UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

UNIVERSAL MICROELECTRONICS CO., LTD

Statement

The entities that are required to be included in the consolidated statements of affiliates of Universal Microelectronics Co., Ltd. as of and for the year ended 31 December 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 international financial reporting standards No.10 “Consolidated Financial Statements”. Relevant information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Universal Microelectronics Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Truly yours,

UNIVERSAL MICROELECTRONICS CO., LTD.

Chairman: OU, CHENG-MING

12 March 2024

Independent Auditors' Report Translated from Chinese

To UNIVERSAL MICROELECTRONICS Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of UNIVERSAL MICROELECTRONICS Co., Ltd. and its subsidiaries (the "Group") as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries (the "Group") as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the report(s) of the other auditors, 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 2023 consolidated financial statements. 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.

1. Impairment of accounts receivable

As of 31 December 2023, gross accounts receivable and loss allowance by the Group amounted to NT$565,120 thousand and NT$1,910 thousand, respectively. Net accounts receivable accounted for 12% of total consolidated assets and have significant impacts on the Group. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals and their respective loss rate. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, assessing the effectiveness of internal controls around accounts receivable management, including performing simple tests by sampling and understanding management’s assessment for expected credit losses of accounts receivable, dividing the expected loss rate of risk group and determining appropriate aging intervals and each group, selecting samples to perform the accounts receivable confirmation, analyzing trends of changes in account receivable of prior and subsequent periods and turnover rates, reviewing the collection in subsequent period to assess their recoverability. We also assessed the adequacy of the disclosures related to accounts receivable in Notes 5 and 6.

2. Valuation for inventories

As of 31 December 2023, the Group’s net inventories amounted to NT$1,822,672 thousand. Net inventories accounted for 38% of consolidated total assets, which was considered material in the consolidated statements. Due to uncertainty arising from rapid changes in product technology, the provision for valuation loss, sluggish or obsolete inventories involves major judgments by the management. We therefore determined this a key audit matter.

Our audit procedures included, but not limited to, evaluate the effectiveness of the internal control established by the management for inventory, including performing simple tests and understanding the appropriateness of the management's assessment of inventory evaluation policies and methods, evaluating the management's stocktaking plan and conducting inventory inspections on the spot, obtain the inventory aging table and test the correctness of the inventory age, re-calculating the unit cost of inventories, and evaluating and testing net realizable value adopted by management. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

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 auditor’s 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards in the Republic of China, we exercise professional judgment and 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 internal control of the Group.

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 ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2023 and 2022.

Lo, Wen Chen

Huang, Ching Ya

Ernst & Young, Taiwan

12 March 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards in the Republic of China, and their applications in practice.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		As of 31 December	
Assets	Notes	2023	2022
Current assets			
Cash and cash equivalents	4,6(1)	$723,930	$627,056
Current financial assets at fair value through profit or loss	4,6(2)	38,085	25,951
Notes receivable, net	4,7	454	11,741
Accounts receivable, net	4,6(3),(19)	562,730	853,044
Accounts receivable due from related parties, net	4,6(3),(19),7	480	85
Other receivables		15,976	26,539
Current tax assets		135	125
Current inventories	4,6(4)	1,822,672	2,054,312
Prepayments	4	20,593	33,409
Other current assets	4,6(5),8	52,332	212,142
Total current assets		3,237,387	3,844,404
Non-current assets			
Non-current financial assets at fair value through other comprehensive income	4,6(6)	204,319	289,820
Investments accounted for using equity method	4,6(7)	67,266	13,272
Property, plant and equipment	4,6(8),8	1,016,493	1,099,984
Right-of-use assets	4,6(20)	57,685	67,144
Investment property, net	4,6(9),8	116,167	86,096
Intangible assets	4	16,092	10,865
Deferred tax assets	4,6(24)	45,552	40,755
Other non-current assets	6(10)	88,048	92,309
Total non-current assets		1,611,622	1,700,245
Total assets		$4,849,009	$5,544,649

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS(Continued)

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		As of 31 December	
Liabilities and equity	Notes	2023	2022
Current liabilities			
Current borrowings	4,6(11)	$228,000	$240,800
Short-term notes and bills payable	4,6(12)	79,944	44,945
Current financial liabilities at fair value through profit or loss	4,6(13)	0	957
Current contract liabilities	6(18)	60,207	230,903
Notes payable		513	525
Accounts payable		686,525	941,099
Other payables	6(14)	220,910	242,589
Current tax liabilities	4	40,959	68,420
Current lease liabilities	4,6(20)	6,604	6,721
Long-term borrowings, current portion	4,6(15)	513,310	844,877
Other current liabilities, others		20,756	13,396
Total current liabilities		1,857,728	2,635,232
Non-current liabilities			
Non-current portion of non-current borrowings	4,6(15)	912,432	809,295
Non-current lease liabilities	4,6(20)	6,298	8,513
Net defined benefit liability, non-current	4,6(16)	49,434	47,707
Other non-current liabilities, others		4,461	7,095
Total non-current liabilities		972,625	872,610
Total liabilities		2,830,353	3,507,842
Equity	4,6(17)		
Equity attributable to owners of parent			
Share capital			
Ordinary share		1,273,592	1,273,592
Capital surplus		373,076	373,076
Retained earnings			
Legal reserve		48,839	11,494
Special reserve		332,604	135,032
Unappropriated retained earnings		349,167	581,301
Total retained earnings		730,610	727,827
Other equity interest		(353,098)	(332,604)
Treasury shares		(6,151)	(6,151)
Total equity attributable to owners of parent		2,018,029	2,035,740
Non-controlling interests		627	1,067
Total equity		2,018,656	2,036,807
Total liabilities and equity		$4,849,009	$5,544,649

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2023	2022
Operating revenue	4,6(18),7	$4,603,781	$4,834,189
Operating costs	4,6(21)	(3,918,917)	(3,995,500)
Gross profit from operations		684,864	838,689
Operating expenses	6(21),7		
Selling expenses		(101,159)	(114,386)
Administrative expenses		(306,993)	(282,532)
Research and development expenses		(191,241)	(183,734)
Impairment loss (impairment gain and reversal of impairment loss)	4,6(19)	83	(672)
Total operating expenses		(599,310)	(581,324)
Net operating income		85,554	257,365
Non-operating income and expenses	4,6(22)		
Interest income		11,725	6,009
Other income		67,070	50,187
Other gains and losses		501	52,157
Finance costs		(35,630)	(33,824)
Share of profit (loss) of associates and joint ventures accounted for using equity method	4,6(7)	1,152	(3,037)
Total non-operating income and expenses		44,818	71,492
Profit from continuing operations before tax		130,372	328,857
Tax expense	4,6(24)	(24,326)	(66,797)
Profit		106,046	262,060
Other comprehensive income	4,6(23)		
Components of other comprehensive income that will not be reclassified to profit or loss			
Gains (losses) on remeasurements of defined benefit plans		(3,256)	13,519
Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income		(55,059)	(115,240)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		10,073	3,597
Components of other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation		(15,680)	13,090
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		3,136	(1,658)
Total other comprehensive income		(60,786)	(86,692)
Total comprehensive income		$45,260	$175,368
Profit , attributable to:			
Profit, attributable to owners of parent		$106,486	$262,577
Profit, attributable to non-controlling interests		(440)	(517)
		$106,046	$262,060
Comprehensive income attributable to:			
Comprehensive income, attributable to owners of parent		$45,700	$175,885
Comprehensive income, attributable to non-controlling interests		(440)	(517)
		$45,260	$175,368
Earnings per share (NTD)	6(25)		
Basic earnings per share		$0.84	$2.07
Diluted earnings per share		$0.84	$2.06

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings			Other equity interest					
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of 1 January 2022	1,273,592	370,396	4,699	281,724	67,947	(30,064)	(104,968)	(6,151)	1,857,175	1,584	1,858,759
Appropriation and distribution of 2021 retained earnings											
Legal reserve appropriated			6,795		(6,795)				-		-
Reversal of special reserve				(146,692)	146,692				-		-
Changes in equity of associates and joint ventures accounted for using equity method		2,680							2,680		2,680
Profit in 2022					262,577				262,577	(517)	262,060
Other comprehensive income in 2022					10,815	11,432	(108,939)		(86,692)	-	(86,692)
Total comprehensive income	-	-	-	-	273,392	11,432	(108,939)	-	175,885	(517)	175,368
Disposal of investments in equity instruments designated at fair value through other comprehensive income					100,065		(100,065)		-		-
Balance as of 31 December 2022	$1,273,592	$373,076	$11,494	$135,032	$581,301	$(18,632)	$(313,972)	$(6,151)	$2,035,740	$1,067	$2,036,807
Balance as of 1 January 2023	$1,273,592	$373,076	$11,494	$135,032	$581,301	$(18,632)	$(313,972)	$(6,151)	$2,035,740	$1,067	$2,036,807
Appropriation and distribution of 2022 retained earnings											
Legal reserve appropriated			37,345		(37,345)				-		-
Reversal of special reserve				$197,572	(197,572)				-		-
Cash dividends of ordinary share					(63,411)				(63,411)		(63,411)
Profit in 2023					106,486				106,486	(440)	106,046
Other comprehensive income in 2023					(2,605)	(12,544)	(45,637)		(60,786)	-	(60,786)
Total comprehensive income	-	-	-	-	103,881	(12,544)	(45,637)	-	45,700	(440)	45,260
Others					(37,687)		37,687		-		-
Balance as of 31 December 2023	$1,273,592	$373,076	$48,839	$332,604	$349,167	$(31,176)	$(321,922)	$(6,151)	$2,018,029	$627	$2,018,656

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from operating activities:		
Profit from continuing operations before tax	$130,372	$328,857
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	147,836	152,405
Amortization expense	23,898	22,059
Expected credit (gain) loss	(83)	672
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(9,879)	7,251
Interest expense	35,630	33,824
Interest income	(11,725)	(6,009)
Dividend income	(4,905)	(4,334)
Share of (gain) loss of associates and joint ventures accounted for using equity method	(1,152)	3,037
Gain on disposal of property, plan and equipment	(2,976)	(839)
Loss on disposal of intangible assets	-	438
Others	(6)	-
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	11,287	(8,525)
Decrease (increase) in accounts receivable	290,002	(144,083)
Decrease (increase) in other receivable	10,385	(8,135)
Decrease (increase) in inventories	231,640	(514,499)
Decrease in prepayments	12,816	6,657
(Increase) decrease in other current assets	(12,811)	8,107
(Decrease) increase in contract liabilities	(170,696)	139,118
Decrease in notes payable	(12)	(1,053)
(Decrease) increase in accounts payable	(254,574)	268,828
(Decrease) increase in payable	(21,643)	48,085
Increase (decrease) in other current liabilities	7,360	(941)
Decrease in net defined benefit liability	(1,529)	(1,642)
Cash inflow generated from operations	409,235	329,278
Interest received	11,903	5,746
Dividends received	4,905	4,334
Interest paid	(35,666)	(33,516)
Income taxes paid	(43,427)	(11,532)
Net cash flows from (used in) operating activities	346,950	294,310

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
UNIVERSAL MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(22,400)	(19,600)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	151,797
Acquisition of financial assets at amortised cost	(15,570)	-
Proceeds from repayments of financial assets at amortised cost	15,570	13,840
Acquisition of financial assets at fair value through profit or loss	(3,212)	-
Acquisition of property, plant and equipment	(106,496)	(75,434)
Proceeds from disposal of property, plant and equipment	4,388	1,799
Acquisition of intangible assets	(15,056)	(7,222)
(Increase) decrease in other financial assets	172,621	(208,933)
Increase in other non-current assets	(9,960)	(51,350)
Net cash flows used in investing activities	19,885	(195,103)
Cash flows from financing activities:		
(Decrease) increase in short-term loans	(12,800)	41,274
Increase (decrease) in short-term notes and bills payable	34,999	(35,026)
Proceeds from long-term debt	973,585	752,200
Repayments of long-term debt	(1,202,015)	(790,270)
Payments of lease liabilities	(8,666)	(8,543)
Decrease in other non-current liabilities	(2,634)	(1,278)
Cash dividend distribution	(63,411)	-
Net cash outflows used in financing activities	(280,942)	(41,643)
Effect of exchange rate changes on cash and cash equivalents	10,981	(12,240)
Net increase in cash and cash equivalents	96,874	45,324
Cash and cash equivalents at beginning of period	627,056	581,732
Cash and cash equivalents at end of period	$723,930	$627,056

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

1. History and organization

UNIVERSAL MICROELECTRONICS Co., Ltd. (the Company) was incorporated in Republic of China (R.O.C) on 18 February 1984. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market in 1998 and were listed on the Taiwan Stock Exchange on 11 September 2000. Its registered location and main operational base were situated at No. 3, Industrial Road 27, Nantun District, Taichung City.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (the Group) were authorized for issue in accordance with a resolution of the Board of Directors' meeting on 12 March 2024.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. The remaining new or amended standards and interpretations have no material impact on the Group.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(a) IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the year ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (NT$) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary
(b) derecognizes the carrying amount of any non-controlling interest
(c) recognizes the fair value of the consideration received
(d) recognizes the fair value of any investment retained
(e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss
(f) recognize the resulting difference in current profit or loss

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2023	31 December 2022	
The Company	Tien Lung Investment Co., Ltd.	Investment company	100.00%	100.00%	
The Company	UMEC Investment Co., Ltd. (UMEC (B.V.I.))	Investment and holding company	100.00%	100.00%	
The Company	PT UMEC Green Tech Indonesia	Sales of electronic parts and components	60.00%	60.00%	
The Company	Advanced Radar Technology Co., Ltd. (ARadTek)	Manufacturing and sales of electronic parts and components	84.78%	84.78%	
The Company	UMEC USA, Inc. (UMEC (USA))	R&D and sales of electromagnetic parts	99.99%	-%	Note1

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2023	31 December 2022	
The Company	UMEC JAPAN CO., LTD. (UMEC (JAPAN))	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit board	100.00%	-%	Note1
The Company	UMEC VIETNAM Co., Ltd.	Manufacturing and sales of switch mode power supply, transformer and circuit board	25.73%	-%	Note1
UMEC (B.V.I)	UMEC (H.K.) Company Ltd. (UMEC (H.K.))	Established in Hongkong to handle export shipping affairs of China.	100.00%	100.00%	
UMEC (B.V.I)	Global Development Company Ltd. (Global)	Investment and holding company	100.00%	100.00%	
Global	JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	100.00%	100.00%	
Global	UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer assemblies	100.00%	100.00%	
Global	UMEC VIETNAM Co., Ltd.	Manufacturing and sales of switch mode power supply, transformer and circuit board	74.27%	100.00%	Note1
Global	UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	100.00%	100.00%	
Tien Lung Investment Co., Ltd.	ARadTek	Manufacturing and sales of electronic parts and components	10.80%	10.80%	

Note 1:The company adjusted its investment structure in the third quarter of 2023 and transferred UMEC (USA), a subsidiary of UMEC (B.V.I.) and UMEC (JAPAN), a subsidiary of Global, 100% ownership to the Company.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading

(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group's business model for managing the financial assets
B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost under weighted average cost method.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	20～40 years
Machinery and equipment	6～10 years
Transportation equipment	5～10 years
Office equipment	3～10 years
Other equipment	2～10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14)Investment property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

<u>Group as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Patents	Computer software	Others
Useful lives	10 years	10 years	20～40 years
Amortization method used	Amortized on a straight-line basis over the period of the patent	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(19) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(20) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue from the sale of goods is recognized based on the prices stipulated in the contracts.

The credit period of the Group’s sale of goods is from 10 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(21) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(22) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(23) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(24) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders’ meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements required management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The principal assumptions used to determine the recoverable amounts of different cash-generating units, including sensitivity analysis, are explained in detail in Note 6.

(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(e) Accounts receivables–estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(f) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	$1,564	$3,752
Demand deposits	722,366	623,304
Total	$723,930	$627,056

(2) Financial assets at fair value through profit or loss

	As of 31 December	
	2023	2022
Financial assets mandatorily at fair value through profit or loss:		
Stocks	$34,908	$25,951
Index Bond Fund	3,177	-
Total	$38,085	$25,951

Financial assets at fair value through profit or loss were not pledged.

(3) Accounts receivables and accounts receivable - related parties

	As of 31 December	
	2023	2022
Accounts Receivable	$564,640	$855,037
Less: loss allowance	(1,910)	(1,993)
Subtotal	562,730	853,044
Accounts receivable – related parties	480	85
Total	$563,210	$853,129

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accounts receivables were not pledged.

The credit period extended to customers by the Group is typically between 10 and 150 days. The total book value as of December 31, 2023 and 2022, were NT$565,120 thousand and NT$855,122 thousand, respectively. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk management.

(4) Inventories

	As of 31 December	
	2023	2022
Raw materials	$1,266,429	$1,430,361
Supplies & parts	45,023	41,300
Work in progress	29,144	26,323
Finished goods	118,047	208,568
Merchandise	364,029	347,760
Total	$1,822,672	$2,054,312

The inventory cost recognized as operating costs for the years ended 31 December 2023 and 2022 were NT$3,918,917 thousand and NT$3,995,500 thousand, respectively. The gain from price recovery of inventories related to cost of goods sold were NT$22,535 thousand and NT$(21,108) thousand.

The gain from price recovery of inventories in 2022 was due to the selling slow-moving inventories that was originally provided for write-down.

No inventories were pledged.

(5) Other current assets

	As of 31 December	
	2023	2022
Restricted assets	$36,312	$208,933
Payment on Behalf	1,615	2,888
Temporary debits	194	91
Other assets	14,211	230
Total	$52,332	$212,142

Please refer to Note 8 for more details on other current assets under pledge.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Financial assets at fair value through other comprehensive income

	As of 31 December	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income, Non-current		
Listed companies stocks	$116,429	$124,891
Emerging companies stocks	35,288	29,730
Unlisted companies stocks	52,602	135,199
Total	$204,319	$289,820

The Group entered into a stock conversion agreement with Lightel Corporation in 28 September 2023, as the stock conversion reference date. The Group exchanged 5,082,027 shares of Lightel Technologics Inc. it held for 5,082,027 ordinary shares of. The fair value at the time of exchange was NT$57,306 thousand. The unrealized valuation loss accumulated at the time of exchange was NT$47,109 thousand, and the income tax benefit directly recognized in equity NT$ (9,422) thousand was transferred from other equity to retained earnings.

In 2023, the Group disposed of the listed stocks and emerging stocks, which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT$151,797 thousand, and the cumulative disposal gain of NT$100,065 thousand was transferred from other components of equity to retained earnings.

The Group’s dividend income related to equity instrument investments measured at fair value through other comprehensive income for the periods ended 31 December 2023 and 2022 are as follow:

	As of 31 December	
	2023	2022
Related to investments held at the end of the reporting period	$3,216	$2,786
Related to investments derecognized during the period	-	-
Dividends recognized during the period	$3,216	$2,786

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets at fair value through other comprehensive income were not pledged.

(7) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As of 31 December			
	2023		2022	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Lightel Corporation	$61,258	23.88%	$ -	-%
Poris Electronics Co.,Ltd	6,008	33.55%	6,744	33.55%
AMIT System Service Ltd.	-	-%	3,139	14.75%
UEC System Solutions Corporation	-	-%	3,389	13.89%
PT. SINERGI CERDAS TECHNOLOGY	-	49.00%	-	49.00%
Total	$67,266		$13,272	

The Group entered into a share conversion agreement with Lightel Corporation with 28 September 2023, as the share conversion reference date, whereby it exchanged 5,082,027 shares of Lightel technology, Inc. held for 5,082,027 ordinary shares of Lightel Corporation.

The Group did not participate in the cash capital increase of AMIT System Service Ltd., in the third quarter of the year ended 31 December 2023, and its shareholding ratio decreased from 14.75% to 11.00%. As a result, the Group lost significant influence over AMIT System Service Ltd., and therefore reclassified it as a financial asset measured at fair value through other comprehensive income.

In the third quarter of the year ended 31 December 2023, the Group participated in the cash capital increase of UEC System Solutions Corporation, increasing its investment amount by NT$1,400 thousand. However, as the Group did not subscribe in proportion to its shareholding, its shareholding ratio decreased from 13.89% to 11.08%. Consequently, the Group lost significant influence over UEC System Solutions Corporation, and therefore reclassified it as a financial asset measured at fair value through other comprehensive income.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The aggregate financial information of the Group's share of its associates is as follows:

	As of 31 December	
	2023	2022
Profit or loss from continuing operations	$1,152	$(3,037)
Other comprehensive income (net of tax)	-	-
Total comprehensive income	$1,152	$(3,037)

The associates had no contingent liabilities capital commitments and pledged as of 31 December 2023 and 2022.

(8) Property, plant and equipment

Components of building that have different useful lives were the main building structure and air conditioning, which were depreciated 20~40 years and 10~15 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Other equipment	Leasehold improvements	Construction in progress and equipment pending examination	Total
Cost:										
As of 1 January 2023	$159,997	$1,259,653	$1,339,596	$13,411	$100,408	$111,307	$269,289	$1,912	$66,297	$3,321,870
Additions	-	1,859	14,446	-	6,659	1,514	2,505	221	15,249	42,453
Reclassification	-	(82,275)	41,513	1,490	5,409	4,015	11,616	-	(10,614)	(28,846)
Disposals	-	(340)	(79,111)	(1,040)	(2,443)	(244)	(1,035)	-	-	(84,213)
Exchange differences	-	(30,047)	(23,798)	(66)	(2,597)	(77)	(3,041)	(4)	-	(59,630)
As of 31 December 2023	$159,997	$1,148,850	$1,292,646	$13,795	$107,436	$116,515	$279,334	$2,129	$70,932	$3,191,634
Depreciation and impairment:										
As of 1 January 2023	$(449)	$(793,799)	$(978,632)	$(11,521)	$(80,893)	$(106,917)	$(248,273)	$(1,402)	$ -	$(2,221,886)
Depreciation	-	(40,542)	(76,299)	(653)	(8,495)	(3,372)	(6,627)	(330)	-	(136,318)
Disposals	-	283	77,768	1,040	2,436	239	1,035	-	-	82,801
Reclassification	-	64,881	-	-	-	(2,023)	2,023	-	-	64,881
Exchange differences	-	15,938	14,771	66	1,675	69	2,862	-	-	35,381
As of 31 December 2023	$(449)	$(753,239)	$(962,392)	$(11,068)	$(85,277)	$(112,004)	$(248,980)	$(1,732)	$ -	$(2,175,141)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Mold equipment	Other equipment	Leasehold improvements	Construction in progress and equipment pending examination	Total
Cost:										
As of 1 January 2022	$159,997	$1,228,953	$1,325,131	$14,389	$97,693	$107,941	$265,268	$1,912	$36,045	$3,237,329
Additions	-	455	14,810	-	4,157	2,743	5,214	-	30,252	57,631
Reclassification	-	1,142	7,644	1,272	575	723	6,447	-	-	17,803
Disposals	-	-	(26,662)	(2,302)	(4,112)	(100)	(10,208)	-	-	(43,384)
Exchange differences	-	29,103	18,673	52	2,095	-	2,568	-	-	52,491
As of 31 December 2022	$159,997	$1,259,653	$1,339,596	$13,411	$100,408	$111,307	$269,289	$1,912	$66,297	$3,321,870
Depreciation and impairment:										
As of 1 January 2022	$(449)	$(738,187)	$(911,752)	$(13,078)	$(75,877)	(102,779)	$(251,205)	$(1,083)	$ -	$(2,094,410)
Depreciation	-	(42,418)	(80,403)	(697)	(7,821)	(4,238)	(4,825)	(319)	-	(140,721)
Disposals	-	-	25,716	2,302	4,112	100	10,194	-	-	42,424
Exchange differences	-	(13,194)	(12,193)	(48)	(1,307)	-	(2,437)	-	-	(29,179)
As of 31 December 2022	$(449)	$(793,799)	$(978,632)	$(11,521)	$(80,893)	$(106,917)	$(248,273)	$(1,402)	$ -	$(2,221,886)
Net carrying amount as at:										
31 December 2023	$159,548	$395,611	$330,254	$2,727	$22,159	$4,511	$30,354	$397	$70,932	$1,016,493
31 December 2022	$159,548	$465,854	$360,964	$1,890	$19,515	$4,390	$21,016	$510	$66,297	$1,099,984

(9) Investment property

	Land	Building	Right-of-use asset	Total
Cost:				
As of 1 January 2023	$86,096	$ -	$ -	$86,096
Reclassification	-	92,889	9,753	102,642
Exchange differences	-	(977)	(102)	(1,079)
As of 31 December 2023	$86,096	$91,912	$9,651	$187,659
As of 1 January 2022	$86,096	$ -	$ -	$86,096
Additions from reclassification	-	-	-	-
As of 31 December 2022	$86,096	$ -	$ -	$86,096

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land	Building	Right-of-use asset	Total
Depreciation and impairment:				
As of 1 January 2023	$ -	$ -	$ -	$ -
Depreciation	-	-	-	-
Reclassification		(64,881)	(7,371)	(72,252)
Exchange differences		683	77	760
As of 31 December 2023	$ -	$(64,198)	$(7,294)	$(71,492)
As of 1 January 2022	$ -	$ -	$ -	$ -
Depreciation	-	-	-	-
As of 31 December 2022	$ -	$ -	$ -	$ -
Net carrying amount as at:				
As of 31 December 2023	$86,096	$27,714	$2,357	$116,167
As of 31 December 2022	$86,096	$ -	$ -	$86,096

(a) Please refer to Note 8 for more details on investment property under pledge.

(b) The fair value of investment properties was NT$494,951 and NT$143,736 thousand for the years ended 31 December 2023 and 2022. The key inputs used are explained as follows:

a. The income approach is based on the rental income and capitalization rate typically earned by the subject under normal circumstances.
b. The market approach involves the price per square meter.

(10) Other non-current assets

	As of 31 December	
	2023	2022
Prepayment for equipment	$40,096	$49,814
Guarantee deposits paid	2,486	1,500
Other assets - others	45,466	40,995
Total	$88,048	$92,309

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) Short-term loans

	As of 31 December	
	2023	2022
Unsecured bank loans	$200,000	$100,000
Secured bank loans	28,000	140,800
Total	$228,000	$240,800

	As of 31 December	
Interest rates applied	2023	2022
Unsecured bank loans	1.81%	1.69%
Secured bank loans	1.81%	1.56%-1.69%

The Group's unused short-term lines of credits amounted to NT$1,296,130 thousand and NT$823,260 thousand as of 31 December 2023 and 2022, respectively.

Secured bank loans were secured by time deposits, please refer to Note 8 for more details.

(12) Short-term notes and bills payable

		As of 31 December	
		2023	2022
Commercial papers payable	China Bills Finance Corporation	$50,000	$ -
	Ta Ching Bills Finance Corporation	30,000	-
	Union Bank Of Taiwan	-	45,000
Less: discount on short-term notes and bills payable		(56)	(55)
Total		$79,944	$44,945

	As of 31 December	
	2023	2022
Interest rates applied	1.39%-1.51%	1.42%

Short-term notes and bills payable represent credit borrowings were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(13) Financial liabilities at fair value through profit or loss

	As of 31 December	
	2023	2022
Held for trading		
Foreign exchange swaps	$ -	$957

(14) Others payables

	As of 31 December	
	2023	2022
Wages and salaries payable	$111,081	$134,673
Employee bonus payable	13,859	13,758
Business tax payable	917	9,416
Insurance expense payable	8,884	8,472
Compensation due to directors	2,508	6,878
Payable on machinery and equipment	13,871	5,381
Pension expense payable	5,361	4,873
Other payables	64,429	59,138
Total	$220,910	$242,589

(15) Long-term loans

Details of long-term loans as of 31 December 2023 and 2022 are as follows:

		As of 31 December	
Lenders	Maturity date	2023	2022
Mega International Commercial Bank	2033/11/13	$486,690	$579,251
Chang Hwa Commercial Bank	2029/06/23	434,318	422,384
Bank of Taiwan	2025/10/28	104,883	179,596
Taiwan Cooperative Bank	2025/08/02	102,009	184,512
Hua Nan Commercial Bank	2024/12/06	200,000	120,000
Land Bank of Taiwan	2027/11/25	31,333	72,666
First Commercial Bank	2027/04/15	52,509	65,763
Taichung Commercial Bank	2024/09/01	14,000	30,000
Subtotal		1,425,742	1,654,172
Less: current portion		(513,310)	(844,877)
Total		$912,432	$809,295

	As of 31 December	
	2023	2022
Interest rates applied	1.85%-2.39%	1.73%-2.31%

Please refer to Note 8 for more details on property, plant and equipment and investment property under pledge.

(16) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were NT$19,091 thousand and NT$18,550 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$11,743 thousand to its defined benefit plan during the 12 months beginning after 31 December 2023.

The weighted average duration of the defined benefits obligation was 7.1 years as of 31 December 2023.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2023	2022
Current service cost	$31	$69
Net interest on the net defined benefit liabilities (assets)	467	371
Total	$498	$440

Reconciliations of the defined benefit obligation and plan assets at fair value are as follows:

	As of		
	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Defined benefit obligation	$167,784	$179,622	$184,796
Plan assets at fair value	(118,350)	(131,915)	(121,928)
Other non-current assets - Net defined benefit liabilities (assets)	$49,434	$47,707	$62,868

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2022	$184,796	$(121,928)	$62,868
Current service cost	69	-	69
Interest expense (income)	1,109	(738)	371
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	185,974	(122,666)	63,308
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(3,230)	-	(3,230)
Experience adjustments	(799)	-	(799)
Remeasurements of the defined benefit assets	-	(9,490)	(9,490)
Subtotal	(4,029)	(9,490)	(13,519)
Payments of benefit obligation	(2,323)	2,323	-
Contributions by employer	-	(2,082)	(2,082)
As of 31 December 2022	179,622	(131,915)	47,707
Current period service costs	31	-	31
Interest expense (income)	1,797	(1,330)	467
Prior service costs and gains or losses on settlement	-	-	-
Subtotal	181,450	(133,245)	48,205
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	4,167	-	4,167
Remeasurements of the defined benefit assets	-	(911)	(911)
Subtotal	4,167	(911)	3,256
Payments of benefit obligation	(17,833)	17,833	-
Contributions by employer	-	(2,027)	(2,027)
As of 31 December 2023	$167,784	$(118,350)	$49,434

The principal assumptions used in determining the Company’s defined benefit plan are shown below:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of 31 December	
	2023	2022
Discount rate	1.00%	1.00%
Expected rate of salary increases	2.00%	2.00%

Sensitivity analysis for significant assumption is shown below:

	For the years ended 31 December			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	$ -	$3,222	$ -	$3,845
Discount rate decrease by 0.50%	3,382	-	4,060	-
Future salary increase by 0.50%	3,368	-	4,028	-
Future salary decrease by 0.50%	-	3,243	-	3,855

The sensitivity analyses above were based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses might not have been representative of an actual change in the defined benefit obligation, as it was unlikely that changes in assumptions would have occurred in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) Equities

(a) Common stock

The Company’s authorized capital was NT$2,207,460 thousand and NT$1,273,592 thousand in a total of 220,746 thousand shares and 127,359 thousand shares as of 31 December 2023 and 2022. Each share has one voting right and a right to receive dividends.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Capital surplus

	As of 31 December	
	2023	2022
Additional paid-in capital	$335,197	$335,197
Treasury share transactions	34,058	34,058
Increase through changes in ownership interests in subsidiaries	(564)	(564)
Share of changes in net assets of associates and joint ventures accounted for using the equity method	4,385	4,385
Total	$373,076	$373,076

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Treasury stock

The treasury stock held by the Company was NT$6,151 thousand, and the number of treasury stock held by the Company was 538 thousand as of 31 December 2023 and 2022.

In order to encourage employees, the Company decided to repurchase shares as treasury shares by the propose of the Board of Directors on March 25, 2020. The Company repurchased 538 thousand shares between March 26 and May 25, 2020. The range of the repurchased price is between $6.68 and $18.68.

As of 31 December 2023 and 2022, the treasury shares of the company had not been transferred to employees.

According to the Securities and Exchange Act, the number of shares bought back under the preceding paragraphs may not exceed ten percent of the total number of issued and outstanding shares of the company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

According to the Securities and Exchange Act, the shares bought back by the Company should not be pledged and the shareholder's rights should not be enjoyed.

(d) Retained earnings and dividend policies

According to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues
b. Offset prior years’ operation losses
c. Set aside 10% as legal reserve
d. Set aside or reverse special reserve in accordance with law and regulations
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders’ meeting.

As the Company is undergoing a growth stage, the policy of dividend distribution should reflect its long-term financial planning. The Board of Directors shall make the distribution proposal annually and present it at the Shareholder’s meeting every year. The distribution of shareholders dividend shall be allocated cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2022 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it. Due to the adoption of IFRSs for the first time on the conversion date, the Company's retained earnings had become negative. Therefore, there was no need to allocate a special surplus reserve.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the Board of Directors’ meeting and shareholders’ meeting on 12 March 2024 and 26 June 2023, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	For the years ended 31 December		For the years ended 31 December	
	2023	2022	2023	2022
Legal reserve appropriated	$6,619	$37,345		
Special reserve appropriated	20,494	197,572		
Common stock -cash dividend	25,364	63,411	$0.2	$0.5

Please refer to Note 6(21) for details on employees’ compensation and remuneration to directors.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(e) Non-controlling interests

	For the years ended 31 December	
	2023	2022
Beginning balance	$1,067	$1,584
Losses attributable to non-controlling interests	(440)	(517)
Other comprehensive income, attributable to non-controlling interests:		
Changes in equity of subsidiaries	-	-
Ending balance	$627	$1,067

(18) Operating revenue

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Sale of goods	$4,584,037	$4,801,715
Other operating revenue	19,744	32,474
Total	$4,603,781	$4,834,189

Analysis of revenue from contracts with customers for the years ended 31 December 2023 and 2022 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2023

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others department	Total
Sale of goods	$2,227,780	$2,342,820	$13,437	$ -	$4,584,037
Other operating revenues	-	-	-	19,744	19,744
Total	$2,227,780	$2,342,820	$13,437	$19,744	$4,603,781

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended 31 December 2022

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others department	Total
Sale of goods	$2,688,226	$2,088,962	$24,527	$ -	$4,801,715
Other operating revenues	-	-	-	32,474	32,474
Total	$2,688,226	$2,088,962	$24,527	$32,474	$4,834,189

The Group recognizes sales revenue when control of goods has been transferred to the customer at a point in time.

(2) Contract balances

A.Contract assets – current

As of 31 December 2023 and 2022, the Group did not have any contract assets.

B.Contract liabilities – current

	As of		
	31 Dec. 2023	31 Dec. 2022	1 Jan. 2022
Sales of goods	$60,207	$230,903	$91,785

The significant changes in the Group's balances of contract liabilities for the year ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
The opening balance transferred to revenue	$(202,084)	$(47,622)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	31,388	186,740

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Transaction price allocated to unsatisfied performance obligations

As of 31 December 2023, since all customer contracts for the sale of goods are shorter than one year, there is no requirement to provide information related to unrecognized performance obligations.

(4) Assets recognized from costs to fulfil a contract

None.

(19) Expected credit losses / (gains)

	For the years ended 31 December	
	2023	2022
Operation expense- Expected credit losses		
Accounts Receivable	$(83)	$672

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group’s loss allowance as of 31 December 2023 and 2022 are as follows:

The historical credit loss experience of accounts receivable indicates no significant difference in loss patterns among different customer groups. Therefore, the provision for expected credit losses is measured without distinction of groups and based on the expected credit loss rates. Relevant information is as follows:

31 December 2023

	Not yet due (Note)	Overdue					
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$545,197	$14,355	$2,666	$227	$1,269	$1,860	$565,574
Loss ratio	- %	0.01%	0.05%	0.31%	3.63%	100.00%	
Lifetime expected credit losses	-	(2)	(1)	(1)	(46)	(1,860)	(1,910)
Carrying amount	$545,197	$14,353	$2,665	$226	$1,223	$ -	$563,664

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

31 December 2022

	Not yet due (Note)	Overdue					
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$829,873	$32,432	$2,105	$166	$267	$2,020	$866,863
Loss ratio	- %	- %	- %	- %	14.13%	96.78%	
Lifetime expected credit losses	-	-	-	-	(38)	(1,955)	(1,993)
Carrying amount	$829,873	$32,432	$2,105	$166	$229	$65	$864,870

Note: The Group’s note receivables are not overdue.

The movement in the provision for impairment of note receivables and trade receivables during the 31 December 2023 and 2022 are as follows:

	Note receivables	Trade receivables
As of 1 January 2023	$ -	$1,993
Addition / (reversal) for the current period	-	(83)
Write off due to uncollectibility	-	-
Exchange difference	-	-
As of 31 December 2023	$ -	$1,910
As of 1 January 2022	$ -	$1,746
Addition / (reversal) for the current period	-	672
Write off due to uncollectibility	-	(425)
Exchange difference	-	-
As of 31 December 2022	$ -	$1,993

(20) Leases

i. The Group is a lessee

The Group leased various properties, including real estate such as land and buildings, transportation equipment, and office equipment. The lease terms ranged from 1 to 50 years.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group’s leases effect on the financial position, financial performance and cash flows are as follow:

A.Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of 31 December	
	2023	2022
Land	$44,841	$52,123
Buildings	12,276	13,543
Transportation equipment	275	1,398
Office equipment	293	80
Total	$57,685	$67,144

During the year ended 31 December 2023 and 2022, the Group’s additions to right-of-use assets amounting to NT$7,180 thousand and NT$13,927 thousand.

(b) Lease liability

	As of 31 December	
	2023	2022
Lease liability		
Current	$6,604	$6,721
Non-Current	6,298	8,513
Total	$12,902	$15,234

Please refer to Note 6(22)(d) for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B.Amounts recognized in the statement of profit or loss

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2023	2022
Land	$3,001	$3,002
Buildings	7,681	8,059
Transportation equipment	729	516
Office equipment	107	107
Total	$11,518	$11,684

C.Income and costs relating to leasing activities

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	$3,437	$3,311

D.Cash outflow related to lessee and lease activity

During the year ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounting to NT$12,211 thousand and NT$12,019 thousand.

(21) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$539,501	$288,018	$827,519	$576,185	$293,116	$869,301
Labor and health insurance	76,548	33,542	110,090	72,682	30,599	103,281
Pension	8,649	10,940	19,589	8,495	10,495	18,990
Other employee benefits expense	12,695	8,805	21,500	11,714	8,485	20,199
Depreciation	100,907	46,929	147,836	105,761	46,644	152,405
Amortization	9,083	14,815	23,898	7,877	14,182	22,059

The number of employees for the Group were 2,393 and 2,712 as of 31 December 2023 and 2022.

According to the Articles of Incorporation, no less than 4% of profit of the current year is distributable as employees’ compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of cash; and in addition thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the board meeting resolution regarding the employees’ compensation and remuneration to directors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on profit of 31 December 2023, the Company estimated the amounts of the employees’ compensation and remuneration to directors for the year ended of 31 December 2023 to be 10% and 1.82% of profit, respectively. The employees’ compensation and remuneration to directors for the year ended of 31 December 2023 amount to NT$13,778 thousand and NT$2,508 thousand respectively, recognized as salaries. Based on profit of 31 December 2022, the Company estimated the amounts of the employees’ compensation and remuneration to directors for the year ended of 31 December 2022 to be 4% and 2% of profit, respectively. The employees’ compensation and remuneration to directors for the year ended of 31 December 2022 amount to NT$13,758 thousand and NT$6,878 thousand respectively, recognized as salaries

In the year ended 31 December 2022, actual distributions of employee remuneration and director remuneration amounted to NT$13,758 thousand and NT$6,878 thousand, respectively. These amounts do not differ significantly from the expenses recognized in the year ended 31 December 2022 financial statements.

(22) Non-operating income and expenses

(a) Interest income

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost:	$11,725	$6,009

(b) Other income

	For the years ended 31 December	
	2023	2022
Rental income	$31,294	$20,057
Dividend income	4,905	4,334
Other income - others	30,871	25,796
Total	$67,070	$50,187

(c) Other gains and losses

	For the years ended 31 December	
	2023	2022
Gain (loss) on disposal of property, plant and equipment	$2,976	$839
Loss on disposal of intangible assets	-	(438)
Lease modification gain	6	-
Foreign exchange gain (loss), net	(11,645)	60,570
(Loss) gain of financial asset at fair value through profit or loss	9,879	(7,251)
Other expense	(715)	(1,563)
Total	$501	$52,157

(d) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	$35,522	$33,659
Interest on lease liabilities	108	165
Total	$35,630	$33,824

(23) Components of other comprehensive income

For the year ended 31 December 2023

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(3,256)	$ -	$(3,256)	$651	$(2,605)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(55,059)	-	(55,059)	9,422	(45,637)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(15,680)	-	(15,680)	3,136	(12,544)
Total	$(73,995)	$ -	$(73,995)	$13,209	$(60,786)

For the year ended 31 December 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$13,519	$ -	$13,519	$(2,704)	$10,815
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(115,240)	-	(115,240)	6,301	(108,939)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	13,090	-	13,090	(1,658)	11,432
Total	$(88,631)	$ -	$(88,631)	$1,939	$(86,692)

(24) Income tax

The main components of income tax expense (benefit) for the years ended 31 December 2023 and 2022 were as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense (income):		
Current income tax charge	$22,341	$48,899
Adjustments in respect of current income tax of prior periods	2,995	(269)
Deferred tax expense (income) :		
Deferred tax expense relating to origination and reversal of temporary differences	(1,010)	18,167
Total income tax expense (income)	$24,326	$66,797

Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred tax expense (income) :		
Remeasurements of defined benefit plans	$(651)	$2,704
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(9,422)	(6,301)
Exchange differences on translation	(3,136)	1,658
Income tax relating to components of other comprehensive income	$(13,209)	$(1,939)

Income tax charged directly to equity

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended 31 December	
	2023	2022
Current income tax expense (income):		
Realized losses from equity instruments investment measured at fair value through other comprehensive income	$(9,422)	$21,913

reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2023	2022
Accounting profit before tax from continuing operations	$130,372	$328,857
At the Company’s statutory income tax rate	$26,074	$65,771
Tax effect of revenues exempt from taxation	(245)	3,731
Tax effect of expenses not deductible for tax purposes	320	280
Tax effect of deferred tax assets/liabilities	(9,807)	(13,622)
Tax effect of different tax rates for entities in other tax regions	4,942	5,273
Corporate income surtax on undistributed retained earnings	1,800	5,633
Adjustments in respect of current income tax of prior periods	2,995	(269)
Others	(1,753)	-
Total income tax expense recognized in profit or loss	$24,326	$66,797

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Unrealized foreign exchange gains or losses	$4,732	$284	$ -	$ -	$5,016
Allowance for inventory valuation losses	6,228	1,216	-	-	7,444
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,502	(306)	-	-	9,196
Exchange differences resulting from translating the financial statements of foreign operations	6,216	-	3,136	-	9,352
Revaluations of financial assets at fair	191	(184)	-	-	7
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	-	-	9,422	(9,422)	-
Unrealized transactions within the Group entities	1,811	-	651	-	2,462
Net deferred tax assets (liabilities)		$1,010	$13,209	$(9,422)	
Reflected in balance sheet as follows:	$40,755				$45,552
Reflected in balance sheet as follows:					
Deferred tax liabilities	$40,755				$45,552
Deferred tax liabilities	$ -				$ -

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended 31 December 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Unrealized foreign exchange gains or losses	$18,363	$(13,631)	$ -	$ -	$4,732
Allowance for inventory valuation losses	8,658	(2,430)	-	-	6,228
Unrealized impairment losses of prepayments to suppliers	1,826	-	-	-	1,826
Impairment on financial assets measured at amortized cost	10,249	-	-	-	10,249
Pension expense payable	9,830	(328)	-	-	9,502
Exchange differences resulting from translating the financial statements of foreign operations	7,874	-	(1,658)	-	6,216
Revaluations of financial assets at fair	-	191	-	-	191
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(28,214)	-	6,301	21,913	-
Unrealized transactions within the Group entities	4,515	-	(2,704)	-	1,811
Deferred tax income (expense)	1,969	(1,969)	-	-	-
Net deferred tax assets (liabilities)		$(18,167)	$1,939	$21,913	
Reflected in balance sheet as follows:	$35,070				$40,755
Reflected in balance sheet as follows:					
Deferred tax liabilities	$63,283				$40,755
Deferred tax liabilities	$(28,213)				$ -

Unrecognized deferred tax assets

As of 31 December 2023 and 2022, deferred tax assets had not been recognized NT$206,727 thousand and NT$216,534 thousand, respectively.

The assessment of income tax returns

As of 31 December 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2021
Subsidiary-Tien Lung Investment Co., Ltd.	Assessed and approved up to 2021
Subsidiary-Advanced Radar Technology Co.,Ltd.	Assessed and approved up to 2021

(25) Earnings per share

Basic earnings per share amounts were calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts were calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would have been issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended 31 December	
	2023	2022
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	$106,486	$262,577
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	126,821	126,821
Basic earnings per share (NT$)	$0.84	$2.07
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company	$106,486	$262,577
Profit attributable to ordinary equity holders of the Company after dilution	$106,486	$262,577
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	126,821	126,821
Effect of dilution:		
Employee compensation-stock (in thousands)	473	555
Weighted average number of ordinary shares outstanding after dilution (in thousands)	127,294	127,376
Diluted earnings per share (NT$)	$0.84	$2.06

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the completion of the financial statements.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
AMIT System Service Ltd.	Associate
UEC System Solutions Corporation	Associate
Poris Electronics Co., Ltd.	Associate
Lightel Corporation	Associate
Connection Technology Systems Inc.	Substantive related party
Lightel Technologics Inc.	Substantive related party

Note: No longer an associate company starting from the third quarter of the year ended 31 December 2023.

(a)Sales

	For the years ended 31 December	
	2023	2022
Associates		
Poris Electronics Co., Ltd.	$2,163	$3
Other related parties		
Connection Technology Systems Inc.	1,075	9,294
Lightel Technologics Inc.	1,039	1,981
Subtotal	2,114	11,275
Total	$4,277	$11,278

The selling prices to related parties by the Group are not significantly different from those to regular customers. Accounts receivables are generally collected in the form of foreign currency checks or through T/T (wire transfer) within three months from the shipment month, except in cases where the financial condition of the related party requires different arrangements.

(b) Note receivables

	As of 31 December	
	2023	2022
Poris Electronics Co., Ltd.	$ -	$3

(c)Accounts Receivable

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of 31 December	
	2023	2022
Other related parties		
Connection Technology Systems Inc.	$454	$85
Lightel Technologics Inc.	26	-
Total	$480	$85

(d) Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	$25,990	$27,860
Post-employment benefits	574	503
Total	$26,564	$28,363

8. Assets pledged as security

The following table lists assets of the Group pledged as security:

	Carrying amount		
Items	31 Dec. 2023	31 Dec. 2022	Secured liabilities
Property, plant and equipment - land	$148,931	$148,931	Long-term loans
Property, plant and equipment - buildings	107,662	115,825	Long-term loans
Property, plant and equipment - machinery and equipment	50,679	60,712	Long-term loans
Investment property	48,000	48,000	Long-term loans
Other current assets - restricted assets	36,312	208,933	Short-term borrowings and Customs bond
Total	$391,584	$582,401	

9. Commitments and contingencies

(a) The Group provided guarantees notes receivable NT$2,700,204 thousand for loan to banks for the year ended 31 December 2023.

(b) The important contracts for construction in progress or provision of services

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Contracting parties	Contract subject	Total contract price (before tax)	Price paid as of 31 December 2023
Company A	Plant expansion project	$68,571	$63,634
Company B	Plant mechanical and electrical equipment	35,048	31,543
Company C (Note)	Service contract	RMB 16,540	RMB 2,719

Note: The Group's subsidiary, Jialong Technology (Shenzhen) Co., Ltd., intends to apply to the local government for land expansion to increase the building area. Therefore, it has separately entered into service contracts with relevant consulting companies. The total contract price amounts to RMB 16,540 thousand (exclusive of tax). As of 31 December 2023, RMB 2,719 thousand has been paid, and RMB 13,821 thousand remains unpaid.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other assets

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2023	2022
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	$38,085	$25,951
Financial assets at fair value through other comprehensive income	204,319	289,820
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	722,366	623,304
Note receivables	454	11,741
Accounts Receivable	563,210	853,129
Other receivables	15,976	26,539
Other current assets - restricted assets	36,312	208,933
Guarantee deposits paid	2,486	1,500
Subtotal	$1,340,804	$1,725,146
Total	$1,583,208	$2,040,917

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial liabilities

	As of 31 December	
	2023	2022
Financial liabilities at amortized cost:		
Short-term loans	$228,000	$240,800
Short-term notes and bills payable	79,944	44,945
Accounts payables	687,038	941,624
Other payables	220,910	242,589
Long-term loans (including current portion with maturity less than 1 year)	1,425,742	1,654,172
Lease liability	12,902	15,234
Subtotal	2,654,536	3,139,364
Financial liabilities at fair value through profit or loss:		
Held for trading	-	957
Total	$2,654,536	$3,140,321

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB.

(a) When NTD strengthens / weakens against USD by 1%, the profit for the periods ended 31 December 2023 and 2022 is decreased / increased by NT$5,792 thousand and NT$7,540 thousand, respectively.
(b) When NTD strengthens / weakens against RMB by 1%, the profit for the periods ended 31 December 2023 and 2022 is increased / decreased by NT$400 thousand and NT$630 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the periods ended 31 December 2023 and 2022 to increase / decrease by NT$1,654 thousand and NT$1,895 thousand, respectively.

Equity price risk

The fair value of the Group's listed, emerging and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed, emerging and unlisted equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.
At the reporting date, a change of 1% in the price measured at fair value through profit or loss could increase / decrease the Group's profit for the years ended 31 December 2023 and 2022 by NT$349 thousand and NT$260 thousand, respectively.

At the reporting date, a change of 1% in the price of the listed and emerging companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT$1,517 and NT$1,546 thousand on the equity attributable to the Group for the years ended 31 December 2023 and 2022, respectively.

Please refer to Note (12)9 for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2023 and 2022, amounts receivables from top ten customers represented 63% and 57% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.
Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of 31 December 2023					
Loans	$748,423	$458,016	$253,094	$273,055	$1,732,588
Short-term notes and bills payable	80,000	-	-	-	80,000
Account payables	687,038	-	-	-	687,038
Other payables	220,910	-	-	-	220,910
Lease liabilities	6,708	6,350	-	-	13,058
As of 31 December 2022					
Loans	$1,095,442	$561,226	$189,591	$106,119	$1,952,378
Short-term notes and bills payable	45,000	-	-	-	45,000
Account payables	941,624	-	-	-	941,624
Other payables	242,589	-	-	-	242,589
Lease liabilities	6,797	6,126	2,500	-	15,423

Derivative financial liabilities

None.

(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Short-term loans	Short-term notes and bills payable	Long-term loan (including maturity within a year)	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2023	$240,800	$44,945	$1,654,172	$15,234	$7,095	$1,962,246
Cash flow	(12,800)	34,999	(228,430)	(8,666)	(2,634)	(217,531)
Non-cash change	-	-	-	6,479		6,479
Currency change	-	-	-	(145)		(145)
As of 31 December 2023	$228,000	$79,944	$1,425,742	$12,902	$4,461	$1,751,049

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Short-term notes and bills payable	Long-term loan (including maturity within a year)	Lease liabilities	Other non-current liabilities	Total liabilities from financing activities
As of 1 January 2022	$199,526	$79,971	$1,692,242	$9,703	$8,373	$1,989,815
Cash flow	41,274	(35,026)	(38,070)	(8,543)	(1,278)	(41,643)
Non-cash change	-	-	-	13,927	-	13,927
Currency change	-	-	-	147	-	147
As of 31 December 2022	$240,800	$44,945	$1,654,172	$15,234	$7,095	$1,962,246

(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(B) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group’s financial assets and liabilities measured at amortized cost approximate their fair value.

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivatives

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2023 and 2022 are as follows:

Foreign exchange swaps

The Group entered into foreign exchange swaps to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to foreign exchange swaps:

As of 31 December 2023

None.

Items	Amount (in thousands)	Contract Period
As of 31 December 2022		
Foreign exchange swaps	Sell USD 4,500	9 November 2022 – 28 March2023

The counterparties for the aforementioned derivatives transactions were well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

The foreign exchange swaps have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

(a) Definition of fair value hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$34,908	$ -	$ -	$34,908
Index Bond Fund	3,177	-	-	3,177
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	151,717	-	52,602	204,319

As at 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	$25,951	$ -	$ -	$25,951
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	154,621	-	135,199	289,820
Financial liabilities at fair value through profit or loss				
Foreign exchange swaps	-	957	-	957

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

The adjustments to the balances of assets and liabilities measured at fair value using Level 3 in the fair value hierarchy for the Group's recurring fair value measurements are presented as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	
	For the years ended 31 December	
	2023	2022
Beginning balance	$135,199	$116,022
Total gains and losses recognized for the year:		
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	(52,155)	(423)
Transfer to Level 3	4,464	-
Transfer out of Level 3	(57,306)	-
Acquisition	22,400	19,600
Disposal	-	-
Ending balance	$52,602	$135,199

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$562 thousand

As of 31 December 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's equity by NT$1,352 thousand

(c) Disclosure of Fair Value Hierarchy Information for Non-Fair Value Measurements

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 31 December 2023

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (please refer to Note 6(10))	$ -	$ -	$498,668	$498,668

As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (please refer to Note 6(10))	$ -	$ -	$143,736	$143,736

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2023			As of 31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$35,782	30.705	$1,098,686	$48,102	30.710	$1,477,216
RMB	12,159	4.327	52,612	16,410	4.408	72,334
Financial liabilities						
Monetary items:						
USD	16,919	30.705	519,498	23,551	30.710	723,243
RMB	21,410	4.327	92,641	30,706	4.408	135,352

The Group has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Group recognized NT$(11,645) thousand and NT$60,570 thousand foreign exchange gain (loss) for the years ended 31 December 2023 and 2022, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information at significant transactions

(a) Financing provided to others: Please refer to Attachment 1.

(b) Endorsement/Guarantee provided to others: Please refer to Attachment 2.

(c) Securities held as of 31 December 2023 (excluding the portion related to investments in subsidiaries, associated companies, and joint ventures): Please refer to Attachment 3.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 4.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 5.

(i) Financial instruments and derivative transactions: Please refer to Note 12 (8).

(j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.

(2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2023, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2023 (exclude the information on investments in mainland China): Please refer to Attachment 7.

(3) Information on investments in mainland China

(a) The Group's investments in mainland China through Global Development Company Ltd. included names, main businesses and products, total amount of paid-in capital, method of investment, Investment flow situation, percentage of ownership, investment income (loss) recognized, carrying value as of 31 December 2023, accumulated inward remittance of earnings as of 31 December 2023 and upper limit on investment in mainland China: Please refer to Attachment 8.

(b) Significant transactions through third regions with the investees in Mainland China: Please refer to Attachment 1,2,4,5 and 6.

(4) Information of major shareholders

Stocks / Major shareholders	Quantity of shares	shareholding
OU, CHENG-MING	34,870,964	27.38%
OUMEIYA INVESTMENT CO., LTD.	12,693,541	9.96%

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

(a) Magnetic Component & Power product department: The department is responsible for the production of electronic components.
(b) Information and communication product department: The department was responsible for the production of OEM and ODM information and communication products.
(c) Optical communication product office: The department was responsible for the production of optical communication equipment products.
(d) Others: Mainly involves the trading of raw materials and acting as a purchasing agent for commodities.

Operating segments have been aggregated to be reported as aforementioned operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm’s length basis in a manner similar to transactions with third parties.

1.Information on profit or loss, assets and liabilities of the reportable segment:

For the year ended 31 December 2023

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others	Adjustment and elimination	Group total
Revenue						
External customer	$2,227,780	$2,342,820	$13,437	$19,744	$ -	$4,603,781
Inter-segment	1,401,633	1,474,012	8,454	12,423	(2,896,522)	-
Total revenue	$3,629,413	$3,816,832	$21,891	$32,167	$(2,896,522)	$4,603,781
Segment profit	$(72,326)	$214,065	$(73,493)	$62,126	$ -	$130,372

For the year ended 31 December 2022

	Magnetic component & power product department	Information and communication product department	Optical communication product office	Others	Adjustment and elimination	Group total
Revenue						
External customer	$2,688,226	$2,088,962	$24,527	$32,474	$ -	$4,834,189
Inter-segment	2,024,957	1,573,550	18,475	24,462	(3,641,444)	-
Total revenue	$4,713,183	$3,662,512	$43,002	$56,936	$(3,641,444)	$4,834,189
Segment profit	$150,558	$207,317	$(88,813)	$60,426	$(631)	$328,857

[1] Revenue from departments whose nature cannot be classified that do not meet the quantitative thresholds for reportable segments.

[2] Inter-segment revenue are eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

2.The adjustments on profit or loss, assets and liabilities of the reportable segment:

There were no adjustments required for segment revenue, profit or loss, assets, liabilities, or other significant items for the years ended 31 December 2023 and 2022.

3.Geographical information

Revenue from external customers:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended 31 December	
	2023	2022
Asia	$932,504	$1,224,934
United States	2,189,155	2,134,133
Taiwan	1,322,208	1,311,216
Other countries	159,914	163,906
Total	$4,603,781	$4,834,189

The revenue information above is based on the location of the customers.

Non-current assets:

	As of 31 December	
	2023	2022
China	$363,000	$455,420
Taiwan	684,341	672,218
Vietnam	245,759	228,427
Other countries	1,385	333
Total	$1,294,485	$1,356,398

Non-current assets include property, plant and equipment, right-of-use assets, investment property, and other non-current assets.

(1) Information about major customers

	As of 31 December	
	2023	2022
Customer A	$1,892,658	$1,592,884
Customer B	519,389	-
Total	$2,412,047	$1,592,884

Attachment 1: Financing provided to others

No.	Lender (Note 1)	Counterparty(Note1)	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing Note 6	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	368,460	368,460	184,230	1.30%	1	2,002,280	-	-	-	-	807,212 (Note1)	807,212 (Note2)
1	UMEC (B.V.I.)	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	92,115	92,115	-	0.00%	2	-	Need for operating	-	-	-	124,397 (Note2)	124,397 (Note3)
2	Global	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Other receivables	Y	61,410	61,410	-	0.00%	2	-	Need for operating	-	-	-	102,874 (Note3)	102,874 (Note4)

Note 1: The above transations were all made between consolidated entities in the Group and have been reversed.

Note 2: JA-LONG TECHNOLOGY CO., LTD.(Shenzhen) had business transactions with the Company. The maximum loan amount extended to the Company was limited to 40% of the audited net worth of NT$2,018,029 thousand as of 31 December 2023.
Individual loan amounts were limited to the extent of the business transactions between the two parties.
The business transaction amount referred to was the higher of the purchase or sales amount between the two parties. This year, the business transaction amount exceeded 40% of the Company's net worth as of 31 December 2023.
Therefore, the individual loan amounts were limited to 40% of the audited net worth of NT$2,018,029 thousand as of 31 December 2023.

Note 3: The loan amount was calculated based on 60% of the audited net worth of UMEC (B.V.I.) as of 31 December 2023, which amounted to NT$207,329 thousand.

Note 4: The loan amount was calculated based on 60% of the audited net worth of Global as of 31 December 2023, which amounted to NT$171,456 thousand.

Note 5: To fill in the nature of the loan, please follow the instructions below:
(1) If there is a business transaction, please fill in "1".
(2) If there is a need for short-term financing, please fill in "2".

Attachment 2: Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Releationship (Note 2)										
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	2	$403,606	$216,350	$216,350	$ -	$ -	10.72%	$807,212	Y	N	Y
1	UMEC (B.V.I.)	The Company	2	51,832	30,705	30,705	-	-	14.81%	62,199	N	Y	N
2	Global	The Company	2	51,437	46,058	46,058	-	-	26.86%	60,010	N	Y	N

Note 1: The Company and its subsidiaries are coded as follows:
1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:
1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the public company.
4. A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: 1. Limit of guarantee/endorsement amount for for a single enterprise by the Company is limited to 20% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT$2,018,029 thousand.
2. Limit of guarantee/endorsement amount for for a single enterprise by UMEC (B.V.I.) is limited to 25% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT$207,329 thousand.
3. Limit of guarantee/endorsement amount for for a single enterprise by Global is limited to 30% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT$171,456 thousand.

Note 4: 1. The total limit of guarantee/endorsement amount by the Company is limited to 40% of the Company's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT$2,018,029 thousand.
2. The total limit of guarantee/endorsement amount by UMEC (B.V.I.) is limited to 30% of UMEC (B.V.I.)'s net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT$207,329 thousand.
3. The total limit of guarantee/endorsement amount by Global is limited to 35% of Global's net worth of the financial report audited by the certified public accountants as of 31 December 2023, which amounts to NT$171,456 thousand.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorses for subsidiary, subsidiary guarantees/endorses for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type of securities	Name of securities	Relationship (Note 1)	Financial statement account	As of 31 December 2023				Note
					Shares	Carrying amount	Percentage of ownership (%)	Fair value	
Tien Lung Investment Co., Ltd.	Stocks	LELON ELECTRONICS CORP.	-	Financial assets at fair value through profit or loss- current	484,153 shares	$34,908	0.29%	$34,908	-
				Subtotal		$34,908		$34,908	
Tien Lung Investment Co., Ltd.	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	34,327 shares	$2,317	0.03%	$2,317	-
Tien Lung Investment Co., Ltd.	Stocks	INTEGRATED DIGITAL TECHNOLOGIES, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	279,129 shares	-	0.97%	-	-
Tien Lung Investment Co., Ltd.	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	62,044 shares	353	0.13%	353	-
Tien Lung Investment Co., Ltd.	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	195,192 shares	-	2.87%	-	-
						$2,670		$2,670	
The Company	Stocks	GOODWAY MACHINE CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	50,567 shares	3,413	0.05%	3,413	-
The Company	Stocks	Partner Tech Corp.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	649,151 shares	17,430	0.86%	17,430	-
The Company	Stocks	Connection Technology Systems Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	4,481,726 shares	110,699	14.10%	110,699	-
The Company	Stocks	Asia Pacific Microsystems, Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,208,872 shares	6,979	2.57%	6,979	-
The Company	Stocks	EVERMORE TECHNOLOGY, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	457,921 shares	-	6.73%	-	-
The Company	Stocks	SysJust Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	221,015 shares	17,858	0.84%	17,858	-
The Company	Stocks	AESOPOWER, INC.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,505,643 shares	3,158	10.89%	3,158	-
The Company	Stocks	Hannlync Technologies Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	700,000 shares	-	0.55%	-	-
The Company	Stocks	Silver PAC Inc.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,809,609 shares	-	-	-	-
The Company	Stocks	Terasilic Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	535,523 shares	1,559	1.83%	1,559	-
The Company	Stocks	Phoenix 3 Venture Capital Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	2,000,000 shares	15,856	8.70%	15,856	-
The Company	Stocks	LIEN SHEN ELECTRONICS CORP.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	500,000 shares	5,068	14.29%	5,068	-
The Company	Stocks	GaN Power Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	3,000,000 shares	13,992	6.59%	13,992	-
The Company	Stocks	AMIT System Service Ltd.	-	Financial assets measured at fair value through other comprehensive income-noncurrent	301,036 shares	1,407	11.00%	1,407	
The Company	Stocks	UEC System Solutions Corporation	-	Financial assets measured at fair value through other comprehensive income-noncurrent	1,640,000 shares	4,230	11.08%	4,230	
				Subtotal		$201,649		$201,649	

Note 1: Not required if the issuer of securities is not a related party.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Credit period	Unit price	Credit period	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Purchase	$2,002,280	49.09%	Collected over a specific period	$ -	-	$ -	-%	
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Sales	620,991	12.06%	Collected over a specific period	-	-	433,432	43.99%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Sales	2,002,280	97.12%	Collected over a specific period	-	-	-	-%	
JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	The Company	Subsidiary	Purchase	620,991	47.22%	Collected over a specific period	-	-	(433,432)	(76.57)%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT$100 million or 20 percent of the capital stock

Related-party	Counter-party	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Accounts receivable $433,432	1.52	$ -	-	$ -	$ -
The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	Subsidiary	Other receivables $185,557		-	-	-	-

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets(Note3)
0	The Company	UMEC VIETNAM Co., Ltd.	1	Processing fees	$125,959	(Note 4)	2.74%
0	The Company	UMEC VIETNAM Co., Ltd.	1	Prepayment	112,709	(Note 4)	2.32%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Sales	620,991	(Note 4)	13.49%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Accounts receivable	433,432	(Note 4)	8.94%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Purchase	2,002,280	(Note 4)	43.49%
0	The Company	JA-LONG TECHNOLOGY CO., LTD.(Shenzhen)	1	Other receivables	185,557	(Note 4)	3.83%
0	The Company	Global Development Co. Ltd	1	Prepayment	233,743	(Note 4)	4.82%

Note 1: The Company is coded "0".The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the Company asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4: The transaction terms include collecting payments over a specified period.

Attachment 7: Names, locations, main businesses and products, original investment amount, net income (loss) of investee company and investment income (loss) recognized: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousand shares)	Percentage of ownership (%)	Book value			
The Company	UMEC (B.V.I.)	Vistra Corporate Services Centre, Wickhams Cay II, Road Town Tortola ,VG1110 ,BRITISH VIRGIN ISLANDS	Investment and holding company	$753,401	$997,418	22,961,020	100.00%	$200,522	$20,397	$56,986	Note1
The Company	Tien Lung Investment Co., Ltd.	1F., No. 37, Sec. 2, Meicun Rd., South Dist., Taichung City, Taiwan (R.O.C.)	Investment company	88,000	88,000	8,800,000	100.00%	58,313	8,868	8,868	
The Company	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwn (R.O.C.)	Manufacturing and sales of electronic parts and components	42,559	42,559	4,255,894	84.78%	11,955	(9,939)	(8,426)	
The Company	AMIT SYSTEM SERVICE LTD.	4F., No.149, Wugong Rd., Wugu Dist.,New Taipei City 248, Taiwan (R.O.C.)	Electronic information supply services industry	-	11,780	-	-	-	-	(1,354)	Note2
The Company	PT UMEC Green Tech Indonesia	Ketapang Business Centre,Jl. Kh. Zainul Arifin No 20 Blok A16 Jakarta Barat, Indonesia 11140	Manufacturing and sales of electronic parts and components	3,519 USD 114,600	3,519 USD 114,600	-	60.00%	-	-	-	
The Company	UEC System Solutions Corporation Limited	5th Floor, No. 219, Xinhu 2nd Road, Neihu District, Taipei City, Taiwn (R.O.C.)	IoT product applications and services and electronic product trading	-	6,000	-	-	-	-	(711)	Note3
The Company	UMEC (JAPAN)	No. 5-3, Osaki 3-chome, Shinagawa-ku, Tokyo	Promotion and sales of switch mode power supply, transformer and manufacturing and assembly of circuit	1,368	1,368	-	100.00%	1,229	(21)	(21)	
The Company	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	43,013	43,013	499,999	99.99%	43,215	(4,557)	(4,557)	
The Company	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	95,831	-	-	25.73%	31,481	(34,875)	(7,557)	
The Company	Lightel Corporation	Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands	Investment and holding company	57,306	-	5,082,027	23.88%	61,258	57,385	3,953	
UMEC (B.V.I.)	UMEC (H.K.)	FLAT B 5/F NO.38 HUNG TO RD KWUN TONG KOWLOON, HONG KONG	Established in Hongkong to handle export shipping affairs of China.	7,001 HKD 1,782,000	7,001 HKD 1,782,000	1,782,000	100.00%	12,821	206	206	
UMEC (B.V.I.)	Global	P.O.Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	Investment and holding company	712,815 USD 23,214,961	941,162 USD 30,651,744	23,214,961	100.00%	171,456	20,173	20,173	
UMEC (B.V.I.)	UMEC (USA)	1921 Ellen St #7 Sturgis,SD 57785,USA	R&D and sales of electromagnetic parts	- -	15,355 USD 499,999	23,214,961	100.00%	171,456	20,173	20,173	
Global	UMEC VIETNAM Co., Ltd.	B(B1)lot, Quang Chau Industrial Park, Bac Giang Province, Vietnam	Manufacturing and sales of switch mode power supply, transformer and circuit board	276,455 USD 9,003,574	276,455 USD 9,003,574	-	74.27%	90,870	(34,875)	(27,318)	
Tien Lung Investment Co., Ltd.	ARadTek	8F-2, No.487, Dayou Rd., Taoyuan Dist., Taoyuan City, Taiwn (R.O.C.)	Manufacturing and sales of electronic parts and components	5,420	5,420	541,945	10.80%	1,523	(9,939)	(1,073)	
Tien Lung Investment Co., Ltd.	PORIS ELECTRONICS CO., LTD.	11 F., No. 866-7, Zhongzheng Rd., Zhonghe Dist., New Taipei City, Taiwan (R.O.C.)	Electronic information supply services industry	10,400	10,400	1,201,637	33.55%	6,008	(2,192)	(736)	

Note1: The investment income recognized in the current period includes the investment gains or losses generated by the investee company due to favorable or unfavorable market conditions.

Note2: Significant influence over the investee was lost in the third quarter of the year ended 31 December 2023, resulting in the reclassification of the investment from 'Equity Method Investments' to 'Financial Assets at Fair Value through Other Comprehensive Income - Non-current'. For further details, please refer to Notes 6 and 7. The period of disclosure of the investee's income and expenses for this period is from 1 January to 31 August of the 2023.

Note3: Significant influence over the investee was lost in the third quarter of the year ended 31 December 2023, resulting in the reclassification of the investment from 'Equity Method Investments' to 'Financial Assets at Fair Value through Other Comprehensive Income - Non-current'. For further details, please refer to Notes 6 and 7. The period of disclosure of the investee's income and expenses for this period is from 1 January to 30 September of the 2023.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2023	Accumulated Inward Remittance of Earnings as of 31 December 2023
					Outflow	Inflow						
JA-LONG TECHNOLOGY CO., LTD. (Shenzhen)	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	$541,943 USD 17,650,000	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	$537,338 USD 17,500,000	$ -	$ -	$537,338 USD 17,500,000	$72,137	100.00%	$72,137	$265,061	$ -
UMEC Wuhan Company Limited	Assembly, manufacturing and sales of switch mode power supply, transformer and circuit board	184,230 USD 6,000,000	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	184,230 USD 6,000,000	-	-	184,230 USD 6,000,000	-	-%	-	(Note4)	-
UMEC Renlong Electronics Co., Ltd. (Meizhou)	Manufacturing and sales of switch mode power supply and transformer	18,423 USD 600,000	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	18,423 USD 600,000	-	-	18,423 USD 600,000	(11,542)	100.00%	(11,542)	(26,709)	-
UMEC Fulong Electronics Co., Ltd. (Longyan)	Manufacturing and sales of switch mode power supply and transformer	92,115 USD 3,000,000	Establishing a company through investment in a third jurisdiction and subsequently reinvesting in a company in mainland China.	92,115 USD 3,000,000	-	-	92,115 USD 3,000,000	(22,620)	100.00%	(22,620)	55,705	-

Accumulated Investment in Mainland China as of 31 December 2023	Investment Amounts Authorized by Investment Commission, MOEA (Note1)	Upper Limit on Investment (Note2)
$832,241	$912,184	$1,210,817

Note 1: The Investment Commission of the Ministry of Economic Affairs has approved an investment amount of USD 29,708 thousand.

Note 2: According to Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

Note 3: The aforementioned amount in foreign currency will be converted into New Taiwan Dollars using the exchange rate on the balance sheet date.

Note 4: The company obtained the approval for deregistration from the Administration for Industry and Commerce of Ma'anshan City on November 16, 2018.

The liquidation process was completed on January 17, 2019, and the company received the notification letter of filing for deregistration from the Investment Commission of the Ministry of Economic Affairs on June 9, 2022.