm	Name of CPA	Period covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche Taiwan	Weng, Bon-Wun	2023/01/01~2023/12/31	3,500	217	3,717	Non-audit fees include payment for accountant's travel expenses, transportation expenses, typing and printing costs, etc.
	Chi, Rui-Quan					
	He, Ruei-Syuan					

(2). If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason: N/A

(3). In the case where the audit fees decrease by ten percent or more compared to the previous year, the amount, percentage, and reasons for the reduction in audit fees should be disclosed: N/A

6. Information about the replacement of CPA：

(1). Information regarding the former CPAs

Date of replacement	Oct.03, 2023		
Reason for replacement and explanation	To accommodate the internal adjustment required by Deloitte Touche Taiwan.		
Describe whether the Company	Parties / Circumstances	CPAs	The Company

terminated or the CPAs terminated or did not accept the engagement	Terminated the engagement	Not applicable	Not applicable
	No longer accepted (discontinued) the engagement	Not applicable	Not applicable
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	No		
Disagreement with the Company?	No		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	No		

(2). Information Regarding the Successor CPAs

Name of accounting firm	Deloitte Touche Taiwan.
Names of CPAs	Weng Bo-Ren, He Jui Hsuan
Date of engagement	Oct.03, 2023
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	No
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	No

(3). The reply letter from the former CPA regarding the Company’s disclosures regarding the matters under article 10.6.A and 10.6.B(c) of the Regulations：None.

7. The Company’s Chairman, CEO, CFO, and managers in charge of its finance and accounting operations did not hold any positions in the Company’s independent auditing firm or its affiliates during: None

8. 10% or Above Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(1). Changes in Shareholding

Title	Name	2023		As of Apr. 20, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Chen, Tsai-Pu	135,000	0	0	0
Director	Lin, Qi-Yang	250,000	0	0	0

Title	Name	2023		As of Apr. 20, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Wang, Le-Chun	0	0	0	0
Director	Chen, Wan-De	250,000	0	0	0
Director	Gao, Wen-Xiang	400,000	0	0	0
General Manager	Yu, Hsiu-Ping	0	0	0	0
Asst. Manager	Liu, Ming-Yi	0	0	0	0
Asst. Manager	Yu, Jing-Feng	0	0	0	0
Independent Director	Liu, Yi-Chen	0	0	0	0
Independent Director	Hsu, Jui-Tsan	0	0	0	0
Independent Director	Su, Tsung-Min	0	0	0	0
Finance Department Manager	Liu, Ming-Yi	0	0	0	0
Accounting Department Manager	Liu, Ming-Yi	0	0	0	0

(2). Shares Trading with Related Parties：

Name	Reasons for equity transfer	transaction date	Transaction counterparty	The relationship between the transaction counterparty and the company, directors, supervisors and shareholders holding more than 10% of the shares	shares	Trading price
Gao, Wen-Xiang	Donate (transfer)	2023.12.11	Huang, Yu-Wen		400,000	37.6
Chen, Wan-De	Donate (transfer)	2023.12.11	Li, Yu-Chin		250,000	37.6
Lin, Qi-Yang	Donate (transfer)	2023.12.12	Huang, Hui-Chen		214,000	37.6
Lin, Qi-Yang	Donate (transfer)	2023.12.12	Lin, Chi-Chou		36,000	37.6
Chen, Tsai-Pu	Donate (transfer)	2023.12.14	Gao, Yue-Huei		135,000	37.6

(3). Shares Pledge with Related Parties：None

9. Relationship among the Top Ten Shareholders

As of 2024/4/20
Unit: Share/%

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Samoa Business Dayu International Co., Ltd.（Note1）	2,688,910	3.20%	0	0.00%	0	0.00%	None	None	None

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Gao, Wen-Xiang	2,294,142	2.73%	420,008	0.50%	0	0.00%	None	None	None
Chen, Tsai-Pu	2,046,810	2.44%	501	0.00%	0	0.00%	None	None	None
Wang, Hui-Yu (Note1)	1,858,000	2.21%	0	0.00%	0	0.00%	None	None	None
Su, Cheng-Han(Note1)	1,810,000	2.15%	0	0.00%	0	0.00%	None	None	None
Li, Shu-Fa (Note1)	1,660,000	1.98%	0	0.00%	0	0.00%	None	None	None
Chun Tung International Investment Co., Ltd(Note1	1,505,000	1.79%	0	0.00%	0	0.00%	None	None	None
Yuan Fu Securities Co., Ltd. (Note 1)	1,495,000	1.78%	0	0.00%	0	0.00%	None	None	None
Chen, Wan-De	1,427,566	1.70%	1,082,190	1.29%	0	0.00%	None	None	None
He, Chia-che	1,099,000	1.31%	0	0.00%	0	0.00%	None	None	None

Note1: As the shareholder is not an insider, information regarding their spouse, minor children, or holdings held under another person's name cannot be obtained."

10. Ownership of Shares in Affiliated Enterprises

2023/12/31
Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors /Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
MACRO SIGHT INTERNATIONAL CO., LTD.	13,992,000	100%	0	0	13,992,000	100%
Paragon Cubee auto parts inc.	500,000	50%	0	0	500,000	50%
Jing Cheng Material Co., LTD.	18,000,000	100%	0	0	18,000,000	100%

IV. Capital Overview

1 Capital and Shares

(1) Source of Capital

A. Issued Shares

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1995.10	10	2,400	24,000	2,400	24,000	Authorized capital	None	None

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1996.08	10	5,000	50,000	5,000	50,000	Cash capital increase of 1,077.5thousand shares	Offsetting of Debt against Equity 1,522.5thousand shares	Note1
1997.05	10	6,000	60,000	6,000	60,000	Cash capital increase of 1,000 thousand shares	None	Note2
1997.12	11	8,000	80,000	8,000	80,000	Cash capital increase of 2,000 thousand shares	None	Note3
1999.01	11	12,000	120,000	12,000	120,000	Cash capital increase of 4,000 thousand shares	None	Note 4
2000.06	10	15,000	150,000	15,000	150,000	Cash capital increase of 3,000 thousand shares	None	Note 5
2000.09	35	16,500	165,000	16,500	165,000	Cash capital increase of 1,500 thousand shares	None	Note 6
2001.04	10	20,850	208,500	20,850	208,500	Capital reserve of 4,350 thousand shares	None	Note 7
2001.08	11	25,438	254,384	25,438	254,384	Cash capital increase of 4,588 thousand shares	None	Note 8
2003.01	16	30,400	304,000	26,698	266,975	Cash capital increase of 1,260 thousand shares	None	Note 9
2004.01	16	30,400	304,000	30,032	300,315	Cash capital increase of 3,334 thousand shares	None	Note 10
2005.01	12	54,000	540,000	36,032	360,315	Cash capital increase of 6,000 thousand shares	None	Note 11
2005.05	30	54,000	540,000	38,032	380,315	Cash capital increase of 2,000 thousand shares	None	Note 12
2006.04	10	100,000	1,000,000	48,678	486,784	Capitalization of retained earnings and employee stock option certificate 10,646 thousand shares	None	Note 13
2006.06	136	100,000	1,000,000	53,678	536,784	Cash capital increase of 5,000 thousand shares	None	Note 14
2007.06	10	100,000	1,000,000	62,146	621,462	Capitalization of retained earnings and employee stock option certificate of 8,468 thousand shares	None	Note 15
2007.09	10	100,000	1,000,000	62,746	627,462	Employee stock option of 600 thousand shares	None	Note 16
2007.11	168	100,000	1,000,000	69,946	699,462	Cash capital increase of 7,200 thousand shares	None	Note 17
2008.07	10	100,000	1,000,000	78,540	785,408	Capitalization of retained earnings and employee stock option certificate of 8,595 thousand shares	None	Note 18
2009.07	10	100,000	1,000,000	78,620	786,208	Employee stock option of 80 thousand shares	None	Note 19
2009.11	10	100,000	1,000,000	78,640	786,408	Employee stock option of 20 thousand shares	None	Note 20
2010.05	10	100,000	1,000,000	79,000	790,008	Employee stock option of 60 thousand shares	None	Note 21
2010.07	10	100,000	1,000,000	82,821	828,209	Capitalization of retained earnings of 3,800 thousand share and employee stock option of 20 thousand shares	None	Note 22
2011.01	10	100,000	1,000,000	82,921	829,209	Employee stock option of 100 thousand shares	None	Note 23

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2011.04	10	100,000	1,000,000	82,981	829,809	Employee stock option of 60 thousand shares	None	Note 24
2011.07	10	100,000	1,000,000	79,981	799,809	Cancellation of Treasury stock of 3,000 thousand shares	None	Note 25
2011.11	10	100,000	1,000,000	80,041	800,409	Employee stock option of 60 thousand shares	None	Note 26
2012.04	10	100,000	1,000,000	80,221	802,209	Employee stock option of 180 thousand shares	None	Note 27
2012.09	10	100,000	1,000,000	84,232	842,319	Capitalization of retained earnings of 4,011 thousand shares	None	Note 28
2013.09	10	100,000	1,000,000	85,074	850,742	Capital reserve of 842 thousand shares	None	Note 29
2015.08	10	100,000	1,000,000	86,547	865,472	Employee stock option of 1,473 thousand shares	None	Note 30
2015.12	10	100,000	1,000,000	86,707	867,072	Employee stock option of 160 thousand shares	None	Note 31
2016.05	10	100,000	1,000,000	84,207	842,072	Cancellation of Treasury stock of 2,500 thousand shares	None	Note 32
2016.08	10	100,000	1,000,000	80,707	807,072	Cancellation of Treasury stock of 3,500 thousand shares	None	Note 33
2017.11	10	100,000	1,000,000	80,107	801,072	Cancellation of Treasury stock of 600 thousand shares	None	Note 34
2018.02	10	100,000	1,000,000	80,752	807,522	Employee stock option of 645 thousand shares	None	Note 35
2020.07	10	200,000	2,000,000	80,752	807,522	None	None	Note 37
2022.08	10	200,000	2,000,000	79,142	791,422	Cancellation of Treasury stock of 1,610 thousand shares	None	Note 38
2022.09	10	200,000	2,000,000	80,742	807,422	Cash capital increase of and private placement of 1,600 thousand shares	None	Note 39
2023.08	10	200,000	2,000,000	83,042	830,422	Cash capital increase of and private placement of 2,300 thousand shares	None	Note 40
2023.09	10	200,000	2,000,000	84,042	840,422	Restrict employee stock rights to 1,000 new shares	None	Note 41

2024/4/20／Unit: Share

Share Type	Authorized Capital					Remarks
	Issued Shares			Un-issued Shares	Total Shares	
	Listed	Unlisted	Total			
Common Shares	84,042,230	—	84,042,230	115,957,770	200,000,000	

Note1: Approved by letter No. 223374 of the Ministry of Economic Affairs.

Note2: Approved by letter No. 170127 of the Ministry of Economic Affairs.

Note3: Approved by letter No. 280541 of the Ministry of Economic Affairs.

Note4: Approved by letter No. 087143688 of the Ministry of Economic Affairs.

Note5: Approved by letter No. 089119020 of the Ministry of Economic Affairs.

Note6: Approved by letter No. 089134053 of the Ministry of Economic Affairs.

Note7: Approved by letter No. 09001147030 of the Ministry of Economic Affairs.

Note8: Approved by letter No. 090011337410 of the Ministry of Economic Affairs.

Note9: Approved by letter No. 09101520400 granted by the Ministry of Economic Affairs on January 2, 2003.

Note10: Approved by letter No. 09331506000 granted by the Ministry of Economic Affairs on January 5, 2004.

Note11: Approved by letter No. 09431548020 granted by the Ministry of Economic Affairs on January 13, 2005.

Note12: Approved by letter No. 09432111390 granted by the Ministry of Economic Affairs on May 12, 2005.

Note13: Approved by letter No. 09532033000 granted by the Ministry of Economic Affairs on April 14, 2006.

Note14: Approved by letter No. 09501110310 granted by the Ministry of Economic Affairs on June 8, 2006.

Note15: Approved by letter No. 09601126900 granted by the Ministry of Economic Affairs on June 8, 2007.

Note16: Approved by letter No. 09601249560 granted by the Ministry of Economic Affairs on October 15, 2007.

Note17: Approved by letter No. 09601295960 granted by the Ministry of Economic Affairs on November 30, 2007.

Note18: Approved by letter No. 09701163070 granted by the Ministry of Economic Affairs on July 10, 2008.

Note19: Approved by letter No. 09801160740 granted by the Ministry of Economic Affairs on July 22, 2009.

Note20: Approved by letter No. 09801258020 granted by the Ministry of Economic Affairs on November 6, 2009.

Note21: Approved by letter No. 09901090070 granted by the Ministry of Economic Affairs on May 4, 2010.

Note22: Approved by letter No. 09901169940 granted by the Ministry of Economic Affairs on July 28, 2010.

Note23: Approved by letter No. 10001020780 granted by the Ministry of Economic Affairs on January 31, 2011.

Note24: Approved by letter No. 10001080430 granted by the Ministry of Economic Affairs on April 21, 2011.

Note25: Approved by letter No. 10001166930 granted by the Ministry of Economic Affairs on July 22, 2011.

Note26: Approved by letter No. 10001260450 granted by the Ministry of Economic Affairs on November 17, 2011.

Note27: Approved by letter No. 10101068690 granted by the Ministry of Economic Affairs on April 23, 2012.

Note28: Approved by letter No. 10101189870 granted by the Ministry of Economic Affairs on September 12, 2012.

Note29: Approved by letter No. 10201183550 granted by the Ministry of Economic Affairs on September 5, 2013.

Note30: Approved by letter No. 10401170110 granted by the Ministry of Economic Affairs on August 10, 2015.

Note31: Approved by letter No. 10401264540 granted by the Ministry of Economic Affairs on December 11, 2015.

Note32: Approved by letter No. 10501106980 granted by the Ministry of Economic Affairs on May 24, 2016.

Note33: Approved by letter No. 10501183860 granted by the Ministry of Economic Affairs on August 3, 2016.

Note34: Approved by letter No. 10601160840 granted by the Ministry of Economic Affairs on November 27, 2017.

Note35: Approved by letter No. 10701016360 granted by the Ministry of Economic Affairs on February 9, 2018.

Note36: Approved by letter No. 10701075900 granted by the Ministry of Economic Affairs on July 3, 2018.

Note37: Approved by letter No. 10901111550 granted by the Ministry of Economic Affairs on July 13, 2020.

Note38: Approved by letter No. 11101135760 granted by the Ministry of Economic Affairs on August 5, 2022.

Note39: Approved by letter No. 11101174340 granted by the Ministry of Economic Affairs on September 13, 2022.

Note40: Approved by letter No. 11230142700 granted by the Ministry of Economic Affairs on August 17, 2023.

Note41: Approved by letter No. 11230179450 granted by the Ministry of Economic Affairs on September 20, 2023.

B. Information on Comprehensive Disclosure System: Not applicable.

(2) Status of Shareholders

As of 2024/04/20

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	6	161	22,359	41	22,567
Shareholding (shares)	0	2,595,000	1,580,413	75,394,061	4,472,756	84,042,230
Percentage	0.00%	3.09%	1.88%	89.71%	5.32%	100.00%

(3) Shareholding Distribution Status

A. Common Shares

Per value per share: $NT 10 As of 2024/04/20

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1~ 999	18,010	257,057	0.31%
1,000~ 5,000	3,221	6,613,885	7.87%
5,001~ 10,000	535	4,192,895	4.99%
10,001~ 15,000	197	2,557,622	3.04%
15,001~ 20,000	123	2,268,140	2.70%
20,001~ ,00030	140	3,556,062	4.23%
30,001~ 40,000	58	2,064,374	2.46%
40,001~ 50,000	42	1,916,971	2.28%
50,001~ 100,000	102	7,121,861	8.47%
100,001~ 200,000	65	9,378,096	11.16%
200,001~ 400,000	43	12,329,288	14.67%
400,001~ 600,000	11	5,185,008	6.17%
600,001~ 800,000	5	3,554,516	4.23%
800,001~1,000,000	2	1,988,784	2.37%
1,000,001or over	13	21,057,671	25.06%
Total	22,567	84,042,230	100.00%

B. Preferred Shares：None.

(4) List of Major Shareholders

As of 2024/04/20

Shareholding / Shareholder’s Name	Shares	Percentage
Samoa Business Dayu International Co., Ltd.	2,688,910	3.20%
Gao, Wen-Xiang	2,294,142	2.73%
Chen, Tsai-Pu	2,046,810	2.44%
Wang, Hui-Yu	1,858,000	2.21%
Su, Cheng-Han	1,810,000	2.15%
Li, Shu-Fa	1,660,000	1.98%
Chun Tung International Investment Co., Ltd	1,505,000	1.79%
Yuan Fu Securities Co., Ltd.	1,495,000	1.78%
Chen, Wan-De	1,427,566	1.70%
He, Chia-che	1,099,000	1.31%

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: thousand shares/ NT$

		2022	2023	2024/01/01-2024/04/20 (Note8)
Market Price per Share	Highest Market Price	29.55	47.85	37.45
	Lowest Market Price	16.75	19.15	27.40
	Average Market Price	21.22	31.64	33.20
Net Worth per Share	Before Distribution	17.48	14.59	-
	After Distribution（Note1）	16.98	(Note7)	-
Earnings	Weighted Average Shares (thousand shares)	79,758	81,701	-

			2022	2023	2024/01/01-2024/04/20 (Note8)
per Share	Earnings per Share（Note2）	Diluted Earnings Per Share	0.31	(0.59)	-
		Adjusted Diluted Earnings Per Share	0.31	(0.59)	-
Dividends per Share	Cash Dividends		0.5	(Note7)	-
	Stock Dividends	Dividends from Retained Earnings	0	(Note7)	-
		Dividends from Capital Surplus	0	(Note7)	-
	Accumulated Undistributed Dividends（Note3）		0	0	-
Return on Investment	Price / Earnings Ratio（Note4）		68.45	NA	-
	Price / Dividend Ratio（Note5）		42.44	(Note7)	-
	Cash Dividend Yield Rate（Note6）		2.36	(Note7)	-

Note 1: The number of shares issued at the end of the year shall be used, and it should be filled in accordance with the distribution approved by the shareholders' meeting for the following year.

Note 2: If there is a need for retrospective adjustment due to factors such as bonus issues without consideration, the earnings per share before and after the adjustment should be disclosed.

Note 3: If there are provisions regarding the issuance conditions of equity securities and undistributed dividends accumulate until a profitable year for distribution, the accumulated unpaid dividends up to the current year should be separately disclosed.

Note 4: Price / Earnings Ratio = Average Market Price / Earnings per Share. It will not be calculated due to losses.

Note 5: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 6: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 7: Due to losses in 2023, the board of directors has proposed not to distribute dividends, pending a resolution by the shareholders' meeting.

Note 8: The per share market price should be filled in as of the date of printing the annual report.

(6) Dividend Policy and Implementation Status

A. Dividened Policy

In the event that the company generates profits in a fiscal year, it shall allocate between 1% and 10% for employee compensation and no more than 3% for director and supervisor remuneration. However, if the company has accumulated losses, an amount should be reserved for offsetting those losses. The determination of the distribution ratio for employee compensation and director and supervisor remuneration, whether in the form of stocks or cash, shall be decided by the Board of Directors and reported at the shareholders' meeting. Employee compensation, in the form of stocks or cash, may be granted to employees of subsidiary companies who meet certain conditions.

If there is a surplus in the annual overall financial statements, tax payments shall be settled first, followed by offsetting accumulated losses from previous years. From the remaining balance, 10% shall be allocated to statutory surplus reserves, unless the statutory surplus reserves have reached the level of paid-in capital, in which case further allocation is not required. The remaining balance may be allocated to special surplus reserves or be included in the cumulative undistributed earnings, and a proposal for dividend distribution shall be prepared by the Board of Directors for approval at the shareholders' meeting.

The dividend distribution policy of the company shall prioritize shareholders' equity and take into account factors such as the current and future domestic and international industry competition, investment environment, and capital requirements. Dividends may be distributed in the form of either stock dividends or cash dividends. Considering that the company is currently in a growth stage and for the purpose of long-term financial planning, the total amount of dividends distributed each year shall be no less than 30% of the post-tax net profit of the fiscal year, with a minimum of 20% of the total dividends distributed in cash.

B. Proposed Distribution of Dividend: None.

(7) Impact of proposed bonus shares on the company's business performance and earnings per share: N/A

(8) Compensation of Employees, Directors and Supervisors：

A. The percentage or range of compensation for employees, directors, and supervisors as stated in the company's articles of incorporation:

If the company generates profits in a fiscal year, between 1% and 10% shall be allocated for employee compensation, and no more than 3% shall be allocated for directors' and supervisors' compensation. However, if the company has accumulated losses, an amount should be reserved in advance for offsetting those losses. The determination of the distribution ratio for employee compensation and directors' and supervisors' compensation, whether in the form of stocks or cash, shall be decided by the Board of Directors and reported at the shareholders' meeting. The recipients of employee compensation in the form of stocks or cash include employees of subsidiary companies who meet certain conditions.

B. The basis for estimating the amount of compensation for employees, directors, and supervisors, the basis for calculating the number of shares for employee compensation in the form of stocks, and the accounting treatment for any discrepancy between the actual distribution amount and the estimated figure:

(a) Basis for estimating the remuneration of employees, directors and supervisors in the current period

Due to the net loss after tax in 2023, employee remuneration and director remuneration payable have not been estimated.

(b) Accounting treatment for any discrepancy between the actual distribution amount and the estimated figure:

After the end of the fiscal year, if there is a significant change in the amount approved by the Board of Directors, the original provision for expenses in the current fiscal year shall be adjusted. If the amount still changes on the date of the shareholders' meeting, it shall be handled as an accounting estimate adjustment and adjusted in the year of the shareholders' meeting resolution. If the shareholders' meeting resolution approves the distribution of employee compensation in the form of stocks, the number of stock-based compensation shares shall be determined by dividing the approved dividend amount by the fair value of the stock. The fair value of the stock is based on the closing price on the day prior to the shareholders' meeting (taking into account ex-dividend and ex-rights effects).

C. Details of the distribution of compensation approved by the Board of Directors:

(a) Amount of employee and director compensation distributed in cash or stocks:

The company's board of directors approved the proposal not to distribute employee remuneration and directors' remuneration on March 13, 2024.

(b) Amount of employee compensation distributed in stocks and the percentage it represents in relation to the after-tax net income stated in the individual financial reports for the current period and the total employee compensation:

There were no proposed distributions of employee compensation in the form of stocks for the current period, so this does not apply.

D. Distribution of Compensation of Employees, Directors and Supervisors for 2022 Approved in the Board of Directors Meeting

(a) Distribution of employee and director compensation for 2022:

	Stock price in Cash(NT$)
Employee Compensation(Cash)	2,814,332
Directors' Compensation(Cash)	938,111

(b) Difference between the above amounts and the recognized employee and director compensation: None.

(9) Buy-back of Treasury Stock：None.

2. Corporate Bonds：None.

3. Preferred Shares：None.

4. Global Depository Receipts：None.

5. Employee Stock option：

(1) Disclosure of employee stock option certificates that have not yet reached maturity as of the date of the annual report and their impact on shareholders' equity: None.

(2) Names of the top ten employees, who are managers and have acquired employee stock option certificates, and their acquisition and subscription details as of the date of the annual report: None.

6. Issuance of New Restricted Employee Shares ：

As of 2024/04/20

Type of new restricted employee share	The 1st of new restricted employee share
Effective registration date and total number of share	Jul.11, 2023 3,000,000 shares
Issue date	Jul.11, 2023
Number of new restricted employee shares issues	1,000,000 shares
Number of new restricted employee shares still available for issuance	2,000,000 shares
Issue price	NT$ 10
Ratio of the number of new restricted employee shares issued to the total number of issued shares	1.19%
Vesting conditions of the new restricted employee shares	1. Employees who are allocated restricted employee shares shall, from the date of receiving such options until the expiration of the subscription period, remain in employment without any violation of

	labor contracts or workplace regulations. Additionally, upon meeting the individual performance indicators required by the company on the expiration date, they will receive the new shares according to the following schedule and the proportion of subscribed shares: Maturity Period Subscription Share Ratio 1 year after subscription 25% 2 years after subscription 25% 3 years after subscription 25% 4 years after subscription 25% 2. Performance Indicator: Each year, the individual performance must meet or exceed the "Grade A" appraisal in order to receive the full allocation of the newly issued shares.
Restrictions on rights in the new restricted employee shares	1. Before employees meet the conditions for receiving newly allocated shares, except through inheritance, they are not allowed to sell, mortgage, transfer, gift, pledge, or dispose of the restricted employee stock rights shares in any other manner. 2. Attendance, proposals, speeches, voting rights, etc., at the shareholders' meeting shall be executed according to the trust and custody agreement. 3. Except for restrictions imposed by the trust agreement, employees allocated restricted employee stock rights shares under these regulations, before meeting the conditions for acquisition, shall have all other rights, including but not limited to: cash dividends, stock dividends, and capital surplus; subscription rights for cash capital increases; and any other benefits allocated due to statutory reasons such as mergers, splits, or stock conversions, equivalent to the ordinary shares issued by the Company. 4. During the vested period, if the Company conducts capital reduction, such as cash reduction, which is not due to statutory reduction of capital, the restricted employee stock rights shares shall be cancelled in proportion to the reduction. In the case of cash reduction, the refunded cash must be delivered to the trust, and can only be delivered to employees upon meeting the vested conditions and timeframe; however,

	if the vested conditions are not met by the expiration date, the Company will reclaim the cash.
Custody of the new restricted employee shares	1. If the Company determines that it is necessary to entrust the restricted employee stock rights shares obtained by employees under these regulations to a trust institution for safekeeping, the Company reserves the right to negotiate, sign, amend, extend, terminate, and terminate trust custody contracts on behalf of employees, as well as transfer or dispose of trust property (shares and cash), and undertake other actions based on these regulations. 2. Employees who are allocated restricted employee stock rights shares under these regulations must deliver them to the trust institution designated by the Company for safekeeping before the vested conditions are met.
Treatment of the new restricted shares for which the grantee fails to meet the vesting conditions after receiving or subscribing to the shares	1. For those who have not met the vested conditions, the Company will repurchase their shares at the original issue price and proceed with cancellation in accordance with the law. However, the Company will provide employees with bonus shares and dividends obtained during the vested period free of charge. 2. Resignation or Dismissal of Employees： If an employee leaves the company for any reason and has shares that have not met the vested conditions, the Company will repurchase their shares at the original issue price and proceed with cancellation in accordance with the law, except where approved by the Board of Directors. However, the handling of the restricted employee stock options that do not meet the vested conditions is subject to the decision of the Board of Directors 3. If the event of occupational accident resulting in the inability to continue employment or death： (1) For those who are unable to continue employment due to occupational accidents, it is considered to have met the vested conditions and is not subject to the restrictions of the vesting period. (2) For those who die due to occupational accidents, it is considered to have met the vested conditions and is not subject to the restrictions of the vesting period. However, the necessary legal procedures must be

	completed by the heirs and relevant documentary evidence provided before they can apply to receive the shares or rights of disposition they are entitled to inherit. 4. Unpaid Leave： Shares that have not met the vested conditions will regain their rights from the date of resumption of work, but the conditions of the vesting period should be deferred according to the period of unpaid leave. 5. Transfer to Related Enterprises： Employees approved by the company for transfer to related enterprises will still be subject to the proportionate vesting schedule of the vested shares under this policy for shares that have not met the vested conditions, unaffected by the transfer. 6. Retirement： Employees who retire according to the regulations and approved by the company, from the effective date of retirement, are deemed to have met the vested conditions and are not subject to the limitations of the vesting period. 7. General Death： From the date of death, it is deemed to have met the vested conditions and is not subject to the limitations of the vesting period. However, the inheritor should complete necessary legal procedures and provide relevant documents to apply for receiving the shares or the rights to dispose of them. 8. For other reasons not listed above, the Chairman is authorized to determine the proportion and time limit for meeting the vested conditions and shall report to the Board of Directors for retroactive approval. 9. The provisions for terminating the labor contract listed in these regulations shall be interpreted in accordance with the governing law applicable to the employee's labor contract.
Number of new restricted employee shares that have been retired or bought back	0 share

Number of new restricted shares that have vested	0 share
Number of unvested new restricted shares	1,000,000 share
The ratio of the number of unvested new restricted shares to the total number of issued shares (%)	1.19%
The effect on shareholders' equity	Based on the current total issued shares of 80,742,230 shares for the Company, the estimated reduction in earnings per share for the Company for the years 2023 to 2027 is approximately NT$0.1, NT$0.19, NT$0.19, NT$0.19, and NT$0.1 respectively. The dilution of earnings per share for the Company remains limited, therefore having no significant impact on shareholder equity.

As of 2024/04/20

1st Acquired New Restricted Employee Shares in Year 2023													
	Job Title	Name	Number of new restricted employee shares granted (shares)	Ratio of the number of new restricted employee shares granted to number of issued shares (%)	Vested Restricted Shares				Unvested Restricted Shares			
					Number of vested shares (Shares)	Issue Price	Total purchase price	Ratio of the number of vested restricted shares to the total number of issued shares (%)	Number of vested shares (Shares)	Issue Price	Total purchase price	Ratio of the number of unvested restricted shares to the total number of issued shares (%)
Managerial officers	Executive Deputy General Manager	Yu, Hsiu- Ping	400,000	0.48%	0	0	0	0	400,000	NT$10	NT$ 4,000,000	0.48%
	Financial Associate	Liu, Ming -Yi										
Employees	General Manager	He, Chun- Hsien	600,000	0.71%	0	0	0	0	600,000	NT$10	NT$ 6,000,000	0.71%
	Deputy General Manager	Shen, Tien- ung										
	Deputy Manager	Guo, Cheng-Fu										
	Deputy Manager	Hsu, Yu- Han										

7. Status of New Shares Issuance in Connection with Mergers and Acquisitions：None

8. Financing Plans and Implementation：

(1) Finance Plans

Contents of each issuance or private placement of securities plan.：

Item	Type of Issuance	Issue Date	Issue Timeframe	Issue Shares	Expected progress
Replenishment of working capital	First private placement of common shares in the first quarter of	Aug.28, 2023	N/A	2.3 million shares	Executed and completed in the third quarter of

	2023.				2023.	

(2) Implementation

Progress of private fund utilization： Unit: NT$ thousand

Item	Type of Issuance	Estimated amount to be used	As of Q3, 2023	
			Actual amount used	Execution progress (%)
Replenishment of working capital	First private placement of common shares in the first quarter of 2023.	57,500	57,500	100%
Implementation efficiency： The funds raised from the cash capital increase have been deployed to bolster operational liquidity, providing greater flexibility in fund management. The benefits of using the raised funds to reduce interest expenses have become evident in the third quarter of 2023. The Company has allocated these funds to various operating expenses under operational activities, including employee salaries and other operational expenses.				

V. Operational Highlights

1. Business Activities

(1) Business Scope

A. Main areas of business operations

1. CA04010 Surface treatment industry.
2. CB01010 Machinery and equipment manufacturing industry.
3. CB01990 Other machinery manufacturing industry.
4. CC01080 Electronic component manufacturing industry.
5. F113010 Machinery wholesale industry.
6. F119010 Electronic materials wholesale industry.
7. F401010 International trade industry.
8. CC01040 Lighting equipment manufacturing industry.
9. ZZ99999 Business activities not prohibited or restricted by laws, except for licensed businesses.

B. Revenue Distribution

Unit: NT$ thousand

Major Divisions\Year	2022		2023	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
PVD coating products	456,498	99.84%	382,125	99.88%
Silicon Carbide Products	0	0	71	0.02%
Others	722	0.16%	377	0.10%
Total	457,220	100.00%	382,573	100.00%

C. The current product (service) offerings of the company are as follows:

(a).EMI Shielding Surface Treatment

(b).PVD Surface Coating Treatment

(c). Silicon Carbide Products

D. Planned new product（service）

Functional Coating

In response to the increasing demand for functional vacuum-sputtered coatings in the market, our company will combine vacuum sputtering technology to develop various functional thin films to enhance the functionality of consumer electronic products and replace existing technologies with low-cost advantages. As the application of functional vacuum sputtering coatings is quite extensive in consumer electronic products, we will focus on integrating key technologies based on multiple considerations such as market potential and scale, functional requirements, technical value, and cost advantages. We will also use the concept of modularization to adjust the application in different fields flexibly. The R&D department has invested considerable resources in the above direction, but it still needs to go through the commercialization process, improve customer acceptance, and coordinate with market demand to determine the appropriate timing for product launch. In the future, our company will continue to develop new products to diversify the company's business risks.

(2) Industry Overview

A. Current Status and Development of the Industry

(a). PVD Coating Products

The vacuum sputtering(PVD) coating treatment industry is used to coat the surface of metals, plastics, glass, or other materials. It has the advantages of low cost, high density, high output, and meeting the demands of green environmental protection. It can be used for coating treatments such as anti-electromagnetic wave interference coating and appearance coating of 3C products such as mobile phones, PDAs, GPSs, and NBs, temperature sensing rod surface treatment, laser engraving treatment of mobile phone buttons and nameplates, ITO Film (transparent conductive) film treatment of Touch Panel (touchscreen), light guide plate coating treatment, photoelectric transmission grating treatment, optical laser ranging mirror coating, optical lens coating, plastic material wire plating board, flexible PCB front-end process (replacing the polluting electroplating process), LCD Monitor (liquid crystal display) coating treatment, OLED (organic electroluminescent diode) coating treatment, PDP (plasma display panel) coating treatment, and other non-information product applications, such as automotive components, cosmetic and food packaging materials, home decoration materials, medical equipment, solar cell thermal energy panels, etc. The low-temperature vacuum sputtering used on plastic surfaces for thin film coating products also has the advantages of being lightweight, thin, impact-resistant, and flexible, and has a wide range of applications. By using sputtering to produce a coating with strong adhesion and special features, the purpose of protecting the substrate, decoration, anti-electromagnetic wave, conductivity, spectral splitting, reflection, or anti-reflection can be achieved.

Vacuum sputtering can be divided into batch sputtering and continuous spattering according to the equipment used. Batch sputtering requires breaking the vacuum to remove the workpiece after each batch is completed and then placing the next batch of workpieces for high vacuum pumping, resulting in small production capacity and higher costs. On the other hand, continuous sputtering, which has multiple chambers arranged in a straight line, continuously puts in and takes out the workpiece, and the process area maintains high vacuum, so the production capacity is higher and the cost is lower. Typically, the more chambers in the continuous sputtering, the shorter the production cycle and the higher the production capacity. Compared with electroplating, vacuum sputtering is more cost-effective and competitive. The film quality of vacuum sputtering can reach over 98% in density, and the film thickness is within 0.,3~0.5μm, making it easy to assemble and in compliance with WEEE and EU RoHS regulations.

EMI, short for Electro(Magnetic Interference), refers to the interference caused by electromagnetic waves. When electronic devices are in operation, they generate electromagnetic fields to varying degrees. These electromagnetic fields may interfere with, block, or disrupt the normal operation of adjacent devices. If the electromagnetic fields generated by circuit flows are not properly shielded, the magnetic fields can interfere with and degrade the quality of signal transmission, rendering the devices unable to function properly.Currently, there are various methods employed in the market to prevent EMI. These methods include electroplating with water and electricity, vacuum deposition, and spray coating with conductive paint. Alternatively, the shielding effect of metallic materials such as stainless steel, aluminum foil, iron components, or aluminum-magnesium alloys can also be utilized. Using metallic shielding is cost-effective and compliant with current environmental regulations. However, it involves complex processing and assembly and lacks stability. Water and electricity plating, electroplating, and conductive paint may conflict with environmental regulations or raise concerns, and establishing new electroplating facilities is challenging. Consequently, these methods are gradually being replaced by vacuum deposition. Preventing EMI is necessary when using non-metallic casings as well. However, the choice of method depends on cost and effectiveness considerations. Therefore, vacuum deposition is currently the primary method for EMI prevention in notebook computers.

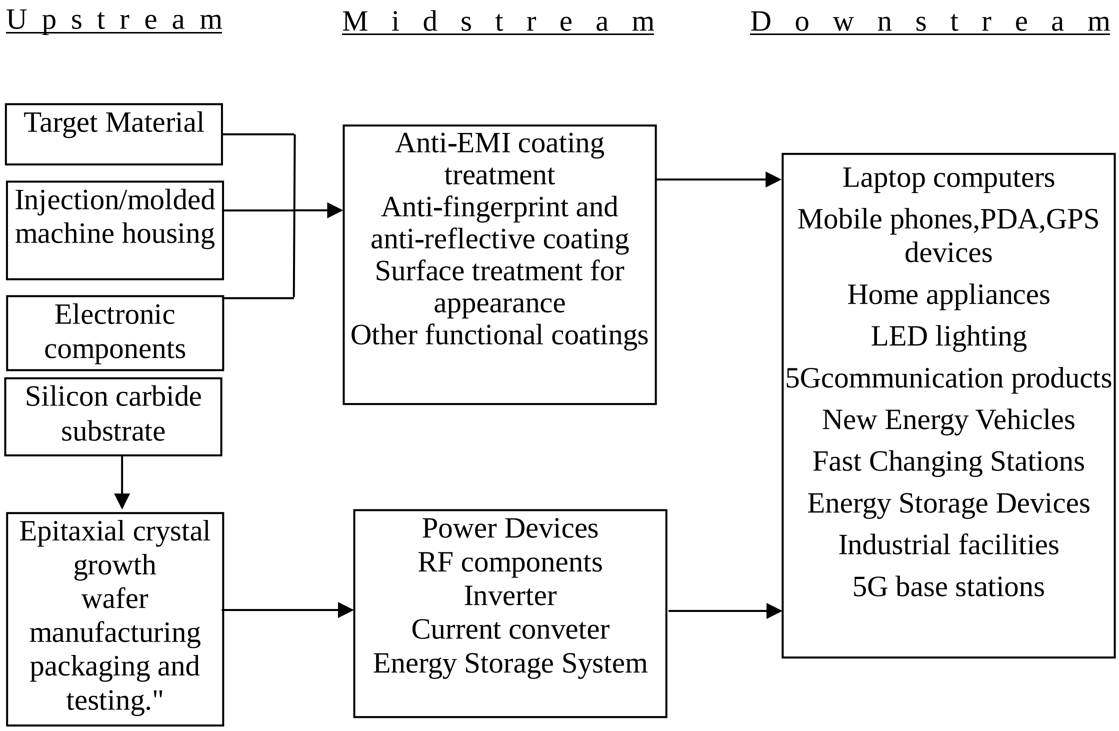
(b). SiC(Silicon Carbide) Substrate Products

Carbonized silicon (SiC) substrate products are semiconductor materials composed of silicon (Si) and carbon (C). Compared to traditional silicon materials, SiC has the following advantages: a wider bandgap (3.3eV), a larger thermal conductivity, and a higher breakdown electric field. This means that SiC has better performance in terms of current transmission, high-temperature conduction, and high-voltage resistance. Due to its excellent performance in high-voltage operating environments, SiC can reduce switching losses by more than 80%, which can significantly reduce energy loss during power transfer and allow for shrinking of chip module size to 1/10 of the original size, thereby extending the range of electric vehicles and shortening charging time.

Driven by green energy and carbon reduction policies and subsidies in various countries, the global electric vehicle market is flourishing, and SiC power electronics will be the main driving force for the acceleration of the electric vehicle era in the future. Market research firm Yole Development estimates that by 2025, the SiC market for electric vehicle and charging applications will reach $1.778 billion, accounting for approximately 70% of the overall SiC application market. With major automakers introducing 800V high-voltage vehicle products in the past two years, demand for SiC substrate materials has exploded. According to TrendForce research, the global demand for 6-inch SiC wafers in the electric vehicle market will reach 1.69 million pieces by 2025. However, the current total annual production of SiC wafers worldwide is only about 400,000 to 600,000 pieces, and the mainstream size is still mainly 6-inch wafers, which is far from meeting the downstream substrate demand of the industry chain, with great potential for future development.

The most difficult part of producing SiC substrates is the crystal growth technology. The current process is not only complex but also slow to grow crystals, making mass production extremely difficult. There are only a few companies on the market with the ability to mass-produce SiC, and Wolfspeed (formerly Cree) is the world's most significant supplier, accounting for about 50% of the market's total production capacity. Rohm and II-VI are the next largest suppliers, together accounting for about 35% of the market's total capacity. Due to the difficulty in SiC wafer manufacturing technology and severe shortage of market supply, SiC component costs are very high, with substrates accounting for 50% of the total chip cost. Facing the enormous business opportunities in the global automotive SiC power component market, whoever can grasp the upstream SiC substrate's mass production key technology in time can gain a leading position in the future era of third-class semiconductors' hegemony.

B. Relationship between industries' upstream, midstream, and downstream



C. Development Trends and Competitive Situation of Products

(a). Development Trends and Competitive Landscape of EMI Protection Products

Since the European Union officially announced two environmental directives on February 13, 2003, namely the Restriction of Hazardous Substances Directive (RoHS) and the Waste Electrical and Electronic Equipment Directive (WEEE), the use of six hazardous substances, including lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls (PBB), and polybrominated diphenyl ethers (PBDE), has been prohibited starting from July 1, 2006. The directives also require a reduction in electrical waste, increased reuse of electrical products, and the establishment of a green supply chain. Our company utilizes low-temperature continuous sputtering technology to provide EMI protection for plastic notebook (NB) casings. Compared to traditional methods such as electroplating, electroless plating, spray painting, and metal covering, our technology offers the advantages of being lightweight, time-saving, cost-effective, aesthetically pleasing, and pollution-free, while also meeting environmental requirements. In the future, it will become the preferred method to replace electroplating, electroless plating, spray painting, and metal covering. Therefore, EMI vacuum sputtering has become the mainstream method for EMI protection in NBs.

The barriers to entry for vacuum sputtering EMI prevention are not high. Early industry players have a cost advantage due to high efficiency, short production time, and economies of scale. Domestic manufacturers with low-temperature vacuum sputtering capabilities include Potevio, Youwei, Lujia, Xiangxi, Yuheng, Qunheng, and others. Currently, all of these manufacturers have achieved a certain scale of production capacity and possess the necessary technology. With the slow economic recovery in Europe and the United States, as well as the emergence of new handheld devices such as smartphones and tablets, the overall demand for NBs has declined, leading to a market contraction or even decline. Additionally, the trend towards thinner products has made it difficult for plastic casings to meet the structural strength requirements of certain thicknesses, resulting in an increasing proportion of metal casings. This situation has intensified the adverse competitive environment in the overall NB EMI sputtering industry. Companies are facing a situation of supply-demand imbalance, and smaller manufacturers are competing by lowering prices. However, with the increasing adoption of low-priced tablets and Ultrabooks using composite materials, some poorly managed small factories have gradually exited the market, and the remaining companies have gradually reduced their production capacity. In recent years, the situation of vicious price competition has improved.

In 2023, the global notebook market is still under the suppression of uncertain political and economic situations. According to Trend Force's survey report, it is estimated that notebook shipments in 2023 will decrease by approximately 7.8% compared to 2022, with an estimated total of only 171 million units shipped throughout the year. The global notebook market is limited by weak market demand, and the traditional cyclical momentum in the fourth quarter of 2022 failed to materialize. In the first quarter of 2023, notebook shipments decreased by 9.5% compared to the previous quarter, reaching a new low for the same period in the past decade. It is expected that the destocking process will continue into the first half of 2023. Regarding notebook shipments in 2023, the market generally believes that the decline will be less severe than the previous year. However, the supply chain still faces various uncertainties in the global economic and political environment. In China, the EMI product market will face a more competitive environment. However, due to cost and risk diversification considerations, some American customers have requested suppliers to move some production capacity out of China in recent years. Our company has also actively cooperated with customers to establish production capacity in Vietnam. Currently, there are no competitors building production capacity in Vietnam, and it is expected that our company will have a better competitive advantage in Vietnam.

(b). Development Trends and Competitive Situation of Coating Products

The world is increasingly concerned about environmental protection issues. Non-environmentally friendly coating processes that cause environmental pollution, such as electroplating and spray painting, will gradually face restrictions. Factories using these processes may encounter limitations on production expansion or relocation. Electroplating and spray painting facilities that cause significant environmental damage will be subject to environmental regulations, leading to restricted production capacity and possible relocation. These companies may also face environmental compensation expenses. The significant increase in environmental costs further adds to the challenges of business operations.

In recent years, countries around the world have been pushing for carbon reduction and environmental policies. They require businesses to invest more in improving their processes to comply with government policies on emission reduction and pollution control. In pursuit of the sustainable development goal of "zero carbon emissions," companies must reduce their product carbon footprints and increase the use of renewable energy or adopt more environmentally friendly green processes.

With its independently developed environmentally friendly PVD (Physical Vapor Deposition) surface treatment technology, BoTeng provides the best solution for environmentally friendly surface treatments. In the past, most PVD surface suppliers used batch sputtering or vapor deposition equipment for production. However, these batch production methods lacked the ability to achieve high-volume production and stable quality. They often resulted in issues such as color variations, uneven coating thickness, poor corrosion resistance, and easy peeling of the film. Due to the unstable quality and inability to mass-produce, these methods could not be applied to high-volume production of consumer electronics and other products.

Paragon combines PVD coating technology with optical and functional coating capabilities. This integration allows them to offer customers products with a metallic luster appearance. They can apply a layer of colorful film with metallic aesthetics on aluminum-magnesium alloy surfaces where anodizing is not feasible. Additionally, they can provide easy-to-clean, anti-fingerprint films to meet customers' demands for anti-stain properties. These advanced products have the advantages of high-volume production, stable quality, dense coating, corrosion resistance, and low susceptibility to peeling.

In recent years, countries have been actively implementing stricter ESG (Environmental, Social, and Governance) regulations. For example, in 2021, China enforced massive power restrictions to achieve its "dual control of energy consumption" target, causing an industry supply chain crisis. Governments and international corporations worldwide have made commitments to achieve carbon neutrality (Net Zero). Government agencies are increasingly imposing stricter regulations and monitoring measures on carbon emissions and environmental protection. To achieve carbon neutrality goals, companies need to reduce the carbon footprint of their products. Paragon 's PVD process is an environmentally friendly and green technology that can provide customers with more environmentally friendly and carbon-reduced products. In the face of increasingly stringent environmental regulations and carbon reduction policies, adopting Paragon 's PVD process will help accelerate the transition to more environmentally friendly products.

(c). Development trends and competition in silicon carbide substrate products

With the acceleration of trends such as 5G communication, electric vehicles, and carbon neutrality, silicon carbide (SiC) and gallium nitride (GaN) materials have become the rising stars in the market due to their advantages of higher efficiency, energy savings, and higher power capabilities. Currently, countries such as Europe, the United States, China, and Japan are competing fiercely in this market. However, the key upstream substrate technology is still controlled by a few international giants in Europe and the United States. Companies such as Wolfspeed (formerly Cree), II-VI, Infineon, STMicroelectronics, and ROHM dominate 90% of the silicon carbide substrate shipments. Currently, most SiC substrate raw materials rely on imports, and obtaining them can be challenging for Taiwanese companies. However, Taiwanese companies, leveraging their advantages in the semiconductor industry chain, must actively invest in silicon carbide (SiC) substrate technology development for future SiC industry development.

The most challenging aspect of producing silicon carbide substrates lies in the crystal growth technology. The existing processes are not only complex but also have slow crystal growth, making large-scale production extremely difficult. Due to the difficulty in SiC wafer manufacturing technology and severe supply shortages in the market, SiC devices are very expensive to produce. The substrate alone accounts for 50% of the total chip cost. Taiwanese semiconductor manufacturers, facing the enormous business opportunities in the global automotive SiC power device market, must first master the key material - SiC substrate. However, currently, there is no stable and high-quality SiC material available in Taiwan. Whoever can timely grasp the mass production key technology will gain a leading position in the market.

Paragon's subsidiary, Jingcheng Materials Company, has a technical team with many years of SiC crystal growth experience and the capability to produce 6-inch silicon carbide wafers. In the future, it will continue to improve the crystal growth process yield and enhance the independent capabilities of process equipment to enhance future technological competitiveness. In terms of silicon carbide (SiC) wafer production capacity layout, Jingcheng Materials Co., Ltd. currently has 10 silicon carbide (SiC) crystal growth furnaces. It is expected to build additional factories this year to increase production capacity and supply products in a timely manner to meet market demand.

(3). Technologies and R&D Overview

A. Technological levels of the business

(a). PVD vacuum coating technology

Physical Vapor Deposition (PVD) is a technique for depositing thin films based on physical phenomena. In semiconductor processes, there are mainly two PVD technologies: evaporation and sputtering. Evaporation involves heating the material to be evaporated and utilizing the high vapor pressure near its melting point for film deposition. On the other hand, sputtering uses ions generated by plasma to bombard the electrode of the target material, causing the vapor phase in the plasma to contain the atoms of the material to be coated, resulting in film deposition.

Sputtering is widely used in various industries because it can be applied to both metallic and non-metallic materials. The basic principle is to generate plasma in a vacuum chamber by high-pressure discharge of a small amount of gas (usually argon). The plasma becomes a high-energy state with electrons and ions. During the sputtering process, the high-energy gas ions strike the surface of the target material, causing particles on its surface to be ejected and then uniformly deposited on the desired substrate, forming a dense thin film. Since vacuum sputtering is carried out under clean and contamination-free conditions, it can be used to coat one or more layers of metal film on the surface of various conductive metals, alloys, semiconductor materials, insulators, and other substrates at room temperature. It can also be used for the combination of conductive and insulating layers on the same product surface, making it widely applicable.

Vacuum sputtering technology is mainly used for electromagnetic wave shielding treatment, appearance treatment, and functional coatings in electronic products. Compared with painting, traditional electroplating, metal foils, evaporation, or ion plating methods, PVD films have a density of over 98% and a controlled film thickness within 0.3 (0.5μm). They can be applied to various substrates such as engineering plastics, aluminum alloys, glass, magnesium-aluminum alloys, ceramics, and other materials. Vacuum sputtering is an environmentally friendly process that fully complies with international environmental certification standards.

(b). Silicon Carbide (SiC) Substrate Technology

To produce silicon carbide (SiC) single crystal substrates, the process starts with the growth of SiC single crystals. The method involves pouring silicon carbide powder into a growth furnace and sublimating it in a high-temperature and closed environment. The vapor from the sublimated powder condenses and attaches to the SiC seed crystal. Currently, the mainstream methods for SiC crystal growth include High-Temperature Chemical Vapor Deposition (HTCVD), Solution Growth, and Physical Vapor Transport (PVT). Among these methods, PVT is the most commonly used in the SiC semiconductor industry. It offers advantages such as the fastest production speed, scalability of wafer size, and relatively lower equipment costs. The PVT process utilizes high-purity polycrystalline silicon carbide powder as the source material, which is heated to sublimate and generate gases (Si, C, Si2C, and SiC2). These gases are deposited on the monocrystalline SiC seed crystal at a lower temperature zone, resulting in high-purity single crystals.

SiC is a wide-bandgap material with excellent breakdown voltage characteristics and an intrinsic carrier concentration much lower than silicon. It maintains stability even in high-voltage operating conditions and is less prone to leakage currents, making it suitable for high-power devices such as power converters. Additionally, SiC exhibits thermal conductivity 2-3 times higher than that of silicon. Compared to silicon, SiC can effectively dissipate heat generated by components, making it suitable for applications that involve gallium nitride (GaN) and high-frequency or RF devices in a GaN-on-SiC configuration.

B. R&D Overview

Our company's R&D team is dedicated not only to recruiting professionals but also actively collaborating with relevant academic research institutions. In the future, we will continue to develop the application of sputtering technology in metal substrates, non-metal substrates, and various functional coating products such as metal appearance films, conductive films, magnetic films, and others. In terms of new product development, we combine the advantages of our current "vacuum sputtering technology" with a focus on "new applications" to derive new products and processes, seeking potential markets for development and increasing the diversification of our company's products. We continuously strive for product innovation and process improvement to enhance our company's future competitiveness. In addition to strengthening existing technologies and improving product quality, we are committed to developing another new product with high market acceptance, thereby expanding the gap with our competitors.

By combining existing metal coating technology with optical materials, Paragon has successfully developed the 3C product holographic coating process, which creates visual effects of changing light and shadows from different angles. In the future, we will continue to leverage the advantages of PVD processes to develop more innovative surface technologies and products. Last year, Paragon collaborated with a silicon carbide technology team to focus on the development of silicon carbide crystal growth processes and related capabilities. In January 2023, we successfully produced 6-inch silicon carbide wafers, and we will now concentrate on improving the yield of our current processes and developing 8-inch silicon carbide wafer fabrication processes.

C. R&D Personnel and their backgrounds

Unit: number of people

Diploma	2022	2023	As of April 20th 2024
Master's degree and above	2	3	4
College degree	16	10	9
High School diploma or below	0	0	0
Total	18	13	13
Average year of experience(yrs)	10.83	11.78	12.29

D. R&D expenses invested annually in the past 5 years

Unit：NT$ thousand

	2019	2020	2021	2022	2023
R&D expenses(A)	39,793	38,831	38,607	32,402	29,683
Operating Revenues(B)	546,881	684,598	800,103	457,220	382,573
(A)/(B) (%)	7.28%	5.67%	4.83%	7.09%	7.76%

Note: From 2019 (108 in the ROC calendar) to 2023 (112 in the ROC calendar), the consolidated financial data was prepared in accordance with International Financial Reporting Standards (IFRS).

Over the past five years, the company's R&D expenses accounted for an average of approximately 6.24% of the consolidated operating revenue. It is projected that in the year 2023 (ROC calendar), the company will invest approximately NT$51 million in R&D expenditure. The focus of these investments will be on coating technology and the development of silicon carbide (SiC) crystal growth processes. The company will continue to enhance existing technologies, optimize process integration, and strengthen its competitiveness and sustainable operations.

E. Technologies or products successfully developed in the past five years

Since its establishment, the company has continuously engaged in self-led research and development and design. The following are some of the key R&D achievements:：

Year	Research Result
2019	1.D-PVD (Direct Physical Vapor Deposition) process technology.
2020	1.Iridescent coating technology.
2022	1.Appearance coating technology that does not affect

	signal transmission and reception. 2. Dummy 6" SiC Ingot and Wafer
2023	1. Magnesium aluminum parts NB chassis non-ferrous metallization integration technology 2.Prime 6" SiC Ingot and Wafer

(4) Long and Short-term Business Development Plans

A. The company’s short-term plans

Establishing Taiwan as the main research and operations center, providing support to manufacturing factories in various locations. Utilizing resources from different locations within the group to meet customer demands and provide services. Enhancing production efficiency and product yield, reducing unit production costs to improve operational performance. Becoming a leader in PVD process technology and expanding into Original Equipment Service (OES) markets in addition to the continued focus on the Automotive Aftermarket (AM) market. Combining vacuum technology with patterned processes to create products with high added value. Implementing strict quality control to meet customer requirements. Researching the application of PVD appearance coatings in various areas such as automotive interior and exterior parts and 3C products to diversify business risks. Developing a financial plan aligned with operational expansion, considering marketing, research and development, production, financial, and management strategies:

(a). Marketing Strategy:

(1) Actively developing environmentally friendly processes and functional appearance coating products to meet customer expectations and provide specific functional coatings, such as magnesium-aluminum alloys and consumer electronic products.

(2) Developing functional coatings based on customer product requirements, such as special conductive films, non-NB product EMI coatings, and specific electromagnetic wave transmission films, to expand the application scope of PVD technology and increase product sales.

(3) Increasing revenue from non-NB products to reduce the risk of overdependence on specific operations.

(4) Establishing mechanisms for early involvement in customer design, providing customized mass production services, and strengthening customer partnerships.

(5) Establishing good communication channels with key customers to stay updated on market trends and changes.

(b). Research and Development Strategy:

(1) Strengthening the design of intelligent process equipment and developing new materials to improve cost and product competitiveness, raising barriers to entry for industry competitors.

(2) Collaborating with academic institutions and research organizations to jointly develop new technologies, processes, and products, reducing development time and staying informed about future technology and industry trends.

(3) Combining vacuum sputtering with other technologies (technology integration) to drive process and product innovations and enhance product competitiveness.

(4) Continuously focusing on researching new technologies and extending their applications to other fields to develop high-profit niche products.

(c). Production Strategy:

(1) Enhancing production line automation and implementing process optimization projects to reduce energy and labor costs. Using machines to replace manual operations and establishing a low-labor production facility to increase production efficiency.

(2) Strengthening the ability to adjust production capacities among different factories in response to changes in the NB supply chain layout to adapt to future industry environments.

(3) Continuously investing in process energy-saving measures and increasing the utilization of renewable energy to reduce the impact of rising energy costs.

(4) Expanding silicon carbide (SiC) product capacity and improving quality and yield.

(5) Continuously improving the production efficiency of existing equipment to increase effective capacity and reduce the investment cost of establishing new capacities, thus improving the return on asset investment.

(d). Financial Strategy:

(1) Raising funds in the capital market and adopting a stable operational approach to achieve financial soundness and optimal fund utilization.

(2) Maintaining good relationships with financial institutions to establish financing channels and credit lines, increasing flexibility in fund utilization.

(3) Enhancing financial transparency and establishing effective communication channels with domestic and international investors.

(e). Management Strategy:

(1) Establishing an information management system to quickly respond to management decision-making needs, generate real-time and effective information, and provide a basis for management decisions.

(2) Promoting information operation platforms to provide various operational systems and security management mechanisms, ensuring continuous system operation and data security.

(3) Enhancing management performance by strengthening employee education and training, unlocking job potential, and strengthening internal cohesion.

B. The company’s long-term business plan

Stabilize the production scale of existing EMI products to meet the diversified capacity needs of customers and distribute capacity appropriately to meet the order demands from different regions, thereby increasing market share. Continuously explore functional coating and non-NB EMI products to enhance market leadership and improve production utilization. Invest in the development of silicon carbide products to diversify operations and reduce operational risks. Align with the company's operational scale and industry integration in the upstream and downstream sectors to accumulate competitive advantages. The strategies related to marketing, research and development, production, finance, and management are described as follows:

(a). Marketing Strategy

(1) Actively develop applications for metal coating products, using sputtering to replace electroplating and targeting niche markets, gradually reducing the proportion of the NB market to mitigate business risks.

(2) Enter the promising electric vehicle market by supplying silicon carbide products and surface film products to the electric vehicle supply chain, diversifying products, customers, and global market presence to mitigate business risks.

(3) Seek strategic alliances and partnerships to integrate upstream and downstream resources, increase cost competitiveness, and secure customer orders to achieve business growth.

(b). R&D Strategy

(1) Utilize vacuum sputtering (PVD) technology to penetrate future technology products and develop new technologies and processes, creating market-accepted products and enhancing technological depth.

(2) Make "environmental protection" a core value and identify potential markets where vacuum sputtering technology can replace non-environmentally friendly processes, developing high-value goods and services.

(3) Establish cooperative relationships with domestic and international research institutions, participate in joint research and development in the early stages of new technology development, and stay at the forefront of the latest science and technology to enhance the company's future competitiveness.

(4) Research and develop silicon carbide processes and new materials, combining process technology and equipment development capabilities to enhance proprietary technological competitiveness.

(c). Production Strategy

(1) Enhance equipment development capabilities to reduce process time and improve production yield, providing customers with the best quality. Implement vertical integration of upstream and downstream relationships to achieve cost reduction and yield control objectives..

(2) Establish an integrated upstream and downstream inventory management system to have real-time visibility of inventory status for upstream customers and suppliers. Conduct planned production to shorten material preparation time and reduce warehousing costs, creating a win-win situation.

(3) Implement automation processes and process simplification to reduce manpower requirements and improve process yield, achieving the goal of minimizing costs.

(d). Financial Strategy

Utilize diverse funding channels and financial instruments in the capital market to establish a robust financial structure.

(e). Management Strategy

Implement international management systems, actively cultivate international talent, enhance employees' international perspectives, and pursue global market expansion, aiming to become an international-level enterprise.

2 Market and Production and Sales Overview

(1) Market Analysis

A. The main product/service sales/provision area

Unit: NT$ thousand

Sales area	2022	2023
Taiwan	1,791	2,010
China	455,429	380,563
Total	457,220	382,573

B. Market Share

Regarding the market share of various methods applied to NB anti-EMI, there is currently no complete and objective market statistics available for reference. The appearance of an NB laptop can be divided into four major components: A component (upper cover), B component (LCD frame), C component (keyboard frame), and D component (bottom cover). Assuming that an NB laptop requires approximately four pieces of EMI shielding components, the metal and plastic components of A and B are mainly using aluminum foil and iron components due to cost considerations. Only the plastic components of C and D require vacuum plating method. It is estimated that our company and its subsidiary will account for approximately 40-50% of the total shipment of vacuum plating EMI shielding components in 2023 and approximately 20~25% of the total NB shipments. This means that approximately one out of every four NB laptops will be manufactured by The company for EMI shielding. In recent years, the company has actively developed metal casing surface treatment technology. With the gradual adoption of NB metal casing products by customers, it will be possible to increase orders for aluminum alloy and magnesium-aluminum casing surface treatment. In the future, The company 's market share in the NB market is expected to gradually increase.

C. Future supply and Demand Situation and Growth in the Market

Currently, the shipment volume of NB laptops is concentrated among the top five suppliers in the domestic market, and the release of plastic casing anti-EMI orders also shows a high degree of concentration. Therefore, suppliers must have a considerable production scale and be able to provide high-quality, low-cost products in order to handle such orders. Since our company is a pioneer in applying PVD vacuum coating technology to notebook computers, the top five suppliers in the current supply chain are all our customers. In the past, our products held an average market share of about 25% in the NB market. We maintain good cooperative relationships with our customers and have the ability to rely on years of practical experience and key theoretical foundations. The company also continuously improves manufacturing processes and improves product yields. Therefore, its cost control and mass production capabilities can surpass most anti-EMI manufacturers. In the future, it will continue to promote green and carbon-reducing processes and will certainly be able to meet the needs of the global notebook computer market.

As the laptop industry has experienced inventory adjustments in 2022 and 2023, market inventory has turned healthy, and Microsoft will stop supporting Windows 10 in October 2025 to promote system security upgrades for enterprise users, as well as notebooks in the business market. The need for computer replacement is gradually emerging. . According to the assessment of research institutions, the notebook computer market will end its two-year recession next year and grow by 4.7% due to the stimulation of slowing inflation and the launch of new products. A new wave of economic expansion will enter in 2025, and the growth rate is expected to be as high as 6% in 2023~2028.

In terms of appearance products, the Environmental Protection Agency has proposed the draft "Climate Change Adaptation Act," clearly incorporating "net zero emissions by 2050" into the law. The Financial Supervisory Commission has also set a clear timetable for listed companies to complete carbon audits. In recent years, governments around the world have implemented stricter regulatory measures on ESG (environmental, social, and governance) factors. These environmental-related regulatory changes will encourage companies to invest heavily in activities related to achieving net zero emissions. It is believed that under future regulatory requirements, there will be opportunities for the expansion of environmentally friendly production processes. Paragon's PVD process is an environmentally friendly and green process, which can provide customers with more environmentally friendly and carbon-reducing processes. In the face of increasingly stringent decarbonization policies, this will help promote Paragon 's new product business.

In terms of silicon carbide (SiC) wafer production capacity layout, Jing cheng Materials Co., Ltd., a subsidiary invested by the company, is expected to expand its factory this year and increase production capacity to build and supply products in a timely manner to meet market demand.

In the future, there will be adjustments in product development direction, focusing on the development of coatings for automotive interiors and 3C product appearances, as well as functional coatings, to expand the application range of PVD technology. Facing the future, Paragon needs to accelerate diversification in order to reduce risks associated with a single industry or product. Paragon will allocate more resources to develop silicon carbide (SiC) products. We have a positive outlook on future operations and actively plan for growth goals. In addition to strengthening the leading position of existing products and technologies, Paragon will continue to increase the production capacity of non-EMI products and silicon carbide (SiC) wafers, providing momentum for the company's future operations.

D. Compeititve Advantages

(a). With experienced personnel and continuous process improvement, our company excels in cost control and mass production capability, surpassing most EMI prevention manufacturers.

(b). We have in-house capabilities for R&D and assembly of vacuum continuous coating equipment. Regular equipment upgrades increase production capacity and shorten lead times, allowing us to swiftly meet customer capacity demands.

(c). Our involvement in product design and sample prototyping accelerates customer design and trial production timelines. Recognized for our production technology, quality, and mass production capability.

(d). Maintaining product quality stability in the vacuum sputtering process is a challenge for competitors. With the industry's best process technology and largest production capacity, we deliver high-quality products and meet customer orders.

(e). We specialize in vacuum sputtering technology, leading the industry with multiple patents and a dedicated technical research team.

(f). The company's silicon carbide (SiC) technical team has complete experience in the silicon carbide industry and possesses key core technologies. It has many years of experience in silicon carbide (SiC) technology development and has the ability to independently develop thermal field design, crystal growth technology, crystal processing technology, and epitaxy process. and process simulation analysis capabilities, etc., which can effectively and quickly improve crystal yield, crystal growth efficiency and quality, and are technically and cost competitive.

E. Opportunities, Challenges, and Response Strategies for Future Development

(a). Opportunities

1. Increasingly stringent environmental regulations make vacuum sputtering the mainstream method.

With the rising global awareness of green environmental practices, countries such as the European Union and Japan have introduced new regulations for electronic products. Green and eco-friendly issues are widely promoted and implemented. In 2003, the EU officially announced the Restriction of Hazardous Substances Directive (RoHS), which prohibits the use of six harmful substances, including lead, cadmium, mercury, and others, starting from July 1, 2006. Many major NB (notebook) brands have already required the use of components or production methods that comply with RoHS specifications. Our company's production process uses copper and stainless steel as raw materials, without the use of volatile solvents or wastewater discharge issues, thus complying with RoHS specifications. In contrast, traditional conductive paint methods involve the use of adhesives and volatile solvents, while electroplating methods have issues with water usage and wastewater treatment. Therefore, traditional methods would require increased production costs to meet the increasingly stringent environmental requirements. Currently, vacuum sputtering is the best alternative to electroplating, and in the future, our company can introduce vacuum sputtering to other products with different appearances or functional films.

2. Leading research and development capabilities

In addition to obtaining patents for vacuum sputtering, our company has a competitive edge in research and development capabilities. We have rich experience in the development of sputtering equipment and processes that can be mass-produced. We have dedicated ourselves to the research and development of vacuum sputtering technology since our establishment in 1995 and have the ability to design and develop sputtering equipment. We can provide customized services according to customer needs, including customized equipment or process adjustments based on production requirements. Furthermore, by leveraging the advantages of equipment suppliers and manufacturers, we are at the forefront of research and development technology in the industry.

3. Extensive applications of PVD technology

Physical Vapor Deposition (PVD) technology, such as vacuum sputtering, has a wide range of applications. It can be used for EMI (Electromagnetic Interference) coating treatment in various electronic products such as mobile phones, PDAs, GPS devices, and NBs. This technology can also be applied to appearance coating, optical lens coating, LCD monitor coating, OLED coating, PDP coating, and more. In addition to electronic information products, PVD technology has diverse applications in other non-information product fields, including automotive components, cosmetics and food packaging materials, home decoration materials, medical devices, solar cell thermal panels, and more. Its versatility provides a development advantage, reducing the risk of reliance on a single industry and offering considerable future development opportunities.

(b)Challenges and Response Strategies

1. Increasingly intense competition in the NB OEM industry, with cost pressures from both upstream and downstream.

As NB products become more affordable, OEM manufacturers' gross profit margins continue to decline. Domestic OEM manufacturers, in order to maintain a certain profit margin, request price reductions from upstream suppliers. Competing manufacturers strive to increase market share by lowering prices. Therefore, price competition becomes an unavoidable phenomenon.

Response strategies:

(1) Continuously shorten the cycle time and reduce the defect rate in the manufacturing process to increase production output per unit of time and lower costs.

(2) Strengthen interaction with customers. In addition to providing high-quality products, strive to meet all customer requirements and establish long-term cooperative relationships.

(3) Provide customers with high-value-added and low-cost functional coating services to increase revenue from high-value-added products.

(4) Form strategic alliances with casing manufacturers to establish partnership relationships, stabilizing customer order sources.

(5) Continue to focus on research into new

2. With competitors growing rapidly and enticing professional talents with high salaries, it leads to loss of orders and technology outflow.

Response measures:

(1) Sign long-term employment contracts with employees, stipulating non-compete clauses to safeguard the company's research and development technology and business secrets from leaking.

(2) Strengthen the management of confidential research and development documents, set relevant document permissions, and implement electronic document permissions and firewalls to prevent the leakage of important confidential documents. In addition, the company actively applies for patents and trademarks to protect its intellectual property.

(3) Establish employee incentive programs and related benefits to enhance human resource management and employee education and training. Share company profits with employees through profit-sharing and issuance of employee stock options to increase employee loyalty.

(4) Engage in early-stage product design, assist customers in shortening design and trial production time, and enhance technological thresholds to increase the company's competitive value.

3. The increasing taxes, labor costs, and operating costs in mainland China.

In recent years, due to intense competition, the NB manufacturing industry has seen a significant reduction in gross profit margins, prompting companies to gradually shift production to low-labor-cost areas. This has resulted in increased taxes, labor costs, and operating costs for Taiwanese companies in mainland China.

Response measures:

(1) Adhere to local tax laws and regulations for legitimate tax planning to reduce tax risks.

(2) Continuously improve the company's competitiveness and strengthen management effectiveness to achieve cost and expense control objectives.

(3) Actively cooperate with customers in expanding production capacity to lower-cost areas or countries, thereby reducing production costs.

(4) Enhance production line automation and streamline manufacturing processes to reduce labor costs, coupled with improving asset utilization efficiency, such as enhancing equipment performance to lower manufacturing costs.

4. Over-reliance on a single industry makes the company vulnerable to fluctuations in the business cycle of that industry.

Response measures:

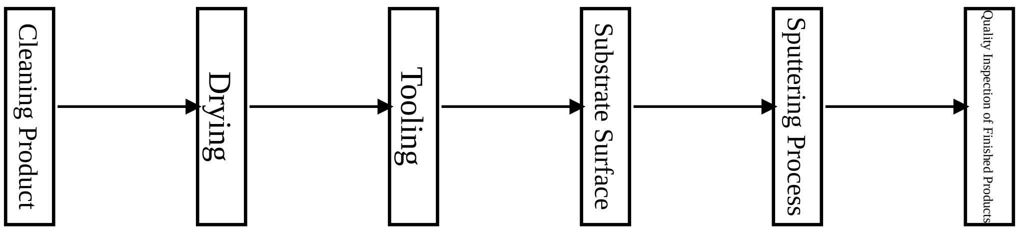
In addition to continuing to focus on the NB EMI (electromagnetic interference) market and actively expanding market share, the company will adjust its product development direction in the future. It will develop automotive interior and 3C (computers, communications, consumer electronics) products with surface coating and functional coating, as well as develop silicon carbide (SiC) products. By diversifying its product portfolio and increasing production capacity for non-EMI products and silicon carbide (SiC) wafer products, the company aims to reduce the risks associated with relying solely on a single industry.

(2) Major Applications and Production Processes of Main Products

A. Major Applications of Main Products

The company's main products primarily involve providing services for NB (notebook) vacuum sputter coating for EMI (electromagnetic interference) prevention and PVD (physical vapor deposition) surface coating. Vacuum sputtering (sputter) is a process in which high voltage discharge is applied to a small amount of gas (usually argon) within a vacuum chamber to generate plasma. The plasma causes the particles of the target material to be sputtered and uniformly deposited onto the desired substrate, forming a dense thin film. The process must be carried out in a clean and contamination-free environment. It can be used to coat a single or multiple layers of metal film on the surfaces of various conductive metals, alloys, semiconductor materials, and insulators at room temperature. It can also be used in combination for products that require both conductive and insulating layers, such as a metal conductive layer + insulating layer + metal conductive layer. This technology can be applied in various fields, including EMI shielding coating and surface coating for 3C (computers, communications, consumer electronics) products, temperature sensor surface treatment, ITO (indium tin oxide) film treatment for touch panels, light guide plate coating, optical lens coating, pre-process for flexible PCB (printed circuit board) to replace the polluting electroplating process, coating treatment for LCD monitors, coating treatment for organic electroluminescent diodes (OLED), coating treatment for plasma display panels (PDP), and many other wide-ranging applications.

B. Production Processes of Main Products



(3) Major Suppliers in the Past Two Years

Raw Material	Source	Supply Status
Metal Targets	Mainland China	Stable
Eco-Friendly Paints	Mainland China	Stable

(4) List of customers who accounted for more than 10% of the total sales (or purchases) in any one of the last two years, including their sales (or purchase) amounts and percentage, and an explanation for the increase or decrease in their share

A. Data of major suppliers in the last two years

Unit: NT$ thousand

Item	2022				2023				As of the end of the previous quarter of the 2024 fiscal year (Note 1)			
	Name	Amount	Percentage of annual net purchases	Relationship with the issuers	Name	Amount	Percentage of annual net purchases	Relationship with the issuers	Name	Amount	Percentage of annual net purchases	Relationship with the issuers
1	D company	3,368	36.32	Non-related party	F company	10,207	29.23	Non-related party				
2	C company	2,498	26.94	Non-related party	G company	5,648	16.17	Non-related party				
3	E company	1,972	21.26	Non-related party	D company	3,848	11.02	Non-related party				
4	A company	1,307	14.09	Non-related party								
	Others	129	1.39			15,220	43.58					
	Net purchases	9,274	100		Net purchases	34,923	100.00					

Note 1: As of April 20th, 2024, the financial report data for the first quarter of the 2024 fiscal year has not yet been audited by the accountant.

B. Target customers of the major sales in the past two fiscal years

Unit: NT$ thousand

Item	2022				2023				As of the end of the previous quarter of the 2024 fiscal year (Note 1)			
	Name	Amount	Percentage of annual net purchases	Relationship with the issuers	Name	Amount	Percentage of annual net purchases	Relationship with the issuers	Name	Amount	Percentage of annual net purchases	Relationship with the issuers
1	Group A	446,019	97.55	Non-related party	Group A	377,479	98.67	Non-related party				
	Others	11,201	2.45			5,094	1.33					
	Net Sales	457,220	100.00		Net Sales	382,573	100.00					

Note 1: As of April 20th, 2024, the financial report data for the first quarter of the 2024 fiscal year has not yet been audited by the accountant.

(5)Table of Production Value for the last 2 years

Unit：PCS；NT$ thousand

Year / Production / Main product	2022			2023		
	Production Capacity	Production Output	Production Value	Production Capacity	Production Output	Production Value
PVD coating products	49,000,000	35,217,468	456,498	49,000,000	33,114,981	382,125
Silicon Carbide Products	0	0	0	630	9	189
Total	49,000,000	35,217,468	456,498	49,000,630	33,114,990	382,314

(6) Table of Sales Volume in the last 2 years

Unit：PCS；NT$ thousand

Year / Sales Value / Main product	2022				2023			
	Domestic sales		Export sales		Domestic Sales		Export Sales	
	Quantity	Quality	Quantity	Quality	Quantity	Quality	Quantity	Quality
PVD coating products	82,406	1,069	35,135,062	455,429	14,345	1,562	33,100,636	380,563
Silicon Carbide Products	—	—	—	—	1	71	–	–
Total	82,406	1,069	35,135,062	455,429	14,346	1,633	33,100,636	380,563

3. The number of employees, average length of service, average age, and educational distribution ratio of employees for the past two fiscal years and as of the date of the annual report.

Year		2022	2023	As of 2024/04/20
Number of employees	Sales personnel	24	16	18
	Administrative personnel	37	59	62
	R&D personnel	37	13	13
	Manufacturing personnel	677	363	360
	Total	775	451	453
Average Age		35.60	39.55	40.21
Average service years		3.47	5.80	6.05
Education Distribution	Doctorate	0%	0%	0%
	Master’s degree	1%	2%	4%
	College degree	9%	15%	16%
	High school degree	28%	24%	23%
	Under High School degree	62%	59%	58%

4. Environmental Protection Expenditure

(1)Explanation of the total amount of losses (including compensation) and disposals due to environmental pollution in the recent fiscal year and up to the date of printing the annual report, and a description of future measures to address the issue (including improvement measures) and possible expenditures (including estimated amounts of losses, disposals, and compensations that may occur if no measures are taken; if it is impossible to estimate reasonably, the fact that it cannot be reasonably estimated should be explained):

Our company has a fully environmentally friendly process, so no environmental pollution incidents have occurred.

5. Labor Relations

(1)List the company's various employee welfare measures, continuing education and training, retirement system and its implementation status, as well as agreements between labor and management and the situation of employee rights protection measures.

A. Employee welfare measures

In order to promote a balance between employees' work and life and improve job satisfaction, in addition to creating a friendly working atmosphere and a comfortable working environment, various employee welfare measures are provided to further strengthen harmonious labor relations, as follows:

Item	Explanation
Subsidies and allowances	wedding gift, hospitalization condolence money, childbirth congratulatory gift, birthday gift, holiday gift, funeral assistance, group insurance, employee health check, year-end banquet activities.
Welfare facilities	Employee parking lot, lactation room
Employee Insurance	In addition to statutory insurance, we provide group insurance, including accident insurance, accident medical insurance, hospitalization and surgical medical insurance, cancer insurance, and travel insurance for peace of mind.
Flexible working hours	Implement flexible adjustments to the regular working hours, allowing colleagues to adjust their work schedules according to their personal needs for family care.
Employee bereavement support	Establish a bereavement policy to provide additional care for the family members of employees in the event of their death, whether it is work-related or non-work-related.
Employee gatherings	Organize occasional employee dinners, and the office provides coffee and snacks.
Other benefits	To ensure a balance between work and quality of life, employees can request parental leave or other types of leave without pay based on their family or personal needs. They can resume their duties after completing the designated tasks or phases.
Employee Welfare Committee	Establish Employee Welfare Committee that provides welfare allowances such as travel subsidies, relocation assistance, marriage and funeral assistance, childbirth grants, and

	medical condolence money.

B. Employee training and development status:

The company has established an "Education and Training Policy" to conduct pre-employment and on-the-job training for employees. With the belief that "people are the company's greatest asset," we provide comprehensive training programs and avenues for professional development to our colleagues. The employees' training and development status is taken into consideration as a performance assessment factor during the annual review. Here is the summary of employee training and development for the year 2023:

Category	No. of classes	Total Attendees	Training Hours	Training Costs(NT$)
Professional Skill Training	37	81	203	63,704
Supervisory Skills Training	0	0	0	0
General Education Training	39	345	69	0
Total	76	426	272	63,704

C. Retirement System and its Implementation

The company has established an employee retirement plan in accordance with the relevant provisions of the Labor Standards Act. It allocates 4% of the total monthly salary as employee retirement reserve and deposits it into a dedicated account with the Central Trust of China. In compliance with the Labor Standards Act, the company processes the payment of employee retirement benefits. Starting from July 1, 2005, employees who choose to apply the Labor Pension Act retirement pension system have 6% of their monthly salary allocated to their individual retirement pension account with the Labor Insurance Bureau to ensure a stable post-retirement life for employees.

Pension System	Explanation	Pension Calculation
Old Pension Plans (Labor Standards Act)	The company sets aside retirement funds based on the total monthly salary of employees, and deposits them into the old system retirement trust account. The allocation rate for 2023 is 4%, and the accumulated amount of labor retirement reserve is NT$203 thousand.	For the first 15 years of service, the company provides 2 times the base pay for each year of service. From the 16th year, the company provides 1 time the base pay for each year of service, up to a maximum of 45 times the base pay. For employees who have worked for less than half a year, the calculation is based on half a year, and for those who have worked for more than half a year, the calculation is based on one year. (The base pay is calculated based on the average salary of the last 6 months before retirement.)
New Labor pension Plans (Enforcement Rules of the Labor Pension Act)	Employees' personal accounts are set up based on their insured salary level, and the allocation rate for 2023 is 6%. The allocated amount is NT$1,737	1.Lump-Sum Pension Payments： A one-time payment that includes the principal and accumulated earnings from the individual retirement account. 2.Monthly Pension Payments：The

	thousand.	accumulated principal and earnings in the individual retirement account are used to calculate the monthly retirement benefit amount based on factors such as life expectancy, interest rates, and other relevant factors according to the annuity life table. The Monthly Pension Paymentst is disbursed regularly on a quarterly basis.

D. Agreement situation between labor and management

To create a harmonious labor-management relationship, the company has established channels for employee complaints such as a labor-management conference and an employee complaint mailbox, allowing for smooth communication of employee grievances. As a result, the company has maintained a harmonious labor-management relationship since its establishment and has not experienced any significant labor disputes that require coordination.

E. Status of measures to protect employee rights and interests

In addition to establishing an employee handbook in accordance with legal regulations to clearly define various labor conditions and protect employee rights, the company has also set up a labor-management conference, an employee welfare committee, and an employee complaint mailbox in accordance with legal regulations. All employee rights and interests can be fairly and reasonably processed through these channels. To date, the company has not experienced any issues that have harmed employee rights and interests.

F. Measures to ensure the personal safety and protection of employees and their implementation

The company is committed to providing a safe working environment and improving occupational safety and related protection measures to protect the physical and mental health of employees.

(a). District-wide access control system

To provide a safe working environment for employees and protect their personal safety, facial recognition systems are installed at the company's main entrances, and access control and monitoring systems are set up in public office areas and the factory.

(b). Workplace environmental safety and protection measures

(1) Air conditioning and ventilation equipment is serviced once a year.
(2) Water dispensers are serviced four times a year.
(3) A fire protection system is installed and integrated with the security alarm system.
(4)Soft lighting is used in the office environment to reduce eye strain.
(5)Smoking is prohibited throughout the office area except in designated smoking areas.

(c). Establishment of safety and health work rules

To maintain workplace safety and health, ensure the safety of employees' lives, property, and physical health, and prevent various accidents, safety and health work rules are established in accordance with the law. The responsibilities of personnel at all levels (managers and workers) are clearly defined, and operation principles for various work and equipment are specified.

(d). Regular occupational safety and health seminars and fire drills

According to relevant laws and regulations, occupational safety and health management personnel are appointed and two occupational safety seminars and fire drills are held each year to reduce potential risks in the workplace and the probability of occupational accidents.

(e). Employee health checkups

To strengthen employee health management and maintain employee physical health, employee health checkups are conducted every two years.

(f). Prevention and treatment of sexual harassment

To prevent sexual harassment in the workplace, maintain gender equality in the workplace, and uphold personal dignity, measures to prevent and punish sexual harassment in the workplace are established, and a responsible unit is established within the company to establish a complete complaint mechanism.

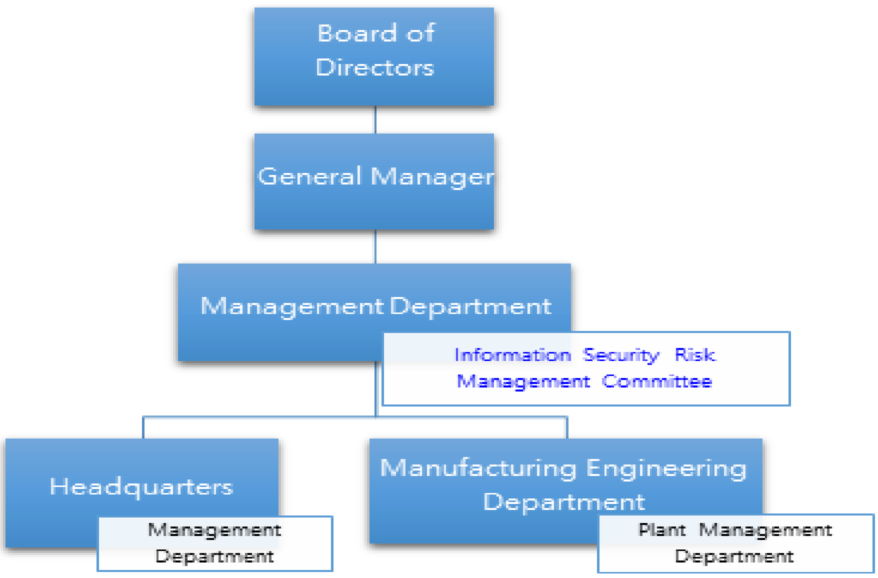
(2). Labor-Management Disputes: In the current and previous years up to the date of printing, the company has disclosed any losses incurred due to labor-management disputes and estimated amounts of potential losses as well as measures to respond to such disputes. If an estimate cannot be made reasonably, the company must state this fact.

In the most recent year up to the date of printing, the company did not experience any losses due to labor-management disputes, and the possibility of future losses due to such disputes is very low.

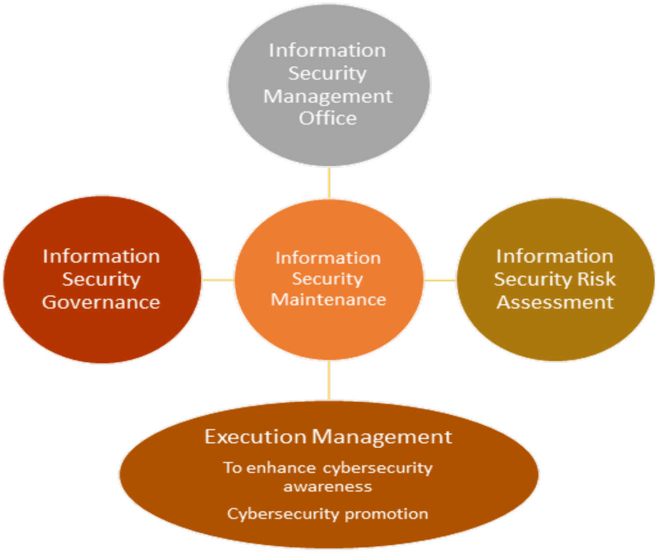
6. Cyber Security Management

(1). Describe the framework for managing Cyber Security risks, Cyber Security policies, specific management plans, and resources allocated to Cyber Security management.

In July 2019, the Cyber Security Risk Management Committee was established to oversee the governance, planning, supervision, and implementation of Cyber Security policies for each business group, in order to build up the company's Cyber Security defense capabilities and raise awareness of Cyber Security among employees. In August 2022, the company also obtained Cyber Security liability insurance to protect against the risk of being fined or sued for inadvertently leaking important information.



A. Cyber Security Policy



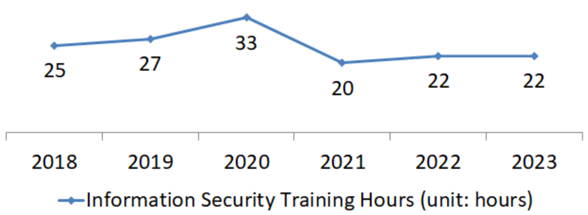
Security Policy		
Security Strategy	1. Improve management systems 2. Controlrisks and strengthen prevention	Continuously improve the management system by enhancing education and training, designing Cyber Security infrastructure, and protection techniques.
Compliance with Laws and Regulations	1. Regular review/revision 2. Establish compliance mechanisms	Establish a compliant mechanism and regularly review and revise relevant operational standards to comply with Cyber Security standards.

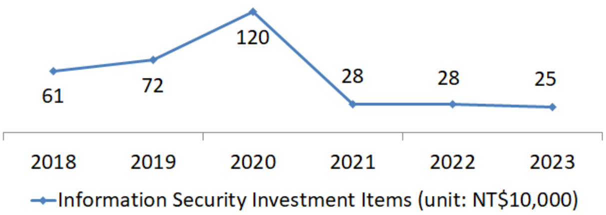
（Every year, a report on Cyber Security governance is presented to the board of directors.）

B. Specific management plans and resources invested in Cyber Security management.

Information security management measures		
Type	Explanation	Work Tasks
System Availability	**Measures for system availability and service interruption handling**	◎System and Network Availability Monitoring and Notification Mechanism ◎Measures for Service Interruption Response ◎Local and Off-site Data Backup Measures ◎Regular Disaster Recovery Drills
Access Control Management	**Measures for personnel account, permission and management of system misuse behavior**	◎Management and Review of Personnel Account Permissions ◎Periodic Inventory of Personnel Account Permissions
Permission Management	**Measures for controlling personnel access to systems and data transmission channels**	◎Measures for Controlling Data Leakage Channels ◎Analysis of Operational Behavior Logs ◎Management of Encryption for Important Documents
External Threats	**Measures for Protecting Internal System Vulnerabilities Measures for Virus Protection**	◎Detection and Updating of Host/Computer Vulnerabilities ◎Virus Protection and Malware Detection

Resources invested in Cyber Security:：





(2). In the most recent year and up to the date of the annual report, the losses, potential impacts, and response measures due to significant Cyber Security incidents are reported.

- In 2023, the company held one Cyber Security management committee meeting to review the implementation of Cyber Security policies in each unit. No incidents affecting the company's Cyber Security occurred during that year.
- In the current year, one off-site backup drill was conducted to strengthen employee response and awareness of Cyber Security risks.

7. Important Contract：None.

VI. Financial Statement

1. Condensed Balance Sheet and Statement of Comprehensive Income for Most Recent 5 fiscal years

(1) Condensed Balance Sheet

A. **Consolidated Condensed Balance Sheet**

Unit: NT$ thousand

Item \ Fiscal Year		Financial Information for Most Recent 5 Fiscal Years(Note1)					Financial information as of April. 20th of the current fiscal year
		2019	2020	2021	2022	2023	
Current Assets		989,249	1,167,795	1,405,766	1,390,167	1,184,218	(Note3)
Property, plant and equipment		507,045	434,597	247,720	207,695	257,501	
Intangible Assets		603	353	638	231	48	
Other assets		604,240	591,523	223,703	181,148	119,524	
Total assets		2,101,137	2,194,268	1,877,827	1,779,241	1,561,291	
Current Liabilities	Before distribution	526,665	630,384	372,035	229,211	299,601	
	After distribution	526,665	630,384	372,035	229,211	(Note2)	
Non-current liabilities		158,228	184,116	88,964	60,751	35,905	
Total liabilities	Before distribution	684,893	814,500	460,999	289,962	335,506	
	After distribution	684,893	814,500	460,999	289,962	(Note2)	
Equity attributable to owners of the parent company		1,416,238	1,379,768	1,416,828	1,411,402	1,225,785	
Share capital		807,522	807,522	807,522	807,422	840,422	
Capital surplus		1,007,800	810,542	759,327	673,820	697,863	
Retained earnings	Before distribution	(197,258)	(55,645)	41,298	69,136	(132,295)	
	After distribution	(197,258)	(55,645)	41,298	69,136	(Note2)	
Other equity		(167,175)	(148,000)	(156,668)	(138,976)	(180,205)	
Treasury shares		(34,651)	(34,651)	(34,651)	0	0	
Non-controlling interests		6	0	0	77,877	0	
Total equity	Before distribution	1,416,244	1,379,768	1,416,828	1,489,279	1,225,785	
	After distribution	1,416,244	1,379,768	1,416,828	1,489,279	(Note2)	

Note 1: Financial information from 2019 to 2023 has been audited and verified by an accountant.
Note 2: The profit distribution for the year 2023 is subject to resolution by the shareholders' meeting.
Note 3: As of the date of printing of this annual report on April 20, 2024, the financial report for the first quarter of 2024 has not been reviewed and finalized by the certified public accountant.

B. Individual Condensed Balance Sheet

Unit: NT$ thousand

Item \ Fiscal year		Financial Information for Most Recent 5 Fiscal Years(Note1)				
		2019	2020	2021	2022	2023
Current Assets		114,957	94,690	114,070	123,052	192,717
Property, plant and equipment		42,463	37,994	30,444	23,112	9,112
Intangible Assets		236	213	600	418	353
Other assets		1,403,713	1,407,999	1,415,408	1,405,315	1,255,569
Total assets		1,561,369	1,540,896	1,560,522	1,551,897	1,457,751
Current Liabilities	Before distribution	131,884	153,985	126,050	111,243	217,280
	After distribution	131,884	153,985	126,050	111,243	(Note2)
Non-current liabilities		13,247	7,143	17,644	29,252	14,686
Total liabilities	Before distribution	145,131	161,128	143,694	140,495	231,966
	After distribution	145,131	161,128	143,694	140,495	(Note2)
Equity attributable to owners of the parent company		1,416,238	1,379,768	1,416,828	1,411,402	1,225,785
Share capital		807,522	807,522	807,522	807,422	840,422
Capital surplus		1,007,800	810,542	759,327	673,820	697,863
Retained earnings	Before distribution	(197,258)	(55,645)	41,298	69,136	(132,295)
	After distribution	(197,258)	(55,645)	41,298	69,136	(Note2)
Other equity		(167,175)	(148,000)	(156,668)	(138,976)	(180,205)
Treasury shares		(34,651)	(34,651)	(34,651)	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	1,416,238	1,379,768	1,416,828	1,411,402	1,225,785
	After distribution	1,416,238	1,379,768	1,416,828	1,411,402	(Note2)

Note 1: Financial information from 2019 to 2023 has been audited and verified by an accountant.
Note 2: The distribution of profits for the year 2023 is subject to resolution by the shareholders' meeting.

(2) Condensed Income Statement

A. Consolidated Income Statement

Unit: NT$ thousand; only NT$ for Earnings per share

Fiscal year / Item	Financial data for Most Recent 5 years（Note1）					Financial information as of April. 20th of the current fiscal year
	2019	2020	2021	2022	2023	
Operating Revenue	546,881	684,598	800,103	457,220	382,573	（Note3）
Gross Revenue	85,812	223,566	291,900	113,340	102,158	
Operating Income	(104,536)	10,297	60,614	(51,282)	(56,575)	
Non-operating income and expenses	(57,180)	(12,760)	45,076	108,412	68,743	
Profit before income tax	(161,716)	(2,463)	105,690	57,130	12,168	
Net income from continuing operations	(197,485)	(55,940)	41,256	24,221	(49,915)	
Loss from discontinued operations	0	0	0	0	0	
Net income(loss) for the period	(197,485)	(55,940)	41,256	24,221	(49,915)	
Other comprehensive income(net of Income Tax)	(46,939)	19,470	(8,626)	21,110	(17,494)	
Total comprehensive income for the period	(244,424)	(36,470)	32,630	45,331	(67,409)	
Net income attributable to owners of parent	(197,484)	(55,940)	41,256	25,052	(48,409)	
Net income attributable to non-controlling interest	(1)	0	0	(831)	(1,506)	
Total comprehensive income attributable to owners of parent	(244,423)	(36,470)	32,630	45,530	(65,271)	
Total comprehensive income attributable to non-controlling interest	(1)	0	0	(199)	(2,138)	
Earnings per share(Note2)	(2.50)	(0.71)	0.52	0.31	(0.59)	

Note 1: Financial data for fiscal years 2019-2023 have been audited and verified by certified public accountants.

Note 2:Earnings per share are calculated by dividing current period net income by weighted average outstanding shares for the period, without considering retrospective adjustments for bonus shares issued.

Note 3: As of the date of printing of the annual report on April 20, 2024, financial data for the first quarter of fiscal year 2024 has not yet been audited and verified by certified public accountants.

B. Individual Condensed Income Statement

Unit: NT$ thousand; only NT$ for Earnings per share

Item \ Fiscal Year	Financial data for Most Recent 5 years（Note1）				
	2019	2020	2021	2022	2023
Operating Revenue	6,143	1,572	1,463	1,791	1,939
Gross Revenue	3,045	233	(531)	(6,888)	(6,895)
Operating Income	(46,712)	(63,508)	(76,268)	(60,558)	(8,682)
Non-operating income and expenses	(134,991)	19,210	134,340	102,636	6,704
Profit before income tax	(181,703)	(44,298)	58,072	42,078	(1,978)
Net income from continuing operations	(197,484)	(55,940)	41,256	25,052	(48,409)
Loss from discontinued operations	0	0	0	0	0
Net income(loss) for the period	(197,484)	(55,940)	41,256	25,052	(48,409)
Other comprehensive income(net of Income Tax)	(46,939)	19,470	(8,626)	20,478	(16,862)
Total comprehensive income for the period	(244,423)	(36,470)	32,630	45,530	(65,271)
Net income attributable to owners of parent	(197,484)	(55,940)	41,256	25,052	(48,409)
Net income attributable to non-controlling interest	0	0	0	0	0
Total comprehensive income attributable to owners of parent	(244,423)	(36,470)	32,630	45,530	(65,271)
Total comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share(Note2)	(2.50)	(0.71)	0.52	0.31	(0.59)

Note 1: Financial data for fiscal years 2019-2023 have been audited and verified by certified public accountants.

Note 2: Earnings per share are calculated as the net income for the current period divided by the weighted average number of outstanding shares for the period, and do not consider retrospective adjustments due to free stock dividends.

C. Audit from CPA (External Auditor) in the past 5 years

Year	Name of Accounting Firm	Names of CPAs	Audit Remarks
2019	Deloitte & Touche Taiwan	Chen, Hui-Ming Chi, Rui-Quan	Unqualified opinion
2020	Deloitte & Touche Taiwan	Chi, Rui-Quan Chen, Hui-Ming	Unqualified opinion
2021	Deloitte & Touche Taiwan	Weng, Bon-Wun, Chi, Rui-Quan	Unqualified opinion
2022	Deloitte & Touche Taiwan	Weng, Bon-Wun Chi, Rui-Quan	Unqualified opinion
2023	Deloitte & Touche Taiwan	Weng, Bon-Wun, He, Ruei-Syuan	Unqualified opinion

2. Financial Analysis for the most recent 5 years

(1). Consolidated Financial Analysis with adoption of international financial reporting standards

Analysis Item (Note2) \ Year		Financial Analysis for the most recent 5 years (Note1)					As of April 20th 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	32.60	37.12	24.55	16.30	21.49	(Note3)
	Ratio of long-term capital to property, plant and equipment	310.52	359.85	607.86	746.30	489.97	
Solvency (%)	Current ratio	187.83	185.25	377.86	606.50	395.27	
	Quick ratio	183.15	181.49	371.75	598.71	381.14	
	Time interest earned	(5.59)	0.86	9.11	10.13	3.60	
Operating performance	Accounts receivable turnover (times)	1.78	1.79	1.75	1.22	1.37	
	Average collection days	205.05	203.91	208.57	299.18	266.42	
	Inventory turnover (times)	35.48	32.21	44.86	54.89	13.90	
	Accounts ayableturover (times)	63.93	66.85	68.06	56.54	42.85	
	Average days in sales	10.28	11.33	8.13	6.64	26.25	
	Property,plantandequipment turnover (times)	0.92	1.45	2.35	2.01	1.64	
	Total asset turnover (times)	0.25	0.32	0.39	0.25	0.23	
Profitability	Return on total assets (%)	(7.97)	(1.95)	2.54	1.60	(2.76)	
	Return on equity (%)	(12.84)	(4.00)	2.95	1.67	(3.68)	
	Ratio of income before tax to paid-in capital(%)	(20.03)	(0.31)	13.09	7.08	1.45	
	Net profit margin (%)	(36.11)	(8.17)	5.16	5.30	(13.05)	
	Earning spar share (NT$)	(2.50)	(0.71)	0.52	0.31	(0.59)	
Cash flow	Cash flow ratio (%)	(21.64)	(1.05)	31.54	63.32	(17.17)	
	Cash flow adequacy ratio (%)	55.83	18.62	26.39	81.14	32.35	
	Cash reinvestment ratio (%)	(3.33)	(0.19)	3.57	2.28	(3.82)	
Leverage	Operating leverage	(1.13)	22.08	4.39	(1.93)	(1.14)	
	Financial leverage	0.81	(1.43)	1.27	0.89	0.92	

The causes of changes in the financial ratios in the most recent 2 fiscal years: (Analysis is not required if the increase or decrease is less than 20%.)

1.Financial structure: The increase in short-term borrowings and property, plant, and equipment contributed to the changes in the year.

2.Solvency: The decline in the current and quick ratios compared to last year was mainly due to the increase in current liabilities during the current year.

3.Operating performance: The inventory turnover ratio and accounts payable turnover ratio decreased in the fiscal year 2023, primarily due to increases in inventory and accounts payable.

4.Profitability: Various financial ratios of profitability decreased in fiscal year 2023 compared to the previous year, mainly due to the current period's loss.

5.Cash flow: Various financial ratios of cash flow decreased in fiscal year 2023, primarily because the net cash flow from operating activities for the year was negative.

6. Leverage: Due to the operating losses incurred by the company, this analysis does not apply.

Note 1: Financial data for the years 2019 to 2023 have been audited and verified by certified accountants.

Note 2:Please refer to Section (II) Individual Financial Analysis - Adoption of International Financial Reporting Standards for the calculation formula of financial ratios.

Note 3: As of the printing date of the annual report on April 20, 2024, the financial report data for the first quarter of 2024 has not been audited and verified by certified accountants.

(2). Individual Financial Analysis with adoption of international financial reporting standards

Item（Note2） / Fiscal Year		Financial Information for the Most recent 5 Years(Note1)				
		2019	2020	2021	2022	2023
Financial Structure（%）	Debt to assets ratio	9.30	10.46	9.21	9.05	15.91
	Ratio of long-term capital to property, plant and equipment	3,366.42	3,650.34	4,711.84	6,233.36	13613.60
Solvency（%）	Current Ratio	87.17	61.49	90.50	110.62	88.70
	Quick Ratio	83.11	58.28	85.21	104.80	84.71
	Time interest earned	(93.49)	(20.26)	24.30	18.49	0.44
Operating performance	Accounts receivable turnover(times)	17.14	3.25	2.22	2.65	3.98
	Average collection days	21.30	112.31	164.41	137.74	91.71
	Inventory turnover(times)	1.27	0.50	0.88	7.04	46.99
	Accounts payable turnover (times)	2.81	2.61	7.22	31.45	32.01
	Average days in sales	287.06	727.96	415.89	51.88	7.77
	Property, plant and equipment turnover(times)	0.13	0.04	0.04	0.07	0.12
	Total asset turnover（times）	0.00	0.00	0.00	0.00	0.00
Profitability	Return on total assets（%）	(11.65)	(3.50)	2.79	1.73	(3.03)
	Return on total equity（%）	(12.84)	(4.00)	2.95	1.77	(3.67)
	Ratio of income before tax to paid-in capital(%)	(22.50)	(5.49)	7.19	5.21	0.24
	Net profit margin（%）	(3,214.78)	(3,558.52)	2,819.96	1,398.77	(2496.60)
	Earnings per share（NT$）	(2.50)	(0.71)	0.52	0.31	(0.59)
Cash Flow	Cash flow ratio（%）	(48.41)	(37.43)	(57.60)	(21.12)	(49.51)
	Cash flow adequacy ratio（%）	(48.95)	(135.64)	(428.53)	(244.96)	(244.86)
	Cash reinvestment ratio（%）	(3.91)	(3.60)	(4.36)	(6.34)	(10.96)
Leverage	Operating leverage	1.61	1.33	0.50	0.46	3.63
	Financial leverage	0.96	0.97	0.97	0.96	0.71

The causes of changes in the financial ratios in the most recent 2 fiscal years: (Analysis is not required if the increase or decrease is less than 20%.)

1.Financial structure: The increase in short-term borrowings and property, plant, and equipment contributed to the changes in the year.
2.Solvency: The decline in the current and quick ratios compared to last year was mainly due to the increase in current liabilities during the current year.
3.Operating performance: The accounts receivable turnover ratio and average days sales outstanding increased this year, mainly due to the decrease in average accounts receivable compared to the previous period. The inventory turnover ratio and property, plant, and equipment turnover ratio increased this year, primarily because inventory and equipment decreased compared to the previous period.
4.Profitability: Various financial ratios of profitability decreased in fiscal year 2023 compared to the previous year, mainly due to the current period's loss.
5.Cash flow: Various financial ratios of cash flow in fiscal year 2023 were negative, primarily because the net cash flow from operating activities for the year was negative.
6. Leverage: Due to the operating losses incurred by the company, this analysis does not apply.

Note1: The financial data for the years 2019 to 2023 have been audited and verified by accountants.
Note 2: The calculation formulas for financial ratios are as follows:

1.Financial Structure
(1) Debt-to-Asset Ratio = Total Liabilities / Total Assets.
(2) Long-term Funds to Net Property, Plant, and Equipment Ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant, and Equipment.

2.Solvency
(1) Current Ratio = Current Assets / Current Liabilities.
(2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.
(3) Interest Coverage Ratio = Profit before Income Tax and Interest Expense / Interest Expense.

3.Operating Capability
(1) Accounts Receivable Turnover Ratio (including accounts receivable and trade notes receivable) = Net Sales / Average Accounts Receivable.

(2) Average Collection Period = 365 / Accounts Receivable Turnover Ratio.

(3) Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.

(4) Accounts Payable Turnover Ratio (including accounts payable and trade notes payable) = Cost of Goods Sold / Average Accounts Payable.

(5) Average Sales Period = 365 / Inventory Turnover Ratio.

(6) Property, Plant, and Equipment Turnover Ratio = Net Sales / Average Net Property, Plant, and Equipment.

(7) Total Asset Turnover Ratio = Net Sales / Average Total Assets.

4.Profitability

(1) Return on Assets = (Net Income + Interest Expense × (1 - Tax Rate)) / Average Total Assets.

(2) Return on Equity = Net Income / Average Total Equity.

(3) Net Profit Margin = Net Income / Net Sales.

(4) Earnings per Share = (Profit attributable to owners of the parent - Preferred Stock Dividends) / Weighted Average Outstanding Shares.

5.Cash Flow

(1) Cash Flow Ratio = Operating Cash Flow / Current Liabilities.

(2) Cash Flow Adequacy Ratio = Operating Cash Flow for the Last Five Years / (Capital Expenditure + Increase in Inventory + Cash Dividends).

(3) Cash Reinvestment Ratio = (Operating Cash Flow - Cash Dividends) / (Gross Property, Plant, and Equipment + Long-term Investments + Other Non-current Assets + Working Capital).

6.Leverage:

(1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Profit.

(2) Financial Leverage = Operating Profit / (Operating Profit - Interest Expense).

Note 3: When calculating earnings per share, the following should be considered:

1.Weighted average ordinary shares outstanding should be used, not year-end issued shares.

2.For cash increases in share capital or treasury stock transactions, the period of circulation should be considered when calculating weighted average shares.

3.For earnings retained as an increase in share capital or capital surplus, when calculating earnings per share for previous years and semi-annual periods, adjustment should be made based on the proportion of the increase, regardless of the period of issuance.

4.If preferred shares are non-convertible cumulative preferred shares, the dividends for the current year (whether paid or not) should be deducted from or added to net profit after tax. If preferred shares are non-cumulative, in the case of net profit, preferred stock dividends should be deducted; if there is a loss, no adjustment is necessary.

Note 4: When analyzing cash flow, the following should be considered:

1.Operating cash flow refers to the net cash inflow from operating activities in the cash flow statement.

2.Capital expenditure refers to the cash outflow for capital investments each year.

3.The increase in inventory should only be included when the ending balance is greater than the beginning balance. If inventory decreases at the end of the year, it should be considered as zero.

4.Cash dividends include cash dividends on common and preferred shares.

5. Gross property, plant and equipment refers to the total amount of property, plant and equipment before accumulated depreciation is deducted

Note 5: The issuer should categorize various operating costs and expenses as fixed or variable based on their nature. If estimates or subjective judgments are involved, attention should be paid to their reasonableness and consistency.

3. Audit Committee Review Report on the 2022 Annual Financial Report

Paragon Technologies Co., Ltd.

Audit Committee's Audit Report

The Company's Board of Directors prepared (1) 2023 consolidated financial statements and individual financial statement was audited by accountants Wong, Po-Jen and Chi, Jui-Chuan of Deloitte, Taiwan and audit report has been offered; and (2) business report and earnings distribution proposal were audited by the audit committee, and determined to be correct and accurate. According to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report above, for your approval.

Faithfully

2024 Annual Shareholders' Meeting of the Company

Paragon Technologies Co., Ltd.

Convener of the audit committee: Hsu, Jui-Tsan

March 13, 2024

4. Audited Consolidated Financial Statements for 2022 Fiscal Year

Please refer to Attachment 1 (Pages 118-201 of this manual).

5. Audited Individual Financial Statements for the 2022 Fiscal Year

Please refer to Attachment 2 (Pages 202-268 of this manual).

6. Regarding 2022 fiscal year and up to the date of printing of the annual report, if there have been any financial difficulties affecting the company and its related entities, please specify their impact on the financial condition of the company: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status

(1) The main reasons for changes in consolidated assets, liabilities, and shareholders' equity in the past two years, as well as their impact, are as follows:

Unit: NT$ thousand

Item \ Year	2023	2022	Difference	
	Amount	Amount	Amount	%
Current Assets	1,184,218	1,390,167	(205,949)	(14.81)
Fixed Assets	257,501	207,695	49,806	23.98
Intangible Assets	48	231	(183)	(79.22)
Other Assets	119,524	181,148	(61,624)	(34.02)
Total Assets	1,561,291	1,779,241	(217,950)	(12.25)
Current Liabilities	299,601	229,211	70,390	30.71
Long-term Liabilities	4,518	8,575	(4,057)	(47.31)
Other Liabilities	31,387	52,176	(20,789)	(39.84)
Total Liabilities	335,506	289,962	45,544	15.71
Share Capital	840,422	807,422	33,000	4.09
Capital surplus	697,863	673,820	24,043	3.57
Retained Earnings	(132,295)	69,136	(201,431)	(291.35)
Other Equity	(180,205)	(138,976)	(41,229)	29.67
Treasury Shares	0	0	0	0
Non-controlling Interests	0	77,877	(77,877)	(100.00)
Total Equity	1,225,785	1,489,279	(263,494)	(17.69)

1. Changes in the past two years exceeding 20% and with an amount exceeding NT$10 million are as follows:

Increase in property, plant, and equipment: Primarily due to the increase in capital expenditure on silicon carbide equipment in fiscal year 2023 compared to the previous year.

Decrease in other assets: Mainly due to the termination of lease agreements for facilities, reduction in right-of-use assets, and reclassification of prepaid equipment payments to property, plant, and equipment in fiscal year 2023.

Increase in current liabilities: Mainly due to the increase in short-term borrowings to meet operational needs in fiscal year 2023.

Decrease in other liabilities: Primarily due to the termination of lease agreements for facilities, resulting in a reduction in lease liabilities in fiscal year 2023.

Decrease in retained earnings: Primarily due to the post-tax loss in fiscal year 2023 and the price-to-book value difference in the acquisition of subsidiary shares.

Decrease in other equity: Mainly due to exchange rate fluctuations resulting in exchange differences in the financial statements of overseas operating entities.

Decrease in non-controlling interests: Primarily due to the acquisition of non-controlling interests in subsidiaries and the liquidation of subsidiaries, resulting in a decrease in non-controlling interests in fiscal year 2023.

These changes have no significant impact on the company.

2. Future Plans: The company will continue to focus on improving operational performance to achieve stable profitability and enhance the overall financial structure of the company.

(2) Future Response Actions

The company will continue to focus on improving operational performance to achieve stable profitability and will work towards strengthening the company's financial structure.

2. Analysis of Financial Performance

(1) The main reasons and their impact on the changes in consolidated operating revenue, net income, and pre-tax net income in the past two years are as follows:

Unit: NT$ thousand

Year / Item	2023	2022	Difference	
	Amount	Amount	Amount	%
Gross Sales	382,573	457,220	(74,647)	(16.33)
Cost of Sales	280,415	343,880	(63,465)	(18.46)
Gross Profit	102,158	113,340	(11,182)	(9.87)
Operating Expenses	158,733	164,622	(5,889)	(3.58)
Operating Income	(56,575)	(51,282)	(5,293)	10.32
Non-operating Income and Expenses	68,743	108,412	(39,669)	(36.59)
Income before tax	12,168	57,130	(44,962)	(78.70)
Tax benefit(Expense)	62,083	32,909	29,174	88.65
Net Profit	(49,915)	24,221	(74,136)	(306.08)

In the past two years, the following changes have occurred, with a percentage change of over 20% and an amount exceeding NT$10 million:

Decrease in non-operating income and expenses: Mainly due to the absence of gains from the disposal of land use rights and facilities recognized in fiscal year 2022, which were not recognized in fiscal year 2023.

Decrease in profit before tax: Mainly due to the decrease in revenue in fiscal year 2023.

Increase in income tax expense: Mainly due to the offset of tax expenses by loss deductions in fiscal year 2022.

Decrease in net profit after tax: Mainly due to the decrease in revenue, decrease in non-operating income, and increase in income tax expense in fiscal year 2023.

These changes have not had a significant impact on the company.

(2). Sales Forecast for the Next Year and Basis:

Looking forward to 2024, as global trade activities are expected to recover, according to a survey report by DIGITIMES, it is estimated that due to the slowdown in inflation and incentives for new product launches, the laptop market will end its two-year recession in 2023, growing by 4.7%, and enter a new year in 2024. During the economic expansion period, the growth rate is expected to be as high as 6%. The compound annual growth rate (CAGR) of global laptop shipments from 2023 to 2028 will reach 3%. Driven by AI, future products will show moderate growth. In addition to continuing to deeply explore the NB anti-EMI market and maintaining market share, the company will adjust its product development direction in the future and develop product appearance coatings, functional coating products and silicon carbide (SiC) products. In addition to expanding the application scope of PVD technology, Boton We will invest more resources to continue to increase the production capacity of non-EMI products and silicon carbide (SiC) wafer products to diversify and reduce the risks of single industry and customer concentration.

(3). Potential Impact on Future Financial Operations and Response Plan:

To expand into new product markets and diversify business risks, the company will continue to focus on the development of new technologies and products. It is estimated that R&D expenses will account for approximately 10~15% of the consolidated revenue in the next three years. The company will continue to reduce the proportion of revenue from NB EMI processing ,develop surface coatings or functional coatings for 3C products to diversify the concentration risk and silicon carbide (SiC) products. The company will enhance internal management efficiency, cost control capabilities, accounts receivable management, and establish sound management systems to improve operational performance and ensure a healthy financial structure in the face of the challenging global economic environment.

The company's future investment plans for capacity expansion will mainly be supported by its own funds, so there will be no significant impact on the company's finances and capital.

3. Analysis of Cash Flow

(1) Cash Flow Analysis for 2022

Unit：NT$ thousand

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
885,863	（51,429）	(33,868)	800,566	—	—

A. The net cash inflow from operating activities was NT$51,429 thousand, primarily due to the current net loss for the fiscal year 2023.

B. The net cash inflow from investing activities was NT$55,771 thousand, due to the disposal of subsidiaries and financial products.

C. The net cash outflow from financing activities was NT$52,017 thousand, primarily due to the increase in short-term borrowings, issuance of new shares by the Company, and payment of cash dividends.

D. The net decrease in cash and cash equivalents for the period was NT$85,297 thousand, and the ending balance of cash and cash equivalents was NT$800,566 thousand.

(2) Remedy for Cash Deficit and Liquidity Analysis

A. Remedy for Cash Deficit

The company does not have a shortage of cash.

B. Liquid Analysis

Year / Item	2022	2021	Variance (%)
Cash Flow Ratio(%)	(17.17)	63.32	(127.11)
Cash Flow Adequacy Ratio(%)	32.35	81.14	(60.13)
Cash Reinvestment Ratio(%)	(3.82)	2.28	(267.69)
Analysis of financial ratio change： The cash flow ratio and cash reinvestment ratio for the fiscal year 2023 were negative, primarily due to the current period's loss.			

(3). Cash Flow Analysis for the Coming Year

Unit: NT$ thousand

Estimated Cash and Cash Equivalents, Beginning of Year(1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
800,566	(56,000)	280,512	1,025,078	—	—

A. Analysis of cash flow changes for the current year:

(a) Operating activities: It is expected that there will be a net cash outflow from operating activities in the coming year, primarily due to a decrease in revenue.

(b) Investing and financing activities: Mainly due to repayment of borrowings, issuance of corporate bonds and cash capital increase.

B. Remedial measures for anticipated cash shortage: The company does not currently have a shortage of cash, so no specific remedial measures are needed.

4. Major Capital Expenditure Items in recent years：None.

5. Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(1) Company's investment policy:

The company's investment decisions are made based on factors such as operational needs and considerations for future growth. Relevant departments provide professional information, and the financial unit consolidates the data to present recommendations to the responsible authorities. After the investment proposal is generated, an evaluation should be conducted on the past and future prospects of the target company, market conditions, and its operational capabilities. This evaluation serves as the basis for the decision-making authorities in making investment decisions.

(2) Main reasons for profit or loss in fiscal year 2022 and improvement measures:

2023/12/31; Unit: NT$ thousand

Invested Companies	Investment Amount	share ratios	recognition of recent annual investment gains or losses,	main reasons for profit or loss	improvement plans
MACRO SIGHT INTERNATIONAL CO., LTD.	481,565	100%	32,886	The main reasons for the holding company's profits and losses are determined by the profits and losses of the investee company.	None
Jing Cheng Material Co., LTD.	336,100	100%	(37,918)	During the capacity building phase, mass production is expected to commence in year 2025.	The production capacity construction is completed, and the production line output and yield rate are increased.
Paragon Cubee auto parts inc.	5,000	50%	-	There were no significant changes in profit or loss.	None

(3) Future Investment Plan

In order to develop silicon carbide (SiC) products and increase the production capacity of silicon carbide (SiC) wafer products, the company is expected to invest NT$600 million in Jing cheng Materials Co., Ltd. in 2024 to support the construction of Chiayi Silicon Carbide Part of the funds for the new plant will be used to expand the production capacity of silicon carbide products to meet market development needs.

6. Analysis of Risk Management as of 2023

(1). Impact of interest rates, exchange rates, and inflation on the company's income and measures for future responses:

A. Impact of interest rate changes and measures for future responses:

In fiscal year 2023, the company's interest expenses amounted to NT$3,084 thousand. Although the impact of interest rate changes on the company's income is not significant, the company will closely monitor global economic trends and utilize relevant interest rate hedging tools or consider adjusting the currency of borrowings to mitigate potential interest rate risks.

B. Impact of exchange rate changes and measures for future responses:

The company is mainly affected by the fluctuation of the CNY exchange rate. When the CNY exchange rate changes, it may have an impact on the company's profit and loss and comprehensive profit and loss. In 2023, due to exchange changes, the company recognized an exchange loss of NT$2,229 thousand, accounting for the net loss after tax for the current period. Approximately 4.47%, recognized because the net after-tax amount of the exchange difference in the translation of the financial statements of foreign operating institutions is NT$17,985 thousand, accounting for approximately 26.68% of the current period's comprehensive profit and loss, and accounting for approximately 1.47% of the company's total owner's equity, so the exchange rate changes It has little impact on the company's profit and loss but has a relatively high impact on the comprehensive profit and loss. In the future, the company will pay close attention to the exchange rate trend of the New Taiwan dollar against the RMB and make good use of relevant exchange rate hedging tools to reduce the risk of future exchange rate changes on operations.

C. Impact of inflation on the company's income and measures for future responses:

Currently, inflation has not had a significant impact on the company's income. The company will refer to statistical data from the domestic Statistical Bureau of the Ministry of Economic Affairs, research reports, and economic indices from reputable domestic and international economic research institutions and professional investment institutions. Regular review and gathering of relevant information will provide valuable insights for management decision-making.

(2). Policies, major reasons for profit or loss, and future responses for engaging in high-risk, high-leverage investments, lending funds to others, endorsing guarantees, and engaging in derivative transactions:

A. Policies, major reasons for profit or loss, and future responses for engaging in high-risk, high-leverage investments:

The company's primary focus is on the development of its core business and does not venture into other high-risk industries. Furthermore, the company has always maintained a prudent financial management approach and does not engage in high-leverage investments.

B. Policies, major reasons for profit or loss, and future responses for lending funds to others:

Currently, the company lends funds only to its direct and indirect investments in subsidiary companies where it holds over 100% of the voting rights. The lending of funds to others follows the "Operating Procedures for Lending Funds to Others." The subsidiary companies to which funds are lent maintain sound and stable financial operations, and there have been no losses incurred due to lending of funds to others.

C. Policies, major reasons for profit or loss, and future responses for endorsing guarantees:

The company provides endorsements and guarantees only to wholly-owned subsidiaries, both directly and indirectly. The endorsement limits are determined based on the "Operating Procedures for Endorsing Guarantees." The subsidiary companies for which guarantees are provided maintain sound and stable financial operations, and there have been no losses incurred due to endorsements and guarantees.

D. Policies, major reasons for profit or loss, and future responses for engaging in derivative transactions:

The company engages in derivative transactions primarily to mitigate market risks caused by exchange rate and interest rate fluctuations and not for arbitrage or speculative purposes. The company and its subsidiaries comply with relevant regulations issued by regulatory authorities and international financial reporting standards in conducting derivative transactions. The company strictly adheres to the "Asset Acquisition or Disposal Procedure" established by the company.

(3). Future research and development plans and projected research and development expenses:

In the future, we will continue to improve our core technical capabilities. In addition to continuing to study vacuum sputtering technology, we will invest more resources in the development of silicon carbide (SiC) process technology. In the past five years, the company's investment in R&D expenses accounted for an average of approximately 6.24% of consolidated net operating revenue. , it is expected to invest approximately NT$51 million in R&D expenditures in 2024 to continue investing in the development of new technologies and new processes. It is expected to develop new process equipment and functional coating technology, and specialize in researching new technologies and new materials to expand product applications. The estimated R&D projects and estimated investment costs in 2024 are as follows:

Recent Annual Plan	Planned R&D Expenditure	Current Progress
Development of New Applications for PVD coating	23 million	Developing
Development of SIC single crystal manufacturing process technology	28 million	Developing

(4). Impact and Countermeasures of Important Policy and Legal Changes, Both Domestic and International, on the Company's Financial Operations

The Company has not been subject to any major domestic or foreign policy or legal changes in recent years that would have affected the Company's finances and business. The company also appoints legal consultants to provide consultation and handle legal issues related to the company..

(5). Impact and Countermeasures of Technological Changes and Industry Transformations on the Company's Financial Operations

The company maintains close connections with domestic and international major manufacturers and maintains good cooperation with domestic research institutions, enabling it to stay informed about industry changes and future technological trends. The company possesses the capability to develop its own technology and is confident in quickly leading the industry in response to new technological requirements and processes, thereby enhancing its competitive advantage. The company will continue to closely monitor market trends and adapt to industry evolution and changes. Therefore, technological changes and industry transformations are not expected to have a significant impact on the company's financial operations.

(6). Impact and Countermeasures of Corporate Image Changes on Crisis Management

Since its establishment, the company has been committed to maintaining its corporate image and complying with legal requirements, guided by the principles of stability and integrity. The company has planned to enter the capital market to attract more talented individuals, strengthen its management team, and share its business achievements with shareholders and the public, fulfilling its social responsibilities. Therefore, there have been no incidents that have jeopardized the company's corporate image.

(7). Expected Benefits, Potential Risks, and Countermeasures of Mergers and Acquisitions

In the most recent year and as of the date of publication of the public prospectus, the company purchased Jing Cheng Materials Co., Ltd. from non-controlling shareholders for a total of 178,200 thousand on July 5, 2023, July 20, 2023 and August 17, 2023. The company's equity has increased its shareholding ratio from 70.3% to 79.7%, 94.5% and 100.00%. There are no plans to acquire other companies. By investing in Jing Cheng Materials, it can diversify into silicon carbide products. It is expected that After mass production in the future, it will bring positive benefits to the company's shareholders and employees and gradually reduce the risk of sales concentration. In addition, if there are plans for mergers and acquisitions in the future, we will adhere to a prudent assessment attitude to truly protect the company's shareholders and employees. rights and interests.

(8). Expected Benefits, Potential Risks, and Countermeasures of Expanding Production Facilities:

In response to the demand for the development of silicon carbide products by the company's subsidiary Jing Cheng Materials Co., Ltd., the company's subsidiary Jing Cheng Materials Co., Ltd. is expected to build a new silicon carbide factory in Chia Yi to expand production capacity. The funds required for the establishment of the factory are estimated to be 899,530 thousand. In order to support the funds required for the factory construction plan of Jing Cheng Materials Co., Ltd., the company plans to increase its capital in cash by issuing ordinary shares and issuing domestic first-time guaranteed corporate bonds totaling 600thousand, all of which will be used to increase the capital of its subsidiary Jing Cheng Materials. Co., Ltd., plus Jing Cheng Materials Co., Ltd.’s own funds and bank borrowings of RMB 299,530 thousand, the total investment is expected to be RMB 899,530 thousand for the construction of a new silicon carbide factory in Chia Yi. The capital expenditure of the company's factory construction plan has gone through a complete and prudent evaluation process, fully considering the recovery benefits and possible risks. The financial risks arising from it are still within the controllable range and have no significant adverse impact on the company.

(9) Risks and Countermeasures Related to Concentration in Purchasing or Sales

A. Evaluation of Sales Concentration Risk and Countermeasures:

In 2023, the same group's sales accounted for 98.67% of the company's main revenue source. This is mainly due to the fact that the group's global notebook computer case market share is in the leading position among its peers. Due to the business it operates and the industry it belongs to, sales are concentrated to it. The company has actively entered the silicon carbide field since 2021 and acquired Jing Cheng Materials Co., Ltd. as a 100% investment subsidiary. It has continued to build production capacity and is expected to gradually reduce the concentration of sales in the same group.

B. Evaluation of Purchasing Concentration Risk and Countermeasures:

The company has three to four main suppliers. The company has frequent interactions with each supplier and has a good relationship with them. There is no risk of concentration of supplies.

(10) Impact, Risks, and Countermeasures of Changes in Directors, Supervisors, or Shareholders Holding More than 10% of Shares on the Company

As of the printing date of the annual report, there have been no significant changes in the ownership of shares or the composition of directors, supervisors, or shareholders holding more than 10% of shares.

(11) Impact, Risks, and Countermeasures of Changes in Management Control over the Company

As of the printing date of the annual report, there have been no significant changes in the management control over the company.

(12) Major Litigation, Non-Litigation, or Administrative Disputes Involving the Company

A. The company's litigation, non-litigation or administrative disputes in the past two years and as of the date of publication of the public prospectus that have been adjudicated or are still pending, the results of which may have a significant impact on shareholders' rights or securities prices, should be disclosed The facts in dispute, the amount of the subject matter, the start date of the litigation, the main parties involved and the current handling situation: None.

B. The company’s directors, supervisors, general managers, substantive persons in charge, major shareholders with a shareholding ratio of more than 10% and affiliated companies have been adjudicated or are still in the process of being assigned in the past two years and as of the date of publication of the public statement. Litigation, non-litigation or administrative disputes, the results of which may have a significant impact on the company's shareholders' rights or securities prices: None.

C. The company’s directors, supervisors, managers and major shareholders holding more than 10% of the shares have occurred in the past two years and as of the date of publication of the public statement, and the company’s current handling of the circumstances specified in Article 157 of the Securities and Exchange Act has occurred Situation: None.

7. Other important items：None

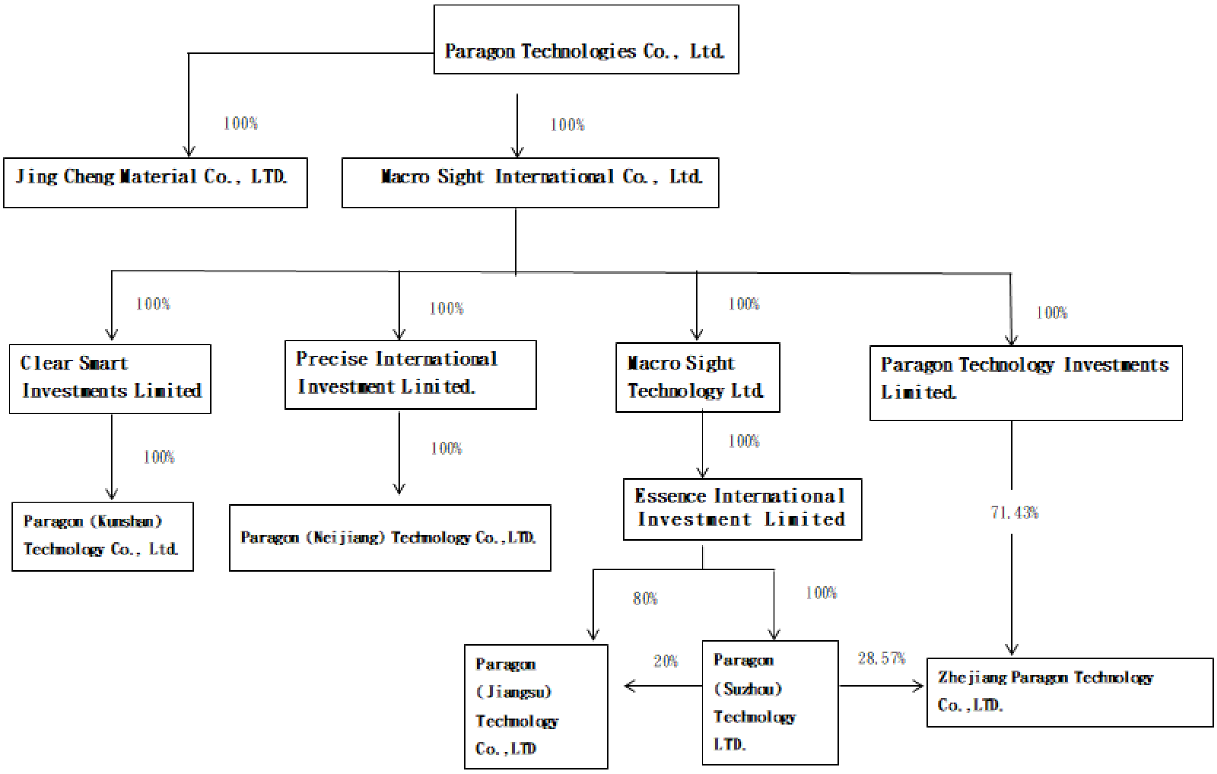
VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Consolidated Operating Report of Affiliated Companies

A. Affiliated Company Chart

2024/04/20



B. Basic Information of Affiliated Companies

2024/04/20

Company	Address	Establishment Date	Paid-in Capital	Main Business Items
MACRO SIGHT INTERNATIONAL CO., LTD.	Unit 3(I), Main Office Tower, Financial Park Labuan Jalan Merdeka, 87000 Labuan F.T., Malaysia	2001.08.22	USD14,131,650	General Investment Affairs
MACRO SIGHT TECHNOLOGY LIMITED	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	2000.05.02	USD8,346,851	General Investment Affairsand import/export trade
CLEAR SMART INVESTMENTS LIMITED	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	2005.09.08	USD10,000,000	General Investment Affairsand import/export trade
Paragon Technology Investments Limited	Unit D, 16/F ,One Capital Place, 18 Luard Road,Wan Chai,Hong Kong.	2007.08.23	USD25,000,000	General Investment Affairs
Essence International Investment Limited	Unit D, 16/F ,One Capital Place, 18 Luard Road,Wan Chai,Hong Kong.	2008.05.05	USD15,100,000	General Investment Affairs
Precise International Investment Linited.	Unit D, 16/F ,One Capital Place, 18 Luard Road,Wan Chai,Hong Kong.	2008.03.06	USD3,502,000	General Investment Affairs
Paragon (Suzhou) Technology LTD.	No. 1, Muqiao Street, Suzhou New District, Jiangsu Province, China	2001.03.23	USD7,100,000	EMI Processing
Paragon (Kunshan) Technology Co., Ltd.	Room 2019, Building A, Modern Plaza, Building 18, Weiye Road, Kunshan Development Zone, Jiangsu Province, China	2007.03.14	USD10,000,000	EMI Processing
Zhejiang Paragon Technology Co.,LTD..	No. 1 Jier Road, Sunshine Industrial Park, Anji County, Huzhou City, Zhejiang Province, China	2008.01.04	USD35,000,000	Exterior coating processing for car wheels
Paragon (Jiangsu) Technology Co.,LTD.	West side of Jubao Road, Development Zone, Jurong City, Jiangsu Province, China	2009.05.08	USD10,000,000	EMI Processing
Paragon (Neijiang) Technology Co.,LTD.	No. 1 Juteng Avenue, Chengxi Industrial Park, Neijiang City, Sichuan Province, China	2011.06.13	USD3,000,000	EMI Processing
LEADING PROFIT HOLDING LIMITED (Note)	Room S203A, Second Floor, Orion Complex, Victoria, Mahe, Seychelles	2022.07.28	USD3,300,000	General Investment Affairs
Jing Cheng Material Co., LTD.	No. 2, Lane 108, Section 1, Nanshan Road, Wayaoli, Luzhu District, Taoyuan City	2021.11.16	NT180,000,000	Silicon carbide technology and material supply

Note: LEADING PROFIT HOLDING LIMITED has been liquidated in January of 2024

C. Information on Presumed Control and Subsidiary Relationships: None.

D. Industries Covered and Description of Business Cooperation among Affiliated Companies: The industries covered by the affiliated companies as a whole are as follows:

1.Vacuum deposition for EMI shielding services, sales of vacuum deposition equipment and components, and related investmentactivities.
2. Automotive wheel appearance coating services.
3. General investment activities.
4. Import and export trade: Import and export trade of vacuum deposition equipment and components.
5. Silicon carbide technology and material supply.

E. Names of Directors, Supervisors, and General Managers of Each Related Company and Their Shareholdings.

Company	Title	Name or Representative	Shares	Shareholding Ratio%
MACRO SIGHT INTERNATIONAL CO., LTD.	Director	Chen, Tsai-Pu	—	—
MACRO SIGHT TECHNOLOGY LIMITED	Director	Chen, Tsai-Pu	—	—
CLEAR SMART INVESTMENTS LIMITED	Director	Chen, Tsai-Pu	—	—
Paragon Technology Investments Limited	Director	Chen, Tsai-Pu	—	—
Essence International Investment Limited	Director	Chen, Tsai-Pu	—	—
Precise International Investment Linited.	Director	Chen, Tsai-Pu	—	—
Paragon (Suzhou) Technology LTD.	Chairman	Yu, Hsiu-Ping	—	—
	Director	Chen, Tsai-Pu	—	—
	Director	Liu, Ming-Yi	—	—
Paragon (Kunshan) Technology Co., Ltd.	Chairman	Wang, Xiao-Long	—	—
	Director	Chen, Tsai-Pu	—	—
	Director	Yu, Hsiu-Ping	—	—
Paragon (Jiangsu) Technology Co.,LTD.	Chairman	Yu, Hsiu-Ping	—	—
	Director	Chen, Tsai-Pu	—	—
	Director	Liu, Ming-Yi	—	—
Zhejiang Paragon Technology Co.,LTD..	Chairman	Liu, Ming-Yi	—	—
	Director	Chen, Tsai-Pu	—	—
	Director	Yu, Hsiu-Ping	—	—
Paragon (Neijiang) Technology Co.,LTD	Chairman	Yu, Hsiu-Ping	—	—
	Director	Chen, Tsai-Pu	—	—
	Director	Liu, Ming-Yi	—	—
Jing Cheng Material Co., LTD.	Chairman	Paragon Technologies Co., Ltd Representative: Liu, Ming-Yi	18,000,000	100%
	Director	Paragon Technologies Co., Ltd Representative: Wang, Le-Chun	18,000,000	100%
	Director	Paragon Technologies Co., Ltd Representative: Huang,I-Chun	18,000,000	100%

F. Operating Highlights of the Affiliated Company for 2023

Unit: NT$ thousand

Name of Company	Capital amount	Total assets	Total liabilities	Net worth	Operating Revenue	Operating profit	Net profit(loss) (after tax)	Earnings per share (profit/loss) (loss per sha
MACRO SIGHT INTERNATIONAL CO., LTD.	481,565	1,129,278	75,198	1,054,080	0	(21,368)	36,341	2.60
MACRO SIGHT TECHNOLOGY LIMITED	280,616	890,401	48,271	842,130	**0**	(79)	12,294	1.47
CLEAR SMART INVESTMENTS LIMITED	96,756	174,244	0	174,244	0	(37)	910	0.30
Paragon Technology Investments Limited	777,341	0	356,202	(356,202)	0	(82)	(15,320)	(0.61)
Essence International Investment Limited	492,640	889,353	48,598	840,755	0	(122)	12,286	0.81
Precise International Investment Linited.	114,159	286,446	0	286,446	0	(103)	44,448	12.69
Paragon (Suzhou) Technology LTD.	240,742	608,304	69,694	538,610	9,904	(27,123)	(1,039)	(0.00)
Paragon (Kunshan) Technology Co., Ltd.	96,756	173,063	216	172,847	0	(3,051)	919	0.01
Zhejiang Paragon Technology Co.,LTD..	1,071,891	6,593	504,912	(498,319)	0	(21,302)	(21,323)	(0.02)
Paragon (Jiangsu) Technology Co.,LTD.	314,880	399,843	21,763	378,080	149,535	5,792	16,808	0.05
Paragon (Neijiang) Technology Co.,LTD.	91,440	328,417	44,690	283,727	221,290	50,222	44,526	0.49
LEADING PROFIT HOLDING LIMITED (Note)	0	0	0	0	0	(381,090)	3,933	-
Jing Cheng Material Co., LTD.	180,000	174,564	38,124	136,440	71	(23,136)	(41,351)	(2.30)

Note：LEADING PROFIT HOLDING LIMITED has been liquidated in January 8th of 2024.

(2) Consolidated financial statements of related enterprises:

Statement on Consolidated Financial Statements of Affiliated Companies:

In accordance with the "Guidelines for the Preparation of Consolidated Financial Statements of Affiliated Companies in the Business Report of Related Party Transactions and Affiliated Reports" for the fiscal year 2023 (from January 1 to December 31, 2023), the companies required to prepare consolidated financial statements of affiliated companies under the said guidelines are the same as those required to prepare consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards No. 10. Furthermore, the relevant information required to be disclosed in the consolidated financial statements of affiliated companies has already been disclosed in the aforementioned consolidated financial statements of parent and subsidiary companies. Therefore, there is no need to prepare separate consolidated financial statements of affiliated companies.

This statement is hereby declared.

Company： Paragon Technologies Co., Ltd.
Person in charge： Chen, Tsai-Pu

March 13 2024

(3). Related Party Report: None.

2. For 2023 and up to the date of printing this annual report, there have been no transactions involving private placement of securities：

Item	2023 First Private Placement1st session Issue Date：2023/08/28
Securities under private placement	Common Stock
Date of resolution and approved quantity	2023/06/13 Quantity：Within the quota of 12,000 thousand shares
Basis and rationale for price setting	(1) The reference price for the subscription price of the private common shares in this offering is determined based on the average closing price of the common shares calculated as the simple arithmetic mean of the closing prices of the common shares for either one, three, or five business days immediately preceding the pricing date, excluding any rights issues and dividends. The price is then adjusted by adding back the share price after capital reduction adjustment or the simple arithmetic mean of the closing prices of the common shares for the thirty business days immediately preceding the pricing date, excluding any rights issues and dividends, and then adjusted by adding back the share price after capital reduction adjustment. The higher of the two benchmark calculation prices shall serve as the reference price. (2) The pricing date for the first issuance of private common shares is hereby set as June 26, 2023: (3) The private price in this offering is determined based on the pricing principles established by the resolution of the Shareholders' Meeting of the Company on June 13, 2023. June 26, 2023, is set as the pricing date for this private placement, with (a) the average closing price of the common shares calculated as the simple arithmetic mean of the closing prices for one, three, or five business days immediately preceding the pricing date, excluding any rights issues and dividends, plus the share price after capital reduction adjustment, being NT$32.8, NT$31.08, and NT$30.30 respectively; (b) the average closing price of the common shares calculated as the simple arithmetic mean of the closing prices for the thirty business days immediately preceding the pricing date, excluding any rights issues and dividends, plus the share price after capital reduction adjustment, being NT$30.36. By selecting (a), the average closing price of the common shares for five business days, which is NT$30.30, and (b), the average closing price of the common shares for the thirty business days, which is NT$30.36, the higher of the two is chosen as the reference price, which is NT$30.36. Taking into account the Company's operating performance, market conditions, and the restrictions under the Securities and Exchange Act regarding the transfer of privately placed securities within three years, NT$25 is determined as the actual private placement price, not lower than eighty percent of the reference price, and still within the authorized scope of the resolution of the Shareholders' Meeting.

<table>
<tr><td></td><td colspan="5">The company distributed a cash dividend of NT$0.5 per share, with the ex-dividend date and the record date being June 30, 2023 and July 8, 2023, respectively. The above-mentioned average price is the simple arithmetic mean of the closing prices of ordinary shares, calculated after deducting the price excluding the rights issue.</td></tr>
<tr><td>Selection method of specified parties</td><td colspan="5">1.The targeted recipients of this private placement are limited to specific persons as defined under Article 43-6 of the Securities and Exchange Act, and they should be strategic investors who can generate benefits for the long-term development, competitiveness, and existing shareholder interests of the company.
2.The purpose, necessity, and expected benefits of selecting strategic investors are to meet the operational development needs of the company. Through strategic investors, the company aims to directly or indirectly assist in financial, business, production, technology, procurement, management, and strategic development to enhance its competitiveness, improve operational efficiency, and achieve long-term growth, thereby positively benefiting shareholder interests.</td></tr>
<tr><td>Reasons for private placement</td><td colspan="5">Considering the current capital market conditions and the need to ensure the timeliness and feasibility of capital raising, it is important to acquire the necessary funds within the shortest period to facilitate the introduction of strategic investors. Furthermore, the restricted transferability of privately placed shares can help ensure a long-term cooperative relationship between the company and the strategic investors.</td></tr>
<tr><td>Date of payment and completion</td><td colspan="5">2023/07/10</td></tr>
<tr><td rowspan="3">Information on contributing parties</td><td>Target</td><td>Eligibility</td><td>Quantity Purchased</td><td>Relationship with the Company</td><td>Participation in Company Operations</td></tr>
<tr><td>Su Cheng Han</td><td>In accordance with Securities and Exchange Act 43-6-2</td><td>1,800,000</td><td>None</td><td>None</td></tr>
<tr><td>Huang Chang Hua</td><td>In accordance with Securities and Exchange Act 43-6-2</td><td>500,000</td><td>None</td><td>None</td></tr>
<tr><td>Actual purchase (or conversion) price</td><td colspan="5">NT$ 25 per share</td></tr>
<tr><td>Difference between the actual purchase (or conversion) price and the reference price</td><td colspan="5">The private placement of common shares is set at an actual price of NT$ 25 per share, which is 90% of the reference price of NT$ 30.36, meeting the requirement of not being lower than 80% of the reference price.</td></tr>
<tr><td>Impact of private placement on shareholders’ equity (ex. causing an increase in accumulated losses)</td><td colspan="5">The funds raised from this private placement of common shares will be used to enhance operational capital to meet the long-term development needs of the company. The anticipated benefits include improving the company's operational competitiveness, strengthening overall financial structure, and enhancing operational efficiency, all of which are advantageous to shareholder equity.</td></tr>
<tr><td>Use of funds from private placement and progress of proposed plans</td><td colspan="5">The funds raised from this private placement of common shares will be used to enhance operational capital to meet the long-term development needs of the company. The utilization of these funds is planned to be completed in the third quarter of 2023.</td></tr>
<tr><td>Effectiveness of private placement</td><td colspan="5">Enhancing the company's operational competitiveness, strengthening the overall financial structure, and improving operational efficiency will be beneficial for the long-term development of the company.</td></tr>
</table>

3. Holding or Disposal of Company Stock by Subsidiaries for 2023 and up to the Date of Printing the Annual Report:

As of the date of printing the annual report, the company has no subsidiaries holding or disposing of the company's stock.

4. Other Necessary Supplementary Explanations: None

5. Events Occurring during 2023 and up to the Date of Printing the Annual Report that Have a Significant Impact on Shareholders' Equity or Security Prices as stipulated in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act: None

Independent Auditors' Report

Paragon Technologies Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Paragon Technologies Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Paragon Technologies Co., Ltd. and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter for the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2023 is stated as follows:

Shipping Authenticity of Revenues for Some Specific Clients

Explanation of Key Audit Matters

The Company and its subsidiaries are mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. The 2023 recognition of operating revenue is NTD $382,573 thousand. Based on the importance and Bulletin of Standards on Auditing, the sales recognition is the significant risk. Therefore, we believe the occurrence of sales revenue of the Company and its subsidiaries for some specific clients has a significant impact on the consolidated financial statements. Thus, the shipping authenticity for revenues of some specific clients is listed as the key audit matters this year. Refer to Note 4 (15 and 25) for the explanation of sales recognition policies.

We performed the following main audit procedures:

1. Understand and test the design and implementation of internal controls related to the sales recognition of some specific clients.
2. Sample the revenue details from the above specific clients, review the supporting documentation and test the receipts to confirm that sales transactions have actually occurred.
3. Examine whether significant sales returns and allowances have occurred after the balance sheet date to confirm whether revenues from some specific clients are materially misstated.

Other Matter

We have also audited the individual financial statements of Paragon Technologies Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company and its subsidiaries' financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express and opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*These consolidated financial statements are translated from the traditional Chinese version and are unaudited by a CPA.

Deloitte & Toche

Accountant Roy Weng	Accountant Ruske Ho
Approval No. of Financial Supervision Commission	Approval No. Approval No. of Securities and Futures Commission
No. Financial-Supervisory-Securities-Auditing-1010028123	No. Taiwan-Finance-Securities-VI-0930128050

March 22, 2024

Paragon Technologies Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Codes	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6 and 36)	$ 800,566	51	$ 885,863	50
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7 and 36)	-	-	212,658	12
1136	Financial assets at amortized cost - current (Notes 4, 8, 9,36 and 38)	57,544	4	-	-
1170	Accounts receivable (Notes 4, 10, 25 and 36)	279,231	18	268,220	15
1200	Other receivables (Notes 4, 10 and 36)	846	-	2,458	-
1220	Current tax assets (Notes 4 and 27)	1,460	-	129	-
130X	Inventories (Notes 4 and 11)	22,295	2	4,521	-
1429	Prepayments (Note 18)	20,010	1	13,327	1
1470	Other current assets (Note 18)	2,266	-	2,991	-
11XX	Total current assets	1,184,218	76	1,390,167	78
	Non-current assets				
1550	Investments accounted for using equity method (Notes 4 and 13)	-	-	-	-
1600	Property, plant and equipment (Notes 4, 14 and 39)	257,501	16	207,695	12
1755	Right-of-use assets (Notes 4 and 15)	56,774	4	79,697	5
1805	Goodwill (Notes 4, 16 and 32)	9,051	1	9,051	1
1821	Intangible assets (Notes 4 and 17)	48	-	231	-
1840	Deferred tax assets (Notes 4 and 27)	43,499	3	56,502	3
1915	Prepayment for equipment (Note 18)	-	-	25,303	1
1920	Refundable deposits (Notes 18 and 36)	4,565	-	5,588	-
1990	Other noncurrent assets (Notes 4, 18 and 23)	5,635	-	5,007	-
15XX	Total non-current assets	377,073	24	389,074	22
1XXX	Total	$ 1,561,291	100	$ 1,779,241	100
Codes	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 4, 19, 36 and 38)	$ 190,000	12	$ 70,000	4
2170	Accounts payable (Notes 2 and 36)	8,578	1	4,511	-
2200	Other Payables (Notes 21 and 36)	72,461	5	117,739	7
2230	Current tax liabilities (Notes 4 and 27)	7,288	-	13,628	1
2250	Current provisions (Notes 4 and 22)	2,213	-	3,006	-
2280	Current lease liabilities (Notes 4, 15, 34 and 36)	14,573	1	15,721	1
2320	Current portion of long-term loans payable (Notes 19, 36 and 38)	4,066	-	3,978	-
2399	Other current liabilities (Note 21)	422	-	628	-
21XX	Total current liabilities	299,601	19	229,211	13
	Non-current liabilities				
2540	Long-term loans (Notes 19, 36 and 38)	4,518	-	8,575	-
2550	Non-current provisions (Notes 4 and 22)	728	-	846	-
2570	Deferred tax liabilities (Notes 4 and 27)	201	-	188	-
2580	Non-current lease liabilities (Notes 4, 15, 34 and 36)	26,486	2	46,878	3
2630	Long-term deferred revenue (Notes 21 and 31)	3,972	-	4,176	-
2670	Other non-current liabilities (Notes 21 and 36)	-	-	88	-
25XX	Total non-current liabilities	35,905	2	60,751	3
2XXX	Total liabilities	335,506	21	289,962	16
	Equity attributable to owners of the Company (Notes 4, 12, 24, 29, 30 ,32 and 33)				
	Capital stock				
3110	Common stock	840,422	54	807,422	45
3200	Capital reserve	697,863	45	673,820	38
	Retained earnings				
3310	Legal reserve	6,913	1	4,129	-
3320	Special reserve	62,223	4	37,169	2
3350	Unappropriated earnings (accumulated deficit)	(201,431)	(13)	27,838	2
3300	Total retained earnings	(132,295)	(8)	69,136	4
3400	Other interests	(180,205)	(12)	(138,976)	(8)
31XX	Total equity attributable to owners of the Company	1,225,785	79	1,411,402	79
36XX	Non-controlling interests	-	-	77,877	5
3XXX	Total equity	1,225,785	79	1,489,279	84
	Total liabilities and equity	$ 1,561,291	100	$ 1,779,241	100

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

Chairman: Chen Tsai Pu Manager: Yu Hsiu-Ping Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) per share)

		2023		2022	
Codes		Amount	%	Amount	%
4000	Operating Revenue (Notes 4, 25 and 43)	$ 382,573	100	$ 457,220	100
5000	Operating costs (Notes 4,11, 17 and 26)	(280,415)	(73)	(343,880)	(75)
5950	Operating margin	102,158	27	113,340	25
	Operating expenses (Notes 10, 17, 23, 26 and 30)				
6100	Sales and marketing expenses	(19,820)	(5)	(19,603)	(4)
6200	General &administrative expenses	(115,254)	(30)	(109,971)	(24)
6300	Research and development expenses	(29,683)	(8)	(32,402)	(7)
6450	Expected credit impairment benefit (loss)	6,024	1	(2,646)	(1)
6000	Total operating expenses	(158,733)	(42)	(164,622)	(36)
6900	Net operating income (loss)	(56,575)	(15)	(51,282)	(11)
	Non-operating income and expenses (Notes 13, 14, 15, 26,29 and 31)				
7100	Interest income	10,184	2	6,565	1
7010	Other income	56,334	15	10,653	2
7020	Other gains and losses	6,910	2	97,686	21
7050	Finance costs	(4,685)	(1)	(6,254)	(1)
7060	Share of profit of associates and joint ventures, accounted for using equity method	-	-	(238)	-
7000	Total non-operating income and expenses	68,743	18	108,412	23
7900	Income from continuing operations before income tax	12,168	3	57,130	12
7950	Total income tax expense (Notes 4 and 27)	(62,083)	(16)	(32,909)	(7)
8200	Net income (loss) for the period	(49,915)	(13)	24,221	5

(Continued on next page)

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Codes		2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income				
8310	Not reclassified to profit or loss				
8311	Measure on defined benefit plans (Notes 4 and 23)	$ 614	-	$ 2,233	1
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	-	-	1,000	-
8349	Income tax expense related to items that will not be reclassified subsequently (Notes 4 and 27)	(123)	-	(447)	-
	Subtotal	491	-	2,786	1
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences resulting from translating the financial statements of foreign operations (Notes 4 and 24)	(22,323)	(6)	22,747	5
8399	Income tax related to items that may be reclassified subsequently (Notes 4, 24 and 27)	4,338	1	(4,423)	(1)
	Subtotal	(17,985)	(5)	18,324	4
8300	Other comprehensive income (net of income tax)	(17,494)	(5)	21,110	5
8500	Total comprehensive income	($ 67,409)	(18)	$ 45,331	10
	Net income(loss) attributable to:				
8610	Owner of the Company	($ 48,409)	(13)	$ 25,052	5
8620	Non-controlling interests	(1,506)	-	(831)	-
8600		($ 49,915)	(13)	$ 24,221	5
	Total comprehensive income(loss) attributable to:				
8710	Owner of the Company	($ 65,271)	(17)	$ 45,530	10
8720	Non-controlling interests	(2,138)	(1)	(199)	-
8700		($ 67,409)	(18)	$ 45,331	10
	Earnings (Loss) per share (Note 28) from continuing operations				
9710	Basic	($ 0.59)		$ 0.31	
9810	Diluted	($ 0.59)		$ 0.31	

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

Chairman: Chen Tsai Pu Manager: Yu Hsiu-Ping Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries

Consolidated Statements of Changes in Equity

From January 1 to December 31, 2023 and 2022

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

		Equity attributable to owners of the Company											
		Capital Stock			Retained earnings			Others					
Codes		Shares (in thousands)	Capital Stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Foreign currency translation reserve	Unearned Stock-Based Employee Compensation	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	Treasury stock	Non-controlling interests (Note 24)	Total equity
A1	Balance, January 1, 2022	80,752	$ 807,522	$ 759,327	$ -	$ -	$ 41,298	($ 156,668)	$ -	$ -	($ 34,651)	$ -	$ 1,416,828
	Appropriations of 2021 year's earnings												
B1	Legal reserve	-	-	-	4,129	-	(4,129)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	37,169	(37,169)	-	-	-	-	-	-
C15	Capital reserve for cash dividends	-	-	(79,142)	-	-	-	-	-	-	-	-	(79,142)
E1	Capital increase	1,600	16,000	12,000	-	-	-	-	-	-	-	-	28,000
D1	Total profit of 2022	-	-	-	-	-	25,052	-	-	-	-	(831)	24,221
D3	Other comprehensive income of 2022	-	-	-	-	-	1,786	17,692	-	1,000	-	632	21,110
D5	Total comprehensive income of 2022	-	-	-	-	-	26,838	17,692	-	1,000	-	(199)	45,331
L3	Treasury stocks nullifying	(1,610)	(16,100)	(18,551)	-	-	-	-	-	-	34,651	-	-
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,000	-	-	(1,000)	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	186	-	-	-	-	-	-	-	78,076	78,262
Z1	Balance, December 31, 2022	80,742	807,422	673,820	4,129	37,169	27,838	(138,976)	-	-	-	77,877	1,489,279
	Appropriations of 2022 year's earnings												
B1	Legal reserve	-	-	-	2,784	-	(2,784)	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	25,054	(25,054)	-	-	-	-	-	-
N1	Issuance of new shares with restrictions on employee rights	1,000	10,000	30,100	-	-	-	-	(30,100)	-	-	-	10,000
N1	Share-based payment arrangements	-	-	-	-	-	-	-	6,224	-	-	-	6,224
C15	Capital reserve for cash dividends	-	-	(40,371)	-	-	-	-	-	-	-	-	(40,371)
E1	Capital increase	2,300	23,000	34,500	-	-	-	-	-	-	-	-	57,500
D1	Total profit of 2023	-	-	-	-	-	(48,409)	-	-	-	-	(1,506)	(49,915)
D3	Other comprehensive income of 2022	-	-	-	-	-	491	(17,353)	-	-	-	(632)	(17,494)
D5	Total comprehensive income of 2022	-	-	-	-	-	(47,918)	(17,353)	-	-	-	(2,138)	(67,409)
M5	The difference between the equity price and book value of a subsidiary company acquired or disposed	-	-	(186)	-	-	(153,513)	-	-	-	-	(24,501)	(178,200)
O1	Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(51,238)	(51,238)
Z1	Balance, December 31, 2023	84,042	$ 840,422	$ 697,863	$ 6,913	$ 62,223	($ 201,431)	($ 156,329)	($ 23,876)	$ -	$ -	$ -	$ 1,225,785

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

Chairman: Chen Tsai Pu Manager: Yu Hsiu-Ping Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Codes		2023	2022
	Cash flows from operating activities		
A10000	Income before tax	$ 12,168	$ 57,130
A20010	Provided by (used in) operating activities		
A20300	Expected credit (reversal of profit) loss	(6,024)	2,646
A20100	Depreciation	58,733	58,452
A20200	Amortization	851	1,035
A20900	Finance costs	4,685	6,254
A20400	Net gain on financial assets or liabilities at fair value through profit or loss	(11,067)	(17,036)
A21200	Interest income	(10,184)	(6,565)
A21900	Compensation cost relating to share-based payment	6,224	-
A22300	Share of loss (profit) of associates and joint ventures, accounted for using equity method	-	238
A29900	Provision (reversal) for liability	(447)	(816)
A22500	Loss (gain) from Property, plant and equipment	10,309	(85,030)
A29900	Amortization of realized long-term deferred revenue	(129)	(130)
A29900	Lease Modification Benefit	(192)	-
A23200	Disposed of subsidiary company gain	(1,260)	-
A23700	impairment loss and slow-moving on inventories	13,029	-
A23800	Reversal of impairment loss and slow-moving on inventories	-	(1,738)
A23700	Impairment loss of property, plant and	-	5,852
A30000	Changes in operating assets and liabilities		
A31150	Accounts receivable	(4,753)	187,918
A31180	Other receivables	1,272	(442)
A31200	Inventories	(30,800)	1,045
A31230	Prepayments	(6,683)	6,041
A31240	Other current assets	725	(609)
A32150	Accounts payable	4,067	(3,143)
A32180	Other Payables	(46,746)	(43,167)
A32230	Other current liabilities	(206)	225
A32240	Net defined benefit liability	(14)	(260)
A33000	Cash inflow(outflow) generated from operations	(6,442)	167,900
A33100	Interest received	10,524	6,082
A33300	Interest paid	(2,968)	(5,906)
A33500	Income tax paid	(52,543)	(23,408)
AAAA	Cash inflows (outflow) from operating activities	(51,429)	144,668

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Codes		2023	2022
	Cash flows from investing activities		
B00010	Purchase of financial assets at fair value through other comprehensive income	$ -	($ 5,000)
B00100	Purchase of financial assets at fair value through profit or loss	(1,523,103)	(1,787,444)
B00200	Sale of financial assets at fair value through profit or loss	1,753,821	1,783,904
B00040	Purchase of financial assets at amortized cost	(57,544)	-
B02200	Net cash outflow for obtaining subsidiaries (Note 29)	-	(39,277)
B02300	Disposal of subsidiary company	(49,978)	-
B02600	Proceeds from disposal of right-of-use assets	-	13,658
B02700	Acquisitions of property, plant and equipment	(69,782)	(19,200)
B02800	Disposal of property, plant and equipment	1,995	157,629
B03800	Refundable deposits refunded	1,023	97,916
B04500	Acquisition of intangible assets	(661)	(626)
B07100	Increase in prepayment for equipment	-	(24,690)
BBBB	Net cash inflows from investing activities	55,771	176,870
	Cash flows from financing activities		
C00200	Decrease in short-term loans	-	(10,000)
C00100	Increase in short-term loans	120,000	-
C01700	Repayments of long-term loans	(3,969)	(159,231)
C03100	Decrease in guarantee deposit received	(88)	-
C04020	Payments of lease liabilities	(16,889)	(17,238)
C04500	Cash dividends	(40,371)	(79,142)
C04600	Proceeds from issuing shares	57,500	28,000
C04800	Issuance of new shares with restrictions on employee rights	10,000	-
C05400	Obtain equity in subsidiary	(178,200)	-
C05800	Changes in non-controlling interests	-	66,720
CCCC	Net cash outflows from financing activities	(52,017)	(170,891)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(37,622)	12,558
EEEE	Increase(decrease) in cash and cash equivalents	(85,297)	163,205
E00100	Cash and cash equivalents at beginning of year	885,863	722,658
E00200	Cash and cash equivalents at end of year	$ 800,566	$ 885,863

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

Chairman: Chen Tsai Pu Manager: Yu Hsiu-Ping Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries
Notes to the Individual financial statements
From January 1 to December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company history

Paragon Technologies Co., Ltd. (hereinafter referred to as the Company) is established in October 1995 in accordance with the Company Act and relevant regulations and is mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. After the decision of the Board of Directors, the Company merged with its 100%-owned subsidiary, Xin Ding Technology Limited, in October 2005 with October 27, 2005, as the base date for the merger. The Company is the surviving company and Xin Ding Technology Limited was dissolved as a result of the merger.

In July 2006, the Company was approved to trade its stocks in the emerging stock market by the Taipei Exchange (TPEx) in Taiwan. In November 2007, the Company's stocks ceased to be traded on the TPEx; instead, its stocks began to be traded on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollars.

II. Approval date and procedures of the individual financial statements

The consolidated financial statements were approved by the Board of Directors on March 13, 2024.

III. New standards, amendments and interpretations adopted

(1) Initial application of the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by Financial Supervisory Commission (hereinafter referred to as the "FSC").

Except for the following, whenever applied, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the consolidated company's accounting policies.

1. Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the consolidated company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

In addition:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The consolidated company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

(1) The consolidated company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(2) The consolidated company chose the accounting policy from options permitted by the standards;

(3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

(4) The accounting policy relates to an area for which the consolidated company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

(5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for the disclosure of relevant accounting policies.

2. Amendments to IAS 8 "Definition of Accounting Estimates"

The consolidated company applied these amendments from January 1, 2023. The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the consolidated company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the consolidated company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

3. Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The consolidated company recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022. The consolidated company is deferred the application for transactions other than leases and decommissioning obligations that occur after January 1, 2022.

(2) The IFRSs endorsed by the FSC with effective date starting 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: The part of disclosure requirements will be exempted upon the initial application of amendments.

1. Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

   The amendments clarify that the liability that arises from a sale and leaseback transaction – that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in such a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

2. Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent” (amended in 2020) and “Non-current Liabilities with Covenants” (amended in 2022)

   The 2020 amendments clarify that for a liability to be classified as non-current, the consolidated company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights exist at the end of the reporting period, the liability is classified as non-current regardless of whether the consolidated company will exercise that right.

   The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the consolidated company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the consolidated company shall disclose information that enables users of financial statements to understand the risk of the consolidated company, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the consolidated company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that, at the option of the counterparty, result in its settlement by a transfer of the consolidated company's own equity instruments, and if such an option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the assessment by the consolidated company showed that the critical impact of the application of other standards and interpretations will not have on the consolidated company's financial position and financial performance.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

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

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

1. Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3 "Business Combination") to an associate (or joint venture), the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence (or joint control), the gain or loss resulting from the transaction is recognized in full.

Conversely, when the consolidated company sells or contributes assets that do not constitute a business (as defined in IFRS 3) to an associate (or joint venture), the gain or loss resulting from the transaction is recognized only to the extent of the consolidated company's interest as an unrelated investor in the associate or joint venture, i.e., the consolidated company's share of the gain or loss is eliminated. Also, when the consolidated company loses control of a subsidiary that does not contain a business (as defined in IFRS 3) but retains significant influence (or joint control) over an associate (or a joint venture), the gain or loss resulting from the transaction is recognized only to the extent of the v's interest as an unrelated investor in the associate (or joint venture), i.e., the consolidated company's share of the gain or loss is eliminated.

2. Amendments to IAS 21 "Lack of Exchangeability"

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the consolidated company shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

Except for the above impact, as of the date the accompanying consolidated financial statements were authorized for issue, the consolidated company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the consolidated company completes its evaluation.

IV. Summary of significant accounting policies

(1) Statement of Compliance

These interim consolidated 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.

(2) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and for net defined benefit liabilities that are recognized after defined benefit obligation minus fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs:

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

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the financial statements); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

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

(4) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Refer to Note 12 and Table 5 for details of subsidiaries, shareholding percentage and main business.

(5) Business Combinations

Business combinations are handled by the acquisition method. Acquisition-related costs are recognized as expenses in the period where the costs are incurred and the services are rendered.

Goodwill is measured as the excess of the total fair value of the consideration transferred and the fair value of any previously held equity interest in the acquiree at the acquisition date, over the net identifiable assets acquired and liabilities assumed at that date.

When the consideration transferred by the consolidated company in business combination includes the assets or liabilities generated due to or from consideration, the contingent consideration is measured at fair value on the acquisition date and forms part of the transfer consideration paid for transferring the acquiree. The changes in the fair value of contingent consideration that are the adjustment in the measurement period shall retroactively adjust the acquisition cost and correspondingly adjust the goodwill. The adjustment in the measurement period is the adjustment resulting from obtaining additional information on facts and circumstances existing at the acquisition date in the "measurement period" (not exceeding 1 year from the acquisition date).

The changes in the fair value of contingent consideration that are not the adjustment in the measurement period shall be handled subsequently depending on the classification of contingent consideration. Other contingent considerations are measured at fair value at the subsequent balance sheet date and the changes in fair value are recognized in profit or loss.

If the initial accounting for a business combination is incomplete at the balance sheet date on which the combination occurs, the reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(6) Foreign Currencies

In preparing the individual financial statements, transactions in currencies other than the individual functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for:

1. Foreign currency loans related to assets under construction for future production while their exchange difference is included in the cost of such assets if it adjusted the interest cost of such loans;
2. Exchange differences arising from transactions to hedge part of the foreign currency risk; and
3. Monetary items receivable from or payable to foreign operations. When the settlement is neither planned nor likely to occur in the foreseeable future (and therefore forms part of the net investment in the foreign operations), the

exchange differences are recognized as other comprehensive income and are reclassified from equity to profit or loss upon disposal of the net investment.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branch offices using functional currencies which are different from the currency of the Company) are translated into NT$ using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., disposal of the Company's entire interest in a foreign operation, or disposal involving the loss of control over a subsidiary that includes a foreign operation, or the reserved equities are financial assets after it disposes the joint agreement of foreign operation or associates and handled by accounting policies of financial instruments), all of the exchange differences accumulated attributable to the owners of the Company and related to the foreign operations are reclassified in profit or loss.

When partial disposal of the subsidiaries of foreign operations does not result in loss of control, accumulated exchange differences belong to the non-controlling interests of the subsidiaries, but are not recognized in profit or loss. The accumulated exchange differences resulting from other disposal of the foreign operations are reclassified into profit or loss on a pro-rata basis.

(7) Inventories

Inventories consist of raw materials, work in process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(8) Investments in associates

An associate is an entity on which the consolidated company has significant influence and is not a subsidiary or joint venture.

The consolidated company adopts the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the consolidated company's share of the profit or loss and other income of the associate and joint venture. The consolidated company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the consolidated company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and cannot be amortized. Any excess of the consolidated company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized in profit or loss.

When the consolidated company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the proportionate equity in the associate. The records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital reserve - changes in capital reserve from investments in associates and joint ventures accounted for using the equity method. If the ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital reserve, but the capital reserve recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the consolidated company's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the consolidated company's net investment in the associate), the consolidated company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the consolidated company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized only to the extent that the recoverable amount of the investment subsequently increases.

The consolidated company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained interest is measured at fair value, and the difference between the fair value and the carrying amount of the associate attributable to the retained interest is recognized in profit or loss of the period. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. When the investment on associates becomes the investment on joint ventures or vise versa, the consolidated company adopts the equity method continuously and does not measure the reserved equities.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions are recognized in the consolidated financial statements only to the extent of interests in the associate and joint venture that is not related to the consolidated company.

(9) Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment Property, plant and equipment loss.

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. When the lease term is shorter than the useful lives, it shall be depreciated within the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any change in the estimates values accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(10) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the consolidated company’s cash-generating units or groups of cash-generating units (referred to as “cash-generating units”) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit.

Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

When an operation within cash-generating unit is disposed, the amount of goodwill related to the disposed operation is included in the carrying amount of the operation to determine the profit or loss for disposition.

(11) Intangible Assets

1. Separately acquired

   Separately acquired intangible assets with finite useful lives are first carried at cost, and at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of intangible assets. The estimated useful life, salvage value and amortization method are reviewed at the end of each year, with the effect of changes in accounting estimate values being accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2. Derecognition

   When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(12) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (Except Goodwill)

The consolidated company estimates its property, plant and equipment, right-of-use assets and intangible assets (except goodwill) to determine whether there is any indication that those assets have suffered an impairment loss on each date of balance sheet. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For intangible assets with indefinite useful life and not yet available for use, impairment tests are conducted every year and when there are indications of impairment.

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years (less amortization or depreciation). A reversal of an impairment loss is recognized in profit or loss.

(13) Financial Instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the consolidated company becomes a party to the contractual provisions of the instruments.

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

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement categories

Financial assets held by the consolidated company are measured at fair value through profit or loss, and measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified and designated. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivatives and beneficiary securities that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends or interest earned on such a financial asset are recognized in other and interest income respectively. Refer to Note 36 for determination of fair value.

B. Financial assets at amortized cost

When the consolidated company’s investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, trade receivables at amortized cost) are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of a financial asset, except:

a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

b. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(2) Impairment of financial assets

The consolidated company assesses the impairment loss of financial assets at amortized cost (including accounts receivable), and investments in debt instruments, lease receivables and contract assets at fair value through other comprehensive income, based on the expected credit loss on each balance sheet date.

Accounts receivable, lease receivables and contract assets are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

The impairment loss of all financial assets is reduced in their carrying amounts through a loss allowance account while the allowance loss of investments in debt instruments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce their carrying amounts.

(3) Derecognizing of financial assets

The consolidated company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the consolidated company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company’s own equity instruments is not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent measurement

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

(2) Derecognizing of financial liabilities

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

(14) Provision for liability

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision for liability is measured by the discount value of the estimated cash flow required to settle the obligation.

Warranty

The warranty to ensure that the products meet the agreed specifications is based on management's best estimate values of the expenditure required to settle the obligations and is recognized when relevant products are recognized as income.

(15) Revenue recognition

After the consolidated company identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

If the consolidated company signs contracts with the same customer (or a related party of the customer) at almost the same time, the consolidated company treats them as a single contract because the goods or services promised in these contracts are a single performance obligation.

If the interval between the transfer of goods or services and the receipt of consideration is less than 1 year, the transaction price is not adjusted for significant financial components of the contract.

1. Revenue from sale of goods

Revenue from the sale of goods comes from sales of electronic components and automotive parts. When the electronic components and automotive parts are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and account receivable are recognized concurrently.

Because the ownership of processed products is still under the Company in the materials removal process, the removal of the materials is not recognized in profit or loss.

2. Revenue arising from rendering of services

The Company provides vacuum coating service for electronic components supplied by customers, and the revenue arising from rendering of service is recognized in profit or loss gradually as the time pass. The consolidated company measures the progress based on the produced or delivered quantity.

(16) Leasing

At the inception of a contract, the consolidated company assesses whether the contract is (or contains) a lease.

1. The consolidated company as lessor

   Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

   Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the lease terms. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2. The consolidated company as lessee

   The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of each lease, except for low-value asset leases and short-term leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

   A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

   A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

   Lease liabilities are initially measured at the present value of lease payments (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee’s incremental borrowing rate applies.

   Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. When there is a change in a lease term, the estimated amount payable under residual values guarantee, the assessment of an option to purchase an underlying asset or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the consolidated company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

   If the transfer of assets in the transaction of sale and leaseback complies with the sale in IFRS 15, the consolidated company will only recognize the part transferred to the buyer in profit or loss, and amend terms of non-market conditions to measure the sales price at fair value. If the transfer of assets does not comply with the sale in IFRS 15, the reansaction is recognized as finance leases.

(17) Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

The investment income, which is earned from the specific loans temporarily invested before the capital expenditure that meets the requirements, shall be deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(18) Government grants

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

Government grants related to income are recognized in the other income on a systematic basis during the periods in which the consolidated company recognizes the relevant costs, for which the grants are intended to compensate, as expenses. Government grants whose primary condition is that the consolidated company should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and recognized in profit or loss over the useful lives of the related assets on a reasonable and systemic basis.

Government grants that are receivables as compensation for expenses or loss already incurred, or given to the consolidated company for the purpose of immediate financial support without relevant future costs, are recognized in profit or loss in the period in which they become receivables.

If government grants are transferred to the consolidated company in the non-monetary assets form, the grants are recognized and measured at fair value of the non-monetary assets.

The difference between the loan lower than the market rate received by the consolidated company and the fair value of the loan based on the prevailing market interest rate is recognized as government grants.

(19) Employee benefits

1. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Post-employment benefits

   For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees’ service period.

   The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current and previous period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur or when the plan is revised or reduced. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

3. Other long-term employee benefits

The accounting of other long-term employee benefits is the same as the defined benefit pension plan while the relevant remeasurement is recognized in profit or loss.

4. Termination benefits

The consolidated company recognizes termination benefits liabilities when it can no longer cancel the termination benefits agreement or when it recognizes restructuring costs (which is earlier).

(20) Share-Based Payments Agreement

<u>Restricted shares for employees granted to employees</u>

Restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Company’s best estimate of the number expected to ultimately vest, with a corresponding increase in other equity (unearned employee benefits). The expense is recognized in full at the grant date if the grants are vested immediately.

When restricted shares for employees are issued, other equity (unearned employee benefits) is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and the considerations received should be returned if employees resign in the vesting period, the amounts expected to be returned are recognized as payables.

At the end of each reporting period, the consolidated company revises its estimate of the number of restricted shares for employees that are expected to vest. The impact from such revision is recognized in profit or loss so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to Capital Reserve - restricted shares for employees.

(21) Income Tax

Income tax expenses are the sum of current and deferred income tax.

1. Current income tax

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

According to the Income Tax Law, an additional tax on inappropriate earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carry-forwards, expenditure from purchasing machinery and equipment.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the consolidated company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly in equity, respectively. If the current and deferred income tax are generated from business combinations, the affected amount of income tax is included in accounting of business combinations.

V. Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

In the application of the consolidated company's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The consolidated company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key sources of estimation uncertainty - estimated impairment of financial assets

(1) The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The consolidated company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the consolidated company's historical experience, existing market conditions as well as forward-looking estimates. Refer to Note 8 for significant assumptions and inputs adopted. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(2) (Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If actual cash flows are less than expected, or if facts and circumstances change such that future cash flows decline or the discount rate increases, an impairment loss may arise.

(3) Impairment of property, plant and equipment and right-of-use assets

Impairment evaluation of equipment and right-of-use assets related to the Silicon Carbide Department is based on the recoverable amount of the assets, which is the higher of fair value less costs to sell and value in use. Changes in market prices, future cash flows, or discount rates will affect the recoverable amount of the assets, which could result in an impairment loss for the consolidated company.

VI. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	$ 1,117	$ 744
Bank check and demand deposits	565,764	498,788
Cash equivalents (investment with an original maturity less than 3 months)		
7-day notice deposits	217,411	189,765
Time deposits due within 3 months	16,274	196,566
	$ 800,566	$ 885,863

The interest rate range of bank deposit at the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Demand deposit	0.01%～1.45%	0.01%～1.05%
7-day notice deposits	0.8%～1.1%	1.1%～1.755%
Time deposits due within 3 months	5.1%～5.45%	1.5%～4.27%

VII. Financial instruments at fair value through profit or loss

	December 31, 2023	December 31, 2022
Structured deposits mandatorily		
Structured deposit	$	$ 212,658

The consolidated company had signed structured time deposit agreements with banks in 2023 and 2022. The structured time deposit includes an embedded derivative not closely related to the host contract. Because the host contract included in the hybrid contract belongs to the asset of IFRS 9, the entire hybrid contract is mandatorily classified at FVTPL.

VIII Financial assets at amortized cost - current

	December 31, 2023	December 31, 2022
Current		
Time deposits with original maturities over 3 months (1)	$ 57,544	$ -

(1) The market rate intervals for time deposits with original maturities of more than 3 months were 2.2%-5.3% per annum as of December 31, 2023.
(2) Refer to Note 9 for information on credit risk management and impairment assessment related to financial assets at amortized cost.
(3) Refer to Note 38 for information on pledged financial assets at amortized cost.

IX. Credit risk management for debt instrument investments

The consolidated company's investments in debt instruments are financial assets at amortized cost:

December 31, 2023

	Measured at amortized cost
Total Carrying Amount	$ 57,544
Loss allowance	-
Amortized cost	$ 57,544

The consolidated company's current credit risk rating mechanism is as follow:

The credit risk of bank deposits and other financial instruments is measured and monitored by the consolidated company's financial departments. Since the consolidated company's counter-parties and performing parties are banks with good credit ratings, and financial institutions and corporate organizations with investment grades or above, the consolidated company does not have any major defaults and therefore does not have significant credit risk. The consolidated company's current credit risk rating mechanism and the total carrying amounts of investments in debt instruments with different credit ratings are summarized as follows:

December 31, 2023

Credit Rating	Definition	Expected Credit Loss Recognition Basis	Expected Credit Loss Ratio	Total carrying amount as of December 31, 2023
Normal	The debtors' credit risk is low and have sufficient ability to settle the contractual cash flows	12-month expected credit losses	0%	$ 57,544

X. Trade Receivables and Other Receivables

	December 31, 2023	December 31, 2022
Trade receivables		
Carried at amortized cost		
Total carrying amount	$ 282,210	$ 277,457
Less: Allowance for impairment loss	(2,979)	(9,237)
	$ 279,231	$ 268,220
Other receivables		
Interest receivable	$ 223	$ 563
Others	623	1,895
	$ 846	$ 2,458

(1) Notes Receivables and Trade Receivables

Trade receivables carried at amortized cost

The consolidated company's average credit period for the sale of goods is 150 days, and no interest accrued for trade receivables during the credit period. The consolidated company adopted a policy of only dealing with counterparties rated at or above Investment-grade and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit rate is provided by the credit rating agency. If such information is not available, the consolidated company rate the main customers using other publicly available financial information and historical transaction records. The consolidated company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The consolidated company adopt the simplified approach of IFRS 9 to recognize allowance loss based on the lifetime expected credit losses. The expected credit losses are estimated based on the Company's provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. From the experience of credit loss, there is no significant difference in the loss patterns between customer groups, therefore, the provision matrix does not further differentiating the customer groups but only determines the expected credit loss rate based on the number of days past due on trade receivable.

If there is evidence showing that the counterparty is facing serious financial difficulties and the consolidated company cannot reasonably foresee the recoverable amount, e.g. the counterparty is under liquidation or the debts are not paid for over 360 days, the consolidated company directly writes off the trade receivables and will continue the collection while the collected amount will be recognized in profit or loss.

The following table details the loss allowance of notes receivables and trades receivables based on the consolidated company's provision matrix.

December 31, 2023

	0~90 days	91~180 days	180~360 days	More than 361 days	Total
Expected credit loss rate	0%～0.6%	0.14%～1.39%	14.44%～61.69%	100%	
Total carrying amount	$ 205,477	$ 73,417	$ 1,974	$ 1,342	$ 282,210
Loss allowance (Lifetime ECL)	(729)	(178)	(730)	(1,342)	(2,979)
Amortized cost	$ 204,748	$ 73,239	$ 1,244	$ -	$ 279,231

December 31, 2022

	0~90 days	91~180 days	180~360 days	More than 361 days	Total
Expected credit loss rate	0%～4.47%	0.36%～8.41%	9.13%～93.7%	100%	
Total carrying amount	$ 162,581	$ 104,739	$ 7,330	$ 2,807	$ 277,457
Loss allowance (Lifetime ECL)	(1,388)	(2,501)	(2,541)	(2,807)	(9,237)
Amortized cost	$ 161,193	$ 102,238	$ 4,789	$ -	$ 268,220

The following table details the loss allowance of trade receivables:

	2023	2022
Balance at January 1	$ 9,237	$ 10,804
Add: Impairment loss of the period	-	2,646
Less: Reversal impairment loss of the period	(6,024)	-
Less: Actual written off of the period	-	(4,365)
Exchange differences from foreign currency	(234)	152
Balance at December 31	$ 2,979	$ 9,237

(2) Other receivables

There is no interest accrued for other receivables. When determining the receivability of other receivables, the consolidated company considers any changes in the credit quality of other receivables between the original credit grant date and balance sheet date. Based on the experience indicating that other receivables outstanding for more than 360 days are unlikely to be collected, the consolidated company recognizes 100% allowance for bad debts for other receivables outstanding for over 360 days. For other receivables outstanding between 0 and 360 days, the allowance for bad debts is estimated based on the past payment records and the current financial status of the counterparties.

As of the balance sheet date of December 31, 2023 and 2022, the consolidated company did not recognize any other receivables that were overdue but not yet recognized as the allowance for bad debts.

XI . Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ 17,274	$ 4,459
Work-in-process	1,591	-
Finished goods	3,430	62
	$ 22,295	$ 4,521

The natures of the sales cost are as follows:

	2023	2022
Cost of inventories sold	$ 267,386	$ 345,618
impairment loss on inventories (reversal of profit)	13,029	(1,738)
	$ 280,415	$ 343,880

The increase in net realizable value of inventories recognized in 2022 was due to higher selling prices of inventories in specific markets.

XII . Subsidiary

(1) Subsidiaries included in the consolidated financial statements

The information of the subsidiaries was as follows:

Investor	Subsidiaries	Main Businesses and Products	Functional currency	Percentage of ownership December 31, 2023	Percentage of ownership December 31, 2022	Note
The Company	Macro Sight International Co., Ltd. (hereinafter referred to as the MSI Company)	Reinvestment	RMB	100	100	
The Company	Jing Cheng Material Co., Ltd. (hereinafter referred to as Jing Cheng Company)	Supply of silicon carbide technology and materials	NTD	100	70.3	1
The Company	Leading Profit Holding Limited (hereinafter referred to as LPH Company)	Reinvestment	USD	-	51	2、3
MSI Company	Macro Sight Technology Limited (hereinafter referred to as MST Company)	Reinvestment	RMB	100	100	
MSI Company	Clear Smart Investments Limited (hereinafter referred to as CSI Company)	Reinvestment	RMB	100	100	
MSI Company	Paragon Technology Investments Limited.. (hereinafter referred to as Paragon Investments Company)	Reinvestment	RMB	100	100	
MSI Company	Precise International Investment Linited. (hereinafter referred to as Precision International Company)	Reinvestment	RMB	100	100	
MST Company	Essence International Investment Limited (hereinafter referred to as Essence International Company).	Reinvestment	RMB	100	100	
CSI Company	Paragon (Kunshan) Technology Co., Ltd. (hereinafter referred to as Paragon (Kunshan)Company)	EMI processing	RMB	100	100	
Paragon Investments Company	Zhejiang Paragon Technology Co.,LTD. (hereinafter referred to as Zhejiang Paragon Company)	Sputter coated automotive parts	RMB	71.43	71.43	
Essence International Company	Paragon (Suzhou) Technology LTD. (hereinafter referred to as Paragon (Suzhou) Company)	EMI processing	RMB	100	100	
Essence International Company	Paragon (Jiangsu) Technology Co.,LTD. (hereinafter referred to as Paragon (Jiangsu)Company)	EMI processing	RMB	80	80	
Paragon (Suzhou) Company	Paragon (Jiangsu) Technology Co.,LTD. (hereinafter referred to as Paragon (Jiangsu)Company)	EMI processing	RMB	20	20	
Paragon (Suzhou) Company	Zhejiang Paragon Technology Co.,LTD. (hereinafter referred to as Zhejiang Paragon Company)	Sputter coated automotive parts	RMB	28.57	28.57	
Precise International Company	Paragon (Neijiang) Technology Co.,LTD. (hereinafter referred to as Paragon (Neijiang) Company)	EMI processing	RMB	100	100	

Note:

1. The consolidated company invested $39,600 thousand in cash and $6,000 thousand in financial assets at fair value through other comprehensive income to obtain 76% shares of Jing Cheng Company on August 17, 2022, as the base date. Refer to Note 32 . The consolidated company invested $32,300 thousand in Jing

Cheng Company withoout following the ownership percentage on November 17, 2022, and the shareholding percentage decreased from 76% to 70.3% and the recognized capital reserve - the difference between the actual acquisition or disposal price of subsidiary shares and their book value is $186 thousand.

The consolidated company purchased the shares of Jing Cheng Company from the non-controlling interest shareholders on July 5, 2023, July 20, 2023 and August 17, 2023 for a total amount of $178,200 thousand, and the shareholding percentage increased from 70.3% to 79.7%, 94.45%, and 100%, please refer to Note 33. In addition, the consolidated company participated in the capital increase and increased investment amount of $80,000 thousand in the shares of Jing Cheng Company on November 15, 2023.

2. The Company has invested $51,022 thousand in cash to establish LPH Company in July 2022 and the percentage of ownership is 51%.
3. In view of the strategies, the Board of Directors resolved to liquidate and dissolve the LPH Company on November 8, 2023, which was approved for dissolution on January 8, 2024.

(2) Subsidiaries not included in the consolidated financial statements: None.

(3) Subsidiaries with significant non-controlling interests

		Equities and voting ratio of non-controlling interests	
Subsidiaries	Principal places of business	December 31, 2023	December 31, 2022
Jing Cheng Material Co., Ltd.	Taiwan	-	29.7%
LEADING PROFIT HOLDING LIMITED	SEYCHELLES	-	49.0%

	Profits attributed to non-controlling interests		Non-controlling interests	
Subsidiaries	2023	2022	December 31, 2023	December 31, 2022
Jing Cheng Material Co., Ltd.	($ 3,433)	($ 1,121)	-	$ 27,935
LEADING PROFIT HOLDING LIMITED	1,927	290	-	49,942
	($ 1,506)	($ 831)	$ -	$ 77,877

The summarized financial information below represents amounts before intragroup eliminations.

Jing Cheng Company y

	December 31, 2023	December 31, 2022
Current assets	$ 44,480	$ 26,237
Non-current assets	130,084	79,549
Current liabilities	(31,897)	(3,539)
Non-current liabilities	(6,227)	(8,191)
Equity	$ 136,440	$ 94,056
Equity attributable to:		
Owner of the Company	$ 136,440	$ 66,121
Non-controlling interests of Jing Cheng Company	-	27,935
	$ 136,440	$ 94,056

	2023	2022
Operating Revenue	$ 71	$ -
Loss from continuing operations for the year	($ 41,351)	($ 5,749)
Loss of the year	(41,351)	(5,749)
Other comprehensive income	-	-
Total comprehensive income (loss)	($ 41,351)	($ 5,749)
Loss attributable to:		
Owner of the Company	($ 37,918)	($ 4,628)
Non-controlling interests of Jing Cheng Company	(3,433)	(1,121)
	($ 41,351)	($ 5,749)
Total comprehensive income attributable to		
Owner of the Company	($ 37,918)	($ 4,628)
Non-controlling interests of Jing Cheng Company	(3,433)	(1,121)
	($ 41,351)	($ 5,749)

LPH Company

	December 31, 2023	December 31, 2022
Current assets	$ -	$101,977
Current liabilities	-	(55)
Equity	$ -	$101,922
Equity attributable to:		
Owner of the Company	$ -	$ 51,980
Non-controlling interests of LPH Company	-	49,942
	$ -	$101,922

	2023	2022
Operating Revenue	$ -	$ -
Profit from continuing operations for the year	$ 3,933	$ 591
Profit	3,933	591
Other comprehensive income	(1,289)	1,289
Total comprehensive income (loss)	$ 2,644	$ 1,880
Net income attributable to:		
Owner of the Company	$ 2,006	$ 301
Non-controlling interests of LPH Company	1,927	290
	$ 3,933	$ 591

	2023	2022
Total comprehensive income attributable to		
Owner of the Company	$ 1,349	$ 958
Non-controlling interests of LPH Company	1,295	922
	$ 2,644	$ 1,880

XIII. Investments accounted for using equity method

(1) Investments in associates

	December 31, 2023	December 31, 2022
Associates that are not individually material		
Cubee auto parts inc.	$ -	$ -

Refer to Table 5 "Information on Investees" of Note 42 for the nature of activities, principal places of business and countries of incorporation of the associates.

The consolidated company invested Cubee auto parts inc. on December 31, 2023 and 2022 and the percentage of ownership is 50%. However, as the composition of the board of directors is controlled by other shareholders under the shareholders' agreement, the consolidated company does not have control over Cubee auto parts inc. Management of the consolidated company considers it has significant influence on Cubee auto parts inc. and lists it as an associate.

All the above associates are accounted for using equity method. The summarized financial information of the Company's associates hereunder was prepared on the grounds of IFRSs consolidated financial statements by the associates with the adjustment already reflected at the time of equity method.

(2) Associates that are not individually material

	2023	2022
The consolidated company's share of:		
Loss from continuing operations for the period	($ -)	($ 238)
Total comprehensive income (loss)	($ -)	($ 238)

The consolidated company discontinues recognizing the specific associates' share of further losses accounted for using equity method. When the consolidated company recognizes the associates' share of further losses, it considers the carrying amount of the equity investments in the associates and the long-term receivables that are essentially part of the investments in the associates. The recognized loss is not limited to the carrying amount of the equity investments in the associates. The unrecognized loss of the year and the unrecognized cumulative loss of the associates excerpted from their relevant financial statements are as follows:

	2023	2022
Amount of the year	($ 188)	($ 121)
Cumulative amount	($ 309)	($ 121)

XIV. Property, Plant and Equipment

	December 31, 2023	December 31, 2022
Assets used by the Company	$ 251,141	$ 198,225
Assets subject to operating leases	6,360	9,470
	$ 257,501	$ 207,695

(1) Assets used by the Company

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in progress	Total
Cost							
Balance, January 1, 2023	$ 213,111	$ 1,165,334	$ 2,295	$ 32,264	$ 28,127	$ 50,124	$ 1,491,255
Additions	-	55,400	-	1,630	7,444	6,660	71,134
Disposal of assets	-	(204,735)	-	(5,725)	(15,608)	(4,069)	(230,137)
Effect of exchange difference	(3,916)	(32,199)	(30)	(229)	(52)	(65)	(36,491)
Reclassifications	-	60,989	-	-	1,972	(38,474)	24,487
Balance, December 31, 2023	$ 209,195	$ 1,044,789	$ 2,265	$ 27,940	$ 21,883	$ 14,176	$ 1,320,248
Accumulated depreciation and impairment							
Balance, January 1, 2023	$ 129,254	$ 1,105,854	$ 2,205	$ 30,489	$ 25,228	$ -	$ 1,293,030
Depreciation	4,581	31,999	90	1,144	1,257	-	39,071
Disposal of assets	-	(196,534)	-	(5,726)	(15,573)	-	(217,833)
Effect of exchange difference	(2,448)	(42,456)	(30)	(222)	(5)	-	(45,161)
Balance, December 31, 2023	$ 131,387	$ 898,863	$ 2,265	$ 25,685	$ 10,907	$ -	$ 1,069,107
Balance, December 31, 2023	$ 77,808	$ 145,926	$ -	$ 2,255	$ 10,976	$ 14,176	$ 251,141

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in progress	Total
Cost							
Balance, January 1, 2022	$ 337,295	$ 1,483,714	$ 3,170	$ 42,519	$ 64,404	$ -	$ 1,931,102
Additions	-	14,364	-	100	195	3,569	18,228
Disposal of assets	(129,028)	(364,289)	(911)	(10,686)	(37,014)	-	(541,928)
Effect of exchange difference	4,844	31,145	36	331	542	-	36,898
Reclassifications	-	400	-	-	-	46,555	46,955
Balance, December 31, 2022	$ 213,111	$ 1,165,334	$ 2,295	$ 32,264	$ 28,127	$ 50,124	$ 1,491,255
Accumulated depreciation and impairment							
Balance, January 1, 2022	$ 191,640	$ 1,403,708	$ 2,863	$ 39,719	$ 57,731	$ -	$ 1,695,661
Depreciation	13,045	21,997	217	996	2,788	-	39,043
Recognition (reversal) for impairment loss	-	5,852	-	-	-	-	5,852
Disposal of assets	(78,133)	(343,968)	(911)	(10,542)	(35,775)	-	(469,329)
Effect of exchange difference	2,702	18,265	36	316	484	-	21,803
Balance, December 31, 2022	$ 129,254	$ 1,105,854	$ 2,205	$ 30,489	$ 25,228	$ -	$ 1,293,030
Balance, December 31, 2022	$ 83,857	$ 59,480	$ 90	$ 1,775	$ 2,899	$ 50,124	$ 198,225

The consolidated company recognizes an impairment loss of $5,852 thousand in 2022 due to the closure of its auto parts department in 2022 and because the recoverable amount of machinery and equipment used for production is less than the carrying amount. The impairment loss has listed in other gains and losses of Consolidated Statements of Comprehensive Income.

The depreciation is calculated on a straight-line basis over the following estimated useful life:

Buildings	
Main building of the plant	20~30 years
Plant decoration	10 years
Others	3~5 years
Machinery and Equipment	
Sputtering and CNC machine	10 years
Others	2~5 years
Transportation Equipment	
Business Car	10 years
Stacker	5 years
Office Equipment	
Others	3~5 years
Other Equipment	2~10 years

(2) Assets subject to operating leases

	Buildings
Cost	
Balance, January 1, 2023	$ 57,443
Effect of exchange difference	(1,056)
Balance, December 31, 2023	$ 57,443
Accumulated depreciation and impairment	
Balance, January 1, 2023	$ 47,973
Depreciation	2,982
Effect of exchange difference	(928)
Balance, December 31, 2032	$ 50,027
Net, December 31, 2023	$ 6,360
Cost	
Balance, January 1, 2022	$ 56,609
Effect of exchange difference	834
Balance, December 31, 2022	$ 57,443
Accumulated depreciation and impairment	
Balance, January 1, 2022	$ 44,330
Depreciation	3,000
Effect of exchange difference	643
Balance, December 31, 2022	$ 47,973
Net, December 31, 2022	$ 9,470

The consolidated company may lease the plant for operation with leases term of 5 years and options to extend lease term for 3 years. All the operating leases contract include the terms that the lease payment will be adjusted based on market conditions when exercising the renewal right. The Company does not have bargain purchase options to acquire the assets at the end of the lease terms.

The total rental income from operating lease in the future is as follows:

	December 31, 2023	December 31, 2022
First year	$ 5,172	$ 5,268
Second year	-	5,268
Third year	-	-
Fourth year	-	-
	$ 5,172	$ 10,536

The depreciation is calculated on a straight-line basis over the following estimated useful life:

Buildings	
Plant	12 years

XV. Lease arrangements

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amounts		
Land	$ 16,420	$ 17,178
Buildings	40,354	62,519
	$ 56,774	$ 79,697

	2023	2022
Additions to right-of-use assets	$ -	$ 60,986
Depreciation of right-of-use assets		
Land	$ 448	$ 700
Buildings	16,232	15,709
	$ 16,680	$ 16,409

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts		
Current portion	$ 14,573	$ 15,721
Non-current portion	$ 26,486	$ 46,878

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Buildings	1.7%～4.7%	1.7%～4.7%

(3) Important leasing activities and terms

The consolidated company leases lands and buildings for the use of plants and offices with lease terms of 1 to 5 years. The consolidated company does not have priority purchase options to acquire the leasehold lands and buildings at the end of the lease terms.

The consolidated company generated a lease modification benefit of $192 thousand in 2023 due to lease modification.

(4) Other lease information

	2023	2022
Expenses relating to short-term leases	$ 2,273	$ 3,149

Total cash outflow for leases	(\$ 19,162)	(\$ 20,387)

The consolidated company decided to exempt the short-term leases of office equipment and transportation equipment and certain office equipment leases with low value. Therefore, the related right-of-use assets and lease liabilities for such leases are not recognized.

As of December 31, 2023 and 2022, all lease commitments signed by the consolidated company do not include lease agreements that commence after the balance sheet dates.

XVI. Goodwill

	2023	2022
Cost		
Balance at January 1	\$ 9,051	\$ -
Gain from business combinations of the year (Note 32)	-	9,051
Balance at December 31	\$ 9,051	\$ 9,051

The consolidated company's goodwill of \$9,051 thousand mainly derived from the control premium was generated from the acquisition of Jing Cheng Material Co., Ltd. (hereinafter referred to as Jing Cheng Company) on August 17, 2022. In conducting impairment testing, the goodwill is only related to a cash-generating unit of Jing Cheng Company. Therefore, the impairment of goodwill is evaluated by comparing the recoverable amount of the Jing Cheng Company with its carrying amount to determine whether impairment should be recognized.

2022

The estimation of impairment of goodwill for 2022 in the consolidated statements was based on the analysis report on the calculation of equity value issued by an expert commissioned by the consolidated company at the time of the merger. Based on the financial forecasts of Jing Cheng Company from 2022 to 2027, the operating revenues of Jing Cheng Company, during the financial forecast period were estimated based on product categories, and the expected operating revenues during the comparison period of 2022 were evaluated and explained. The recoverable amount was determined on the basis of value-in-use, using cash flow estimates from the consolidated company's management-approved financial budgets for the next five years, calculated using an annual discount rate of 16%, respectively, and cash flows in excess of five years were extrapolated by applying the estimated growth rates described below. Other key assumptions include projected operating revenues and gross margins on sales, which are based on the cash-generating unit's past operations and management's expectations of the market.

2023

In estimating the impairment of goodwill for 2023 in the consolidated statements, the recoverable amount of goodwill was determined based on the value-in-use, and was calculated based on the cash flow estimation of future financial budgets approved by the management of the consolidated company, using an annual discount rate of 14.23% in 2023. The management's financial estimate for the cash-generating unit is longer than 5 years because the plant expansion is still processing during the financial forecast period and production is expected to start in 2026, and the financial forecast period will not become robust until 2032, so the financial forecast period for the cash flow is evaluated until 2023. For the period beyond that, it is assumed to be a going concern, and the growth rate during the going concern period is estimated to be 3.00%. Key assumptions used by management in developing future financial budgets, such as projected future operating revenues and earnings growth rates, are made with reference to historical financial information, including the subject company and sampling peer group, and are adjusted base on sales and market trends and operating decisions related to the cash-generating unit.

Through the evaluation, the recoverable amount of Jing Cheng Material Co., Ltd. for 2023 and 2022 was greater than the carrying amount, therefore, no impairment loss was recognized.

Management believes that any reasonably possible change in the critical assumptions underlying the recoverable amounts would not cause the total carrying amount of the cash-generating units to exceed the total recoverable amount.

XVII. OTHER INTANGIBLE ASSETS

	Patents	Others	Total
Cost			
Balance, January 1, 2023	$ 223	$ 22,971	$ 23,194
Separately acquired	-	661	661
Net exchange difference	-	(56)	(56)
Balance, December 31, 2023	$ 223	$ 23,576	$ 23,799
Accumulated amortization			
Balance, January 1, 2023	$ 223	$ 22,740	$ 22,963
Amortization	-	851	851
Net exchange difference	-	(63)	(63)
Balance, December 31, 2023	$ 223	$ 23,528	$ 23,751
Net, December 31, 2023	$ -	$ 48	$ 48
Cost			
Balance, January 1, 2022	$ 223	$ 22,325	$ 22,548
Separately acquired	-	626	626
Net exchange difference	-	20	20
Balance, December 31, 2022	$ 223	$ 22,971	$ 23,194
Accumulated amortization			
Balance, January 1, 2022	$ 223	$ 21,687	$ 21,910
Amortization	-	1,035	1,035
Net exchange difference	-	18	18
Balance, December 31, 2022	$ 223	$ 22,740	$ 22,963
Net, December 31, 2022	$ -	$ 231	$ 231

Amortization of the above intangible assets with finite useful lives is recognized using the straight-line method over the following useful lives:

Patents	10 years
Other intangible assets	1~10 years

Summary of amortization by function：

	2023	2022
Operating costs	$ 25	$ 37
Sales and marketing	2	-
General and administrative	822	807
R&D expenses	2	191
	$ 851	$ 1,035

XVIII. OTHER ASSETS

	December 31, 2023	December 31, 2022
Current portion		
Prepayments - current (1)	$ 20,010	$ 13,327
Other current assets		
Others	2,266	2,991
	$ 22,276	$ 16,318
Non-current portion		
Prepayment for equipment (2)	$ -	$ 25,303
Refundable deposits (3)	4,565	5,588
Other noncurrent assets		
Net defined benefit asset (Note 23)	2,185	1,557
Others	3,450	3,450
	5,635	5,007
	$ 10,200	$ 35,898

(1) Prepayments - current
Prepayments - current of the consolidated company mainly includes the offset against business tax or VAT payable and prepayments.

(2) Prepayment for equipment - non-current
Prepayment for equipment - non-current of the consolidated company is the prepayment based on the procurement agreement when purchasing property, plant and equipment to produce goods or labor services.

(3) Refundable deposits
1. Sales warranty guarantee bond
The bond is the consolidated company's retained amount of trade receivables arising from the warranty of sales contracts. The retained amount of the sales warranty has no interest and will be recovered once the warranty period of sales warranty ended. As of December 31, 2023 and 2022, the expected amount recoverable after 12 months will be NT$0 thousand and NT$385 thousand respectively. The warranty period is the normal operating cycle of the consolidated company and is usually exceeds one year.

XIX. Loans

(1) Short-term loans

	December 31, 2023	December 31, 2022
Unsecured loans		
Line of credit	$ 180,000	$ 70,000
Secured loans (Note 38)		
Loans from bank	10,000	-
	$ 190,000	$ 70,000

Interest rate of revolving loans was 1.8%~2.52% on December 31, 2023, and 2.05% on December 31, 2022.

Refer to Notes 38 for the consolidated company's pledge for short-term loans.

(2) Long-term loans

	December 31, 2023	December 31, 2022
Unsecured loans		
Loans from bank - First Commercial Bank	$ 8,584	$ 12,553
Less: Current portion of long-term loans payable	(4,066)	(3,978)
	$ 4,518	$ 8,575

The consolidated company's long-term loans have a maturity date of January 18, 2026 with interest rates of 2.45% and 2.2% at December 31, 2023 and 2022, respectively. The principal and interest will be repaid in 60 moths installments from the date of borrowing.

XX. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2023	December 31, 2022
Accounts payable		
Non-related parties - operating	$ 8,578	$ 4,511

Accounts payable

The average credit period for accounts payable ranges from 90 days to 150 days. The consolidated company has financial risk management policies to ensure that all accounts payable are repaid within the pre-agreed credit period.

XXI. Other liabilities

	December 31, 2023	December 31, 2022
Current portion		
Other Payables		
Salaries and incentive bonus	$ 32,711	$ 35,034
Payables for employees' compensation and directors' remuneration	-	7,056
Payables for annual leave	2,663	3,334
Payables on equipment	2,787	1,435
Payables for labor costs	1,140	2,187

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	December 31, 2023	December 31, 2022
Payables for auxiliary materials and consumables	11,655	21,129
Payables for Utility bills	3,516	2,729
Payables for business expanding expenses	3,894	8,061
Others	14,095	36,774
	$ 72,461	$ 117,739
Current portion		
Other liabilities		
Others	$ 422	$ 628
Non-current portion		
Deferred income(1)		
Government grants	$ 3,972	$ 4,176
Other liabilities		
Guarantee deposit received	$ -	$ 88

(1)Long-term deferred revenue

The consolidated company invested in the establishment of plant located in Anji Economic Development Zone, Zhejiang Province and Jurong Economic and Technological Development Zone, Jiangsu Province in 2014 and 2009 respectively, and was provided with a government grant of NT$21,450 thousand (RMB$4,694 thousand) at once for the land acquisition and NT$693 thousand (RMB$136 thousand) for importing machinery and equipment, which was recorded as long-term deferred revenue and transferred to profit or loss over the lifetime of the related assets. The consolidated company sold part of right-of-use land in October 2021 and August 2014 and the profit or loss of NT$14,159 thousand (RMB$3,014 thousand) for relevant disposition has been recognized.

As of December 31, 2023 and 2022, the balances of long-term deferred revenue are NT$3,972 thousand (RMB$918 thousand) and NT$4,176 thousand (RMB$947 thousand) respectively. Refer to Note 31 "Government grants".

XXII. Provision for liability

	December 31, 2023	December 31, 2022
Current portion		
Warranty (2)	$ 2,213	$ 3,006
Non-current portion		
Employee benefits (1)	$ 728	$ 764
Warranty (2)	-	82
	$ 728	$ 846

(1) Provision for liability of employee benefits is employee death benefits from the consolidated company. The employee pension plan adopted by the consolidated company is other long-term benefits plan and the pension is calculated based on the fixed pay when the employee dies.

(2) Provision for warranty liabilities is based on the commodity sales contract and is the best estimate by the consolidated company's management on the outflow of future economic benefits due to warranty obligations. The estimate is based on the historical warranty experience and adjusted due to concerns about new raw materials, changes in process or other matters that affect product quality.

	December 31, 2023	December 31, 2022
Balance at January 1	$ 3,088	$ 3,765
Allowance for the period	211	672
Reversal for the period	(622)	(1,405)
Net exchange difference	(464)	56
Balance at December 31	$ 2,213	$ 3,088

XXIII. Post-employment benefits plans

(1) Defined contribution plans

The Company and Jing Cheng Company in the consolidated company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees hired by the consolidated company's subsidiaries in mainland China area adopt pension plans operated by the local governments. The subsidiaries shall allocate specific ratio of salary costs to the pension plans to provide funds to the plans. The obligation of the consolidated company to these government-operated pension plans is limited to allocating a specific amount.

(2) Defined benefit plan

The pension plan under the Labor Pension Act (LPA) adopted by the Company of the consolidated company is the defined benefit plan. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% of each employee' total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contributes an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the consolidated company has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets in respect of the defined benefit plan are as follows:

	December 31, 2023	December 31, 2022
Defined benefit obligation	$ 15,940	$ 15,948
Fair value of plan assets	(18,125)	(17,505)
Net defined benefit liability (asset)	($ 2,185)	($ 1,557)

Movements in net defined benefit liability (asset) are as follows:

	Present value of funded defined benefit obligation	Fair value of plan assets	Net defined benefit Liabilities (assets)
January 1, 2022	$ 16,612	($ 15,676)	$ 936
Service cost			
Current service cost	255	-	255
Interest expense (income)	83	(79)	4
Recognized in profit or loss	338	(79)	259
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,231)	(1,231)
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	(539)	-	(539)
Actuarial (gain) loss - experience adjustments	(463)	-	(463)
Recognized in OCI	(1,002)	(1,231)	(2,233)
Contributions from the employer	-	(519)	(519)
December 31, 2022	$ 15,948	($ 17,505)	($ 1,557)
January 1, 2023	$ 15,948	($ 17,505)	($ 1,557)
Service cost			
Current service cost	253	-	253
Interest expense (income)	180	(200)	(20)
Recognized in profit or loss	433	(200)	233
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(173)	(173)
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	(121)	-	(121)
Actuarial (gain) loss - experience adjustments	(320)	-	(320)
Recognized in OCI	(441)	(173)	(614)
Contributions from the employer	-	(247)	(247)
December 31, 2023	$ 15,940	($ 18,125)	($ 2,185)

Amount of defined benefit plan recognized in the profit and loss is summarized by function as follow:

	2023	2022
Operating costs	$ -	$ -
Sales and marketing	-	-
General and administrative	233	259
R&D expenses	-	-
	$ 233	$ 259

Due to the pension plans under the Labor Standards Act, the consolidated company is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the consolidated company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate of government bonds will increase the present value of the defined benefit obligation. However, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

	December 31, 2023		December 31, 2022	
Discount rate	1.25%		1.125%	
Expected salary increase rate	2.5%		2.5%	
Disability rate	Based on 10% of expected mortality rate		Based on 10% of expected mortality rate	
Mortality rate	Based on Taiwan Life Insurance Industry 6th Experience Life Table		Based on Taiwan Life Insurance Industry 6th Experience Life Table	
Turnover rate	Ages	Turnover rate	Ages	Turnover rate
	20 years old	9.0%	20 years old	9.0%
	25 years old	7.0%	25 years old	7.0%
	30 years old	6.0%	30 years old	6.0%
	35 years old	4.0%	35 years old	4.0%
	40 years old	1.0%	40 years old	1.0%
	45 years old	-	45 years old	-
	50 years old	-	50 years old	-
	55 years old	-	55 years old	-
	60 years old	-	60 years old	-

	December 31, 2023		December 31, 2022	
	Ages	Voluntary retirement rate	Ages	Voluntary retirement rate
Voluntary retirement rate (Z is the earliest retirement age for specific employee)	Z	15.0%	Z	15.0%
	Z+1 ~ 64	3.0%	Z+1 ~ 64	3.0%
	65	100%	65	100%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase 0.25%	($ 236)	($ 201)
Reduce 0.25%	$ 244	$ 209
Expected salary increase rate		
Increase 0.25%	$ 238	$ 203
Reduce 0.25%	($ 231)	($ 196)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2023	December 31, 2022
Amount expected to be allocated within a year	$ -	$ 498
The average duration of the defined benefit obligation	6 years	5.1 years

XXIV. Equity

(1) Capital stock

Ordinary shares

	December 31, 2023	December 31, 2022
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	84,042	80,742
Shares issued	$ 840,422	$ 807,422

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

The capital reserved for the issuance of convertible corporate bond and employee stock option is 20,000 thousand shares.

The Board of Directors resolved to issue 2,300 thousand shares of common stock at a par value of NT$10 per share through a cash offering by private placement, at a premium of NT$25 per share, resulting in a paid-in capital of NT$830,422 thousand. The capital increase date is July 11, 2023 by the resolution of the Board of Directors. The registration for alternation of above capital increase was approved by the Ministry of Economic Affairs on August 17, 2023

On August 9, 2023, the Board of Directors resolved to issue 1,000 thousand shares of restricted common shares for employees at a par value of NT$10 per share, and issued at NT$10 per share, resulting in a paid-in capital of NT$840,422 thousand. The capital increase date is September 1, 2023 by the resolution of the Board of Directors. The registration for alternation of above restricted common shares for employees was approved by the Ministry of Economic Affairs on September 20, 2023.

(2) Capital reserve

	December 31, 2023	December 31, 2022
May be used to offset a deficit, distributed as cash dividends or transferred to share capital(1)		
Issuance of common shares	$ 643,538	$ 649,409
Treasury share transactions	2,135	2,135
Difference between the actual share price for obtaining the subsidiary and the book value	-	186
May be used to offset a deficit only		
Expiry of employ stock option	22,090	22,090
Shall not be used for any purpose		
Restricted shares for employees	30,100	-
	$ 697,863	$ 673,820

1. The capital reserve may be used to offset a deficit and, when there is no deficit, used to distributed as cash dividends or transferred to share capital. The transfer to share capital is limited to a certain percentage of the paid-in capital each year.

(3) Retained earnings and dividend policy

According to the retained earnings policy in Company's Articles of Incorporation, if there is a surplus in the annual financial statements, after paying all taxes and compensating for losses from previous years according to the law, 10% of the surplus shall be allocated as a statutory reserve. However, if the statutory reserve has reached the total amount of paid-in capital, no further allocation is required. Afterward, special reserves shall be allocated or reversed in accordance with the business needs, regulations or the requirements of the competent authority. The remaining surplus plus the accumulated unappropriated earnings shall be prepared by the Board of Directors and submitted to shareholder's meeting for resolution. For the policies on the distribution of employees’ compensation and remuneration of directors and supervisors after the amendment, refer to “Employees’ compensation and remuneration of directors and supervisors” in Note 26 (9).

The Company's dividend distribution policy should take shareholders' equity as the greatest consideration and may distribute in form of stock or cash dividends after considering the company's competitiveness in current and future domestic and foreign industries, investment environment, and capital needs. As the Company is currently in the growth stage, in consideration of the long-term financial arrangement, the total amount of dividends to be issued annually shall not be less than 30% of the current year's net profit after tax. The percentage of cash dividends shall not be less than 20% of the total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company amended the Articles of Incorporation on June 8, 2022, after the resolution of the shareholders’ meeting. As the result, when allocating special reserve from the net deduction of other interests accumulated in the previous period and unappropriated earnings in the previous period is insufficient, net profit after tax and others are added to the unappropriated earnings of the current period for allocation. Before the amendment of the Articles of Incorporation, the Company allocated from unappropriated earnings in the previous period based on the regulations.

The Company held a shareholders’ meeting on June 13, 2023 and June 8, 2022, where the profit distribution for 2022 and 2021 was passed respectively as follows:

	2022	2021
Legal reserve	$ 2,784	$ 4,129
Special reserve	$ 25,054	$ 37,169

The shareholders' meeting decided to distribute $40,371 thousand and $79,142 thousand cash ($0.5/share and $1/share) with the capital reserve on June 13, 2023 and June 8, 2022.

The Company held a director’s meeting on March 13, 2024, where the accumulated deficit for 2023 was passed as follows:

	2023
Legal reserves to cover accumulated deficit	$ 6,913
Special reserve to cover accumulated deficit	62,223
Capital reserve－Ordinary shares issued at a premium to cover accumulated deficit	132,295
	$ 201,431

The offsetting of accumulated deficit for 2023 will be decided in the shareholders’ meeting held on June 18, 2024.

(4) Special reserve

	2023	2022
Balance at January 1	$ 37,169	$ -
Special reserve		
Deduction of other interests	25,054	37,169
Balance at December 31	$ 62,223	$ 37,169

Upon the distribution of earnings, a special reserve should be provided for the difference between the net deduction of other shareholders' equities recorded at the end of the reporting period and the special reserve allocated for when the initial application of IFRSs. When the net deduction of other shareholders' equities is reversed subsequently, the reversal part may be reversed to the special reserve.

(5) Others

1. Exchange differences resulting from translating the financial statements of foreign operations

	2023	2022
Balance at January 1	($ 138,976)	($ 156,668)
Generated in the current period		
Exchange difference of foreign operations	(21,691)	22,115
Income tax related to exchange difference of foreign operations	4,338	(4,423)
Balance at December 31	($ 156,329)	($ 138,976)

2. Unrealized gain on finicial assets at fair value through other comprehensive income

	2023	2022
Balance at January 1	$ -	$ -
Generated in current year		
Unrealized gain (loss)		
Equity instruments	-	1,000
Income tax related to unrealized gain (loss)	-	-
Other comprehensive income of this year	-	1,000
Transfer of accumulated profit and loss from disposition of equity instruments to retained earnings	-	(1,000)
Balance at December 31	$ -	$ -

3. Unearned employee benefits

Refer to Note 30 for the description for the issuing of new restricted shares for employees determined in the shareholders' meeting on June 13, 2023.

	2023	2022
Balance at January 1	$ -	$ -
Current Issuance	(30,100)	-
Share-based payment	6,224	-
Balance at December 31	($ 23,876)	$ -

(6) Non-controlling interests

	2023	2022
Balance at January 1	$ 77,877	$ -
Non-controlling interests added from the newly established subsidiaries, LPH Company	-	49,020
Non-controlling interests added from obtaining Jing Cheng Company as subsidiaries (Note 32)	-	11,542
Non-controlling interests from obtaining Jing Cheng Company as subsidiaries (Note 33)	(24,501)	-
Non-controlling interests added from capital increase of subsidiaries (Note 32)	-	17,700
Non-controlling interests reduced due to liquidation of subsidiaries	(51,238)	-
Capital reserve - changes in ownership interests of subsidiaries due to recognition (Note 33)	-	(186)
Amount attributable to non-controlling interests		
Loss of the year	(1,506)	(831)
Other comprehensive income of this year		
Exchange differences resulting from translating the financial statements of foreign operations	(632)	632
Balance at December 31	$ -	$ 77,877

(7) Treasury stock

Reason for repossession	Transfer of shares to employees (in thousands)	Buy back to cancel (in thousands)	Total (in thousands)
Shares in January 1, 2022	1,610	-	1,610
Increase in this year	-	-	-
Decrease in this year	(1,610)	-	(1,610)
Shares in December 31, 2022	-	-	-

Treasury stocks held by the Company can not be pledged, and do not have the right for dividends allocation and voting rights according to the Securities and Exchange Act.

XXV. Revenue

(1) Customer contracts

1.PVD coating products

The consolidated company's revenue is generated from the sputter coating of electronic components according to the specification agreed upon between the customers and the Company. The customers provide the materials and obtain the goods' control during the service, thus the service contracts of the consolidated company are gradually recognized as revenue. The consolidated company measures the progress based on the produced or delivered quantity.

2. Silicon carbide products

Silicon carbide products are sold to downstream operators in the silicon carbide industry, and the consolidated company sells them at prices determined by contracts, quotations or orders.

(2) Disaggregation of revenue

	2023	2022
Income from customer contracts		
PVD coating products	$ 382,125	$ 456,498
Silicon carbide products	71	-
Others	377	722
	$ 382,573	$ 457,220

(3) Balance from contracts

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and trade receivables (Note 10)	$ 279,231	$ 268,220	$ 458,936

XXVI. Net profit (loss) relating to continuing operations and other comprehensive income

Net profit (loss) relating to continuing operations

(1) Interest income from bank deposits

	2023	2022
Interest income from bank deposits		
Bank deposits	$ 10,061	$ 6,565
Financial assets at amortized cost	123	-
	$ 10,184	$ 6,565

(2) Other income

	2023	2022
Income from lease	$ 5,507	$ 5,538
Income from government grants(Note 31)	50,827	5,115
	$ 56,334	$ 10,653

(3) Other gains and losses

	2023	2022
Net foreign exchange gains(loss)	($ 2,229)	$ 3,072
Gain(loss) from disposal of property, plant and equipment	(10,309)	85,030
Disposed of subsidiary company gain	1,260	-
Lease Modification Benefit	192	-
Impairment loss of property, plant and equipment (Note 14)	-	(5,852)
Profit or loss on financial assets		
Gain from designated financial assets at fair value through P/L	11,067	17,036
Others	6,929	(1,600)
	$ 6,910	$ 97,686

(4) Finance costs

	2023	2022
Bank loans interest	$ 3,084	$ 5,841
Lease liabilities interest	1,601	413
	$ 4,685	$ 6,254

There is no capitalized interest in 2023 and 2022 for the consolidated company.

(5) Impairment loss

	2023	2022
Property, plant and equipment (included in the other net gains and losses) (Note 14)	$ -	($ 5,852)

(6) Depreciation and amortization

	2023	2022
Property, Plant and Equipment	$ 42,053	$ 42,043
Right-of-use assets	16,680	16,409
Intangible Assets	851	1,035
Total	$ 59,584	$ 59,487
An analysis of depreciation by function		
Operating costs	$ 23,451	$ 38,222
Operating expenses	32,300	17,230
Non-operating expenses	2,982	3,000
	$ 58,733	$ 58,452

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	2023	2022
An analysis of amortization by function		
Operating costs	$ 25	$ 37
Operating expenses	807	889
	$ 1,035	$ 1,048

Refer to Note 17 for information on the amortization of intangible assets allocated to individual line items.

(7) R&D expenses immediately recognized as fee

	2023	2022
R&D expenses	$ 29,683	$ 32,402

(8) Employee benefits expense

	2023	2022
Short-term employee benefits	$ 231,771	$ 274,733
Post-employment benefits		
Defined contribution plans	2,486	1,986
Defined benefit plan(Note 23)	233	259
	2,719	2,245
Equity-settled of share-based payments	6,224	-
Other employee benefits	(36)	(83)
Total employee benefits expense	$ 240,678	$ 276,895
An analysis of employee benefits expense by function		
Operating costs	$ 171,954	$ 198,373
Operating expenses	68,724	78,522
	$ 240,678	$ 276,895

(9) Employees’ compensation and directors' remuneration

The Company distributed employees’ compensation and directors' remuneration at the rates between 1% to 10% and no higher than 3% of the net profit before tax for the year respectively according to the articles of incorporation.

As a result of the accumulated losses at December 31, 2023, the Company's Board of Directors resolved on March 13, 2024, not to distribute employees' compensation and directors' compensation.

After the decision of The Board of Directors on March 13, 2023 the employees’ annual compensation and directors' remuneration of 2022 are:

Estimated ratio

	2022
Employees’ compensation	6%
Directors' remuneration	2%

Amount

	2022
	Cash
Employees’ compensation	$ 2,814
Directors' remuneration	938

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

The actual allocated amount of employees’ compensation and directors' remuneration in 2022 and 2021 are the same as the recognized amount in 2025 and 2021 consolidated financial statements.

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

(10) Gain or loss on foreign currency exchange

	2023	2022
Foreign exchange gains	$ 10,670	$ 5,774
Foreign exchange losses	(12,899)	(2,702)
Net profit(losses)	($ 2,229)	$ 3,072

XXVII. Income taxes relating to continuing operations

(1) Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	2023	2022
Current income tax		
Generated in current year	$ 44,912	$ 25,795
Levy for unappropriated earnings	-	1,425
Adjusted in previous year	(40)	(1,444)
	44,872	25,776
Deferred income tax		
Generated in current year	17,211	7,133
Income tax expenses recognized in profit or loss	$ 62,083	$ 32,909

A reconciliation of accounting profit and current income tax expenses is as follows:

	2023	2022
Income from continuing operations before tax	$ 12,168	$ 57,130
Income tax expense at the statutory rate	$ 424	$ 16,291
Income tax impact of adjustment items		
Items that should be adjusted when determining taxable income	46,106	51,758
Levy for unappropriated earnings	-	1,425
Unrecognized temporary differences	15,612	(3,622)

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	2023	2022
Unrecognized loss carryforwards	(19)	(31,499)
Adjustments for prior years' income tax	(40)	(1,444)
Income tax expenses recognized in profit or loss	$ 62,083	$ 32,909

(2) Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax		
Generated in current year		
Exchange of foreign operations	($ 4,338)	$ 4,423
Actuarial gains and losses on defined benefit plan	123	447
Income tax recognized in other comprehensive income	($ 4,215)	$ 4,870

(3) Current income tax assets and liabilities

	December 31, 2023	December 31, 2022
Current income tax assets		
Tax refund receivables	$ 1,460	$ 129
Current tax liabilities		
Income tax payable	$ 7,288	$ 13,628

(4) Deferred tax assets and liabilities

The changes of deferred tax assets and deferred tax liabilities are as follows:

2023

	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Exchange difference	Balance at December 31
Deferred tax assets					
Temporary differences					
Unrealized gain	$ 15,759	($ 15,759)	$ -	$ -	$ -
Property, Plant and Equipment	3,935	(3,456)	-	-	479
Exchange difference of foreign operations	34,743	-	4,338	-	39,081
Others	2,065	2,017	(123)	(20)	3,939
	$ 56,502	($ 17,198)	$ 4,215	($ 20)	$ 43,499
Deferred tax liabilities					
Temporary differences					
Others	($ 188)	($ 13)	$ -	$ -	($ 201)

2022

	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Exchange difference	Balance at December 31
Deferred tax assets					
Temporary differences					
Unrealized gain	$ 20,061	($ 4,302)	$ -	$ -	$ 15,759
Property, Plant and Equipment	5,010	(1,075)	-	-	3,935
Exchange difference of foreign operations	39,166	-	(4,423)	-	34,743
Others	4,100	(1,568)	(447)	(20)	2,065
	$ 68,337	($ 6,945)	($ 4,870)	($ 20)	$ 56,502
Deferred tax liabilities					
Temporary differences					
Others	$ -	($ 188)	$ -	$ -	($ 188)

(5) Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2023	December 31, 2022
Loss carryforwards		
Expired in 2023	$ -	$ 216,320
Expired in 2024	338,133	344,481
Expired in 2025	138,521	158,412
Expired in 2026	91,180	-
Expired in 2028	1,715	-
Expired in 2032	5,744	-
Expired in 2033	28,385	-
	$ 603,678	$ 719,213

	December 31, 2023	December 31, 2022
Deductible temporary differences		
Debt waiver not been proven	$ 17,391	$ 17,391
Impairment loss	7,943	14,686
Others	68,604	15,086
	$ 93,938	$ 47,163

(6) Total temporary differences relating to the investment and not recognized as deferred tax liabilities

As of December 31, 2023 and 2022, temporary differences taxable associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $151,907 thousand and $190,258 thousand.

(7) Income tax examination

The tax authorities have examined income tax returns of the Company through 2021.

XXVIII. Earnings (loss) per share

(In New Taiwan Dollar)

	2023	2022
Basic earnings (loss) per share from continuing operations	($ 0.59)	$ 0.31
Total basic earnings(loss) per share	($ 0.59)	$ 0.31
Diluted earnings (loss) per share from continuing operations	($ 0.59)	$ 0.31
Total basic earnings (loss) per share	($ 0.59)	$ 0.31

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

Profit(loss)

	2023	2022
Net profit (loss) attributable to owners of the Company	($ 48,409)	$ 25,052
Net profit (loss) used to calculate basic earnings (loss) per share	(48,409)	25,052
Earnings (loss) used to calculate basic earnings (loss) per share	(48,409)	25,052
Effect of potentially dilutive ordinary shares:		
Employee bonuses or dividends	-	-
Employ stock option	-	-
Earnings (loss) used to calculate earnings (loss) per share	($ 48,409)	$ 25,052

Shares

(In Thousands)

	2023	2022
Weighted average number of ordinary shares used to calculate for basic earnings (loss) per share	81,701	79,758
Effect of potentially dilutive ordinary shares:		
The company employees' compensation	-	144
The company Employees' stock option	-	-
Weighted average number of common shares used in the computation of diluted EPS (loss)	81,701	79,902

The consolidated company may settle the employees bonuses or dividends in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved of the following year.

Because it was a net loss for 2023, which had an anti-dilutive effect, the consolidated company's employee's compensation and new restricted shares for employees were not included in the calculation of diluted loss per share

XXIX. Disposal of subsidiary

The consolidated company's Board of Directors resolved to apply for the liquidation of the subsidiary Leading Profit Holding Limited on November 8, 2023. It is the consolidated company's controlling subsidiary and has no substantial operating activities. The Leading Profit Holding Limited, which is the consolidated company's subsidiary, was approved to be dissolved on January 8, 2024.

(1) Consideration received

	Leading Profit Holding Limited
Cash and cash equivalents	$ 54,589
Total consideration received	$ 54,589

(2) Analysis of assets and liabilities for which control is lost

	Leading Profit Holding Limited
Current assets	
Cash and cash equivalents	$ 104,567
Disposed net assets	$ 104,567

(3) Interests in disposal of subsidiary

	Leading Profit Holding Limited
Consideration received	$ 54,589
Disposed net assets	(104,567)
Changes in non-controlling interests	51,238
Disposed interest	$ 1,260

The interest in the disposal of Leading Profit Holding Limited is included in other gains and losses.

(4) Net cash outflow from disposal of subsidiary

	Leading Profit Holding Limited
Consideration received in cash and cash equivalents	$ 54,589
Less: Disposed cash and cash equivalents	(104,567)
Net cash outflow	($ 49,978)

XXX. Share-Based Payments Agreement

(1) Transfer of treasury stock to employees

The Company set $21.52 which is the average price of buying back as transferring price and transferred 480 thousand treasury stocks for employees to purchase according to the 2017 Transfer of Treasury Stock to Employees Regulation after the resolution of the

Board of Directors on March 23, 2021. The Company adopts the fair values of the equity granted to the Company at $30.75 in accordance with IFRS No. 2 "Share-Based Payments".

The consolidated company did not issue employ stock option in 2023 and 2022. The issued employ stock option is as follows:

	2023		2022	
Employ stock option	Unit (thousand)	Weighted average Exercise price (NTD)	Unit (thousand)	Weighted average Exercise price (NTD)
Outstanding shares at beginning of period	-	$ -	480	$ 21.52
Shares granted in the period	-	-	-	-
Shares exercised in the period	-	-	-	-
Shares expired in the period	-	-	(480)	21.52
Outstanding shares at end of period	-		-	
Shares able to be exercised at end of period	-		-	

(2) New restricted shares for employees

At the regular shareholders' meeting held on June 13, 2023, the Company resolved to issue 3,000 thousand restricted common shares for employees at NT$10 per share, with a par value of NT$10 per share and a total par value of NT$30,000 thousand. The issue has been approved by the Financial Supervisory Commission (FSC) on July 11, 2023. On August 9, 2023 (the granted date), the board of directors approved the actual issuance of 1,000 thousand shares. The basis date of the new restricted shares for employees is September 1, 2023, and the fair value of the shares on the granted date is NT$40.1 per share. Employees who granted new restricted shares for employees will receive 25% of these shares if they have been employed for 1 year from the granted date, 25% of these shares if they have been employed for 2 years from the granted date, 25% of these shares if they have been employed for 3 years from the granted date, and 25% of these shares if they have been employed for 4 years from the granted date.

The changes in accounting items related to the above new restricted shares for employees for 2023 are summarized below:

	Capital Reserve - Restricted Shares for Employees	Other equity - unearned employee benefits
Granted date of restricted shares for employees - August 9, 2023	$ 30,100	$ 30,100
Share-based compensation	-	(6,224)
Balance at December 31, 2023	$ 30,100	$ 23,876

The restricted rights for employees who have not met the vesting conditions for the granted new shares are as follows:

1. Employees may not sell, mortgage, assign, gift, pledge, or otherwise dispose of the new restricted shares for employees until the vesting conditions have been fulfilled after they granted the new shares, except by inheritance.
2. Attendance, proposals, speeches, and voting rights at stockholders' meetings are governed by trust and custody agreements.
3. In addition to the restrictions set forth in the preceding paragraph due to the trust agreement, the other rights of the new restricted shares for employees granted to them under the Plan, including but not limited to the right to receive cash dividends, stock dividends, and capital surplus, the right to subscribe for cash capital increases, and any rights and interests allocated to employees as a result of mergers, demergers, share conversions, and other legal events, are the same as the Company's outstanding shares of common stock, until the vesting conditions have been fulfilled.
4. If, during the vesting period, the Company reduces capital other than through legal capital reduction, such as cash reduction, the new restricted shares for employees shall be canceled in accordance with the ratio of capital reduction. In the case of a cash capital reduction, the cash refunded shall be deposited in a trust and delivered to the employees only after the vesting conditions and period have been met; however, if the vesting conditions have not been met by the end of the period, the Company will withdraw the cash.

XXXI. Government grants

(1) The consolidated company has received a government grant for land amounting to NT$21,450 thousand (RMB$4,694 thousand) and a government grant for importing machinery and equipment amounting to NT$693 thousand (RMB$136 thousand) for investing in the establishment of plants located in Anji Economic Development Zone, Zhejiang Province and in Jurong Economic and Technological Development Zone, Jiangsu Province in 2014 and 2009 respectively. The amount has been recognized as long-term deferred revenue and is recognized in profit or loss over the useful lives of the related assets.

As of December 31, 2023 and 2022, the balance not recognized in profit or loss was $3,972 thousand (RMB918 thousand) and $4,176 thousand (RMB947 thousand), respectively. The recognized profit was $129 thousand (RMB29 thousand) and $130 thousand (RMB30 thousand) for 2023 and 2022, respectively.

(1) Zhejiang Junsheng Company, a subsidiary of the consolidated company, received an incentive payment of RMB50,698 thousand (RMB11,416 thousand) for purchasing the land in 2023. This was the result of the Anji Economic Development Zone Management Committee's decision not to provide additional land and factory resettlement to enterprises under the "2022 Anji Concentrated Action Plan for "Taking Over the Cage and Replacing the Birds" in the Manufacturing Industry to Improve Efficiency and Increase Efficiency" and the "Implementation Rules for the Management of Industrial Land Acquisition in Anji County". Instead, it chose to reward the enterprises with all monetized compensation by providing a one-time incentive of RMB400,000/mu for the legal land area of the enterprises. A profit of NT$50,698 thousand (RMB11,416 thousand) was recognized in 2023.

(2) Zhejiang Junsheng Company, a subsidiary of the consolidated company, received an equipment phase-out subsidy of RMB3,166 thousand (RMB712 thousand) in 2022. This was due to the removal of obsolete equipment or production lines so that production could not be resumed in accordance with the "Notice on Issuance of 2021 Plan for Elimination of Obsolete Production Capacities" issued by the Bureau

of Economy and Informatization of Anji County. A profit of NT$3,166 thousand (RMB712 thousand) was recognized in 2022.

XXXII. Business Combinations

(1) Acquisition of subsidiaries

	Main activities	Acquisition date	Ownership interests with voting rights after acquisition (%)	Transfer consideration
Jing Cheng Company	Supply of silicon carbide technology and materials	August 17, 2022	76	$ 45,600

The consolidated company acquired 76% ownership of Jing Cheng Company on August 17, 2022 to expand the business in the semiconductor industry.

(2) Transfer consideration

	Jing Cheng Company
Cash	$ 39,600
Disposition of financial assets at fair value through other comprehensive income	6,000
Total	$ 45,600

(3) Assets obtained and liabilities assumed on the acquisition date

	Jing Cheng Company
Current assets	
Cash and Cash Equivalents	$ 323
Other current assets	548
Non-current assets	
Prepayment for equipment	47,373
Current liabilities	
Other Payables	(147)
Other current liabilities	(6)
	$ 48,091

(4) Non-controlling interests

Non-controlling interests of Jing Cheng Company (24% ownership) are measured at the fair value of the identifiable net assets acquired at the acquisition date based on the non-controlling interest ownership ratio.

(5) Goodwill from acquisition

	Jing Cheng Company
Transfer consideration	$ 45,600
Add: Non-controlling interests (24% ownership of Jing Cheng Company)	11,542
Less: Fair value of identifiable net assets acquired	(48,091)
Goodwill from acquisition	$ 9,051

The goodwill mainly derived from the control premium was generated from the acquisition of Jing Cheng Company. The consideration paid for merger includes the synergies of the combination, revenue growth, future market development and employee value of Jing Cheng Company. However, the benefits do not meet the recognition conditions of identifiable intangible assets and therefore, are not recognized separately.

The goodwill generated from merger is expected to deduct income tax amounting to NT$9,051 thousand, and be the deduct tax based on the average amortization over 15 years.

(6) Net cash outflow for obtaining subsidiaries

	Jing Cheng Company
Cash consideration	$ 39,600
Less: Balance of cash and cash equivalents obtained	(323)
	$ 39,277

(7) Impact of business combinations on operating results

The operating results from the acquired company from the acquisition date are as follows:

	Jing Cheng Company
Operating Revenue	$ -
Net loss for the period	$ 5,749

If the acquisition of Jing Cheng Company in August 2022 occurred on January 1, 2022, the proposed operating revenue of consolidated company is NT$457,220 thousand and the proposed net profit is NT$22,506 thousand for 2022. These amounts do not reflect the actual revenue and operating results that may generated by the consolidated company if the business combinations are completed at the commencement date of the year of acquisition and should not be used for projecting future operating results.

When preparing the proposed operating revenue and net profit assuming that the consolidated company acquires Jing Cheng Company immediately at the beginning of the fiscal year, the management has considered:

1. Depreciation is calculated based on the fair value of the plant and property at the time of the original accounting for the business combination and not based on the carrying amount recognized in financial statements before the acquisition.
2. Borrowing costs are estimated based on the combined company's capital position, credit rating, and debt-to-equity ratio after the business combinations.

XXXIII. Equity transactions with non-controlling interests

The consolidated company purchased the shares of Jing Cheng Company from the non-controlling interest shareholders on July 5, 2023, July 20, 2023 and August 17, 2023, and the shareholding percentage increased from 70.3% to 79.7%, 94.45%, and 100%.

The above transactions were accounted for as equity transactions since the consolidated company did not cease to have control over these subsidiaries.

Purchase subsidiaries' shares from non-controlling interest shareholders

	Jing Cheng Company
Consideration paid	($178,200)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	24,501
Equity transaction difference	($153,699)

Line items adjusted for equity transactions

Capital reserve - the difference between the actual equity price of the subsidiary and its book value	($ 186)
accumulated deficit	(153,513)
	($153,699)

XXXIV. Information on cash flows

(1) Non-cash transactions

Unless otherwise specified in notes, the investment and financing activities of consolidated company by non-cash transactions in 2023 and 2022 are as follows:

1. The consolidated company acquired property, plant and equipment in 2022 and 2021 which increased NT$1,560 thousand and reduced NT$972 thousand respectively.
2. Prepayments for equipment are reclassified to property, plant and equipment in 2023 and 2022 with NT$24,487 thousand and NT$46,955 thousand.

(2) Changes in liabilities from financing activities

2023

			Non-cash changes			
	January 1, 2023	Cash Flow	New lease	Net loss (gain) from exchange	Interest expenses	December 31, 2023
Short-term loans	$ 70,000	$ 120,000	$ -	$ -	$ -	$ 190,000
Long-term loan and current portion of long-term loans payable	12,553	(3,969)	-	-	-	8,584
Lease liabilities	62,599	(16,889)	(5,761)	(491)	1,601	41,059
Guarantee deposit received	88	(88)	-	-	-	-
	$ 145,240	$ 99,054	($ 5,761)	($ 491)	$ 1,601	$ 239,643

2022

			Non-cash changes			
	January 1, 2022	Cash Flow	New lease	Net loss from exchange	Interest expenses	December 31, 2022
Short-term loans	$ 80,000	($ 10,000)	$ -	$ -	$ -	$ 70,000
Long-term loan and current portion of long-term loans payable	171,784	(159,231)	-	-	-	12,553
Lease liabilities	18,306	(17,238)	60,986	132	413	62,599
Guarantee deposit received	87	-	-	1	-	88
	$ 270,177	($ 186,469)	$ 60,986	$ 133	$ 413	$ 145,240

XXXV. Capital risk management

The consolidated company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The consolidated company's overall strategy has remained unchanged since 2007.

The capital structure of the consolidated company consists of net debt of the consolidated company and Interests attributable to parent company owner. Management reviews the capital structure of the Group regularly including the consideration of each capital cost and relevant risks. The consolidated company balances its overall capital structure by issuing new shares, buying back shares and repaying old debt, as recommended by the management.

The consolidated company is not subject to any externally imposed capital requirements.

XXXVI. Financial Instruments

(1) Fair value of financial instruments not measured at fair value

The management of the Company considers that when approaching the expiry date of the carrying amount of financial assets and financial liabilities that are not measured at fair value, or the price receivable in the future equivalent to the carrying amount, their carrying amount approximate their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Structured deposit	$ -	$ -	$ -	$ -

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Structured deposit	$ -	$ 212,658	$ -	$ 212,658

There were no transfers between Levels 1 and 2 in 2023 and 2022.

2. Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation techniques and inputs
Structured deposit	DCF: future cash flows are estimated based on observable market rates and contracted interest rates at the end of the period and are discounted separately using a discount rate that reflects the credit risk of each counterparty.

(3) Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Fair value through profit or loss		
Mandatory at fair value through profit or loss	$ -	$ 212,658

Disposal of financial assets at amortized cost (Note 1)	1,142,752	1,162,129
<u>Financial Liabilities</u>		
Carried at amortized cost (Note 2)	279,623	204,891

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes and trade receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, notes and trade payables, other payables, long-term loans, long-term loans due within one year and guarantee deposits.

(4) Financial risk management objectives and policies

The consolidated company's major financial instruments included equities and bonds investment, trade receivables, accounts payable, loans, and notes receivable and payable. The consolidated company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the consolidated company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and Interest rate risk), credit risk and liquidity risk.

The consolidated company mitigates the impact of these risks by hedging its exposure to hedging risks through derivative financial instruments. The use of derivative financial instruments is governed by the policies approved by the consolidated company's Board of Directors, which are the written principles for foreign currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of current capital. Internal auditors review policy compliance and risk limits continuously. The consolidated company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

The Financial Department reports quarterly to the consolidated company's Board of Directors, which is an independent organization responsible for monitoring risks and implementing policies to mitigate risks.

1. Market risk

The main financial risks to which the consolidated company is exposed as a result of its operating activities are the risk of changes in foreign currency rates (see (1) below) and in interest rates (see (2) below). The consolidated company engages in various derivative financial instruments to manage risks in foreign currency rate and interest rate, including:

A. Foreign Exchange Forward Contract to hedge the foreign currency risk arising from the sale of products;

B. Interest Rate Swap to mitigate the risk of rising interest rates.

There is no change in the consolidated company's exposure to market risk of financial instruments and the way it manages and measures such exposure.

(1) Foreign currency risk

Several subsidiaries of the Company engage in foreign currency-denominated sales and imports, which expose the consolidated company to foreign currency risk. The consolidated company utilizes Foreign Exchange Forward Contract to manage the foreign currency risk within the scope of the policy.

Refer to Note 41 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements) and the carrying amounts of derivatives with foreign currency risk on the balance sheet date by the consolidated company.

Sensitivity analysis

The consolidated company was mainly affected by the fluctuations in the exchange rates of USD and RMB.

The following table details the consolidated company’s sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity ratio used in reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible range of changes in foreign currency rates. The sensitivity analysis is for a 5% change in foreign currency rates and included only outstanding foreign currency-denominated monetary items at the end of the year. The sensitivity analysis includes loans that are not denominated in the functional currency of the lenders or borrowers. A positive number below indicates a increase in net profit before tax, decrease in net loss before tax or an increase in equity when New Taiwan dollars weaken by 5% against the relevant currency. For a 5% strengthening of New Taiwan dollars against the relevant currency, the impact on net profit (loss) before tax or equity will result in the balances below being negative.

	Impact of USD		Impact of RMB	
	2023	2022	2023	2022
Profit and loss	$ 7,039 (i)	$ 839 (i)	$ 4,869 (ii)	$ 3,408 (ii)

(i) Mainly came from the USD-denominated receivables and payables of the consolidated company that were outstanding at the balance sheet date and not hedged for cash flow.

(ii) Mainly came from the RMB-denominated receivables of the consolidated company that was outstanding at the balance sheet date and not hedged for cash flow.

The increased sensitivity to the USD exchange rate in the current period is mainly due to the increased balance in USD-denominated bank deposits. The increased sensitivity to the RMB exchange rate in the current period is mainly due to the increased balance in other RMB-denominated receivables. Management believes that sensitivity analysis does not represent the risk inherent in exchange rates because the foreign currency exposures at the balance sheet date do not reflect the exposures in mid-year.

(2) Interest rate risk

The consolidated company was exposed to interest rate risk because entities in the consolidated company borrowed funds at floating interest rates. The risk is managed by the consolidated company by maintaining an appropriate mix of fixed and floating interest rates and using interest rate swaps and forward rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the consolidated company’s financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial assets	$ 73,818	$ 196,566
Financial Liabilities	-	-
Cash flow interest rate risk		
Financial assets	783,175	688,553
Financial Liabilities	198,584	82,553

The consolidated company is exposed to cash flow interest rate risk due to holding bank loans with variable rates. This situation meets the consolidated company's policy of maintaining loans with floating rate to reduce fair value risk related to interest rates. The consolidated company's cash flow interest rate risk is mainly due to fluctuations in benchmark interest rates related to bank deposits and loans.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating interest rates liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Basis points of 1% increase or decrease were used when reporting interest rate risk internally to management and represent management's assessment of the reasonably possible change in interest rates.

If interest rates had increased/decreased by 1%, without change in all other variables, the consolidated company's net income before tax for 2023 would have increased/decreased by $5,846 thousand and for 2022 would have increased/decreased by $6,060 thousand. This is mainly due to the consolidated company's exposure to cash flow interest rate risk on its borrowings with variable interest rates and bank deposits.

2. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of balance sheet date, the consolidated company’s maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the management of the consolidated company has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the consolidated company reviews the recoverable amount of each individual trade debt at the balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the consolidated company ’s credit risk was significantly reduced.

The consolidated company's trade receivables of 99% and 98.9% in the total balance of trade receivables as of December 31, 2023 and 2022, respectively, was related to the customers exceeding 5% of the total trade receivables.

3. Liquidity risk

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

The consolidated company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the consolidated company had available unutilized bank financing limits refer to the following instruction in (3).

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

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the consolidated company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks.

The undiscounted interest amount of interest cash flows paid at floating interest rates is derived from the yield rate at the balance sheet date.

December 31, 2023

	Less than 1 year	1~3 years	4~5 years	More than 5 years
Non-derivative financial liabilities				
Floating interest rates instrument				
Short-term loans	$ 191,011	$ -	$ -	$ -
Long-term loans	4,231	4,583	-	-
Lease liabilities	15,603	23,065	4,215	-
Non-interest bearing				
Accounts payable	8,578	-	-	-
Other Payables	72,461	-	-	-
Other current liabilities	422	-	-	-
	$ 292,306	$ 27,648	$ 4,215	$ -

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	More than 20 years
Lease liabilities	$ 15,603	$ 27,280	$ -	$ -	$ -	$ -

December 31, 2022

	Less than 1 year	1~3 years	4~5 years	More than 5 years
Non-derivative financial liabilities				
Floating interest rates instrument				
Short-term loans	$ 70,255	$ -	$ -	$ -
Long-term loans	4,214	8,429	351	-
Lease liabilities	17,359	16,658	12,464	-
Non-interest bearing				
Accounts payable	4,511	-	-	-
Other Payables	117,739	-	-	-
Other current liabilities	628	-	-	-
	$ 214,706	$ 25,087	$ 12,815	$ -

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	More than 20 years
Lease liabilities	$ 17,359	$ 29,122	$ -	$ -	$ -	$ -

The amount of floating interest rate instruments for the above non-derivative financial assets and liabilities will vary depending on the difference between the floating interest rate and the interest rate estimated at the balance sheet date.

(2) Financing facilities

	December 31, 2023	December 31, 2022
Bank loan limits (extendable by mutual consent)		
- Amount used	$ 188,584	$ 82,553
- Amount unused	82,820	132,840
	$ 271,404	$ 215,393
Other loan limits secured		
- Amount used	$ 10,000	$ -
- Amount unused	40,000	-
	$ 50,000	$ -

XXXVII. Related party transactions

Intercompany transactions, balances, profit and loss between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is the transactions between the consolidated company and other related parties:

Compensation of key management

The compensation to directors and other management in 2023 and 2022 were as follows:

	20223	2022
Short-term employee benefits	$ 12,269	$ 19,073
Post-employment benefits	238	258
Other long-term employee benefits	3	3
Share-based payments	1,245	-
	$ 13,755	$ 19,334

The compensation to directors and other management were determined by the Compensation Committee in accordance with the individual performance and the market trends.

XXXVIII.Pledged assets

The following assets of the consolidated company have been pledged as collateral to banks for loans and endorsement and guarantees and as collateral for customs clearance of imported raw materials:

	December 31, 2023	December 31, 2022
Financial assets at amortized cost - current	$ 55,164	$ -

XXXIX Significant contingent liabilities and unrecognized commitments

Significant commitment of the consolidated company at the balance sheet date, excluding these disclosed in other note, were as follow:

(1) Commitment not recognized by the consolidated company

	December 31, 2023	December 31, 2022
Commitment on purchasing property, plant and equipment	$ 2,423	$ 15,375

(3) Refer to Table 2 of Note 39 for the endorsements and guarantees provided by the consolidated company as of December 31, 2022.

XL. Significant subsequent events

On March 13, 2024, the consolidated company's Board of Directors resolved that the consolidated company would issue 10,000 thousand shares of common stock for capital increase for 2024 and issue the first domestic secured convertible bonds, with a maximum par value of NT$300,000 thousand, each convertible bond with a par value of NT$100 thousand, coupon rate of 0%, and an issuance period of 3 years.

XLI. Information on foreign currency financial assets and liabilities with significant impact

The following information was summarized according to the foreign currencies other than the functional currency of the consolidated company. The exchange rates disclosed were used to translate foreign currencies into functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,131	30.705 (USD:NTD)	$ 65,428
USD	2,466	7.096 (USD:CNY)	75,719
RMB	22,504	4.327 (CNY:NTD)	97,376
			$ 238,523
Financial Liabilities			
Monetary items			
USD	12	7.096 (USD:CNY)	$ 358

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 352	30.710 (USD:NTD)	$ 10,810
USD	206	6.967 (USD:CNY)	6,326
RMB	15,467	4.408 (CNY:NTD)	68,179
			$ 85,315
Financial Liabilities			
Monetary items			
USD	12	6.967 (USD:CNY)	$ 359

The consolidated company is primarily exposed to foreign currency rate risk in RMB and USD. The following information is presented in aggregate for the functional currencies of the individuals holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presentation currency. Gain or loss on foreign currency exchange with significant impact are as follows:

	2023		2022	
Functional currency	Functional currency Exchange Currency	Net exchange (loss) gain	Functional currency Exchange Currency	Net exchange (loss) gain
NTD	1 ((NTD:NTD)	($ 2,739)	1 (NTD:NTD)	$ 2,948
RMB	4.396 (CNY:NTD)	510	4.422 (CNY:NTD)	124
		($ 2,229)		$ 3,072

For the consolidated company's gain and loss of foreign currency exchange in 2023 and 2022, the realized amounts (after netting) were a loss of NT$1,382 thousand and a benefit of NT$1,557 thousand, and the unrealized amounts (after netting) were a loss of NT$847 thousand and benefit of NT$1,515 thousand, respectively.

XLII. Other disclosures

(1) Information of Significant Transactions:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held (refer to Tables 5 and 6 for the investment in subsidiaries and associates):. None.
4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
7. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3.
8. Information about the derivative financial instruments transaction: Note 7.
9. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Table 4.

(2) Information on investees: Table 5

(3) Information on investment in mainland China:

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
   (3) The amount of property transactions and the amount of the resultant gains or losses: None.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
   (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
   (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings: Table 7.

XLIII. Segment Information

(1) Department revenue and operating results

The information provided to the primary operating decision-maker for allocating resources and evaluating department performance focuses on the type of products or services delivered or provided by each. The consolidated company's reportable segments are as follows:

1. PVD Coating Products Department
2. Silicon Carbide Products Department

2023

	PVD Coating Products Department	Silicon Carbide Products Department	Total
Revenue from external customers	$ 382,502	$ 71	$ 382,573
Inter-departmental revenue	-	-	-
Department income	$ 382,502	$ 71	382,573
internal Write off			-
Consolidated revenue			$ 382,573
Department profit and loss	($ 20,397)	($ 36,178)	($ 56,575)
Interest income			10,184
Income from lease			5,507
Income from government grants			50,827
Exchange loss			(2,229)
Loss from disposal of Property, plant and equipment			(10,309)
Gain on Mandatory financial assets at fair value through profit or loss			11,067
Other gains and losses			8,381
Finance costs			(4,685)
Income from continuing operations before income tax			$ 12,168

2022

	PVD Coating Products Department	Silicon Carbide Products Department	Total
Revenue from external customers	$ 457,220	$ -	$ 457,220
Inter-departmental revenue	-	-	-
Department income	$ 457,220	$ -	457,220
internal Write off			-
Consolidated revenue			$ 457,220
Department profit and loss	($ 45,621)	($ 5,661)	($ 51,282)
Interest income			6,565
Income from lease			5,538
Income from government grants			5,115
Exchange gain			3,072

(Continued on next page)

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	PVD Coating Products Department	Silicon Carbide Products Department	Total
Gain from disposal of Property, plant and equipment			85,030
Gain on Mandatory financial assets at fair value through profit or loss			$ 17,036
Other gains and losses			(7,690)
Finance costs			(6,254)
Income from continuing operations before income tax			$ 57,130

The revenue reported above was generated from transactions with external customers. Inter-segment sales were fully eliminated for 2023.

Department revenue is the profit earned by each department, excluding allocable head office management costs and directors' compensation, profit or loss from affiliates using the equity method, profit or loss on disposal of affiliates, lease income, interest income, profit or loss on disposal of property, plant and equipment, profit or loss on disposal of investments, net profit (loss) from foreign currency translation, profit or loss on evaluation of financial instruments, finance costs, and income tax expense. This measurement is provided to the primary operating decision-maker for the purpose of allocating resources to the departments and evaluating their performance.

(2) Total assets and liabilities of the department

Assets of the department	December 31, 2023	December 31, 2022
PVD Coating Products Department	$ 1,386,727	$ 1,673,455
Silicon Carbide Products Department	174,564	105,786
Assets of the department total	$ 1,561,291	$ 1,779,241

For the purpose of monitoring performance of and allocating resources to the departments:

1. All assets other than affiliates using the equity method, other financial assets and current and deferred income tax assets are allocated to reportable departments. Goodwill has allocated to reportable departments. Assets used in common by the reportable departments are allocated on the basis of revenues earned by the respective reportable departments.

(3) Main product and revenue arising from rendering of services

The analysis for the main products and revenue arising from rendering of services from continuing operations of the consolidated company is as follows:

	2023	2022
PVD coating products	$ 382,125	$ 456,498
Silicon carbide products	71	-
Others	377	722
	$ 382,573	$ 457,220

(4) Geographic information

The consolidated company operates in two principal geographical areas - the Mainland China and Taiwan.

The consolidated company's revenue from continuing operations of external customers by location of operations and information about its non-current assets by location of assets is detailed below:

	Revenue from external customers		Non-current assets	
			December 31, 2023	December 31, 2022
	2023	2022		
Taiwan	$ 2,010	$ 1,791	$ 169,991	$ 65,748
Mainland China	380,563	455,429	161,398	265,267
	$ 382,573	$ 457,220	$ 331,389	$ 331,015

Non-current assets do not include assets classified as deferred tax assets and net defined benefit assets.

(5) Major customers information

Revenue from direct selling in 2023 and 2022 were NT$382,573 thousand and NT$457,220 thousand respectively, and NT$377,479 thousand and NT$446,019 thousand out of them were from the largest customer of the consolidated company respectively.

Single customers contributing 10% or more to the consolidated company's revenue were as follows:

2023			2022		
Customer code	Amount	Percentage of revenue %	Customer code	Amount	Percentage of revenue %
Customer A	$ 377,479	99	Customer A	$ 446,019	98

Paragon Technologies Co., Ltd. and Its Subsidiaries
FINANCING PROVIDED TO OTHERS
From January 1 to December 31, 2023

TABLE 1

(In Thousands of New Taiwan Dollars and Foreign Currency)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Balance at December 31	Actual Borrowing Amount	Actual Borrowing Amount	Nature of Financing	Nature of Financing	Reasons for Short-term Financing	Allowance for Bad Debts	Collateral		Financing limit for each borrower (Note 2)	Aggregate financing Limit (Note 2)	Note
													Name	Value			
0	Paragon Technology Investment Limited.	Jing Cheng Material Co., LTD.	Other receivables	Y	$ 100,000	$ -	$ -	3%	The need for short-term financing	$ -	Operating capital	None	None	$ -	$ 245,157	$ 490,314	
1	MACROSIGHTINTERNATIONALCO.LTD	Jing Cheng Material Co., LTD	Other receivables	Y	6,491 RMB 1,500	6,491 RMB 1,500	6,491 RMB 1,500	0%	〃	$ -	〃	〃	〃	-	210,816 RMB 48,721	421,632 RMB 97,442	
2	Paragon (Suzhou) Technology LTD	Zhejiang Paragon Technology Co.,LTD.	Other receivables	Y	337,820 RMB 76,000	328,852 RMB 76,000	328,852 RMB 76,000	2%	〃	$ -	〃	〃	〃	-	538,611 RMB 124,477	538,611 RMB 124,477	
3	Paragon (Jiangsu) Technology Co.,LTD	Zhejiang Paragon Technology Co., LTD.	Other receivables	Y	111,125 RMB 25,000	108,175 RMB 25,000	108,175 RMB 25,000	2%	〃	$ - -	〃	〃	〃	-	378,080 RMB 87,377	378,080 RMB 87,377	
3	Paragon (Kunshan) Technology Co., Ltd.	Zhejiang Paragon Technology Co.,LTD.	Other receivables	Y	111,125 RMB 25,000	42,405 RMB 9,800	42,405 RMB 9,800	2%	〃	$ - -	〃	〃	〃	-	172,847 RMB 39,946	172,847 RMB 39,946	

Note 1: Coding is as follows:
(1) The issuer is coded "0".
(2) The investee companies are coded consecutively beginning from “1”.

Note 2: The limit for financing provided by the investment company is as follows:
(1) The individual amount of each financing provided to companies with business dealings with the Company should not exceed the amount of business transactions between the parties, and the total amount of all financing should not exceed 20% of net worth. The term "dealings with" refers to the purchase or sale amount between the two parties within the past year, which is the higher.
(2) The individual amount of each guarantee should not exceed 20% of net equity as of its latest financial statements, and the total amount of all guarantees issued should not exceed 40% of net worth.
(3) The Company can provide financing to its wholly-owned foreign subsidiaries, directly or indirectly held with 100% voting rights, without being subject to (2). However, the individual amount of each financing should not exceed 100% of net worth, and the total amount of all financing should not exceed 100% of net worth.

Paragon Technologies Co., Ltd. and Its Subsidiaries
ENDORSEMENTS AND GUARANTEES FOR OTHERS
From January 1 to December 31, 2023

TABLE 2

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

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limits on endorsement/guarantee amount provided to each guaranteed party (Notes 1 and 3)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement/guarantee collateralized by properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum endorsement/ guarantee amount allowable (Note 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China	Note
		Name	Nature of relationship (Note 2)											
0	Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD.	(2)	$ 612,893	$ 132,943 USD 4,100	$ 125,891 USD 4,100	$ -	$ -	10.27%	$ 612,893	Y	N	N	
1	MACRO SIGHT INTERNATIONAL CO., LTD.	Jing Cheng Material Co., LTD.	(4)	210,816 RMB 48,721	55,269 RMB 12,773	55,269 RMB 12,773	10,000	55,269 USD 1,800	4.51%	210,816 RMB 48,721	N	N	N	

Note 1: Coding is as follows:
(1) The issuer is coded "0".
(2) The investee companies are coded consecutively beginning from “1”.

Note 2: There are 7 types of relationships between endorser and endorsee, the types can be indicated:
(1) The company with business dealings with the Company.
(2) The company directly or indirectly held by the Company by more than 50% voting shares.
(3) The company directly or indirectly held the Company by more than 50% voting shares.
(4) The company directly or indirectly held by the Company by more than 90% voting shares.
(5) The company provides mutual guarantees to each other based on the contract for the purpose of contracted engineering projects.
(6) The company in which all shareholders, based on their shareholding percentage, provide endorsements and guarantees due to the joint investment relationship.
(7) Joint and several guarantees provided by company engaged in pre-sale house contracts and selling in accordance with the Consumer Protection Act.

Note 3: The total amount of the endorsement/guarantee provided by the Company shall not exceed 50% percent of net worth. The cumulative amount of endorsement/guarantee for a single company shall not exceed 20% of net worth, and shall not exceed 50% of net worth for a single overseas associate. However, for endorsement/guarantee made due to business relationships, it shall not exceed the total amount of transactions between the Company and the other party in the most recent year (whichever is higher between the purchase or sales amount).

Paragon Technologies Co., Ltd. and Its Subsidiaries
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
December 31, 2023

TABLE 3

(In Thousands of New Taiwan Dollars and Foreign Currency)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Paragon (Suzhou) Technology LTD	Zhejiang Paragon Technology Co.,LTD.	Sub-subsidiary	Other receivables (Note 1) $ 328,852 RMB 76,000	-	$ -	—	$ -	$ -
Paragon (Jiangsu) Technology Co.,LTD	Zhejiang Paragon Technology Co.,LTD.	Sub-subsidiary	Other receivables (Note 1) 108,175 RMB 25,000	-	-	—	-	-

Note 1: Listed as other receivables due to the nature of financing funds.

Note 2: Paid-in capital refers to the paid-in capital of the parent company. If the issuer's shares have no par value or the par value is not NT$10 per share, the transaction amount requirement of 20% of the paid-in capital shall be calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

Paragon Technologies Co., Ltd. and Its Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS AND AMOUNT
From January 1 to December 31, 2023

TABLE 4 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note6)	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD	1	Other receivables (payables)	$ 67,743	Dividends receivable andNote 5	4.34
0	Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD	1	Other income	19,472	Note 5	5.09
1	Paragon (Suzhou) Technology LTD	Paragon (Jiangsu) Technology Co.,LTD	3	Other income	10,549	Note 4	2.76
1	Paragon (Suzhou) Technology LTD	Zhejiang Paragon Technology Co.,LTD.	3	Other receivables (payables)	328,852	2%	21.06
2	Paragon (Jiangsu) Technology Co.,LTD	Zhejiang Paragon Technology Co., LTD.	3	Other receivables (payables)	108,175	2%	6.93
3	Paragon (Kunshan)Technology Co., Ltd.	Zhejiang Paragon Technology Co., LTD..	3	Other receivables (payables)	42,405	2%	2.72

Note 1: Intercompany relationships shall be noted in column of No. as follows:
1. The parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from “1”.

Note 2: There are 3 types of relationships with counterparties, the types can be indicated:
1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: In calculating the percentage of intercompany transactions in consolidated net revenue or total assets, the liability is calculated by the percentage of balance at the end of period in consolidated assets, and the profit or loss is calculated by the percentage of cumulative amount in the middle of period in consolidated net revenue.

Note 4: The pricing of revenue from technical and after-sales services received between subsidiaries in Mainland China is based on the related expenses incurred in providing the services plus a certain percentage. The payment terms are within 60 days after receiving the invoice.

Note 5: The Company charges administrative and management service fees to its third-party subsidiaries based on the Company and the expenses related to managing subsidiaries, plus a certain percentage. The payment terms require payment within 150 days after the calculation.

Note 6: The above transactions have been eliminated in the consolidated financial statements.

Paragon Technologies Co., Ltd. and Its Subsidiaries
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
From January 1 to December 31, 2023

TABLE 5

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount			
Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD.	F.T. LABUAN, MALAYSIA	Investment activities	$ 481,565 USD 14,134	$ 481,565 USD 14,134	13,992,000	100	$ 1,044,887	$ 36,341	$ 32,886	Subsidiary
	Cubee auto parts inc.	Taiwan	Wholesale and retail of automobile parts and equipment	5,000	5,000	500,000	50	-	(376)	-	Associate
	Jing Cheng Material Co., LTD.	Taiwan	Supply of silicon carbide technology and materials	336,100	77,900	18,000,000	100	145,491	(41,351)	(37,918)	Subsidiary
	LEADING PROFIT HOLDING LIMITED	SEYCHELLES	Investment activities	-	51,021 USD 1,683	-	-	-	3,933	2,006	Subsidiary
MACRO SIGHT INTERNATIONAL CO., LTD.	MACRO SIGHT TECHNOLOGY LIMITED	BRITISH VIRGIN ISLANDS	Makes investments and import/export	280,616 USD 8,347	280,616 USD 8,347	8,346,851	100	842,130 RMB 194,622	12,294 RMB 2,797	12,294 RMB 2,797	Sub-subsidiary
	CLEAR SMART INVESTMENTS LIMITED	APIA, SAMOA	Makes investments and import/export	96,756 USD 3,000	96,756 USD 3,000	3,000,000	100	167,721 RMB 38,762	910 RMB 207	2,528 RMB 575	Sub-subsidiary
	Paragon Technology Investment Limited.	Hong Kong	Investment activities	777,341 USD 25,000	777,341 USD 25,000	25,000,000	100	(355,412) (RMB 82,138)	(15,320) (RMB 3,485)	(14,511) (RMB 3,301)	Sub-subsidiary
	Precise International Investment Linited.	Hong Kong	Investment activities	114,159 USD 3,502	114,159 USD 3,502	3,502,000	100	286,446 RMB 66,200	44,448 RMB 10,111	44,448 RMB 10,111	Sub-subsidiary
MACRO SIGHT TECHNOLOGY LIMITED	Essence International Investment Limited.	Hong Kong	Investment activities	492,640 USD 15,100	492,640 USD 15,100	15,100,000	100	840,755 RMB 194,304	12,286 RMB 2,795	12,286 RMB 2,795	Sub-subsidiary
CLEAR SMART INVESTMENTS LIMITED	Paragon (Kunshan) Technology Co., Ltd.	Kunshan City, Jiangsu Province, Mainland China	EMI processing	96,756 USD 3,000	96,756 USD 3,000	-	100	172,847 RMB 39,946	919 RMB 209	919 RMB 209	Sub-subsidiary
Paragon Technology Investment Limited.	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	777,341 USD 25,000	777,341 USD 25,000	-	71.43	(355,949) (RMB 82,262)	(21,323) (RMB 4,851)	(15,231) (RMB 3,465)	Sub-subsidiary
Essence International Investment Limited.	Paragon (Suzhou) Technology LTD	Suzhou New District, Jiangsu Province, Mainland China	EMI processing	240,742 USD 7,100	240,742 USD 7,100	-	100	538,611 RMB 124,477	(1,039) (RMB 236)	(1,039) (RMB 236)	Sub-subsidiary
	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	251,904 USD 8,000	251,904 USD 8,000	-	80	302,464 RMB 69,902	16,808 RMB 3,823	13,446 RMB 3,058	Sub-subsidiary
Precise International Investment Linited.	Paragon (Neijiang) Technology Co.,LTD	Neijiang City, Sichuan Province, Mainland China	EMI processing	91,440 USD 3,000	91,440 USD 3,000	-	100	283,727 RMB 65,571	44,526 RMB 10,129	44,526 RMB 10,129	Sub-subsidiary
Paragon (Suzhou) Technology LTD	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	62,976 USD 2,000	62,976 USD 2,000	-	20	75,616 RMB 17,475	16,808 RMB 3,823	3,362 RMB 765	Sub-subsidiary
	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	294,550 USD 10,000	294,550 USD 10,000	-	28.57	(142,370) (RMB 32,903)	(21,323) (RMB 4,851)	(6,092) (RMB 1,386)	Sub-subsidiary

Paragon Technologies Co., Ltd. and Its Subsidiaries
Information on investment in mainland china
From January 1 to December 31, 2023

TABLE 6

(In Thousands of New Taiwan Dollars and Foreign Currency)

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, and repatriations of investment income:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023 (Note4)	Note
					Outward	Inward							
Paragon (Suzhou) Technology LTD	EMI processing	$ 240,742 USD 7,100	(2)	$ 205,914 USD 6,000	$ -	$ -	$ 205,914 USD 6,000	(1,039) (RMB 236)	100%	(1,039) (RMB 236)	$ 538,611 RMB 124,477	$ 78,139 RMB 18,000	
Paragon (Kunshan) Technology Co., Ltd.	〃	96,756 USD 3,000	(2)	32,860 USD 1,000	-	-	32,860 USD 1,000	919 RMB 209	100%	919 RMB 209	172,847 RMB 39,946	421,948 USD 11,675 及 RMB 18,000	
Paragon (Jiangsu) Technology Co.,LTD	〃	314,880 USD 10,000	(2)	-	-	-	-	16,808 RMB 3,823	100%	16,808 RMB 3,823	378,080 RMB 87,377	273,431 RMB 62,460	
Paragon (Neijiang) Technology Co.,LTD	〃	91,440 USD 3,000	(2)	-	-	-	-	44,526 RMB 10,129	100%	44,526 RMB 10,129	283,727 RMB 65,571	77,716 RMB 17,664	
Zhejiang Paragon Technology Co.,LTD.	Sputter coated automotive parts	1,071,891 USD 35,000	(2)	173,825 USD 5,000	-	-	173,825 USD 5,000	(21,323) (RMB 4,851)	100%	(21,323) (RMB 4,851)	(498,319) (RMB 115,165)	-	

Note 1: There are 3 types of investment methods, the types can be indicated:
(1) Direct investment in the mainland China area.
(2) Investment in the mainland China area through third party.
(3) Others.

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

2. Limit on the amount of investment in the mainland China area:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 512,771 (Note 3)	$2,006,072 (Notes3 and 5) (HKD 12,173 and USD 61,602)	$ 735,471

Note 3: Including the accumulated investment of NT$100,172 thousand after the liquidation of Baikai Technologies (Shenzhen) Co., Ltd. in March 2007 and ACME (Shanghai) Technology Limited. in July 2020.
Note 4: As of September 2023, ACME (Shanghai) Technology Limited. has remitted the investment income of NT$254,140 thousand.
Note 5: Including the investment of NT$97,799 thousand originally invested by the third party after the liquidation of Paragon (Chongqing) Technology Co.,LTD.. in June 2022.

Paragon Technologies Co., Ltd.
INFORMATION ON MAJOR SHAREHOLDERS
December 31, 2023

TABLE 7

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
None		

Note 1: The information on major shareholders in this table is based on the last business day at the end of the quarter, including the data of the shareholders holding more than 5% of the company’s ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the consolidated financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.

Independent Auditors' Report

Paragon Technologies Co., Ltd.

Opinion

We have audited the accompanying financial statements of Paragon Technologies Co., Ltd. (the "Company"), which comprise the individual balance sheets as of December 31, 2023 and 2022, and the individual statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the accompanying individual financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter for the individual financial statements of the Company for the year ended December 31, 2023 is stated as follows:

<u>Key audit matters of financial statements of the subsidiaries, accounted for using equity method</u>

Explanation of Key Audit Matters

As of December 31, 2023, the amount of investment in subsidiaries, accounted for using equity method, was $1,190,378 thousand which is 82% of the total assets. Since the amount is significant relative to the overall financial statements, if the investee's financial statements do not properly reflect the results of operations or do not correctly calculate the investment profit or loss for the year, the investment profit or loss and the amount of investment, accounted for using equity method, will be incorrect.

Therefore, the key audit matters of financial statements of the subsidiaries, accounted for using equity method, are the key audit matters for individual financial statements of the Company. Refer to Notes 4 (7) and 9 for the individual financial statements.

The subsidiaries of the Company are mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. Based on the importance and Bulletin of Standards on Auditing, the sales recognition is the significant risk. Therefore, we believe the occurrence of sales revenue of the subsidiaries for some specific clients has a significant impact on the individual financial statements. Thus, the shipping authenticity for revenues of some specific clients is listed as the key audit matters this year. Refer to Note 4 (15) and 25 in the Company's 2023 consolidated financial statements for the explanation of sales recognition policies.

We have obtained and understood the Company's control over the operations and financial results of its subsidiaries, and performed the following main audit procedures for the key audit matters in planning the financial statements audit of important subsidiaries:

1. Understand and test the design and implementation of internal controls related to the sales recognition of some specific clients.
2. Sample the revenue details from the above specific clients, review the supporting documentation and test the receipts to confirm that sales transactions have actually occurred.
3. Examine whether significant sales returns and allowances have occurred after the balance sheet date to confirm whether revenues from some specific clients are materially misstated.

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

Management is responsible for the preparation and fair presentation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, matters related to 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the Company for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*These consolidated financial statements are translated from the traditional Chinese version and are unaudited by a CPA.

Deloitte & Toche

Accountant Roy Weng	Accountant Ruske Ho
Approval No. of Financial Supervision Commission	Approval No. Approval No. of Securities and Futures Commission
No. Financial-Supervisory-Securities-Auditing-1010028123	No. Taiwan-Finance-Securities-VI-0930128050

March 22, 2024

Paragon Technologies Co., Ltd.

Individual Balance Sheets

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Codes	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4, 6 and 27)	$ 113,305	8	$ 79,716	5
1170	Accounts receivable (Notes 4, 7, 20 and 27)	277	-	536	-
1210	Other receivables - related parties (Notes 4, 7, 27 and 28)	68,791	5	36,030	2
1200	Other receivables (Notes 4, 7 and 27)	115	-	21	-
1220	Current tax assets (Notes 4 and 22)	1,405	-	129	-
1410	Prepayments (Note 13)	8,658	-	6,471	1
1470	Other current assets (Note 13)	166	-	149	-
11XX	Total current assets	192,717	13	123,052	8
	Non-current assets				
1550	Investments accounted for using equity method (Notes 4, 9 ,24and 28)	1,190,378	82	1,319,312	85
1600	Property, plant and equipment (Notes 4, 10, 21 and 28)	9,112	1	23,112	2
1755	Right-of-use assets (Notes 4 and 11)	14,116	1	25,715	2
1780	Intangible assets (Notes 4 and 12)	353	-	418	-
1840	Deferred tax assets (Notes 4 and 22)	41,614	3	51,279	3
1920	Refundable deposits (Notes 13 and 27)	3,826	-	4,002	-
1990	Other non-current assets (Notes 4, 13 and 18)	5,635	-	5,007	-
15XX	Total non-current assets	1,265,034	87	1,428,845	92
1XXX	Total	$ 1,457,751	100	$ 1,551,897	100

Codes	Liabilities and equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current liabilities				
2100	Short-term loans (Notes 14, 25 and 27)	$ 180,000	13	$ 70,000	5
2170	Accounts payable (Notes 15 and 27)	276	-	276	-
2219	Other Payables (Notes 16 and 27)	22,700	2	30,502	2
2230	Current tax liabilities (Notes 4 and 22)	5,052	-	-	-
2280	Current lease liabilities (Notes 4, 11, 25 and 27)	4,865	-	6,075	-
2320	Current portion of long-term loans payable (Notes 14, 25 and 27)	4,066	-	3,978	-
2399	Other current liabilities (Note 16)	321	-	412	-
21XX	Total current liabilities	217,280	15	111,243	7
	Non-current liabilities				
2540	Long-term loans (Notes 14, 25 and 27)	4,518	-	8,575	1
2550	Non-current provisions (Notes 4 and 17)	728	-	764	-
2570	Deferred tax liabilities (Notes 4 and 22)	-	-	188-	-
2580	Non-current lease liabilities (Notes 4, 11 and 27)	9,440	1	19,725	1
25XX	Total non-current liabilities	14,686	1	29,252	2
2XXX	Total liabilities	231,966	16	140,495	9
	Equities (Notes 4, 9, 18, 19, 22 and 24)				
	Capital stock				
3110	Common stock	840,422	58	807,422	52
3200	Capital reserve	697,863	48	673,820	43
	Retained earnings				
3310	Legal reserve	6,913	1	4,129	-
3320	Special reserve	62,223	4	37,169	3
3350	Unappropriated earnings (accumulated deficit)	(201,431)	(14)	27,838	2
3300	Total retained earnings	(132,295)	(9)	69,136	5
3400	Other interests	(180,205)	(13)	(138,976)	(9)
3XXX	Total equity	1,225,785	84	1,411,402	91
	Total liabilities and equity	$1,457,751	100	$ 1,551,897	100

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

Chairman: Chen Tsai Pu   Manager: Yu Hsiu-Ping   Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.

Individual Statements of Comprehensive Income

From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars
, Except earnings (Loss) per share)

		2023		2022	
Codes		Amount	%	Amount	%
4000	Operating Revenue (Notes 4 and 20)	$ 1939	100	$ 1,791	100
5000	Operating costs (Notes 4, 8 and 21)	(8,834)	(456)	(8,679)	(484)
5900	Operating loss	(6,895)	(356)	(6,888)	(384)
5920	Realized profits of subsidiaries, associates and joint ventures (Notes 4 and 28)	69,122	3,565	21,510	1,201
5950	Realized operating margin	62,227	3,209	14,622	817
	Operating expenses (Notes 18, 21 and 28)				
6100	Sales and marketing expenses	-	-	-	-
6200	General and administrative expenses	(44,770)	(2,309)	(43,370)	(2,422)
6300	Research and development expenses	(26,139)	(1,348)	(31,810)	(1,776)
6000	Total operating expenses	(70,909)	(3,657)	(75,180)	(4,198)
6900	Net operating loss	(8,682)	(488)	(60,558)	(3,381)
	Non-operating income and expenses (Notes 9, 21 and 28)				
7100	Interest income	2,160	111	591	33
7010	Other income	19,489	1,005	30,283	1,691
7020	Other gains and losses	(8,384)	(432)	4,003	223
7050	Finance costs	(3,535)	(182)	(2,406)	(134)
7070	Share of profits and losses of subsidiaries, associates and joint ventures, accounted for using equity method	(3,026)	(156)	70,165	3,918
7000	Total non-operating income and expenses	6,704	346	102,636	5,731

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Codes		2023 Amount	2023 %	2022 Amount	2022 %
7900	Income (loss) from continuing operations before income tax	($ 1,978)	($ 102)	$ 42,078	2,350
7950	Total income tax expense (Notes 4 and 22)	(46,431)	(2,394)	(17,026)	(951)
8200	Net income (loss) for the period	($ 48,409)	(2,496)	25,052	1,399
	Other comprehensive income (Notes 4, 18, 19 and 22)				
	Not reclassified to profit or loss:				
8311	Measure on defined benefit plans	0	32	2,233	124
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Applicable for IFRS9)	-	-	1,000	56-
8349	Income tax expense related to items that will not be reclassified subsequently	(123)	(7)	(447)	(25)
8310		491	25	2,786	155
	Items that may be reclassified subsequently to profit or loss				
8380	Share of other comprehensive profits and losses of subsidiaries, associates and joint ventures, accounted for using equity method	(21,691)	(1,119)	22,115	1,235
8399	Income tax related to items that may be reclassified subsequently	4,338	224	(4,423)	(247)
8360		(17,353)	(895)	17,692	988
8300	Other comprehensive income for the period (net of income tax)	(16,862)	(870)	20,478	1,143
8500	Total comprehensive income	($ 65,271)	(3,366)	$ 45,530	2,542
	Earnings (loss) per share (Note 23) from continuing operations				
9710	Basic	($ 0.59)		$ 0.31	
9810	Diluted	($ 0.59)		$ 0.31	

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

Chairman: Chen Tsai Pu　　Manager: Yu Hsiu-Ping　　Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.

Individual Statements of Changes in Equity

From January 1 to December 31, 2023 and 2022

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

		Capital Stock			Retained earnings			Others				
Codes		Shares (in thousands)	Capital Stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Foreign currency translation reserve	Unearned Stock-Based Employee Compensation	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	Treasury stock	Total equity
A1	Balance, January 1, 2022	80,752	$ 807,522	$ 759,327	$ -	$ -	$ 41,298	($ 156,668)	$ -	$ -	($ 34,651)	$ 1,416,828
	Appropriations of 2021 year's earnings											
B1	Legal reserve	-	-	-	4,129	-	(4,129)	-	-	-	-	-
B3	Special reserve	-	-	-	-	37,169	(37,169)	-	-	-	-	-
C15	Capital reserve for cash dividends	-	-	(79,142)	-	-	-	-	-	-	-	(79,142)
E1	Capital increase	1,600	16,000	12,000	-	-	-	-	-	-	-	28,000
D1	Total profit of 2022	-	-	-	-	-	25,052	-	-	-	-	25,052
D3	Other comprehensive income of 2022	-	-	-	-	-	1,786	17,692	-	1,000	-	20,478
D5	Total comprehensive income of 2022	-	-	-	-	-	26,838	17,692	-	1,000	-	45,530
L3	Treasury stocks nullifying	(1,610)	(16,100)	(18,551)	-	-	-	-	-	-	34,651	-
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	1,000	-	-	(1,000)	-	-
M7	Changes in ownership interests in subsidiaries	-	-	186	-	-	-	-	-	-	-	186
Z1	Balance, December 31, 2022	80,742	807,422	673,820	4,129	37,169	27,838	(138,976)	-	-	-	1,411,402
	Appropriations of 2022 year's earnings											
B1	Legal reserve	-	-	-	2,784	-	(2,784)	-	-	-	-	-
B3	Special reserve	-	-	-	-	25,054	(25,054)	-	-	-	-	-
N1	Issuance of new shares with restrictions on employee rights	1,000	10,000	30,100	-	-	-	-	(30,100)	-	-	10,000
N1	Share-based payment arrangements	-	-	-	-	-	-	-	6,224	-	-	6,224
C15	Capital reserve for cash dividends	-	-	(40,371)	-	-	-	-	-	-	-	(40,371)
E1	Capital increase	2,300	23,000	34,500	-	-	-	-	-	-	-	57,500
D1	Total profit of 2023	-	-	-	-	-	(48,409)	-	-	-	-	(48,409)
D3	Other comprehensive income of 2022	-	-	-	-	-	491	(17,353)	-	-	-	(16,862)
D5	Total comprehensive income of 2022	-	-	-	-	-	(47,918)	(17,353)	-	-	-	(65,271)
M5	The difference between the equity price and book value of a subsidiary company acquired or disposed	-	-	(186)	-	-	(153,513)	-	-	-	-	(153,699)
Z1	Balance, December 31, 2023	84,042	$ 840,422	$ 697,863	$ 6,913	$ 62,223	($ 201,431)	($ 156,329)	($ 23,876)	$ -	$ -	$ 1,225,785

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

Chairman: Chen Tsai Pu Manager: Yu Hsiu-Ping Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.

Individual Statements of Cash Flows

From January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Codes		2023	2022
	Cash flows from operating activities		
A10000	Income before tax	($ 1,978)	$ 42,078
A20010	Provided by (used in) operating activities		
A20100	Depreciation expense	11,163	15,697
A20200	Amortization expense	598	808
A20900	Finance costs	3,535	2,406
A21900	Share-based compensation	2,489	-
A22400	Share of profits of subsidiaries, associates and joint ventures, accounted for using equity method	3,026	(70,165)
A22500	Gain on disposal or retirement of property, plant and equipment	6,692	(1,082)
A21200	Interest income from bank deposits	(2,160)	(591)
A23100	Disposal of investment interests	(1,260)	-
A24000	Realized sales benefits of subsidiaries, associates and joint ventures	(69,122)	(21,510)
A29900	Lease Modification Benefit	(192)	-
A30000	Changes in operating assets and liabilities		
A31150	Trade receivables	259	117
A31190	Other receivables - related parties	(19,472)	26,064
A31230	Prepayments	(2,187)	188
A31240	Other current assets	(17)	10
A32180	Other Payables	(7,915)	(5,020)
A32200	Provision for liability	(36)	(83)
A32230	Other current liabilities	(91)	72
A32240	Non-current liability – Net defined benefit liability	(14)	(260)
A33000	Cash outflow generated from operations	(76,682)	(11,271)
A33100	Interest received	1,018	592
A33300	Interest paid	(2,954)	(2,197)
A33500	Income tax paid	(28,963)	(10,618)
AAAA	Net cash flows from operating activities	(107,581)	(23,494)

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Codes		2023	2022
	Cash flows from investing activities		
B00100	Purchase of financial assets at fair value through profit or loss	$-	($ 5,000)
B02200	Net cash outflow for obtaining subsidiaries	-	(122,922)
B02300	Net cash inflow for obtaining subsidiaries	54,589	-
B07600	Dividends received from subsidiaries, associates and joint ventures	216,005	222,762
B02700	Acquisitions of property, plant and equipment	(266)	(1,345)
B02800	Disposal of property, plant and equipment	2,441	1,082
B03800	Refundable deposits refunded	176	1,120
B04500	Acquisition of intangible assets	(533)	(626)
BBBB	Net cash inflows from investing activities	272,412	95,071
	Cash flows from financing activities		
C00100	Increase in short-term loans	110,000	-
C00200	Decrease in short-term loans	-	(10,000)
C01700	Repayments of long-term loans	(3,969)	(3,906)
C04020	Payments of lease liabilities	(6,202)	(7,274)
C04500	Cash dividends	(40,371)	(79,142)
C04600	Capital increase	57,500	28,000
C04800	Issuance of new shares with restrictions on employee rights	10,000	-
C05400	Obtain equity in subsidiary	(258,200)	-
CCCC	Net cash outflows from financing activities	(131,242)	(72,322)
EEEE	Increase (decrease) in cash and cash equivalents	33,589	(745)
E00100	Cash and cash equivalents at beginning of period	79,716	80,461
E00200	Cash and cash equivalents, end of period	$ 113,305	$ 79,716

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

Chairman: Chen Tsai Pu Manager: Yu Hsiu-Ping Accounting Supervisor: Liu Ming Yi

Paragon Technologies Co., Ltd.
Notes to the Individual financial statements
From January 1 to December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars, Unless Specified otherwise)

I. Company history

Paragon Technologies Co., Ltd. (hereinafter referred to as the Company) is established in October 1995 in accordance with the Company Act and relevant regulations and is mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. After the decision of the Board of Directors, the Company merged with its 100%-owned subsidiary, Global Technology Limited, in October 2005 with October 27, 2005, as the base date for the merger. The Company is the surviving company and Global Technology Limited was dissolved as a result of the merger.

In July 2006, the Company was approved to trade its stocks in in emerging stock market by the Taipei Exchange (TPEx) in Taiwan. In November 2007, the Company’s stocks ceased to be traded on the TPEx; instead, its stocks began to be traded on the Taiwan Stock Exchange.

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

II. Approval date and procedures of the individual financial statements

The individual financial statements were authorized by the Board of Directors on March 13, 2024.

III. New standards, amendments and interpretations adopted

(1) Initial application of the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by Financial Supervisory Commission (hereinafter referred to as the “FSC”).

Except for the following, whenever applied, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the consolidated company’s accounting policies.

1. Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the consolidated company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

In addition:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The consolidated company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

(1) The consolidated company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(2) The consolidated company chose the accounting policy from options permitted by the standards;

(3) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

(4) The accounting policy relates to an area for which the consolidated company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or

(5) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for the disclosure of relevant accounting policies.

2. Amendments to IAS 8 "Definition of Accounting Estimates"

The company applied these amendments from January 1, 2023. The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

3. Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The consolidated company recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022. The consolidated company is deferred the application for transactions other than leases and decommissioning obligations that occur after January 1, 2022.

(2) The IFRSs endorsed by the FSC with effective date starting 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: The part of disclosure requirements will be exempted upon the initial application of amendments.

1. Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

The amendments clarify that the liability that arises from a sale and leaseback transaction – that satisfies the requirements in IFRS 15 to be accounted for as a sale - is a lease liability to which IFRS 16 applies. However, if the lease in a leaseback that includes variable lease payments that do not depend on an index or rate, the seller-lessee shall measure lease liabilities arising from a leaseback in such a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The seller-lessee subsequently recognizes in profit or loss the difference between the payments made for the lease and the lease payments that reduce the carrying amount of the lease liability.

2. Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent” (amended in 2020) and “Non-current Liabilities with Covenants” (amended in 2022)

The 2020 amendments clarify that for a liability to be classified as non-current, the consolidated company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights exist at the end of the reporting period, the liability is classified as non-current regardless of whether the consolidated company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the company shall disclose information that enables users of financial statements to understand the risk of the company, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the consolidated company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that, at the option of the counterparty, result in its settlement by a transfer of the consolidated company's own equity instruments, and if such an option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the Individual financial statements were authorized for issue, the assessment by the company showed that the critical impact of the application of other standards and interpretations will not have on thecompany's financial position and financial performance.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

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

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

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

1. Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3 "Business Combination") to an associate (or joint venture), the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence (or joint control), the gain or loss resulting from the transaction is recognized in full.

Conversely, when the consolidated company sells or contributes assets that do not constitute a business (as defined in IFRS 3) to an associate (or joint venture), the gain or loss resulting from the transaction is recognized only to the extent of the consolidated company's interest as an unrelated investor in the associate or joint venture, i.e., the consolidated company’s share of the gain or loss is eliminated. Also, when the consolidated company loses control of a subsidiary that does not contain a business (as defined in IFRS 3) but retains significant influence (or joint control) over an associate (or a joint venture), the gain or loss resulting from the transaction is recognized only to the extent of the v’s interest as an unrelated investor in the associate (or joint venture), i.e., the consolidated company’s share of the gain or loss is eliminated.

2. Amendments to IAS 21 “Lack of Exchangeability”

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the company shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

Except for the above impact, as of the date the accompanying individual financial statements were authorized for issue, the company continues in evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the company completes its evaluation.

IV. Summary of significant accounting policies

(1) Statement of Compliance

The individual financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

The individual financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and for net defined benefit liabilities that are recognized after defined benefit obligation minus fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs:

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

When preparing the individual financial statements, the Company account for subsidiaries, associates and joint ventures by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the Company in the consolidated financial statements, the differences of the accounting treatment between the individual and consolidated basis are adjusted under the "Investments accounted for using equity method", "Share of profits of subsidiaries, associates and joint ventures, accounted for using equity method" and "Share of other comprehensive income of subsidiaries, associates and joint ventures, accounted for using equity method" in the individual financial statements.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets due to be settled within 12 months after the reporting period; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the individual financial statements); and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, the terms of a liability that could, at the option of the counterparty, result in its settlement by issue of equity instruments do not affect its classification.

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

(4) Business Combinations

Business combinations are handled by the acquisition method. Acquisition-related costs are recognized as expenses in the period where the costs are incurred and the services are rendered.

Goodwill is measured as the excess of the total fair value of the consideration transferred and the fair value of any previously held equity interest in the acquiree at the acquisition date, over the net identifiable assets acquired and liabilities assumed at that date.

When the consideration transferred by the company in business combination includes the assets or liabilities generated due to or from consideration, the contingent consideration is measured at fair value on the acquisition date and forms part of the transfer consideration paid for transferring the acquiree. The changes in the fair value of contingent consideration that are the adjustment in the measurement period shall retroactively adjust the acquisition cost and correspondingly adjust the goodwill. The adjustment in the measurement period is the adjustment resulting from obtaining additional information on facts and circumstances existing at the acquisition date in the "measurement period" (not exceeding 1 year from the acquisition date).

The changes in the fair value of contingent consideration that are not the adjustment in the measurement period shall be handled subsequently depending on the classification of contingent consideration. Other contingent considerations are measured at fair value at the subsequent balance sheet date and the changes in fair value are recognized in profit or loss.

If the initial accounting for a business combination is incomplete at the balance sheet date on which the combination occurs, the reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(5) Foreign Currencies

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

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for:

1. Foreign currency loans related to assets under construction for future production while their exchange difference is included in the cost of such assets if it adjusted the interest cost of such loans;
2. Exchange differences arising from transactions to hedge part of the foreign currency risk; and
3. Monetary items receivable from or payable to foreign operations. When the settlement is neither planned nor likely to occur in the foreseeable future (and therefore forms part of the net investment in the foreign operations), the exchange differences are recognized as other comprehensive income and are reclassified to profit or loss upon disposal of the net investment.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purpose of presenting individual financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branch offices that are prepared using functional currencies which are different from the currency of the Company) are transferred into the the New Taiwan dollar on each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire equities in a foreign operation, a disposal of the Company's partial equities involving the loss of control over a subsidiary of foreign operation, or a disposal of joint arrangements of foreign operation or the reserved equities of associates which is financial assets and handled base on the accounting policies of financial instruments), all of the accumulated exchange differences in respect of that foreign operation are reclassified into profit or loss.

When partial disposal of subsidiary of foreign operation does not result in loss of control, accumulated exchange differences is included in equities transactions on a pro-rata basis, but not recognized in profit or loss. The accumulated exchange differences resulting from other disposal of foreign operation are reclassified into profit or loss on a pro-rata basis.

(6) Inventories

Inventories consist of raw materials, work in process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(7) Investments in subsidiaries

The Company adopts the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company (including a structured entity).

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of its subsidiaries. In addition, changes in the Company’s other equity of its subsidiaries are recognized based on its ownership percentage.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of an investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company’s share of losses of a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term equity that, in substance, forms part of the Company’s net investment in the said subsidiary), the Company continues recognizing its share of further losses.

The excess of the cost of acquisition over the Company's shares of the net fair value of the subsidiary's identifiable assets and liabilities at the date of acquisition is recorded as goodwill, which is included in the carrying amount of the investment and shall not be amortized. The excess of the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities over the cost of acquisition at the date of acquisition is recognized as current income.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the individual financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control over a subsidiary, it measures its remaining investment in said subsidiary based on the fair value on the day when control is lost. The fair value of the remaining investment and the difference between any disposal price and the carrying amount of the investment on the day when control is lost are recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Company’ s direct disposal of the relevant assets or liabilities.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the standalone financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the individual financial statements only to the extent that it does not affect the Company’s interests in the subsidiaries.

(8) Investments in Associates and Joint Ventures

An associate is an entity on which the Company has significant influence and is not a subsidiary or joint venture.

The Company adopts the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture.

The excess of the cost of acquisition over the Company's shares of the net fair value of the joint ventures' identifiable assets and liabilities at the date of acquisition is recorded as goodwill, which is included in the carrying amount of the investment and shall not be amortized. The excess of the Company's share of the net fair value of the joint ventures' identifiable assets and liabilities over the cost of acquisition at the date of acquisition is recognized as current income.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the proportionate equity in the associate. The records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital reserve - changes in capital reserve from investments in associates and joint ventures accounted for using the equity method. If the ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital reserve, but the capital reserve recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate and joint venture.The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized only to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained interest is measured at fair value, and the difference between the fair value and the carrying amount of the associate attributable to the retained interest is recognized in profit or loss of the period. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. When the investment on associates becomes the investment on joint ventures or vise versa, the Company adopts the equity method continuously and does not measure the reserved equities.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate is recognized in this financial statements only to the extent of interests in the associate of parties that are not related to the Company.

(9) Property, Plant and Equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment loss.

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. When the lease term is shorter than the useful lives, it shall be depreciated within the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any change in the estimates accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(10) Intangible Assets

1. Separately acquired

   Separately acquired intangible assets with finite useful lives are first carried at cost, and at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of intangible assets. The estimated useful life, salvage value and amortization method are reviewed at the end of each year, with the effect of changes in accounting estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2. Derecognition

   When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(11) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (Except Goodwill)

The Company estimates its property, plant and equipment, right-of-use assets and intangible assets (except goodwill) to determine whether there is any indication that those assets have suffered an impairment loss on each balance sheet date. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For intangible assets with indefinite useful life and not yet available for use, impairment tests are conducted every year and when there are indications of impairment.

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.When an impairment loss subsequently reverses, the carrying amount of the asset, cash-generating unit or assets related to contract cost is increased to the revised recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract cost in prior years (less amortization or depreciation). A reversal of an impairment loss is recognized in profit or loss.

(12) Financial Instruments

Financial assets and financial liabilities shall be recognized in the individual balance sheet when the Company becomes a party to the contractual provisions of the instruments.

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

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement categories

Financial assets held by the Company are measured at fair value through profit or loss, and measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified and designated. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivatives and beneficiary securities that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends or interest earned on such a financial asset are recognized in other and interest income respectively. Refer to Note 27 for determination of fair value.

B. Financial assets at amortized cost

When the Company's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, trade receivables at amortized cost) are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of a financial asset, except:

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets at amortized cost (including accounts receivable), and investments in debt instruments, lease receivables and contract assets at fair value through other comprehensive income, based on the expected credit loss on each balance sheet date.

Accounts receivable, lease receivables and contract assets are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

The impairment loss of all financial assets is reduced in their carrying amounts through a loss allowance account while the allowance loss of investments in debt instruments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce their carrying amounts.

(3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amount is weighted average by stock category. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent measurement

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

(2) Derecognizing of financial liabilities

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

(13) Provision for liability

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision for liability is measured by the discount value of the estimated cash flow required to settle the obligation.

Warranty

The warranty to ensure that the products meet the agreed specifications is based on management's best estimate of the expenditure required to settle the obligations and is recognized when relevant products are recognized as income.

(14) Revenue recognition

After the Company identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

If the Company signs contracts with the same customer (or a related party of the customer) at almost the same time, the Company treats them as a single contract because the goods or services promised in these contracts are a single performance obligation.

If the interval between the transfer of goods or services and the receipt of consideration is less than 1 year, the transaction price is not adjusted for significant financial components of the contract.

1. Revenue from sale of goods

   Revenue from the sale of goods comes from sales of electronic components and automotive parts. When the electronic components and automotive parts are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and account receivable are recognized concurrently.

   Because the ownership of processed products is still under the Company in the materials removal process, the removal of the materials is not recognized in profit or loss.

2. Revenue arising from rendering of services

   The Company provides vacuum coating service for electronic components supplied by customers, and the revenue arising from rendering of service is recognized in profit or loss gradually as the time pass. The Company measures the progress based on the produced or delivered quantity.

(15) Leasing

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

1. The Company as lessor

   Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

   Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the lease terms. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2. The Company as lessee

   The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of each lease, except for low-value asset leases and short-term leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

   A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the individual balance sheets.

   A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

   Lease liabilities are initially measured at the present value of lease payments (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee’s incremental borrowing rate applies.

   Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term, the expected payments under the salvage value guarantee, the evaluation of the purchase option on the subject asset, or the index or rate used to determine the lease payment lead to changes in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(16) Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

The investment income, which is earned from the specific loans temporarily invested before the capital expenditure that meets the requirements, shall be deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(17) Government grants

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

Government grants related to income are recognized in the other income on a systematic basis during the periods in which the Company recognizes the relevant costs, for which the grants are intended to compensate, as expenses. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and recognized in profit or loss over the useful lives of the related assets on a reasonable and systemic basis.

Government grants that are receivables as compensation for expenses or loss already incurred, or given to the Company for the purpose of immediate financial support without relevant future costs, are recognized in profit or loss in the period in which they become receivables.

If government grants are transferred to the Company in the non-monetary assets form, the grants are recognized and measured at fair value of the non-monetary assets.

The difference between the loan lower than the market rate received by the Company and the fair value of the loan based on the prevailing market interest rate is recognized as government grants.

(18) Employee benefits

1. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Post-employment benefits

   For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees’ service period.

   The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current and previous period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur or when the plan is revised or reduced. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

3. Other long-term employee benefits

The accounting of other long-term employee benefits is the same as the defined benefit pension plan while the relevant remeasurement is recognized in profit or loss.

4. Termination benefits

The Company recognizes termination benefits liabilities when it can no longer cancel the termination benefits agreement or when it recognizes restructuring costs (which is earlier).

(19) Share-Based Payments Agreement

Restricted shares for employees granted to employees

Restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in other equity (unearned employee benefits). The expense is recognized in full at the grant date if the grants are vested immediately.

When restricted shares for employees are issued, other equity (unearned employee benefits) is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and the considerations received should be returned if employees resign in the vesting period, the amounts expected to be returned are recognized as payables.

At the end of each reporting period, the company revises its estimate of the number of restricted shares for employees that are expected to vest. The impact from such revision is recognized in profit or loss so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to Capital Reserve - restricted shares for employees.

(20) Income tax

Income tax expenses are the sum of current and deferred income tax.

1. Current income tax

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

According to the Income Tax Law, an additional tax on inappropriate earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carry-forwards, expenditure from purchasing machinery and equipment.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly in equity, respectively. When the current or deferred income tax come from the obtaining subsidiaries, the income tax effects are included in the accounting treatment of investing subsidiaries.

V. Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

In the application of the Company’s accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The consolidated company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key sources of estimation uncertainty

(1) Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the company’s historical experience, existing market conditions as well as forward-looking estimates. Refer to Note 7 for significant assumptions and inputs adopted. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(2) Impairment of investment in subsidiaries

The Company's investment in its subsidiary, Jing Cheng Company, indicated that the related assets may have been impaired and the carrying amount of the investment in the subsidiary may not be recoverable because the market in which the assets are located has not yet generated significant operating revenues during the year. The Company then evaluates the impairment of the assets related to this subsidiary from the perspective of the financial statements as a whole. The Company's management assessed the impairment based on the future cash flows of the cash-generating unit to which the related assets belonged, including assumptions on sales growth and capacity utilization estimated by management, and determined the suitable discount rate in calculating the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(3) Impairment of goodwill included in investment in subsidiaries

In determining whether goodwill included in investment in subsidiaries is impaired, goodwill acquired in a merger is allocated to the cash-generating unit that the Company expects to benefit from the merger synergies at the acquisition date, and the value in use of the cash-generating unit is estimated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the amortized goodwill cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

VI. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	$ 237	$ 237
Checking accounts and demand deposits	96,794	69,345
Cash equivalents (investment with an original maturity less than 3 months)		
Time deposits	16,274	10,134
	$ 113,305	$ 79,716

The interest rate range of bank deposit at the balance sheet date is as follows:

	December 31, 2023	December 31, 2022
Demand deposit	0.05%~1.45%	0.05%~1.05%
Time deposit	5.1%~5.45%	4.27%

VII. Trade Receivables and Other Receivables

	December 31, 2023	December 31, 2022
Trade receivables		
Carried at amortized cost		
Total carrying amount	$ 358	$ 617
Less: Allowance for impairment loss	(81)	(81)
	$ 277	$ 536
Other receivables		
Non-related parties		

Interest receivable	$ 115	$ 21
Related parties (Note 28)		
Interest receivable	1,048	-
Cash dividends receivable	48,271	36,030
Income from management services receivable	19,472	-
	$ 68,906	$ 36,051

(1) Notes Receivables and Trade Receivables

Trade receivables carried at amortized cost

The Company's average credit period for the sale of goods is 150 days, and no interest accrued for trade receivables during the credit period. The Company adopted a policy of only dealing with counterparties rated at or above Investment-grade and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit rate is provided by the credit rating agency. If such information is not available, the Company rate the main customers using other publicly available financial information and historical transaction records. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company adopt the simplified approach of IFRS 9 to recognize allowance loss based on the lifetime expected credit losses. The expected credit losses are estimated based on the Company's provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. From the experience of credit loss, there is no significant difference in the loss patterns between customer groups, therefore, the provision matrix does not further differentiating the customer groups but only determines the expected credit loss rate based on the number of days past due on trade receivable.

If there is evidence showing that the counterparty is facing serious financial difficulties and the Company cannot reasonably foresee the recoverable amount, e.g. the counterparty is under liquidation or the debts are not paid for over 360 days, the Company directly writes off the trade receivables and will continue the collection while the collected amount will be recognized in profit or loss.

The following table details the loss allowance of notes receivables and trades receivables based on the Company's provision matrix.

December 31, 2023

	0~90 days	91~180 days	180~360 days	More than 361 days	Total
Expected credit loss rate	0%	0%	0%	100%	
Total carrying amount	$ 277	$ -	$ -	$ 81	$ 358
Loss allowance (Lifetime ECL)	-	-	-	(81)	(81)
Amortized cost	$ 277	$ -	$ -	$ -	$ 277

December 31, 2022

	0~90 days	91~180 days	180~360 days	More than 361 days	Total
Expected credit loss rate	0%	0%	0%	100%	
Total carrying amount	$ 536	$ -	$ -	$ 81	$ 617
Loss allowance (Lifetime ECL)	-	-	-	(81)	(81)
Amortized cost	$ 536	$ -	$ -	$ -	$ 536

The following table details the loss allowance of notes receivables and trade receivables.

	2023	2022
Balance at January 1	$ 81	$ 81
Balance at December 31	$ 81	$ 81

(2) Other receivables

There is no interest accrued for other receivables. When determining the receivability of other receivables, the Company considers any changes in the credit quality of other receivables between the original credit grant date and balance sheet date. Based on the experience indicating that other receivables outstanding for more than 360 days are unlikely to be collected, the Company recognizes 100% allowance for bad debts for other receivables outstanding for over 360 days. For other receivables outstanding between 0 and 360 days, the allowance for bad debts is estimated based on the past payment records and the current financial status of the counterparties.

As of the balance sheet date of December 31, 2023 and 2022, the Company did not recognize any other receivables that were overdue but not yet recognized as the impairment loss.

VIII. Inventories

	December 31, 2023	December 31, 2022
Raw materials	$ -	$ -
Work-in-process	-	-
Finished goods	-	-
	$ -	$ -

The natures of the sales cost are as follows:

	2023	2022
Cost of inventories sold	$ 8,834	$ 8,679
Impairment loss on inventories	-	-
	$ 8,834	$ 8,679

IX. Investments accounted for using equity method

	December 31, 2023	December 31, 2022
Investments in subsidiaries	$ 1,190,378	$ 1,319,312
Investments in associates	-	-
	$ 1,190,378	$ 1,319,312

(1) Investments in subsidiaries

	December 31, 2023	December 31, 2022
Non-listed (non-piblic) company		
MARCO SIGHT INTERNATIONAL CO., LTD.	$ 1,044,887	$ 1,192,159
LEADING PROFIT HOLDING LIMITED	-	51,980
Jing Cheng Material Co., Ltd.	145,491	75,173
	$ 1,190,378	$ 1,319,312

	Percentage of Ownership and Voting Rights	
Subsidiaries	December 31, 2023	December 31, 2022
MARCO SIGHT INTERNATIONAL CO., LTD.	100%	100%
LEADING PROFIT HOLDING LIMITED(1)	-	51%
Jing Cheng Material Co., Ltd.(2)	100%	70.3%

1. The Company has invested $51,022 thousand in cash to establish LEADING PROFIT HOLDING LIMITED in July, 2022 and the percentage of ownership is 51%. In view of the strategies, the Board of Directors resolved to liquidate and dissolve the LEADING PROFIT HOLDING LIMITED on November 8, 2023, which was approved for dissolution on January 8, 2024. Refer to Note 29 in the Company’s 2023 consolidated financial statements for relevant description in the disclosure of the Company's disposition of LEADING PROFIT HOLDING LIMITED.
2. The Company invested $39,600 thousand in cash and $6,000 thousand in financial assets at fair value through other comprehensive income to obtain 76% shares of Jing Cheng Material Co., Ltd. by on August 17, 2022, as the base date. However, the Company did not invest $32,300 thousand in Jing Cheng Material Co., Ltd. by ownership percentage on November 17, 2022, and the shareholding percentage decreased from 76% to 70.3% and the recognized capital reserve - the difference between the actual acquisition or disposal price of subsidiary shares and their book value is $186 thousand. Refer to Note 32 for business combinations and Note 33 for equity transactions on non-controlling interests of the Company's 2022 consolidated financial report.
   The company purchased the shares of Jing Cheng Company from the non-controlling interest shareholders on July 5, 2023, July 20, 2023 and August 17, 2023, and the shareholding percentage increased from 70.3% to 79.7%, 94.45%, and 100%, Please refer to Note 33 of the company's consolidated financial report for 2023 and related notes on equity transactions with non-controlling interests. In addition, the company participated in the cash capital increase of Jingcheng Materials Co., Ltd. on November 15,

2023and increased the investment amount by 80,000 thousand.Refer to Table 4 "Information on Investees" of Note 33 for investments in subsidiaries hold indirectly.

(2) Investments in associates

	December 31, 2023	December 31, 2022
Associates that are not individually material		
Cubee auto parts inc.	$ -	$ -

Refer to Table 6 “Information on Investees” of Note 32 for the nature of activities, principal places of business and countries of incorporation of the associates.

The Company invested Cubee auto parts inc. in September 2018 and the percentage of ownership is 50%. However, as the composition of the board of directors is controlled by other shareholders under the shareholders' agreement, the Company does not have control over Cubee auto parts inc. Management of the Company considers it has significant influence on Cubee auto parts inc. and lists it as an associate.

All the above associates are accounted for using equity method. The summarized financial information of the Company's associates hereunder were prepared on the grounds of IFRSs consolidated financial statements by the associates with the adjustment already reflected at the time of equity method.

Associates that are not individually material

	2023	2022
The Company’s share of:		
Loss from continuing operations for the period	$ -	($ 238)
Total comprehensive income (loss)	$ -	($ 238)

The Company discontinues recognizing the specific associates' share of further losses accounted for using equity method. When the Company recognizes the associates' share of further losses, it considers the carrying amount of the equity investments in the associates and the long-term receivables that are essentially part of the investments in the associates. The recognized loss is not limited to the carrying amount of the equity investments in the associates. The unrecognized loss of the year and the unrecognized cumulative loss of the associates excerpted from their relevant financial statements are as follows:

	2023	2022
Amount of the year	($ 188)	($ 121)
Cumulative amount	($ 309)	($ 121)

10. Property, Plant and Equipment

	December 31, 2023	December 31, 2022
Assets used by the Company	$ 9,112	$ 23,112

Assets used by the Company

	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance, January 1, 2023	$ 154,600	$ 650	$ 19,274	$ 24,354	$ -	$ 198,878
Additions	-	-	-	266	-	266
Disposals	(68,075)	-	(5,197)	(15,608)	-	(88,880)
Reclassifications	-	-	-	-	-	-
Balance, December 31, 2023	$ 86,525	$ 650	$ 14,077	$ 9,012	$ -	$ 110,264
Accumulated depreciation and impairment						
Balance, January 1, 2023	$ 132,822	$ 560	$ 18,145	$ 24,239	$ -	$ 175,766
Depreciation	4,382	90	609	52	-	5,133
Disposals	(58,977)	-	(5,197)	(15,573)	-	(79,747)
Reclassifications	-	-	-	-	-	-
Balance, December 31, 2023	$ 78,227	$ 650	$ 13,557	$ 8,718	$ -	$ 101,152
Balance, December 31, 2023	$ 8,298	$ -	$ 520	$ 294	$ -	$ 9,112
Cost						
Balance, January 1, 2022	$ 201,080	$ 650	$ 19,274	$ 24,378	$ -	$ 245,382
Additions	1,345	-	-	-	-	1,345
Disposals	(47,825)	-	-	(24)	-	(47,849)
Reclassifications	-	-	-	-	-	-
Balance, December 31, 2022	$ 154,600	$ 650	$ 19,274	$ 24,354	$ -	$ 198,878
Accumulated depreciation and impairment						
Balance, January 1, 2022	$ 175,381	$ 343	$ 17,483	$ 21,731	$ -	$ 214,938
Depreciation	5,266	217	662	2,532	-	8,677
Disposals	(47,825)	-	-	(24)	-	(47,849)
Reclassifications	-	-	-	-	-	-
Balance, December 31, 2022	$ 132,822	$ 560	$ 18,145	$ 24,239	$ -	$ 175,766
Balance, December 31, 2022	$ 21,778	$ 90	$ 1,129	$ 115	$ -	$ 23,112

The Company's property, plant and equipment are depreciated on a straight-line basis over the following estimated useful life:

Machinery and Equipment	3~10 years
Transportation Equipment	3 years
Office Equipment	3~5 years
Other Equipment	3~5 years

11. Lease arrangements

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amounts		
Buildings	$ 11,593	$ 22,435
Machinery and Equipment	2,523	3,280
	$ 14,116	$ 25,715

	2023	2022
Additions to right-of-use assets	$ -	$ 23,551
Depreciation of right-of-use assets		
Buildings	$ 5,273	$ 6,262
Machinery and Equipment	757	758
	$ 6,030	$ 7,020

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts		
Current portion	$ 4,865	$ 6,075
Non-current portion	$ 9,440	$ 19,725

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Buildings	2.1%～2.2%	1.75%～2.2%
Machinery and Equipment	1.75%	1.75%

(3) Important leasing activities and terms

The Company leases buildings for the use of plants and offices with lease terms of 1 to 5 years. The Company does not have priority purchase options to acquire the leasehold buildings at the end of the lease terms.

(4) Other lease information

	2023	2022
Expenses relating to short-term leases	$ 152	$ 516
Total cash outflow for leases	($ 6,354)	($ 7,790)

The Company has elected to apply the recognition exemption for transportation equipment, and, thus, did not recognize said leases in right-of-use assets and lease liabilities.

As of December 31, 2023 and 2022, there are no lease commitments signed with the lease term beginning after the balance sheet date.

12. OTHER INTANGIBLE ASSETS

	Patents	Computer software	Total
Cost			
Balance, January 1, 2022	$ 223	$ 13,973	$ 14,196
Separately acquired	-	626	626
Balance, December 31, 2022	$ 223	$ 14,599	$ 14,822
Accumulated amortization			
Balance, January 1, 2022	$ 223	$ 13,373	$ 13,596
Amortization	-	808	808
Balance, December 31, 2022	$ 223	$ 14,181	$ 14,404
Balance, December 31, 2022	$ -	$ 418	$ 418
Cost			
Balance, January 1, 2023	$ 223	$ 14,599	$ 14,822
Separately acquired	-	533	533
Balance, December 31, 2023	$ 223	$ 15,132	$ 15,355
Accumulated amortization			
Balance, January 1, 2023	$ 223	$ 14,181	$ 14,404
Amortization	-	598	598
Balance, December 31, 2023	$ 223	$ 14,779	$ 15,002

Balance, December 31, 2023	$ -	$ 353	$ 353

Amortization of the above intangible assets with finite useful lives is recognized using the straight-line method over the following useful lives:

Patents	10 years
Computer software	1~2 years

13. OTHER ASSETS

	December 31, 2023	December 31, 2022
Current portion		
Prepayments - current	$ 8,658	$ 6,471
Others	166	149
	$ 8,824	$ 6,620
Non-current portion		
Refundable deposits	$ 3,826	$ 4,002
Net defined benefit asset (Note 18)	2,185	1,557
Others	3,450	3,450
	$ 9,461	$ 9,009

Prepayments - current

Prepayments - current of the consolidated company mainly includes the offset against business tax payable and prepayments.

14. Loans

(1) Short-term loans

	December 31, 2023	December 31, 2022
Unsecured loans		
Line of credit	$ 180,000	$ 70,000

Interest rate of revolving loans were 1.8%~2.52% in 2023 and 2.05% in 2022.

(2) Long-term loans

	Expiration date	Material terms	Effective interest rate	December 31, 2023	December 31, 2022
Unsecured loans					
First Bank	January 18, 2026	The total amount of the loan is $20,000 thousand, and the principal and interest will be repaid in monthly installments from the date of borrowing.	2.45% and 2.2%	$ 8,584	$ 12,553
Less:					
Current portion of long-term loans payable				(4,066)	(3,978)
				$ 4,518	$ 8,575

15. NOTES PAYABLE AND ACCOUNTS PAYABLE

	December 31, 2023	December 31, 2022
Accounts payable		
From operating activities	$ 276	$ 276

The average credit period for accounts payable ranges from 90 days to 150 days. The Company has financial risk management policies to ensure that all accounts payable are repaid within the pre-agreed credit period.

16. OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Current portion		
Other Payables		
Salaries and incentive bonus	$ 14,342	$ 16,804
Payables for annual leave	2,299	2,963
Employees and directors' remuneration payable	-	7,056
Payables for labor costs	979	1,150
Payables for auxiliary materials and consumables	318	288
Others	4,762	2,241
	$ 22,700	$ 30,502
Other liabilities		
Others	$ 321	$ 412

17. Provision for liability

	December 31, 2023	December 31, 2022
Non-current portion		
Employee benefits	$ 728	$ 764

Provision for liability of employee benefits includes employee death benefits. The employee pension plan adopted by the Company is other long-term benefits plan and the pension is calculated based on the fixed pay when the employee dies.

18. Post-employment benefits plans

(1) Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

(2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is the defined benefit plan under the management of the government (R.O.C.). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% of each employee' total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contributes an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment management strategy.

The amounts included in the individual balance sheets in respect of the defined benefit plan are as follows:

	December 31, 2023	December 31, 2022
Defined benefit obligation	$ 15,940	$ 15,948
Fair value of plan assets	(18,125)	(17,505)
Net defined benefit liability (asset)	($ 2,185)	($ 1,557)

Movements in net defined benefit liability (asset) are as follows:

	Net defined benefit defined benefit obligation	Fair value of Fair value	Net defined benefit Liabilities (assets)
January 1, 2022	$ 16,612	($ 15,676)	$ 936
Service cost			
Current service cost	255	-	255
Interest expense (income)	83	(79)	4
Recognized in profit or loss	338	(79)	259
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,231)	(1,231)
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	(539)	-	(539)
Actuarial (gain) loss - experience adjustments	(463)	-	(463)
Recognized in OCI	(1,002)	(1,231)	(2,233)
Contributions from the employer	-	(519)	(519)
December 31, 2022	$ 15,948	($ 17,505)	($ 1,557)

	Net defined benefit defined benefit obligation	Fair value of Fair value	Net defined benefit Liabilities (assets)
January 1, 2023	$ 15,948	($ 17,505)	($ 1,557)
Service cost			
Current service cost	253		253
Interest expense (income)	180	(200)	(20)
Recognized in profit or loss	433	(200)	233
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(173)	(173)
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	($ 121)	$ -	($ 121)
Actuarial (gain) loss - experience adjustments	(320)	-	(320)
Recognized in OCI	(441)	(173)	(614)
Contributions from the employer	-	(247)	(247)
December 31, 2023	$ 15,940	($ 18,125)	($ 2,185)

Amount of defined benefit plan recognized in the profit and loss is summarized by function as follow:

	2023	2022
Operating costs	$ -	$ -
Sales and marketing	-	-
General and administrative	233	259
R&D expenses	-	-
	$ 233	$ 259

Due to the pension plans under the Labor Standards Act, the Company is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate of government bonds will increase the present value of the defined benefit obligation. However, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

	December 31, 2023		December 31, 2022	
Discount rate	1.25%		1.125%	
Expected salary increase rate	2.5%		2.5%	
Mortality rate	Based on Taiwan Life Insurance Industry 6th Experience Life Table		Based on Taiwan Life Insurance Industry 6th Experience Life Table	
Disability rate	Based on 10% of expected mortality rate		Based on 10% of expected mortality rate	
Turnover rate	Ages	Turnover rate	Ages	Turnover rate
	20 years old	9.0%	20 years old	9.0%
	25 years old	7.0%	25 years old	7.0%
	30 years old	6.0%	30 years old	6.0%
	35 years old	4.0%	35 years old	4.0%
	40 years old	1.0%	40 years old	1.0%
	45 years old	-	45 years old	-
	50 years old	-	50 years old	-
	55 years old	-	55 years old	-
	60 years old	-	60 years old	-

	December 31, 2023		December 31, 2022	
	Ages	Voluntary retirement rate	Ages	Voluntary retirement rate
Voluntary retirement rate (Z is the earliest retirement age for specific employee)	Z	15.0%	Z	15.0%
	Z+1～64	3.0%	Z+1～64	3.0%
	65	100%	65	100%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase 0.25%	($ 236)	($ 201)
Reduce 0.25%	$ 244	$ 209
Expected salary increase rate		
Increase 0.25%	$ 238	$ 203
Reduce 0.25%	($ 231)	($ 196)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2023	December 31, 2022
Expected contributions to the plan for the following year	$ -	$ 498
The average duration of the defined benefit obligation	6 years	5.1 years

19. Equity

(1) Capital stock

Ordinary shares

	December 31, 2023	December 31, 2022
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	84,042	80,742
Shares issued	$ 840,422	$ 807,422

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

The capital reserved for the issuance of convertible corporate bond and employee stock option is 20,000 thousand shares.

On June 26, 2023, the Board of Directors resolved to issue 2,300 thousand shares of common stock at a par value of NT$10 per share through a cash offering by private placement, at a premium of NT$25 per share, resulting in a paid-in capital of NT$830,422 thousand. The capital increase date is July 11, 2023 by the resolution of the Board of Directors. The registration for alternation of above capital increase was approved by the Ministry of Economic Affairs on August 17, 2023.

On August 9, 2023, the Board of Directors resolved to issue 1,000 thousand shares of restricted common shares for employees at a par value of NT$10 per share, and issued at NT$10 per share, resulting in a paid-in capital of NT$840,422 thousand. The capital increase date is September 1, 2023 by the resolution of the Board of Directors. The registration for alternation of above restricted common shares for employees was approved by the Ministry of Economic Affairs on September 20, 2023.

(2) Capital reserve

	December 31, 2023	December 31, 2022
May be used to offset a deficit, distributed as cash dividends or transferred to share capital(1)		
Issuance of common shares	$ 643,538	$ 649,409
Treasury share transactions	2,135	2,135
Difference between the actual share price for obtaining the subsidiary and the book value	-	186
May be used to offset a deficit only		
Expiry of employ stock option	22,090	22,090
Shall not be used for any purpose		
Restricted shares for employees	30,100	-
	$ 697,863	$ 673,820

1. The capital reserve may be used to offset a deficit and, when ther is no deficit, used to distributed as cash dividends or transferred to share capital. The transfer to share capital is limited to a certain percentage of the paid-in capital each year.

(3) Retained earnings and dividend policy

According to the retained earnings policy in Company's Articles of Incorporation, if there is a surplus in the annual financial statements, after paying all taxes and compensating for losses from previous years according to the law, 10% of the surplus shall be allocated as a statutory reserve. However, if the statutory reserve has reached the total amount of paid-in capital, no further allocation is required. Afterward, special reserves shall be allocated or reversed in accordance with the business needs, regulations or the requirements of the competent authority. The remaining surplus plus the accumulated unappropriated earnings shall be prepared by the Board of Directors and submitted to shareholder's meeting for resolution. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to "Employees' compensation and remuneration of directors and supervisors" in Note 21 (8).

The Company's dividend distribution policy should take shareholders' equity as the greatest consideration and may distribute in form of stock or cash dividends after considering the company's competitiveness in current and future domestic and foreign industries, investment environment, and capital needs. As the Company is currently in the growth stage, in consideration of the long-term financial arrangement, the total amount of dividends to be issued annually shall not be less than 30% of the current year's net profit after tax. The percentage of cash dividends shall not be less than 20% of the total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company amended the Articles of Incorporation on June 8, 2022, after the resolution of the shareholders' meeting. As the result, when allocating special reserve from the net deduction of other interests accumulated in the previous period and unappropriated earnings in the previous period is insufficient, net profit after tax and others are added to the unappropriated earnings of the current period for allocation. Before the amendment of the Articles of Incorporation, the Company allocated from unappropriated earnings in the previous period based on the regulations.

he Company held a shareholders' meeting on June 13, 2023 and June 8, 2022, where the profit distribution for 2022 and 2021 was passed respectively as follows:

	2022	2021
Legal reserve	$ 2,784	$ 4,129
Special reserve	$ 25,054	$ 37,169

The shareholders' meeting decided to distribute $40,371 thousand and $79,142 thousand cash ($0.5/share and $1/share) with the capital reserve on June 13, 2023 and June 8, 2022.

The Company held a director's meeting on March 13, 2024, where the accumulated deficit for 2023 was passed as follows:

	2023
Legal reserves to cover accumulated deficit	$ 6,913
Special reserve to cover accumulated deficit	62,223
Capital reserve－Ordinary shares issued at a premium to cover accumulated deficit	132,295
	$ 201,431

The offsetting of accumulated deficit for 2023 will be decided in the shareholders' meeting held on June 18, 2024.

(4) Special reserve

	2023	2022
Balance at January 1	$ 37,169	$ -
Special reserve		
Deduction of other interests	25,054	37,169

Balance at December 31	$ 62,223	$ 37,169

Upon the distribution of earnings, a special reserve should be provided for the difference between the net deduction of other shareholders' equities recorded at the end of the reporting period and the special reserve allocated for when the initial application of IFRSs. When the net deduction of other shareholders' equities is reversed subsequently, the reversal part may be reversed to the special reserve.

(5) Others

1. Exchange differences resulting from translating the financial statements of foreign operations

	2023	2022
Balance at January 1	($ 138,976)	($ 156,668)
Generated in the current period		
Share of exchange differences of subsidiaries, accounted for using equity method	(21,691)	22,115
Income tax related to share of exchange differences of subsidiaries, accounted for using equity method	4,338	(4,423)
Balance at December 31	($ 156,329)	($ 138,976)

2. Unrealized gain on finicial assets at fair value through other comprehensive income

	2022	2021
Balance at January 1	$ -	$ -
Generated in current year		
Unrealized gain (loss)		
Equity instruments	-	1,000
Income tax related to unrealized gain (loss)	-	-
Other comprehensive income of this year	-	1,000
Transfer of accumulated profit and loss from disposition of equity instruments to retained earnings	-	(1,000)
Balance at December 31	$ -	$ -

4. Unearned employee benefits

Refer to Note 24 for the description for the issuing of new restricted shares for employees determined in the shareholders' meeting on June 13, 2023.

	2023	2022
Balance at January 1	$ -	$ -
Current Issuance	(30,100)	-
Share-based payment	6,224	-
Balance at December 31	($ 23,876)	$ -

Among the share-based compensation recognized by the company, RMB 3,735,000 is listed as subsidiary Jingcheng Company.

(6) Treasury stock

Reason for repossession	Transferring shares to employees (thousand shares)	Buy back to cancel (in thousands)	Total (in thousands)
Shareholding on January 1, 2022	1,610	-	1,610
Increase in this year	-	-	-
Decrease in this year	(1,610)	-	(1,610)
Shareholding on December 31, 2022	-	-	-

Treasury stocks held by the Company can not be pledged, and do not have the right for dividends allocation and voting rights according to the Securities and Exchange Act.

20. Operating Revenue

(1) Customer contracts

The Company's revenue is generated from the sputter coating of electronic components according to the specification agreed upon between the customers and the Company. The customers provide the materials and obtain the goods' control during the service, thus the service contracts of the Company are gradually recognized as revenue. The Company measures the progress based on the produced or delivered quantity.

(2) Income details from customer contracts

	2023	2022
Income from customer contracts		
PVD coating products	$ 1,562	$ 1,069
Others	377	722
	$ 1,939	$ 1,791

(3) Balance from contracts

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and trade receivables (Note 7)	$ 277	$ 536	$ 653

21. Net profit (loss) relating to continuing operations and other comprehensive income

Net profit (loss) relating to continuing operations including:

(1) Interest income from bank deposits

	2023	2022
Bank deposits	$ 1,112	$ 591
Receivables from related parties	1,048	-
	$ 2,160	$ 591

(2) Other income

	2023	2022
Management and service income (Note 28)	$ 19,472	$ 30,268
Others	17	15
	$ 19,489	$ 30,283

(3) Other gains and losses

	2023	2022
Net foreign exchange gains (losses)	($ 2,818)	$ 2,948
Gain from disposal of property, plant and equipment	(6,692)	1,082
Disposed of subsidiary company gain	1,260	-
Lease Modification Benefit	192	-
Others	(326)	(27)
	($ 8,384)	$ 4,003

(4) Finance costs

	2023	2022
Bank loans interest	$ 3,067	$ 2,214
Lease liabilities interest	468	192
	$ 3,535	$ 2,406

There are no capitalization of interests in 2023 and 2022.

(5) Depreciation and amortization

	2023	2022
Property, Plant and Equipment	$ 5,133	$ 8,677
Right-of-use assets	6,030	7,020
Intangible Assets	598	808
Total	$ 11,761	$ 16,505

An analysis of depreciation by function		
Operating costs	$ 832	$ 1,032
Operating expenses	10,331	14,665
	$ 11,163	$ 15,697

An analysis of amortization by function		
Operating costs	$ -	$ 37
Operating expenses	598	771
	$ 598	$ 808

Refer to Note 17 for information on the amortization of intangible assets allocated to individual line items.

(6) R&D expenses immediately recognized as fee

	2023	2022
R&D expenses	$ 26,139	$ 31,810

(7) Employee benefits expense

	2023	2022
Short-term employee benefits	$ 41,246	$ 45,480
Post-employment benefits		
Defined contribution plans	1,823	1,908
Defined benefit plans (Note 18)	233	259
	2,056	2,167
Share-based payments, equity-settled share-based payments	2,489	-
Director remuneration	1,740	2,672
Other employee benefits	(36)	(83)
Total employee benefits expense	$ 47,495	$ 50,236
An analysis of employee benefits expense by function		
Operating costs	$ 6,585	$ 6,573
Operating expenses	40,910	43,663
	$ 47,495	$ 50,236

(8) Employees' compensation and directors' remuneration

The Company distributed employees' compensation and directors' remuneration at the rates between 1% to 10% and no higher than 3% of the net profit before tax for the year respectively according to the articles of incorporation.

As a result of the accumulated losses at December 31, 2023, the Company's Board of Directors resolved on March 13, 2024, not to distribute employees' compensation and directors' compensation.

After the decision of The Board of Directors on March 13, 2023 the employees' annual compensation and directors' remuneration of 2022 are:

Estimated ratio

	2022
Employees' compensation	6%
Directors' remuneration	2%

Amount

	2022
	Cash
Employees' compensation	$ 2,814
Directors' remuneration	938

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

The actual allocated amount of employees' compensation and directors' remuneration in 2022 and 2021 are the same as the recognized amount in 2022 and 2021 individual financial statements.

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

(9) Gain or loss on foreign currency exchange

	2023	2022
Foreign exchange gains	$ 9,554	$ 3,904
Foreign exchange losses	(12,372)	(956)
Net (loss) gain	($ 2,818)	$ 2,948

22. Income taxes relating to continuing operations

(1) Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	2023	2022
Current income tax		
Generated in current period	$ 32,624	$ 9,116
Adjusted in previous year	115	-
Levy for unappropriated earnings	-	1,425
	32,739	10,541
Deferred income tax		
Generated in current period	13,692	6,485
Income tax expenses recognized in profit or loss	$ 46,431	$ 17,026

A reconciliation of accounting profit and income tax expense and applicable tax rate is as follows:

	2023	2022
Income from continuing operations before tax	($ 1,978)	$ 42,078
Income tax benefit at the statutory rate	($ 396)	$ 8,416
Nondeductible loss in tax	46,106	51,758
Levy for unappropriated earnings	-	1,425
Unrecognized loss offset and deductible temporary differences	606	(44,573)
Withholding tax from foreign income	115	-
Income tax expenses recognized in profit or loss	$ 46,431	$ 17,026

(2) Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax		
Generated in current year		
Translation of financial statements for foreign operations	($ 4,338)	$ 4,423
Actuarial gains and losses on defined benefit plan	123	447
Income tax (profit) recognized in other comprehensive income	($ 4,215)	$ 4,870

(3) Current income tax assets and liabilities

	December 31, 2023	December 31, 2022
Current income tax assets		
Tax refund receivables	$ 1,405	$ 129
Current tax liabilities		
Income tax payable	$ 5,052	$ -

(4) Deferred tax assets and liabilities

The changes of deferred tax assets and deferred tax liabilities are as follows:

2023

	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Exchange difference	Balance at December 31
Deferred tax assets					
Temporary differences					
Unrealized gain	$ 15,759	($ 15,759)	-	$ -	$ -
Exchange difference of foreign operations	34,743	-	4,338	-	39,081
Others	777	1,879	(123)	-	2,533
	$ 51,279	($ 13,880)	$ 4,215	$ -	$ 41,614
Deferred tax liabilities					
Temporary differences					
Others	($ 188)	$ 188	$ -	$ -	$ -

2022

	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Exchange difference	Balance at December 31
Deferred tax assets					
Temporary differences					
Unrealized gain	$ 20,061	($ 4,302)	$ -	$ -	$ 15,759
Exchange difference of foreign operations	39,166	-	(4,423)	-	34,743
Others	3,219	(1,995)	(447)	-	777
	$ 62,446	($ 6,297)	($ 4,870)	$ -	$ 51,279
Deferred tax liabilities					
Temporary differences					
Others	$ -	($ 188)	$ -	$ -	($ 188)

(4) Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2023	December 31, 2022
Deductible temporary differences		
Debt waiver not been proven	$ 17,391	$ 17,391

(6) Total temporary differences relating to the investment and not recognized as deferred tax liabilities

As of December 31, 2023 and 2022, temporary differences taxable associated with investments in subsidiaries not recognized as deferred tax liabilities amounted to $151,907 thousand and $190,258 thousand.

(7) Income tax examination

The tax authorities have examined income tax returns of the Company through 2021.

23. Earnings(loss) per share

(In New Taiwan Dollars)

	2023	2022
Basic earnings (loss) per share from continuing operations	($ 0.59)	$ 0.31
Total basic earnings(loss) per share	($ 0.59)	$ 0.31
Diluted earnings (loss) per share from continuing operations	($ 0.59)	$ 0.31
Total basic earnings (loss) per share	($ 0.59)	$ 0.31

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

Profit(loss)

	2023	2022
Profit(loss)	($ 48,409)	$ 25,052
Net profits used to calculate basic earnings (loss) per share	(48,409)	25,052
Earnings used to calculate basic earnings (loss) per share	(48,409)	25,052
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Employ stock option	-	-
Earnings (loss) used to calculate earnings (loss) per share	($ 48,409)	$ 25,052

Shares

(In Thousands)

	2023	2022
Weighted average number of ordinary shares used to calculate for basic earnings (loss) per share	81,701	79,758
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	144
Employees' stock option	-	-
Weighted average number of common shares used in the computation of diluted EPS (loss)	81,701	79,902

The Company may settle the employees' compensation in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the shareholders' meeting of the following year.

24. Share-Based Payments Agreement

Transfer of treasury stock to employees

The Company set $21.52 which is the average price of buying back as transferring price and transferred 480 thousand treasury stocks for employees to purchase according to the 2017 Transfer of Treasury Stock to Employees Regulation after the resolution of the Board of Directors on March 23, 2021. The Company adopts the fair value of the equity granted to the Company at $30.75 in accordance with IFRS No. 2 "Share-Based Payments".

The company did not issue employ stock option in 2023 and 2022. The issued employ stock option is as follows:

	2023		2022	
Employ stock option	Unit (thousand)	Weighted average Exercise price (NTD)	Unit (thousand)	Weighted average Exercise price (NTD)
Outstanding shares at beginning of period	-	$ -	480	$ 21.52
Shares granted in the period	-		-	-
Shares exercised in the period	-		-	-
Shares expired in the period	-		(480)	21.52
Outstanding shares at end of period	-		-	
Shares able to be exercised at end of period	-		-	

(2) New restricted shares for employees

At the regular shareholders' meeting held on June 13, 2023, the Company resolved to issue 3,000 thousand restricted common shares for employees at NT$10 per share, with a par value of NT$10 per share and a total par value of NT$30,000 thousand. The issue has been approved by the Financial Supervisory Commission (FSC) on July 11, 2023. On August 9, 2023 (the granted date), the board of directors approved the actual issuance of 1,000 thousand shares. The basis date of the new restricted shares for employees is September 1, 2023, and the fair value of the shares on the granted date is NT$40.1 per share. Employees who granted new restricted shares for employees will receive 25% of these shares if they have been employed for 1 year from the granted date, 25% of these shares if they have been employed for 2 years from the granted date, 25% of these shares if they have been employed for 3 years from the granted date, and 25% of these shares if they have been employed for 4 years from the granted date.

The changes in accounting items related to the above new restricted shares for employees for 2023 are summarized below:

	Capital Reserve - Restricted Shares for Employees	Other equity - unearned employee benefits
Granted date of restricted shares for employees - August 9, 2023	$ 30,100	$ 30,100
Share-based compensation	-	(6,224)
Balance at December 31, 2023	$ 30,100	$ 23,876

The restricted rights for employees who have not met the vesting conditions for the granted new shares are as follows:

5. Employees may not sell, mortgage, assign, gift, pledge, or otherwise dispose of the new restricted shares for employees until the vesting conditions have been fulfilled after they granted the new shares, except by inheritance.
6. Attendance, proposals, speeches, and voting rights at stockholders' meetings are governed by trust and custody agreements.
7. In addition to the restrictions set forth in the preceding paragraph due to the trust agreement, the other rights of the new restricted shares for employees granted to them under the Plan, including but not limited to the right to receive cash dividends, stock dividends, and capital surplus, the right to subscribe for cash capital increases, and any rights and interests allocated to employees as a result of mergers, demergers, share conversions, and other legal events, are the same as the Company's outstanding shares of common stock, until the vesting conditions have been fulfilled.
8. If, during the vesting period, the Company reduces capital other than through legal capital reduction, such as cash reduction, the new restricted shares for employees shall be canceled in accordance with the ratio of capital reduction. In the case of a cash capital reduction, the cash refunded shall be deposited in a trust and delivered to the employees only after the vesting conditions and period have been met; however, if the vesting conditions have not been met by the end of the period, the Company will withdraw the cash.

25. Information on cash flows

(1) Non-cash transactions

The investment and financing activities of the Company by non-cash transactions in 2023 and 2022 are as follows:

1. The Company's subsidiaries distributed cash dividends of NT$228,246 and NT$258,792 thousand in 2023 and 2022, resulting in an increase of NT$48,271 and NT$36,030 thousand in other receivables - related parties.

(2) Changes in liabilities from financing activities

2023

			Non-cash changes		
	January 1, 2023	Cash Flow	New lease	Interest expenses	December 31, 2023
Short-term loans	$ 70,000	$ 110,000	$ -	$ -	$ 180,000
Lease liabilities	25,800	(6,202)	(5,761)	468	14,305
Long-term loan and current portion of long-term loans payable	12,553	(3,969)	-	-	8,584
	$ 108,353	$ 99,829	($ 5,761)	$ 468	$ 202,889

2022

	January 1, 2022	Cash Flow	Non-cash changes: New lease	Non-cash changes: Interest expenses	December 31, 2022
Short-term loans	$ 80,000	($ 10,000)	$ -	$ -	$ 70,000
Lease liabilities	9,331	(7,274)	23,551	192	25,800
Long-term loan and current portion of long-term loans payable	16,459	(3,906)	-	-	12,553
	$ 105,790	($ 21,180)	$ 23,551	$ 192	$ 108,353

26. Capital risk management

In order to ensure that each party in the Company will be able to continue as going concerns, the Company optimizes the debt and equity balance through capital management to maximize the return to stakeholders. The Company's overall strategy has remained unchanged since 2007.

The capital structure of the Company consists of its net debt and equity attributable to owners of the Company. Management reviews the capital structure of the Group regularly including the consideration of each capital cost and relevant risks. The Company balances its overall capital structure by issuing new shares, buying back shares and repaying old debt, as recommended by the management.

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

27. Financial Instruments

(1) Fair value of financial instruments not measured at fair value

The management of the Company considers that when approaching the expiry date of the carrying amount of financial assets and financial liabilities that are not measured at fair value, or the price receivable in the future equivalent to the carrying amount, their carrying amount approximate their fair values.

(2) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

The Company does not hold financial assets and liabilities measured at fair value in 2023 and 2022.

There were no transfers between Levels 1 and 2 in 2023 and 2022.

2. Conciliation of financial instruments measures at level 3 fair value

2022

Financial assets	Financial assets at FVTOCI Financial assets Equity instruments
Balance at January 1	$ -
Purchase	5,000
Recognized in other comprehensive income (Unrealized gain (loss) on financial assets at FVTOCI)	1,000
Disposals	(6,000)
Balance at December 31	$ -
Changes in unrealized gains and losses recognized in P/L and related to assets held at end of the year	$ -

3. Valuation techniques and inputs applied for Level 3 fair value measurement
   The fair values of unlisted shares and emerging market shares were determined using the income approach. In this approach, the DCF was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed in the table below. An increase in long-term revenue growth rates or long-term operating profit margin before tax, a decrease in the weighted average cost of capital (WACC), or a discount for lack of marketability would result in increases in fair value.

(3) Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Disposal of financial assets at amortized cost (Note 1)	$ 186,314	$ 120,305
Financial Liabilities		
Carried at amortized cost (Note 2)	211,560	113,331

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, investments in debt instruments, notes and trade receivables, other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, accounts payable, notes payable, other payables, and long-term loans.

(4) Financial risk management objectives and policies

The Company's major financial instruments included equities and bonds investment, trade receivables, accounts payable, loans, and notes receivable and payable. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and Interest rate risk), credit risk and liquidity risk.

The Company mitigates the impact of these risks by hedging its exposure to hedging risks through derivative financial instruments. The use of derivative financial instruments is governed by the policies approved by the Company's Board of Directors, which are the written principles for foreign currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of current capital. Internal auditors review policy compliance and risk limits continuously. The Company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

The Financial Department reports quarterly to the Company's Board of Directors, which is an independent organization responsible for monitoring risks and implementing policies to mitigate risks.

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

derivative financial instruments to manage risks in foreign currency rate and interest rate, including:

A. Foreign Exchange Forward Contract to hedge the foreign currency risk arising from the sale of products;

B. Interest Rate Swap to mitigate the risk of rising interest rates.

There is no change in the Company's exposure to market risk of financial instruments and the way it manages and measures such exposure.

(1) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Around 90% of the Company's sales are not denominated in the functional currency. The Company utilizes Foreign Exchange Forward Contract to manage the foreign currency risk within the scope of the policy.

Refer to Note 31 for the carrying amounts of the Company’s monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date.

Sensitivity analysis

The Company was mainly affected by the fluctuations in the exchange rates of USD and RMB.

The following table details the Company’s sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity ratio used in reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible range of changes in foreign currency rates. The sensitivity analysis is for a 5% change in foreign currency rates and included only outstanding foreign currency denominated monetary items at the end of the year. A positive number below indicates a decrease in pre-tax loss or an increase in equity when New Taiwan dollars weaken by 5% against the relevant currency. For a 5% strengthening of New Taiwan dollars against the relevant currency, the impact on net profit (loss) before tax or equity will result in the balances below being negative.

	Impact of USD		Impact of RMB	
	2023	2022	2023	2022
Profit and loss	$ 3,271 (i)	$ 541 (i)	$ 4,728 (ii)	$ 3,409 (ii)
Equity	- (iii)	2,599 (iii)	52,704 (iii)	63,351 (iii)

(i) Mainly came from the USD-denominated bank deposits of the Company that were outstanding at the balance sheet date and not hedged for cash flow.

(ii) Mainly came from the RMB-denominated receivables of the Company that was outstanding at the balance sheet date and not hedged for cash flow.

(iii) Mainly came from the exchange results of foreign subsidiaries held by the Company at the balance sheet date and invested by the equity method.

The increased sensitivity to the RMB and USD exchange rates in the current year is mainly due to the increased balance in other receivables resulting from the increased RMB-denominated transaction amount, and the increased USD-denominated bank deposits. Management believes that sensitivity analysis does not represent the risk inherent in exchange rates because the foreign currency exposures at the balance sheet date do not reflect the exposures in mid-year.

(2) Interest rate risk

The Company was exposed to interest rate risk because entities borrowed funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial assets	$ 16,274	$ 10,134
Cash flow interest rate risk		
Financial assets	96,794	69,345
Financial Liabilities	188,584	82,553

The Company is exposed to cash flow interest rate risk due to holding bank loans with variable rates. This situation meets the Company's policy of maintaining loans with floating rate to reduce fair value risk related to interest rates. The Company's cash flow interest rate risk is mainly due to fluctuations in benchmark interest rates related to NTD-denominated loans.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating interest rates liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Basis points of 1% increase or decrease were used when reporting interest rate risk internally to management and represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 1% and all other variables held constant, the Company's net profit before tax for 2022 and 2022 would increase/decrease by $918 thousand and $132 thousand, respectively mainly due to the exposure to cash flow interest rate risk on the Company's variable-rate loans and bank deposits.

2. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. At the balance sheet date, the Company's exposures to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations, are mainly came from:

(1) The carrying amounts of the financial assets recognized in the balance sheet.

(2) The contingent liabilities arising from financial guarantees provided by the Company.

In order to minimize credit risk, the management of the Company has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Company ’s credit risk was significantly reduced.

The Company's trade receivables of 100% and 89% in the total balance of trade receivables as of December 31, 2023 and 2022, respectively, was related to the customers exceeding 5% of the total trade receivables.

3. Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized bank loan facilities set out in (2) below.

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

Liquidity and interest rate risk table

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks.

The undiscounted interest amount of interest cash flows paid at floating interest rates is derived from the yield rate at the balance sheet date.

December 31, 2023

	Weighted average effective interest rate (%)	Less than 1 year	1~3 years	4~5 years	More than 5 years
Non-derivative financial liabilities					
Floating interest rates instrument					
Short-term loans	0.52%	$ 180,930	$ -	$ -	$ -
Long-term loans	2.45%	4,231	4,583	-	-
Lease liabilities		5,118	7,346	2,356	-
Non-interest bearing					
Accounts payable		276	-	-	-
Other Payables		22,700	-	-	-
		$ 213,255	$ 11,929	$ 2,356	$ -

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	More than 20 years
Lease liabilities	$ 5,118	$ 9,702	$ -	$ -	$ -	$ -

December 31, 2022

	Weighted average effective interest rate (%)	Less than 1 year	1~3 years	4~5 years	More than 5 years
Non-derivative financial liabilities					
Floating interest rates instrument					
Short-term loans	2.05%	$ 70,255	$ -	$ -	$ -
Long-term loans	2.2%	4,214	8,429	351	-
Lease liabilities		6,564	12,277	8,205	-
Non-interest bearing					
Accounts payable		276	-	-	-
Other Payables		30,502	-	-	-
		$ 111,811	$ 20,706	$ 8,556	$ -

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	More than 20 years
Lease liabilities	$ 6,564	$ 20,482	$ -	$ -	$ -	$ -

The amount of the financial guarantee contracts mentioned above is the maximum amount that the Company may be required to pay to fulfill its guarantee obligations if the guarantee holder claims the full amount of the guarantee from the guarantor. Based on the balance sheet date, the Company believes it is unlikely to pay those contract payments.

The amount of floating interest rate instruments for the above non-derivative financial assets and liabilities will vary depending on the difference between the floating interest rate and the interest rate estimated at the balance sheet date.

(2) Financing facilities

	December 31, 2023	December 31, 2022
Bank loan limits (extendable by mutual consent)		
- Amount used	$ 188,584	$ 82,553
- Amount unused	82,820	132,840
	$ 271,404	$ 215,393

28. Related party transactions

Unless otherwise specified in notes, the transactions between the company and related parties are as follows.

(1) The Company’s related parties and relationship

Name of related party	Relationship with the Company
MACRO SIGHT INTERNATIONAL CO., LTD.	Subsidiary
Jing Cheng Material Co., Ltd.	Subsidiary

(2) Disposal of property, plant and equipment

The unrealized gains generated from the disposal of property, plant, and equipment, as well as the sale of machinery and equipment to the subsidiaries (recorded under the investment accounted for using the equity method), are being realized over the useful lives of the machinery and equipment as follows:

2022						
Items for sale	Unrealized gain at beginning of year	Price for current period	Cost for current period	Unrealized gains	Amortization of current period	Unrealized gain at end of year
Equipment inventory	$ 78,167	$ -	$ -	$ -	($ 69,122)	$ 9,045
Property, Plant and Equipment	528	-	-	-	-	528
	$ 78,695	$ -	$ -	$ -	($ 69,122)	$ 9,573

2021						
Items for sale	Unrealized gain at beginning of year	Price for current period	Cost for current period	Unrealized gains	Amortization of current period	Unrealized gain Unrealized gain end of year
Equipment inventory	$ 99,677	$ -	$ -	$ -	($ 21,510)	$ 78,167
Property, Plant and Equipment	528	-	-	-	-	528
	$ 100,205	$ -	$ -	$ -	($ 21,510)	$ 78,695

(3) Endorsements and Guarantees

ENDORSEMENTS AND GUARANTEES FOR OTHERS

Related Party Name/Categories	December 31, 2023	December 31, 2022
Subsidiary		
MACRO SIGHT INTERNATIONAL CO., LTD.	$ 125,891	$ 125,911

(4) Other related party transactions

1. The part of management service provided by the Company to its subsidiaries is recognized in 2023 and 2022. The Company charges administrative and management service fees amounted to NT$19,472 thousand and NT$30,268 thousand to MACRO SIGHT INTERNATIONAL CO., LTD based on the Company and the expenses related to managing subsidiaries, plus a certain percentage. The payment terms require payment within 150 days after the calculation.
2. Receivables from related parties

Related Party Categories	December 31, 2023	December 31, 2022
Other receivables - related parties - management fees		
Subsidiary		
MACRO SIGHT INTERNATIONAL CO., LTD	$ 19,472	$ -
Other receivables - related parties - dividends		
Subsidiary		
MACRO SIGHT	$ 48,271	$ 36,030

INTERNATIONAL CO., LTD

Other receivables - related parties – Interest		
Subsidiary		
Jing Cheng Material Co., Ltd	$ 1,048	$ -

3. Lending to related parties

Related Party Categories	2023	2022
Interest income		
Subsidiary		
Jing Cheng Material Co., Ltd	$ 1,048	$ -

4. The Company participated in the capital increase of Jing Cheng Company and increased the investment amount by $80,000 thousand on November 15, 2023. The Company participated in the capital increase and invested $32,300 thousand in Jing Cheng Company without following the ownership percentage on November 17, 2022, and the shareholding percentage decreased from 76% to 70.3%.

(5) Compensation of key management

The compensation to directors and other management in 2023 and 2022 were as follows:

	2023	2022
Short-term employee benefits	$ 9,227	$ 12,531
Post-employment benefits	238	258
Other long-term employee benefits	3	3
Share-based payments	1,245	-
	$ 10,713	$ 12,792

The compensation to directors and other management were determined by the Compensation Committee in accordance with the individual performance and the market trends.

29. Significant contingent liabilities and unrecognized commitments

Significant commitment of the Company at the balance sheet date, excluding these disclosed in other note, were as follow:

The Company provided financial guarantees for bank loans of its subsidiaries. As of December 31, 2023 and 2022, the total guarantees provided by the Company was NT$125,891 thousand and NT$125,911 thousand, respectively, and the subsidiaries have utilized NT$0 thousand and NT$0 thousand of the guarantees, respectively. Refer to Table 2 of Note 32 for endorsements and guarantees as of December 31, 2023.

30. Significant subsequent events

On March 13, 2024, the company's Board of Directors resolved that the company would issue 10,000 thousand shares of common stock for capital increase for 2024 and issue the first domestic secured convertible bonds, with a maximum par value of NT$300,000 thousand, each convertible bond with a par value of NT$100 thousand, coupon rate of 0%, and an issuance period of 3 years.

31. Information on foreign currency assets and liabilities with significant impact

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate foreign currencies into functional currency. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 2,131	30.705 (USD:NTD)	$ 65,428
RMB	21,852	4.327 (RMB:NTD)	94,554
			$ 159,982
Non-monetary items			
Subsidiaries, associates and joint ventures, accounted for using equity method			
RMB	243,605	4.327 (RMB:NTD)	$ 1,054,079

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 352	30.71 (USD:NTD)	$ 10,820
RMB	15,467	4.408 (RMB:NTD)	68,177
			$ 78,997
Non-monetary items			
Subsidiaries, associates and joint ventures, accounted for using equity method			
USD	1,693	30.71 (USD:NTD)	$ 51,980
RMB	287,436	4.408 (RMB:NTD)	1,267,018

The Company is primarily exposed to foreign currency rate risk in RMB. The following information is presented in aggregate for the functional currencies of the individuals holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presentation currency. Gain or loss on foreign currency exchange with significant impact are as follows:

	2023		2022	
Functional currency	Functional currency Exchange Currency	Net exchange (loss) gain	Functional currency Exchange Currency	Net exchange (loss) gain
NTD	1 (NTD:NTD)	($ 2,818)	1 (NTD:NTD)	$ 2,948

For the Company's gain and loss of foreign currency exchange in 2023 and 2022, the realized amounts (after netting) were a loss of NT$1,427 thousand and a loss of NT$1,628 thousand, and the unrealized amounts (after netting) were a loss of NT$1,391 thousand and a benefit of NT$1,320 thousand, respectively.

32. Other disclosures

(1) Information of Significant Transactions:

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held (refer to Notes 4 and 5 for the investment in subsidiaries and associates): None.
4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
7. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3
8. Trading in derivative instruments: refer to Note 7 consolidated financial statements.

(2) Information on investees: Table 4

(3) Information on investment in mainland China:

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 5.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
   (3) The amount of property transactions and the amount of the resultant gains or losses: None.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
   (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
   (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Information of major shareholders: the names of shareholders with a shareholding ratio of 5% or more, their shareholding amount, and their proportional shareholdings: Table 6.

Paragon Technologies Co., Ltd.
FINANCING PROVIDED TO OTHERS
From January 1 to December 31, 2023

TABLE 1

(In Thousands of New Taiwan Dollars and Foreign Currency)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Balance at December 31	Actual Borrowing Amount	Actual Borrowing Amount	Nature of Financing	Nature of Financing	Reasons for Short-term Financing	Allowance for Bad Debts	Collateral		Financing limit for each borrower (Note 2)	Aggregate financing Limit (Note 2)	Note
													Name	Value			
0	Paragon Technology Investment Limited.	Jing Cheng Material Co., LTD.	Other receivables	Y	$ 100,000	$ -	$ -	3%	The need for short-term financing	$ -	Operating capital	None	None	$ -	$ 245,157	$ 490,314	
1	MACROSIGHTINTERNATIONALCO.LTD	Jing Cheng Material Co., LTD	Other receivables	Y	6,491 RMB 1,500	6,491 RMB 1,500	6,491 RMB 1,500	0%	〃	$ -	〃	〃	〃	-	210,816 RMB 48,721	421,632 RMB 97,442	
2	Paragon (Suzhou) Technology LTD	Zhejiang Paragon Technology Co.,LTD.	Other receivables	Y	337,820 RMB 76,000	328,852 RMB 76,000	328,852 RMB 76,000	2%	〃	$ -	〃	〃	〃	-	538,611 RMB 124,477	538,611 RMB 124,477	
3	Paragon (Jiangsu) Technology Co.,LTD	Zhejiang Paragon Technology Co., LTD.	Other receivables	Y	111,125 RMB 25,000	108,175 RMB 25,000	108,175 RMB 25,000	2%	〃	$ - -	〃	〃	〃	-	378,080 RMB 87,377	378,080 RMB 87,377	
3	Paragon (Kunshan) Technology Co., Ltd.	Zhejiang Paragon Technology Co.,LTD.	Other receivables	Y	111,125 RMB 25,000	42,405 RMB 9,800	42,405 RMB 9,800	2%	〃	$ - -	〃	〃	〃	-	172,847 RMB 39,946	172,847 RMB 39,946	

Note 1: Coding is as follows:
(1) The issuer is coded "0".
(2) The investee companies are coded consecutively beginning from “1”.

Note 2: The limit for financing provided by the investment company is as follows:
(1) The individual amount of each financing provided to companies with business dealings with the Company should not exceed the amount of business transactions between the parties, and the total amount of all financing should not exceed 20% of net worth. The term "dealings with" refers to the purchase or sale amount between the two parties within the past year, which is the higher.
(2) The individual amount of each guarantee should not exceed 20% of net equity as of its latest financial statements, and the total amount of all guarantees issued should not exceed 40% of net worth.
(3) The Company can provide financing to its wholly-owned foreign subsidiaries, directly or indirectly held with 100% voting rights, without being subject to (2). However, the individual amount of each financing should not exceed 100% of net worth, and the total amount of all financing should not exceed 100% of net worth.

Paragon Technologies Co., Ltd.
ENDORSEMENTS AND GUARANTEES FOR OTHERS
From January 1 to December 31, 2023

TABLE 2

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

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee Name	Endorsee/Guarantee Nature of relationship (Note 2)	Limits on endorsement/guarantee amount provided to each guaranteed party (Notes 1 and 3)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement/guarantee collateralized by properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum endorsement/ guarantee amount allowable (Note 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China	Note
0	Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD.	(2)	$ 612,893	$ 132,943 USD 4,100	$ 125,891 USD 4,100	$ -	$ -	10.27%	$ 612,893	Y	N	N	
1	MACRO SIGHT INTERNATIONAL CO., LTD.	Jing Cheng Material Co., LTD.	(4)	210,816 RMB 48,721	55,269 RMB 12,773	55,269 RMB 12,773	10,000	55,269 USD 1,800	4.51%	210,816 RMB 48,721	N	N	N	

Note 1: Coding is as follows:
(1) The issuer is coded "0".
(2) The investee companies are coded consecutively beginning from “1”.

Note 2: There are 7 types of relationships between endorser and endorsee, the types can be indicated:
(1) The company with business dealings with the Company.
(2) The company directly or indirectly held by the Company by more than 50% voting shares.
(3) The company directly or indirectly held the Company by more than 50% voting shares.
(4) The company directly or indirectly held by the Company by more than 90% voting shares.
(5) The company provides mutual guarantees to each other based on the contract for the purpose of contracted engineering projects.
(6) The company in which all shareholders, based on their shareholding percentage, provide endorsements and guarantees due to the joint investment relationship.
(7) Joint and several guarantees provided by company engaged in pre-sale house contracts and selling in accordance with the Consumer Protection Act.

Note 3: The total amount of the endorsement/guarantee provided by the Company shall not exceed 50% percent of net worth. The cumulative amount of endorsement/guarantee for a single company shall not exceed 20% of net worth, and shall not exceed 50% of net worth for a single overseas associate. However, for endorsement/guarantee made due to business relationships, it shall not exceed the total amount of transactions between the Company and the other party in the most recent year (whichever is higher between the purchase or sales amount).

Paragon Technologies Co., Ltd.
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
December 31, 2023

TABLE 3

(In Thousands of New Taiwan Dollars and Foreign Currency)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Paragon (Suzhou) Technology LTD	Zhejiang Paragon Technology Co.,LTD.	Sub-subsidiary	Other receivables (Note 1) $ 328,852 RMB 76,000	-	$ -	—	$ -	$ -
Paragon (Jiangsu) Technology Co.,LTD	Zhejiang Paragon Technology Co.,LTD.	Sub-subsidiary	Other receivables (Note 1) 108,175 RMB 25,000	-	-	—	-	-

Note 1: Listed as other receivables due to the nature of financing funds.

Note 2: Paid-in capital refers to the paid-in capital of the parent company. If the issuer's shares have no par value or the par value is not NT$10 per share, the transaction amount requirement of 20% of the paid-in capital shall be calculated based on 10% of the equity attributable to the owners of the parent company on the balance sheet.

Paragon Technologies Co., Ltd.
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
From January 1 to December 31, 2023

TABLE 4

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount			
Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD.	F.T. LABUAN, MALAYSIA	Investment activities	$ 481,565 USD 14,134	$ 481,565 USD 14,134	13,992,000	100	$ 1,044,887	$ 36,341	$ 32,886	Subsidiary
	Cubee auto parts inc.	Taiwan	Wholesale and retail of automobile parts and equipment	5,000	5,000	500,000	50	-	(376)	-	Associate
	Jing Cheng Material Co., LTD.	Taiwan	Supply of silicon carbide technology and materials	336,100	77,900	18,000,000	100	145,491	(41,351)	(37,918)	Subsidiary
	LEADING PROFIT HOLDING LIMITED	SEYCHELLES	Investment activities	-	51,021 USD 1,683	-	-	-	3,933	2,006	Subsidiary
MACRO SIGHT INTERNATIONAL CO., LTD.	MACRO SIGHT TECHNOLOGY LIMITED	BRITISH VIRGIN ISLANDS	Makes investments and import/export	280,616 USD 8,347	280,616 USD 8,347	8,346,851	100	842,130 RMB 194,622	12,294 RMB 2,797	12,294 RMB 2,797	Sub-subsidiary
	CLEAR SMART INVESTMENTS LIMITED	APIA, SAMOA	Makes investments and import/export	96,756 USD 3,000	96,756 USD 3,000	3,000,000	100	167,721 RMB 38,762	910 RMB 207	2,528 RMB 575	Sub-subsidiary
	Paragon Technology Investment Limited.	Hong Kong	Investment activities	777,341 USD 25,000	777,341 USD 25,000	25,000,000	100	(355,412) (RMB 82,138)	(15,320) (RMB 3,485)	(14,511) (RMB 3,301)	Sub-subsidiary
	Precise International Investment Linited.	Hong Kong	Investment activities	114,159 USD 3,502	114,159 USD 3,502	3,502,000	100	286,446 RMB 66,200	44,448 RMB 10,111	44,448 RMB 10,111	Sub-subsidiary
MACRO SIGHT TECHNOLOGY LIMITED	Essence International Investment Limited.	Hong Kong	Investment activities	492,640 USD 15,100	492,640 USD 15,100	15,100,000	100	840,755 RMB 194,304	12,286 RMB 2,795	12,286 RMB 2,795	Sub-subsidiary
CLEAR SMART INVESTMENTS LIMITED	Paragon (Kunshan) Technology Co., Ltd.	Kunshan City, Jiangsu Province, Mainland China	EMI processing	96,756 USD 3,000	96,756 USD 3,000	-	100	172,847 RMB 39,946	919 RMB 209	919 RMB 209	Sub-subsidiary
Paragon Technology Investment Limited.	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	777,341 USD 25,000	777,341 USD 25,000	-	71.43	(355,949) (RMB 82,262)	(21,323) (RMB 4,851)	(15,231) (RMB 3,465)	Sub-subsidiary
Essence International Investment Limited.	Paragon (Suzhou) Technology LTD	Suzhou New District, Jiangsu Province, Mainland China	EMI processing	240,742 USD 7,100	240,742 USD 7,100	-	100	538,611 RMB 124,477	(1,039) (RMB 236)	(1,039) (RMB 236)	Sub-subsidiary
	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	251,904 USD 8,000	251,904 USD 8,000	-	80	302,464 RMB 69,902	16,808 RMB 3,823	13,446 RMB 3,058	Sub-subsidiary
Precise International Investment Linited.	Paragon (Neijiang) Technology Co.,LTD	Neijiang City, Sichuan Province, Mainland China	EMI processing	91,440 USD 3,000	91,440 USD 3,000	-	100	283,727 RMB 65,571	44,526 RMB 10,129	44,526 RMB 10,129	Sub-subsidiary
Paragon (Suzhou) Technology LTD	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	62,976 USD 2,000	62,976 USD 2,000	-	20	75,616 RMB 17,475	16,808 RMB 3,823	3,362 RMB 765	Sub-subsidiary
	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	294,550 USD 10,000	294,550 USD 10,000	-	28.57	(142,370) (RMB 32,903)	(21,323) (RMB 4,851)	(6,092) (RMB 1,386)	Sub-subsidiary

Paragon Technologies Co., Ltd.
Information on investment in mainland china
From January 1 to December 31, 2023

TABLE 5 (In Thousands of New Taiwan Dollars and Foreign Currency)

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, and repatriations of investment income:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023 (Note4)	Note
					Outward	Inward							
Paragon (Suzhou) Technology LTD	EMI processing	$ 240,742 USD 7,100	(2)	$ 205,914 USD 6,000	$ -	$ -	$ 205,914 USD 6,000	(1,039) (RMB 236)	100%	(1,039) (RMB 236)	$ 538,611 RMB 124,477	$ 78,139 RMB 18,000	
Paragon (Kunshan) Technology Co., Ltd.	〃	96,756 USD 3,000	(2)	32,860 USD 1,000	-	-	32,860 USD 1,000	919 RMB 209	100%	919 RMB 209	172,847 RMB 39,946	421,948 USD 11,675 及 RMB 18,000	
Paragon (Jiangsu) Technology Co.,LTD	〃	314,880 USD 10,000	(2)	-	-	-	-	16,808 RMB 3,823	100%	16,808 RMB 3,823	378,080 RMB 87,377	273,431 RMB 62,460	
Paragon (Neijiang) Technology Co.,LTD	〃	91,440 USD 3,000	(2)	-	-	-	-	44,526 RMB 10,129	100%	44,526 RMB 10,129	283,727 RMB 65,571	77,716 RMB 17,664	
Zhejiang Paragon Technology Co.,LTD.	Sputter coated automotive parts	1,071,891 USD 35,000	(2)	173,825 USD 5,000	-	-	173,825 USD 5,000	(21,323) (RMB 4,851)	100%	(21,323) (RMB 4,851)	(498,319) (RMB 115,165)	-	

Note 1: There are 3 types of investment methods, the types can be indicated:

(1) Direct investment in the mainland China area.

(2) Investment in the mainland China area through third party.

(3) Others.

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

2. Limit on the amount of investment in the mainland China area:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 512,771 (Note 3)	$2,006,072 (Notes3 and 5) (HKD 12,173 and USD 61,602)	$ 735,471

Note 3: Including the accumulated investment of NT$100,172 thousand after the liquidation of Baikai Technologies (Shenzhen) Co., Ltd. in March 2007 and ACME (Shanghai) Technology Limited. in July 2020.

Note 4: As of September 2023, ACME (Shanghai) Technology Limited. has remitted the investment income of NT$254,140 thousand.

Note 5: Including the investment of NT$97,799 thousand originally invested by the third party after the liquidation of Paragon (Chongqing) Technology Co.,LTD.. in June 2022.

Paragon Technologies Co., Ltd.
INFORMATION ON MAJOR SHAREHOLDERS
December 31, 2023

TABLE 6

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
None		

Note 1: The information on major shareholders in this table is based on the last business day at the end of the quarter, including the data of the shareholders holding more than 5% of the company’s ordinary shares and special shares that have completed unregistered delivery (including treasury shares). The share capital recorded in the Individual financial report and the actual number of shares delivered without physical registration may be different due to the difference of calculation basis.

Paragon Technologies Co., Ltd.

Chairman Chen, Tsai-Pu