

Paragon Technologies Co., Ltd.  
and Its Subsidiaries

Consolidated Financial Statements and Independent  
Auditors' Report  
2023 and 2022

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## REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Paragon Technologies Co., Ltd. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Paragon Technologies Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Company Name: Paragon Technologies Co., Ltd.

Person in charge: Chen Tsai Pu

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## **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 an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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

No.  
Financial-Supervisory-Securities-Auditing-  
1010028123

Approval No. Approval No. of Securities and  
Futures Commission

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		December 31, 2022	
		Amount	%	Amount	%
	<b>Current assets</b>				
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	<u>1,184,218</u>	<u>76</u>	<u>1,390,167</u>	<u>78</u>
	<b>Non-current assets</b>				
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	<u>377,073</u>	<u>24</u>	<u>389,074</u>	<u>22</u>
1XXX	Total	<u>\$ 1,561,291</u>	<u>100</u>	<u>\$ 1,779,241</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
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	<u>299,601</u>	<u>19</u>	<u>229,211</u>	<u>13</u>
	<b>Non-current liabilities</b>				
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	<u>35,905</u>	<u>2</u>	<u>60,751</u>	<u>3</u>
2XXX	Total liabilities	<u>335,506</u>	<u>21</u>	<u>289,962</u>	<u>16</u>
	<b>Equity attributable to owners of the Company (Notes 4, 12, 24, 29, 30 ,32 and 33)</b>				
	<b>Capital stock</b>				
3110	Common stock	840,422	54	807,422	45
3200	Capital reserve	697,863	45	673,820	38
	<b>Retained earnings</b>				
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	<u>1,225,785</u>	<u>79</u>	<u>1,411,402</u>	<u>79</u>
36XX	Non-controlling interests	-	-	77,877	5
3XXX	Total equity	<u>1,225,785</u>	<u>79</u>	<u>1,489,279</u>	<u>84</u>
	<b>Total liabilities and equity</b>	<u>\$ 1,561,291</u>	<u>100</u>	<u>\$ 1,779,241</u>	<u>100</u>

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)

Codes		2023		2022	
		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	<u>102,158</u>	<u>27</u>	<u>113,340</u>	<u>25</u>
	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)	<u>6,024</u>	<u>1</u>	( <u>2,646</u> )	( <u>1</u> )
6000	Total operating expenses	( <u>158,733</u> )	( <u>42</u> )	( <u>164,622</u> )	( <u>36</u> )
6900	Net operating income (loss)	( <u>56,575</u> )	( <u>15</u> )	( <u>51,282</u> )	( <u>11</u> )
	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	<u>-</u>	<u>-</u>	( <u>238</u> )	<u>-</u>
7000	Total non-operating income and expenses	<u>68,743</u>	<u>18</u>	<u>108,412</u>	<u>23</u>
7900	Income from continuing operations before income tax	12,168	3	57,130	12
7950	Total income tax expense (Notes 4 and 27)	( <u>62,083</u> )	( <u>16</u> )	( <u>32,909</u> )	( <u>7</u> )
8200	Net income (loss) for the period	( <u>49,915</u> )	( <u>13</u> )	<u>24,221</u>	<u>5</u>

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Codes		2023		2022	
		Amount	%	Amount	%
	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	<u>491</u>	<u>-</u>	<u>2,786</u>	<u>1</u>
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)	<u>4,338</u>	<u>1</u>	( <u>4,423</u> )	( <u>1</u> )
	Subtotal	( <u>17,985</u> )	( <u>5</u> )	<u>18,324</u>	<u>4</u>
8300	Other comprehensive income (net of income tax)	( <u>17,494</u> )	( <u>5</u> )	<u>21,110</u>	<u>5</u>
8500	Total comprehensive income	( <u>\$ 67,409</u> )	( <u>18</u> )	<u>\$ 45,331</u>	<u>10</u>
	Net income(loss) attributable to:				
8610	Owner of the Company	( \$ 48,409 )	( 13 )	\$ 25,052	5
8620	Non-controlling interests	( <u>1,506</u> )	-	( <u>831</u> )	-
8600		( <u>\$ 49,915</u> )	( <u>13</u> )	<u>\$ 24,221</u>	<u>5</u>
	Total comprehensive income(loss) attributable to:				
8710	Owner of the Company	( \$ 65,271 )	( 17 )	\$ 45,530	10
8720	Non-controlling interests	( <u>2,138</u> )	( <u>1</u> )	( <u>199</u> )	-
8700		( <u>\$ 67,409</u> )	( <u>18</u> )	<u>\$ 45,331</u>	<u>10</u>
	Earnings (Loss) per share (Note 28) from continuing operations				
9710	Basic	( <u>\$ 0.59</u> )		<u>\$ 0.31</u>	
9810	Diluted	( <u>\$ 0.59</u> )		<u>\$ 0.31</u>	

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)

Codes		Equity attributable to owners of the Company						Others					Total equity
		Capital Stock		Retained earnings				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)	
		Shares (in thousands)	Capital Stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)						
A1	Balance, January 1, 2022	80,752	\$ 807,522	\$ 759,327	\$ -	\$ -	\$ 41,298	( \$ 156,668 )	\$ -	\$ -	( \$ 34,651 )	\$ -	\$ 1,416,828
B1	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
B1	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

(Continued on next page)

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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	<u>55,771</u>	<u>176,870</u>
	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	-	<u>66,720</u>
CCCC	Net cash outflows from financing activities	<u>( 52,017 )</u>	<u>( 170,891 )</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>( 37,622 )</u>	<u>12,558</u>
EEEE	Increase(decrease) in cash and cash equivalents	( 85,297 )	163,205
E00100	Cash and cash equivalents at beginning of year	<u>885,863</u>	<u>722,658</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 800,566</u>	<u>\$ 885,863</u>

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 vice 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 retransaction 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

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 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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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
	<u>\$ 800,566</u>	<u>\$ 885,863</u>

The interest rate range of bank deposit at the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Structured deposits mandatorily		
Structured deposit	<u>\$ _____</u>	<u>\$ 212,658</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Time deposits with original		
maturities over 3 months (1)	<u>\$ 57,544</u>	<u>\$ _____</u>

(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

Total Carrying Amount	<u>\$ 57,544</u>
Loss allowance	<u>-</u>
Amortized cost	<u>\$ 57,544</u>

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%	<u>\$ 57,544</u>

X. Trade Receivables and Other Receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Trade receivables</u>		
Carried at amortized cost		
Total carrying amount	\$ 282,210	\$ 277,457
Less: Allowance for impairment loss	( <u>2,979</u> )	( <u>9,237</u> )
	<u>\$ 279,231</u>	<u>\$ 268,220</u>
<u>Other receivables</u>		
Interest receivable	\$ 223	\$ 563
Others	<u>623</u>	<u>1,895</u>
	<u>\$ 846</u>	<u>\$ 2,458</u>

(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

	<u>0~90 days</u>	<u>91~180 days</u>	<u>180~360 days</u>	<u>More than 361 days</u>	<u>Total</u>
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)	( <u>729</u> )	( <u>178</u> )	( <u>730</u> )	( <u>1,342</u> )	( <u>2,979</u> )
Amortized cost	<u>\$ 204,748</u>	<u>\$ 73,239</u>	<u>\$ 1,244</u>	<u>\$ -</u>	<u>\$ 279,231</u>

December 31, 2022

	<u>0~90 days</u>	<u>91~180 days</u>	<u>180~360 days</u>	<u>More than 361 days</u>	<u>Total</u>
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)	( <u>1,388</u> )	( <u>2,501</u> )	( <u>2,541</u> )	( <u>2,807</u> )	( <u>9,237</u> )
Amortized cost	<u>\$ 161,193</u>	<u>\$ 102,238</u>	<u>\$ 4,789</u>	<u>\$ -</u>	<u>\$ 268,220</u>

The following table details the loss allowance of trade receivables:

	<u>2023</u>	<u>2022</u>
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	( <u>234</u> )	<u>152</u>
Balance at December 31	<u>\$ 2,979</u>	<u>\$ 9,237</u>

(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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 17,274	\$ 4,459
Work-in-process	1,591	-
Finished goods	<u>3,430</u>	<u>62</u>
	<u>\$ 22,295</u>	<u>\$ 4,521</u>

The natures of the sales cost are as follows:

	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 267,386	\$ 345,618
impairment loss on inventories (reversal of profit )	<u>13,029</u>	( <u>1,738</u> )
	<u>\$ 280,415</u>	<u>\$ 343,880</u>

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		Note
				December 31, 2023	December 31, 2022	
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 Limited. (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:

- 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 without 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

Subsidiaries	Principal places of business	Equities and voting ratio of non-controlling interests	
		December 31, 2023	December 31, 2022
Jing Cheng Material Co., Ltd.	Taiwan	-	29.7%
LEADING PROFIT HOLDING LIMITED	SEYCHELLES	-	49.0%

Subsidiaries	Profits attributed to non-controlling interests		Non-controlling interests	
	2023	2022	December 31, 2023	December 31, 2022
Jing Cheng Material Co., Ltd.	(\$ 3,433)	(\$ 1,121)	-	\$ 27,935
LEADING PROFIT HOLDING LIMITED	<u>1,927</u>	<u>290</u>	-	<u>49,942</u>
	<u>(\$ 1,506)</u>	<u>(\$ 831)</u>	<u>\$ -</u>	<u>\$ 77,877</u>

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	( <u>6,227</u> )	( <u>8,191</u> )
Equity	<u>\$ 136,440</u>	<u>\$ 94,056</u>
Equity attributable to:		
Owner of the Company	\$ 136,440	\$ 66,121
Non-controlling interests of Jing Cheng Company	-	<u>27,935</u>
	<u>\$ 136,440</u>	<u>\$ 94,056</u>

	<u>2023</u>	<u>2022</u>
Operating Revenue	\$ <u>71</u>	\$ <u>-</u>
Loss from continuing operations for the year	(\$ <u>41,351</u> )	(\$ <u>5,749</u> )
Loss of the year	( <u>41,351</u> )	( <u>5,749</u> )
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	(\$ <u>41,351</u> )	(\$ <u>5,749</u> )
Loss attributable to:		
Owner of the Company	(\$ 37,918)	(\$ 4,628)
Non-controlling interests of Jing Cheng Company	( <u>3,433</u> )	( <u>1,121</u> )
	(\$ <u>41,351</u> )	(\$ <u>5,749</u> )
Total comprehensive income attributable to:		
Owner of the Company	(\$ 37,918)	(\$ 4,628)
Non-controlling interests of Jing Cheng Company	( <u>3,433</u> )	( <u>1,121</u> )
	(\$ <u>41,351</u> )	(\$ <u>5,749</u> )

#### LPH Company

	December 31, 2023	<u>December 31, 2022</u>
Current assets	\$ -	\$101,977
Current liabilities	<u>-</u>	( <u>55</u> )
Equity	<u>\$ -</u>	<u>\$101,922</u>
Equity attributable to:		
Owner of the Company	\$ -	\$ 51,980
Non-controlling interests of LPH Company	<u>-</u>	<u>49,942</u>
	<u>\$ -</u>	<u>\$101,922</u>

	<u>2023</u>	<u>2022</u>
Operating Revenue	\$ <u>-</u>	\$ <u>-</u>
Profit from continuing operations for the year	\$ <u>3,933</u>	\$ <u>591</u>
Profit	3,933	591
Other comprehensive income	( <u>1,289</u> )	<u>1,289</u>
Total comprehensive income (loss)	\$ <u>2,644</u>	\$ <u>1,880</u>
Net income attributable to:		
Owner of the Company	\$ 2,006	\$ 301
Non-controlling interests of LPH Company	<u>1,927</u>	<u>290</u>
	<u>\$ 3,933</u>	<u>\$ 591</u>

	<u>2023</u>	<u>2022</u>
Total comprehensive income attributable to		
Owner of the Company	\$ 1,349	\$ 958
Non-controlling interests of LPH Company	<u>1,295</u>	<u>922</u>
	<u>\$ 2,644</u>	<u>\$ 1,880</u>

XIII. Investments accounted for using equity method

(1) Investments in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Associates that are not individually material		
Cubee auto parts inc.	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2023</u>	<u>2022</u>
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:

	<u>2023</u>	<u>2022</u>
Amount of the year	( \$ 188 )	( \$ 121 )
Cumulative amount	( \$ 309 )	( \$ 121 )

XIV. Property, Plant and Equipment

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Assets used by the Company	\$ 251,141	\$ 198,225
Assets subject to operating leases	<u>6,360</u>	<u>9,470</u>
	<u>\$ 257,501</u>	<u>\$ 207,695</u>

(1) Assets used by the Company

	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>							
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	<u>\$ 209,195</u>	<u>\$ 1,044,789</u>	<u>\$ 2,265</u>	<u>\$ 27,940</u>	<u>\$ 21,883</u>	<u>\$ 14,176</u>	<u>\$ 1,320,248</u>
<u>Accumulated depreciation and impairment</u>							
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	<u>\$ 131,387</u>	<u>\$ 898,863</u>	<u>\$ 2,265</u>	<u>\$ 25,685</u>	<u>\$ 10,907</u>	<u>\$ -</u>	<u>\$ 1,069,107</u>
Balance, December 31, 2023	<u>\$ 77,808</u>	<u>\$ 145,926</u>	<u>\$ -</u>	<u>\$ 2,255</u>	<u>\$ 10,976</u>	<u>\$ 14,176</u>	<u>\$ 251,141</u>
	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>							
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	<u>\$ 213,111</u>	<u>\$ 1,165,334</u>	<u>\$ 2,295</u>	<u>\$ 32,264</u>	<u>\$ 28,127</u>	<u>\$ 50,124</u>	<u>\$ 1,491,255</u>
<u>Accumulated depreciation and impairment</u>							
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	<u>\$ 129,254</u>	<u>\$ 1,105,854</u>	<u>\$ 2,205</u>	<u>\$ 30,489</u>	<u>\$ 25,228</u>	<u>\$ -</u>	<u>\$ 1,293,030</u>
Balance, December 31, 2022	<u>\$ 83,857</u>	<u>\$ 59,480</u>	<u>\$ 90</u>	<u>\$ 1,775</u>	<u>\$ 2,899</u>	<u>\$ 50,124</u>	<u>\$ 198,225</u>

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

	<u>Buildings</u>
<u>Cost</u>	
Balance, January 1, 2023	\$ 57,443
Effect of exchange difference	<u>( 1,056)</u>
Balance, December 31, 2023	<u>\$ 57,443</u>
<u>Accumulated depreciation and impairment</u>	
Balance, January 1, 2023	\$ 47,973
Depreciation	2,982
Effect of exchange difference	<u>( 928)</u>
Balance, December 31, 2022	<u>\$ 50,027</u>
Net, December 31, 2023	<u>\$ 6,360</u>
<u>Cost</u>	
Balance, January 1, 2022	\$ 56,609
Effect of exchange difference	<u>834</u>
Balance, December 31, 2022	<u>\$ 57,443</u>
<u>Accumulated depreciation and impairment</u>	
Balance, January 1, 2022	\$ 44,330
Depreciation	3,000
Effect of exchange difference	<u>643</u>
Balance, December 31, 2022	<u>\$ 47,973</u>
Net, December 31, 2022	<u>\$ 9,470</u>

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
First year	\$ 5,172	\$ 5,268
Second year	-	5,268
Third year	-	-
Fourth year	-	-
	<u>\$ 5,172</u>	<u>\$ 10,536</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Land	\$ 16,420	\$ 17,178
Buildings	<u>40,354</u>	<u>62,519</u>
	<u>\$ 56,774</u>	<u>\$ 79,697</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ -</u>	<u>\$ 60,986</u>
Depreciation of right-of-use assets		
Land	\$ 448	\$ 700
Buildings	<u>16,232</u>	<u>15,709</u>
	<u>\$ 16,680</u>	<u>\$ 16,409</u>

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Current portion	<u>\$ 14,573</u>	<u>\$ 15,721</u>
Non-current portion	<u>\$ 26,486</u>	<u>\$ 46,878</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 2,273</u>	<u>\$ 3,149</u>



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

	<u>Patents</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>			
Balance, January 1, 2023	\$ 223	\$ 22,971	\$ 23,194
Separately acquired	-	661	661
Net exchange difference	-	( 56)	( 56)
Balance, December 31, 2023	<u>\$ 223</u>	<u>\$ 23,576</u>	<u>\$ 23,799</u>
<u>Accumulated amortization</u>			
Balance, January 1, 2023	\$ 223	\$ 22,740	\$ 22,963
Amortization	-	851	851
Net exchange difference	-	( 63)	( 63)
Balance, December 31, 2023	<u>\$ 223</u>	<u>\$ 23,528</u>	<u>\$ 23,751</u>
Net, December 31, 2023	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 48</u>
<u>Cost</u>			
Balance, January 1, 2022	\$ 223	\$ 22,325	\$ 22,548
Separately acquired	-	626	626
Net exchange difference	-	20	20
Balance, December 31, 2022	<u>\$ 223</u>	<u>\$ 22,971</u>	<u>\$ 23,194</u>
<u>Accumulated amortization</u>			
Balance, January 1, 2022	\$ 223	\$ 21,687	\$ 21,910
Amortization	-	1,035	1,035
Net exchange difference	-	18	18
Balance, December 31, 2022	<u>\$ 223</u>	<u>\$ 22,740</u>	<u>\$ 22,963</u>
Net, December 31, 2022	<u>\$ -</u>	<u>\$ 231</u>	<u>\$ 231</u>

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 :

	<u>2023</u>	<u>2022</u>
Operating costs	\$ 25	\$ 37
Sales and marketing	2	-
General and administrative	822	807
R&D expenses	<u>2</u>	<u>191</u>
	<u>\$ 851</u>	<u>\$ 1,035</u>

#### XVIII. OTHER ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current portion</u>		
Prepayments - current (1)	\$ 20,010	\$ 13,327
Other current assets		
Others	<u>2,266</u>	<u>2,991</u>
	<u>\$ 22,276</u>	<u>\$ 16,318</u>
<u>Non-current portion</u>		
Prepayment for equipment (2)	<u>\$ -</u>	<u>\$ 25,303</u>
Refundable deposits (3)	<u>4,565</u>	<u>5,588</u>
Other noncurrent assets		
Net defined benefit asset		
(Note 23)	2,185	1,557
Others	<u>3,450</u>	<u>3,450</u>
	<u>5,635</u>	<u>5,007</u>
	<u>\$ 10,200</u>	<u>\$ 35,898</u>

- (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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Line of credit	\$ 180,000	\$ 70,000
<u>Secured loans (Note 38)</u>		
Loans from bank	<u>10,000</u>	<u>-</u>
	<u>\$ 190,000</u>	<u>\$ 70,000</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Loans from bank - First Commercial Bank	\$ 8,584	\$ 12,553
Less: Current portion of long-term loans payable	<u>( 4,066 )</u>	<u>( 3,978 )</u>
	<u>\$ 4,518</u>	<u>\$ 8,575</u>

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 months installments from the date of borrowing.

XX. NOTES PAYABLE AND ACCOUNTS PAYABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts payable</u>		
Non-related parties - operating	<u>\$ 8,578</u>	<u>\$ 4,511</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current portion</u>		
<u>Other Payables</u>		
Salaries and incentive bonus Payables for employees' compensation and directors' remuneration	\$ 32,711	\$ 35,034
Payables for annual leave	2,663	7,056
Payables on equipment	2,787	3,334
Payables for labor costs	1,140	1,435
		2,187

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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	<u>14,095</u>	<u>36,774</u>
	<u>\$ 72,461</u>	<u>\$ 117,739</u>
<u>Current portion</u>		
Other liabilities		
Others	<u>\$ 422</u>	<u>\$ 628</u>
<u>Non-current portion</u>		
Deferred income(1)		
Government grants	<u>\$ 3,972</u>	<u>\$ 4,176</u>
Other liabilities		
Guarantee deposit received	<u>\$ -</u>	<u>\$ 88</u>

(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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current portion</u>		
Warranty (2)	<u>\$ 2,213</u>	<u>\$ 3,006</u>
<u>Non-current portion</u>		
Employee benefits (1)	\$ 728	\$ 764
Warranty (2)	<u>-</u>	<u>82</u>
	<u>\$ 728</u>	<u>\$ 846</u>

- (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.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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	<u>\$ 2,213</u>	<u>\$ 3,088</u>

### 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Defined benefit obligation	\$ 15,940	\$ 15,948
Fair value of plan assets	( 18,125)	( 17,505)
Net defined benefit liability (asset)	<u>(\$ 2,185)</u>	<u>(\$ 1,557)</u>

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	<u>\$ 16,612</u>	<u>( \$ 15,676 )</u>	<u>\$ 936</u>
Service cost			
Current service cost	255	-	255
Interest expense (income)	<u>83</u>	<u>( 79 )</u>	<u>4</u>
Recognized in profit or loss	<u>338</u>	<u>( 79 )</u>	<u>259</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>( 1,231 )</u>	<u>( 1,231 )</u>
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	<u>( 539 )</u>	-	<u>( 539 )</u>
Actuarial (gain) loss - experience adjustments	<u>( 463 )</u>	<u>-</u>	<u>( 463 )</u>
Recognized in OCI	<u>( 1,002 )</u>	<u>( 1,231 )</u>	<u>( 2,233 )</u>
Contributions from the employer	<u>-</u>	<u>( 519 )</u>	<u>( 519 )</u>
December 31, 2022	<u>\$ 15,948</u>	<u>( \$ 17,505 )</u>	<u>( \$ 1,557 )</u>
January 1, 2023	<u>\$ 15,948</u>	<u>( \$ 17,505 )</u>	<u>( \$ 1,557 )</u>
Service cost			
Current service cost	253	-	253
Interest expense (income)	<u>180</u>	<u>( 200 )</u>	<u>( 20 )</u>
Recognized in profit or loss	<u>433</u>	<u>( 200 )</u>	<u>233</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	<u>( 173 )</u>	<u>( 173 )</u>
Actuarial (gain) loss - changes in demographic assumptions	-	-	-
Actuarial (gain) loss - changes in financial assumptions	<u>( 121 )</u>	-	<u>( 121 )</u>
Actuarial (gain) loss - experience adjustments	<u>( 320 )</u>	<u>-</u>	<u>( 320 )</u>
Recognized in OCI	<u>( 441 )</u>	<u>( 173 )</u>	<u>( 614 )</u>
Contributions from the employer	<u>-</u>	<u>( 247 )</u>	<u>( 247 )</u>
December 31, 2023	<u>\$ 15,940</u>	<u>( \$ 18,125 )</u>	<u>( \$ 2,185 )</u>

Amount of defined benefit plan recognized in the profit and loss is summarized by function as follow:

	<u>2023</u>	<u>2022</u>
Operating costs	\$ -	\$ -
Sales and marketing	-	-
General and administrative	233	259
R&D expenses	<u>-</u>	<u>-</u>
	<u>\$ 233</u>	<u>\$ 259</u>

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.

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>																																								
Discount rate	1.25%	1.125%																																								
Expected salary increase rate	2.5%	2.5%																																								
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Mortality rate	Based on 10% of expected mortality rate Based on Taiwan Life Insurance Industry 6th Experience Life Table	Based on 10% of expected mortality rate Based on Taiwan Life Insurance Industry 6th Experience Life Table																																								
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	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Ages</u>	<u>Voluntary retirement rate</u>	<u>Ages</u>	<u>Voluntary retirement rate</u>
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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase 0.25%	(\$ <u>236</u> )	(\$ <u>201</u> )
Reduce 0.25%	<u>\$ 244</u>	<u>\$ 209</u>
Expected salary increase rate		
Increase 0.25%	<u>\$ 238</u>	<u>\$ 203</u>
Reduce 0.25%	(\$ <u>231</u> )	(\$ <u>196</u> )

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.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Amount expected to be allocated within a year	<u>\$ -</u>	<u>\$ 498</u>
The average duration of the defined benefit obligation	6 years	5.1 years

#### XXIV. Equity

(1) Capital stock  
Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>84,042</u>	<u>80,742</u>
Shares issued	<u>\$ 840,422</u>	<u>\$ 807,422</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital(1)</u>		
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
<u>May be used to offset a deficit only</u>		
Expiry of employ stock option	22,090	22,090
<u>Shall not be used for any purpose</u>		
Restricted shares for employees	<u>30,100</u>	<u>-</u>
	<u>\$ 697,863</u>	<u>\$ 673,820</u>

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:

	<u>2022</u>	<u>2021</u>
Legal reserve	<u>\$ 2,784</u>	<u>\$ 4,129</u>
Special reserve	<u>\$ 25,054</u>	<u>\$ 37,169</u>

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:

	<u>2023</u>
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	<u>132,295</u> <u>\$ 201,431</u>

The offsetting of accumulated deficit for 2023 will be decided in the shareholders' meeting held on June 18, 2024.

(4) Special reserve

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 37,169	\$ -
Special reserve		
Deduction of other interests	<u>25,054</u>	<u>37,169</u>
Balance at December 31	<u>\$ 62,223</u>	<u>\$ 37,169</u>

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

	<u>2023</u>	<u>2022</u>
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	<u>4,338</u>	( <u>4,423</u> )
Balance at December 31	<u>( \$ 156,329 )</u>	<u>( \$ 138,976 )</u>

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

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ -	\$ -
Generated in current year		
Unrealized gain (loss)		
Equity instruments	-	1,000
Income tax related to unrealized gain (loss)	<u>-</u>	<u>-</u>
Other comprehensive income of this year	<u>-</u>	<u>1,000</u>
Transfer of accumulated profit and loss from disposition of equity instruments to retained earnings	<u>-</u>	( <u>1,000</u> )
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

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.

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ -	\$ -
Current Issuance	( 30,100 )	-
Share-based payment	<u>6,224</u>	<u>-</u>
Balance at December 31	<u>( \$ 23,876 )</u>	<u>\$ -</u>

(6) Non-controlling interests

	<u>2023</u>	<u>2022</u>
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	( <u>632</u> )	<u>632</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 77,877</u>

(7) Treasury stock

<u>Reason for repossession</u>	<u>Transfer of shares to employees (in thousands)</u>	<u>Buy back to cancel (in thousands)</u>	<u>Total (in thousands)</u>
Shares in January 1, 2022	1,610	-	1,610
Increase in this year	-	-	-
Decrease in this year	( <u>1,610</u> )	<u>-</u>	( <u>1,610</u> )
Shares in December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>

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

	<u>2023</u>	<u>2022</u>
Income from customer contracts		
PVD coating products	\$ 382,125	\$ 456,498
Silicon carbide products	71	-
Others	<u>377</u>	<u>722</u>
	<u>\$ 382,573</u>	<u>\$ 457,220</u>

(3) Balance from contracts

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes and trade receivables (Note 10)	<u>\$ 279,231</u>	<u>\$ 268,220</u>	<u>\$ 458,936</u>

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

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits		
Bank deposits	\$ 10,061	\$ 6,565
Financial assets at amortized cost	<u>123</u>	<u>-</u>
	<u>\$ 10,184</u>	<u>\$ 6,565</u>

(2) Other income

	<u>2023</u>	<u>2022</u>
Income from lease	\$ 5,507	\$ 5,538
Income from government grants(Note 31)	<u>50,827</u>	<u>5,115</u>
	<u>\$ 56,334</u>	<u>\$ 10,653</u>

(3)	Other gains and losses	2023	2022
		<u>2023</u>	<u>2022</u>
	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	<u>6,929</u>	<u>( 1,600)</u>
		<u>\$ 6,910</u>	<u>\$ 97,686</u>
(4)	Finance costs	2023	2022
		<u>2023</u>	<u>2022</u>
	Bank loans interest	\$ 3,084	\$ 5,841
	Lease liabilities interest	<u>1,601</u>	<u>413</u>
		<u>\$ 4,685</u>	<u>\$ 6,254</u>
	There is no capitalized interest in 2023 and 2022 for the consolidated company.		
(5)	Impairment loss	2023	2022
		<u>2023</u>	<u>2022</u>
	Property, plant and equipment (included in the other net gains and losses) (Note 14)	\$ -	(\$ 5,852)
(6)	Depreciation and amortization	2023	2022
		<u>2023</u>	<u>2022</u>
	Property, Plant and Equipment	\$ 42,053	\$ 42,043
	Right-of-use assets	16,680	16,409
	Intangible Assets	<u>851</u>	<u>1,035</u>
	Total	<u>\$ 59,584</u>	<u>\$ 59,487</u>
	An analysis of depreciation by function		
	Operating costs	\$ 23,451	\$ 38,222
	Operating expenses	32,300	17,230
	Non-operating expenses	<u>2,982</u>	<u>3,000</u>
		<u>\$ 58,733</u>	<u>\$ 58,452</u>

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	<u>2023</u>	<u>2022</u>
An analysis of amortization by function		
Operating costs	\$ 25	\$ 37
Operating expenses	807	889
	<u>\$ 1,035</u>	<u>\$ 1,048</u>

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		
	<u>2023</u>	<u>2022</u>
R&D expenses	<u>\$ 29,683</u>	<u>\$ 32,402</u>

(8) Employee benefits expense		
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 231,771</u>	<u>\$ 274,733</u>
Post-employment benefits		
Defined contribution plans	2,486	1,986
Defined benefit plan(Note 23)	<u>233</u>	<u>259</u>
	<u>2,719</u>	<u>2,245</u>
Equity-settled of share-based payments	6,224	-
Other employee benefits	( 36)	( 83)
Total employee benefits expense	<u>\$ 240,678</u>	<u>\$ 276,895</u>

An analysis of employee benefits expense by function		
Operating costs	\$ 171,954	\$ 198,373
Operating expenses	<u>68,724</u>	<u>78,522</u>
	<u>\$ 240,678</u>	<u>\$ 276,895</u>

- (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:

<u>Estimated ratio</u>	
Employees' compensation	<u>2022</u> 6%
Directors' remuneration	2%

Amount

	<u>2022</u>
	<u>Cash</u>
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

	<u>2023</u>	<u>2022</u>
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:

	<u>2023</u>	<u>2022</u>
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:

	<u>2023</u>	<u>2022</u>
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	15,612	( 3,622 )

differences  
(Continued on next page)  
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	<u>2023</u>	<u>2022</u>			
Unrecognized loss carryforwards	( 19)	( 31,499)			
Adjustments for prior years' income tax	( 40)	( 1,444)			
Income tax expenses recognized in profit or loss	<u>\$ 62,083</u>	<u>\$ 32,909</u>			
(2) Income tax recognized in other comprehensive income					
	<u>2023</u>	<u>2022</u>			
<u>Deferred income tax</u>					
Generated in current year					
Exchange of foreign operations	(\$ 4,338)	\$ 4,423			
Actuarial gains and losses on defined benefit plan	<u>123</u>	<u>447</u>			
Income tax recognized in other comprehensive income	( <u>\$ 4,215</u> )	<u>\$ 4,870</u>			
(3) Current income tax assets and liabilities					
	<u>December 31, 2023</u>	<u>December 31, 2022</u>			
Current income tax assets					
Tax refund receivables	<u>\$ 1,460</u>	<u>\$ 129</u>			
Current tax liabilities					
Income tax payable	<u>\$ 7,288</u>	<u>\$ 13,628</u>			
(4) Deferred tax assets and liabilities					
The changes of deferred tax assets and deferred tax liabilities are as follows:					
<u>2023</u>					
	<u>Balance at January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in OCI</u>	<u>Exchange difference</u>	<u>Balance at December 31</u>
<u>Deferred tax assets</u>					
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	<u>2,065</u>	<u>2,017</u>	<u>( 123)</u>	<u>( 20)</u>	<u>3,939</u>
	<u>\$ 56,502</u>	<u>(\$ 17,198)</u>	<u>\$ 4,215</u>	<u>(\$ 20)</u>	<u>\$ 43,499</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Others	( <u>\$ 188</u> )	( <u>\$ 13</u> )	<u>\$ -</u>	<u>\$ -</u>	( <u>\$ 201</u> )

2022

	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Exchange difference	Balance at December 31
<u>Deferred tax assets</u>					
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
	<u>\$ 68,337</u>	<u>( \$ 6,945)</u>	<u>( \$ 4,870)</u>	<u>( \$ 20)</u>	<u>\$ 56,502</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Others	<u>\$ -</u>	<u>( \$ 188)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( \$ 188)</u>

- (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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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	-
	<u>\$ 603,678</u>	<u>\$ 719,213</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences		
Debt waiver not been proven	\$ 17,391	\$ 17,391
Impairment loss	7,943	14,686
Others	68,604	15,086
	<u>\$ 93,938</u>	<u>\$ 47,163</u>

- (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

	2023	(In New Taiwan Dollar) 2022
Basic earnings (loss) per share from continuing operations	(\$ <u>0.59</u> )	\$ <u>0.31</u>
Total basic earnings(loss) per share	(\$ <u>0.59</u> )	\$ <u>0.31</u>
Diluted earnings (loss) per share from continuing operations	(\$ <u>0.59</u> )	\$ <u>0.31</u>
Total basic earnings (loss) per share	(\$ <u>0.59</u> )	\$ <u>0.31</u>

The earning per share and the weighted average number of ordinary shares used in the computation of earning per share are as follows:

<u>Profit(loss)</u>	2023	2022
Net profit (loss) attributable to owners of the Company	(\$ <u>48,409</u> )	\$ <u>25,052</u>
Net profit (loss) used to calculate basic earnings (loss) per share	( <u>48,409</u> )	<u>25,052</u>
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	<u>-</u>	<u>-</u>
Earnings (loss) used to calculate earnings (loss) per share	(\$ <u>48,409</u> )	\$ <u>25,052</u>
 <u>Shares</u>		(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	<u>-</u>	<u>-</u>
Weighted average number of common shares used in the computation of diluted EPS (loss)	<u>81,701</u>	<u>79,902</u>

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

	<u>Leading Profit Holding Limited</u>
Cash and cash equivalents	\$ 54,589
Total consideration received	<u>\$ 54,589</u>

##### (2) Analysis of assets and liabilities for which control is lost

	<u>Leading Profit Holding Limited</u>
Current assets	
Cash and cash equivalents	\$ 104,567
Disposed net assets	<u>\$ 104,567</u>

##### (3) Interests in disposal of subsidiary

	<u>Leading Profit Holding Limited</u>
Consideration received	\$ 54,589
Disposed net assets	( 104,567 )
Changes in non-controlling interests	<u>51,238</u>
Disposed interest	<u>\$ 1,260</u>

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

	<u>Leading Profit Holding Limited</u>
Consideration received in cash and cash equivalents	\$ 54,589
Less: Disposed cash and cash equivalents	( 104,567 )
Net cash outflow	<u>(\$ 49,978)</u>

#### 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:

Employ stock option	2023		2022	
	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

	<u>Main activities</u>	<u>Acquisition date</u>	<u>Ownership interests with voting rights after acquisition (%)</u>	<u>Transfer consideration</u>
Jing Cheng Company	Supply of silicon carbide technology and materials	August 17, 2022	76	<u>\$ 45,600</u>

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

	<u>Jing Cheng Company</u>
Cash	\$ 39,600
Disposition of financial assets at fair value through other comprehensive income	<u>6,000</u>
Total	<u>\$ 45,600</u>

(3) Assets obtained and liabilities assumed on the acquisition date

	<u>Jing Cheng Company</u>
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 )
	<u>\$ 48,091</u>

(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

	<u>Jing Cheng Company</u>
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	<u>\$ 9,051</u>

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
	<hr/>
Cash consideration	\$ 39,600
Less: Balance of cash and cash equivalents obtained	( 323 )
	<hr/> <u>\$ 39,277</u>

(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
	<hr/>
Operating Revenue	\$ -
Net loss for the period	<u>\$ 5,749</u>

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

	<u>Jing Cheng Company</u>
Consideration paid	(\$178,200)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>24,501</u>
Equity transaction difference	( <u>\$153,699</u> )
 <u>Line items adjusted for equity transactions</u>	
Capital reserve - the difference between the actual equity price of the subsidiary and its book value	(\$ 186)
accumulated deficit	( <u>153,513</u> )
	( <u>\$153,699</u> )

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:

- The consolidated company acquired property, plant and equipment in 2022 and 2021 which increased NT\$1,560 thousand and reduced NT\$972 thousand respectively.
- 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

	<u>January 1, 2023</u>	<u>Cash Flow</u>	<u>Non-cash changes</u>			<u>December 31, 2023</u>
			<u>New lease</u>	<u>Net loss (gain) from exchange</u>	<u>Interest expenses</u>	
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	<u>88</u>	<u>( 88)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 145,240</u>	<u>\$ 99,054</u>	<u>( \$ 5,761)</u>	<u>( \$ 491)</u>	<u>\$ 1,601</u>	<u>\$ 239,643</u>

2022

	<u>January 1, 2022</u>	<u>Cash Flow</u>	<u>Non-cash changes</u>			<u>December 31, 2022</u>
			<u>New lease</u>	<u>Net loss from exchange</u>	<u>Interest expenses</u>	
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	<u>87</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>88</u>
	<u>\$ 270,177</u>	<u>( \$ 186,469)</u>	<u>\$ 60,986</u>	<u>\$ 133</u>	<u>\$ 413</u>	<u>\$ 145,240</u>

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

<u>Financial Instruments</u>	<u>Valuation techniques and inputs</u>
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
<u>Financial assets</u>		
Fair value through profit or loss	\$ -	\$ 212,658

Mandatory at fair value  
through profit or loss

Disposal of financial assets at amortized cost (Note 1)	1,142,752	1,162,129
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Financial Liabilities

Carried at amortized cost (Note 2)	279,623	204,891
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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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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

	<u>Less than 1 year</u>	<u>1~3 years</u>	<u>4~5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>				
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	-	-	-
	<u>\$ 292,306</u>	<u>\$ 27,648</u>	<u>\$ 4,215</u>	<u>\$ -</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1 year</u>	<u>1~5 years</u>	<u>5~10 years</u>	<u>10~15 years</u>	<u>15~20 years</u>	<u>More than 20 years</u>
Lease liabilities	<u>\$ 15,603</u>	<u>\$ 27,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	<u>Less than 1</u> <u>year</u>	<u>1~3 years</u>	<u>4~5 years</u>	<u>More than 5</u> <u>years</u>
<u>Non-derivative financial liabilities</u>				
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	-	-	-
	<u>\$ 214,706</u>	<u>\$ 25,087</u>	<u>\$ 12,815</u>	<u>\$ -</u>

Further information on the lease liability maturity analysis is as follows:

	<u>Less than 1</u> <u>year</u>	<u>1~5 years</u>	<u>5~10 years</u>	<u>10~15</u> <u>years</u>	<u>15~20</u> <u>years</u>	<u>More than</u> <u>20 years</u>
Lease liabilities	<u>\$ 17,359</u>	<u>\$ 29,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank loan limits (extendable by mutual consent)		
- Amount used	\$ 188,584	\$ 82,553
- Amount unused	<u>82,820</u>	<u>132,840</u>
	<u>\$ 271,404</u>	<u>\$ 215,393</u>
Other loan limits secured		
- Amount used	\$ 10,000	\$ -
- Amount unused	<u>40,000</u>	<u>-</u>
	<u>\$ 50,000</u>	<u>\$ -</u>

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:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 12,269	\$ 19,073
Post-employment benefits	238	258
Other long-term employee benefits	3	3
Share-based payments	<u>1,245</u>	<u>-</u>
	<u>\$ 13,755</u>	<u>\$ 19,334</u>

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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at amortized cost		
- current	<u>\$ 55,164</u>	<u>\$ -</u>

#### 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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commitment on purchasing property, plant and equipment	<u>\$ 2,423</u>	<u>\$ 15,375</u>

(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
<u>Financial assets</u>			
<u>Monetary items</u>			
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
			<u>\$ 238,523</u>
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	12	7.096 (USD:CNY)	<u>\$ 358</u>

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
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
			<u>\$ 85,315</u>
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	12	6.967 (USD:CNY)	<u>\$ 359</u>

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:

Functional currency	2023		2022	
	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
		<u>( \$ 2,229 )</u>		<u>\$ 3,072</u>

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	<u>\$ 382,502</u>	<u>\$ 71</u>	382,573
internal Write off			-
Consolidated revenue			<u>\$ 382,573</u>
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			<u>\$ 12,168</u>

2022

	PVD Coating Products Department	Silicon Carbide Products Department	Total
Revenue from external customers	\$ 457,220	\$ -	\$ 457,220
Inter-departmental revenue	-	-	-
Department income	<u>\$ 457,220</u>	<u>\$ -</u>	457,220
internal Write off			-
Consolidated revenue			<u>\$ 457,220</u>
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

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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			<u>\$ 57,130</u>

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

<u>Assets of the department</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
PVD Coating Products Department	\$ 1,386,727	\$ 1,673,455
Silicon Carbide Products Department	<u>174,564</u>	<u>105,786</u>
Assets of the department total	<u>\$ 1,561,291</u>	<u>\$ 1,779,241</u>

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:

	<u>2023</u>	<u>2022</u>
PVD coating products	\$ 382,125	\$ 456,498
Silicon carbide products	71	-
Others	<u>377</u>	<u>722</u>
	<u>\$ 382,573</u>	<u>\$ 457,220</u>

(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		<u>Non-current assets</u>	
	customers		December 31,	December 31,
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Taiwan	\$ 2,010	\$ 1,791	\$ 169,991	\$ 65,748
Mainland China	<u>380,563</u>	<u>455,429</u>	<u>161,398</u>	<u>265,267</u>
	<u>\$ 382,573</u>	<u>\$ 457,220</u>	<u>\$ 331,389</u>	<u>\$ 331,015</u>

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:

	<u>2023</u>		<u>2022</u>		
	Amount	Percenta ge of revenue	Amount	Percenta ge of revenue	
Customer code	Amount	%	Customer code	Amount	%
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
													N a m e	V a l u e			
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/gua rantee amount provided to each guaranteed party (Notes 1 and 3)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement/gua rantee 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 subsidiari es 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
					A m o u n t	A c t i o n s T a k e n		
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 and Note 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	\$ 481,565	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	USD 14,134	USD 14,134	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	-	-	-	3,933	2,006	Subsidiary
MACRO SIGHT INTERNATIONAL CO., LTD.	MACRO SIGHT TECHNOLOGY LIMITED	BRITISH VIRGIN ISLANDS	Makes investments and import/export	280,616	280,616	8,346,851	100	842,130	12,294	12,294	Sub-subsiidiary
	CLEAR SMART INVESTMENTS LIMITED	APIA, SAMOA	Makes investments and import/export	USD 8,347	USD 8,347			RMB 194,622	RMB 2,797	RMB 2,797	
	Paragon Technology Investment Limited.	Hong Kong	Investment activities	96,756	96,756	3,000,000	100	167,721	910	2,528	Sub-subsiidiary
	Precise International Investment Limited.	Hong Kong	Investment activities	USD 3,000	USD 3,000			RMB 38,762	RMB 207	RMB 575	
MACRO SIGHT TECHNOLOGY LIMITED	Essence International Investment Limited.	Hong Kong	Investment activities	777,341	777,341	25,000,000	100	( 355,412 )	( 15,320 )	( 14,511 )	Sub-subsiidiary
	Paragon (Kunshan) Technology Co., Ltd.	Kunshan City, Jiangsu Province, Mainland China	EMI processing	USD 25,000	USD 25,000			( RMB 82,138 )	( RMB 3,485 )	( RMB 3,301 )	
	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	114,159	114,159	3,502,000	100	286,446	44,448	44,448	Sub-subsiidiary
	Paragon (Neijiang) Technology Co.,LTD	Neijiang City, Sichuan Province, Mainland China	EMI processing	USD 3,502	USD 3,502			RMB 66,200	RMB 10,111	RMB 10,111	
CLEAR SMART INVESTMENTS LIMITED	Paragon (Suzhou) Technology LTD	Suzhou New District, Jiangsu Province, Mainland China	EMI processing	492,640	492,640	15,100,000	100	840,755	12,286	12,286	Sub-subsiidiary
	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	USD 15,100	USD 15,100			RMB 194,304	RMB 2,795	RMB 2,795	
Paragon Technology Investment Limited.	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	96,756	96,756	-	100	172,847	919	919	Sub-subsiidiary
	Paragon (Suzhou) Technology LTD	Suzhou New District, Jiangsu Province, Mainland China	EMI processing	USD 3,000	USD 3,000			RMB 39,946	RMB 209	RMB 209	
Essence International Investment Limited.	Paragon (Suzhou) Technology LTD	Suzhou New District, Jiangsu Province, Mainland China	EMI processing	777,341	777,341	-	71.43	( 355,949 )	( 21,323 )	( 15,231 )	Sub-subsiidiary
	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	USD 25,000	USD 25,000			( RMB 82,262 )	( RMB 4,851 )	( RMB 3,465 )	
Precise International Investment Limited.	Paragon (Suzhou) Technology LTD	Suzhou New District, Jiangsu Province, Mainland China	EMI processing	240,742	240,742	-	100	538,611	( 1,039 )	( 1,039 )	Sub-subsiidiary
	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	USD 7,100	USD 7,100			RMB 124,477	( RMB 236 )	( RMB 236 )	
Paragon (Suzhou) Technology LTD	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	251,904	251,904	-	80	302,464	16,808	13,446	Sub-subsiidiary
	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	USD 8,000	USD 8,000			RMB 69,902	RMB 3,823	RMB 3,058	
Paragon (Suzhou) Technology LTD	Paragon (Neijiang) Technology Co.,LTD	Neijiang City, Sichuan Province, Mainland China	EMI processing	91,440	91,440	-	100	283,727	44,526	44,526	Sub-subsiidiary
	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	USD 3,000	USD 3,000			RMB 65,571	RMB 10,129	RMB 10,129	
Paragon (Suzhou) Technology LTD	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	62,976	62,976	-	20	75,616	16,808	3,362	Sub-subsiidiary
	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	USD 2,000	USD 2,000			RMB 17,475	RMB 3,823	RMB 765	
Paragon (Suzhou) Technology LTD	Paragon (Jiangsu) Technology Co.,LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	294,550	294,550	-	28.57	( 142,370 )	( 21,323 )	( 6,092 )	Sub-subsiidiary
	Zhejiang Paragon Technology Co.,LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	USD 10,000	USD 10,000			( RMB 32,903 )	( RMB 4,851 )	( RMB 1,386 )	

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	(2)	\$ 205,914	\$ -	\$ -	\$ 205,914	( 1,039)	100%	( 1,039)	\$ 538,611	\$ 78,139	
		USD 7,100		USD 6,000			USD 6,000	(RMB 236)		(RMB 236)	RMB 124,477	RMB 18,000	
Paragon (Kunshan) Technology Co., Ltd.	"	96,756	(2)	32,860	-	-	32,860	919	100%	919	172,847	421,948	
		USD 3,000		USD 1,000			USD 1,000	RMB 209		RMB 209	RMB 39,946	USD 11,675 及 RMB 18,000	
Paragon (Jiangsu) Technology Co.,LTD	"	314,880	(2)	-	-	-	-	16,808	100%	16,808	378,080	273,431	
		USD 10,000						RMB 3,823		RMB 3,823	RMB 87,377	RMB 62,460	
Paragon (Neijiang) Technology Co.,LTD	"	91,440	(2)	-	-	-	-	44,526	100%	44,526	283,727	77,716	
		USD 3,000						RMB 10,129		RMB 10,129	RMB 65,571	RMB 17,664	
Zhejiang Paragon Technology Co.,LTD.	Sputter coated automotive parts	1,071,891	(2)	173,825	-	-	173,825	( 21,323)	100%	( 21,323)	( 498,319)	-	
		USD 35,000		USD 5,000			USD 5,000	(RMB 4,851)		(RMB 4,851)	(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.