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keyware KEY WARE ELECTRONICS CO., LTD.

2023 Annual Report

Taiwan Stock Exchange Market Observation Post System:

<http://mops.twse.com.tw/mops/web/index>

Company's website: <https://www.key-ware.com.tw>

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II. Headquarters, Branches and Plant

<u>Unit:</u>	<u>Address</u>	<u>Telephone</u>
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III. Stock Transfer Agent

Name: Stock Agency Unit, Horizon Securities Corp.

Address: 3F., No. 236, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City

Tel: (02)2326-8818

Website: <http://www.honsec.com.tw>

IV. Auditors

Auditors: Li, Kuan-Hao, Lin, Wang-Sheng

Accounting Firm: Deloitte & Touche

Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City 11016

Tel: (02)2725-9988

Website: <http://www.deloitte.com.tw>

V. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A.

VI. Company Website: <http://www.key-ware.com.tw>

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Chapter 1 Letter to Shareholders

Dear Shareholders,

Thank you very much to all the shareholders for taking the time out of your busy schedules to attend our company's 2024 Annual General Meeting. Reflecting on the overall circuit board industry, after enduring the bleak operations during the outbreak and ravaging of the COVID-19 pandemic, the production value for 2023 reached NT\$769.8 billion, which still represents a decline of 16.7% compared to the previous year. According to figures released by the Taiwan Printed Circuit Association, the overall product structure is as follows: multilayer boards (29.9%), flexible boards (26.0%), HDI (19.3%), substrates (15.6%), single and double-sided boards (7.6%), and others (1.6%). Except for the automotive and AI-driven momentum in multilayer boards, all products showed a comprehensive decline due to the pressure of inventory liquidation at the end market. In terms of end product applications, automotive applications were the only growing sector in last year's downturn, with an annual growth rate of 2.8%. Other sectors, such as communications, computers, and consumer applications, were hit by high inflation, high interest rates, and economic uncertainty, leading to a lack of consumer confidence and further exacerbating the market demand slump due to clients' inventory reduction strategies.

Our company's operations were also impacted by the sluggish market demand. In 2023, our total revenue was NT\$1,068,270 thousand, with an operating loss of NT\$184,043 thousand, representing a significant decline of 27% and 94% respectively compared to the previous year. The pre-tax net profit was NT\$148,621 thousand, primarily due to the recognition of gains from the relocation of our Kunshan plant in mainland China. The following is a report on our 2023 operational results and the 2024 operational plan:

I. 2023 Operating Results

(I) Results of the business plan:

Unit: NT\$ thousand

Item/Year	2023	2022	Amount Increase (Decrease)	Increase (Decrease) % Ratio
Operating Revenue	1,068,270	1,453,993	(385,723)	(26.53)
Gross Profit	(40,120)	51,555	(91,675)	(177.82)
Operating Income	(184,043)	(94,716)	(89,327)	(94.31)
Pre-tax Net Profit	148,621	19,693	128,928	654.69
After-tax Net Profit	4,939	3,166	1,773	56.00

(II) Budget execution:

The Company did not prepare public financial estimates for 2023.

(III) Financial income and expenditure and profitability analysis:

1. Financial income and expenditure:

The net cash inflow from consolidated operating activities in 2023 was NT\$161,045 thousand, the net cash inflow from investing activities was NT\$230,191 thousand, and the net cash outflow from financing activities was NT\$447,831 thousand. After accounting for the effect of exchange rate changes on cash and cash equivalents of NT\$4,237 thousand, the net cash outflow for the period was NT\$60,832 thousand. This was mainly due to the repayment of convertible bonds and partial bank loans to reduce operating costs.

2. Profitability analysis:

Item		2023	2022
Profitability	Return on assets (%)	0.77%	0.69%
	Return on equity (%)	0.24%	0.15%
	Ratio of operating income to paid-in capital (%)	(9.57)%	(5.15)%
	Ratio of income before tax to paid-in capital (%)	7.73%	1.04%
	Net profit margin (%)	0.46%	0.22%
	Earnings per share	0.06	0.01

(IV) Research and development:

1. Continuously leveraging high-frequency materials and production technologies, we are actively developing and mass-producing a new series of film layer products that incorporate innovative types of tools such as drills and milling cutters. Additionally, we are enhancing the chip removal and wear resistance properties of drill bits tailored for ABF substrates, automotive electronics, low-earth orbit satellite applications, and AI server products. This effort aims to improve tool utilization efficiency, optimize drilling and cutting quality, strengthen product competitiveness, and expand the scope of industrial applications.
2. Our company has established a comprehensive supply manufacturing chain for circuit boards, including raw materials and dry process outsourcing. We have repeatedly assisted clients in integrating and solving various production technology and capacity bottleneck issues. We will continue to collaborate with clients on future product development directions, including high-speed computing, low-earth orbit satellites, AI servers, and automotive electronics, to identify corresponding and optimal circuit board drilling solutions.

II. Overview of Business Plan for 2023

(I) Management principles:

1. Consistently invest in the development of niche products, such as ABF carrier drill needles and automotive board coating drill needles.
2. Appropriately allocate the production product structure and production area according to the market demand.
3. Precise management of production costs to maintain a competitive cost advantage.
4. Promote and implement ESG-related requirements and regulations, comply with regulations and fulfill corporate social responsibility.

(II) Sales volume forecast and basis:

Benefiting from the demand driven by AI servers, as well as the applications of high-performance computing and high-bandwidth mobile devices, our company optimistically forecasts global sales of drill bits and cutting tools to exceed 150 million units in the fiscal year 2024. Additionally, we anticipate a 50% growth in revenue contribution from outsourcing services and sales of various types of substrates to surpass 1 million pieces.

III. Future company development strategy

According to the "World Economic Outlook" report by the International Monetary Fund (IMF) for January 2024, the global economic growth rate is projected to remain unchanged at 3.1% in 2024. This reflects upward revisions in growth for China, the United States, and large emerging market and developing economies. As adverse supply shocks diminish, the possibility of an economic hard landing also gradually diminishes, leading to a generally balanced outlook for global economic prospects. Looking ahead to 2024, the shipment volumes of major end products may exhibit slight growth, but significant demand recovery is not expected. Inventories of various product types, including advanced packaging, autonomous driving, and AI servers, will be inventoried, influencing the global value of the circuit board industry more significantly. Therefore, the company will focus on future product demand, continue to invest in research and development efforts, and enhance product competitiveness.

IV. Effect of external competition, the legal environment, and the overall business environment

Our company will continue to be based in Taiwan, operate in mainland China, and expand into the Southeast Asian market. We will focus on cost-effective management, strengthen our research and development capabilities, and maintain product competitiveness. We will fulfill our social and environmental responsibilities, promote ESG-related actions to comply with regulations, and strive to create favorable business outcomes for all shareholders.

We sincerely thank all shareholders for their support and encouragement. Our management team will work even harder to deliver excellent performance and provide positive returns to our shareholders.

Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi

President: Chu, Tsung-Wei

Accounting Manager: Lee, Yun-Ting

Chapter 2 Company Profile

I. Date of Incorporation: February 27, 1997

II. Company History

<u>Year and Month</u>	<u>Milestones</u>
February 1997	Incorporated in Taipei City, Taiwan under the name of Key Ware Electronics Co., Ltd., specializing in the production of drill bits for printed circuit boards, with a paid-in capital of NT\$25 million.
November 1997	Relocated to Taoyuan City Successfully produced 0.35/0.3mm series drill bits, and successfully pilot drilled by customers. Capital increase of NT\$60 million in cash and paid-in capital increased to NT\$85 million.
December 1997	Product quality is recognized by customers and officially sold to the public.
December 1998	Capital increase of NT\$21 million in cash and paid-in capital increased to NT\$106 million.
February 1999	Successfully developed 0.2mm series drill bits.
March 1999	Expansion of production scale by establishing Taoyuan Plant II. Capital increase of NT\$84 million in cash and paid-in capital increased to NT\$190 million.
May 1999	Successful mass production of 0.2mm series drill bits.
June 1999	Approved for public offering by the Securities and Futures Commission.
January 2000	Obtained ISO9002 certification.
May 2000	Capital increase of NT\$50 million in cash and capital increase of NT\$31,245,140 from capital surplus, resulting in an increase in paid-in capital to NT\$271,245,140. Monthly production capacity exceeds 1 million units.
August 2000	Expansion of operation scale by establishing Taoyuan Plant III.
November 2000	Monthly production capacity exceeds 1.8 million units.
December 2000	Obtained ISO14001 certification.
December 2000	Approved by Taipei Exchange for stock listing.
March 2001	Listed on Taipei Exchange on March 29.
May 2001	Reinvested in Key Ware International Limited, and indirectly established Kunshan Key Ware Electronics Co., Ltd.
July 2001	Expansion of production scale by establishing Taoyuan Plant IV.
August 2001	Capital increase of NT\$80 million in cash and paid-in capital increased to NT\$351,245,140.
September 2001	Capital increase of NT\$62,260,350 from capital surplus and NT\$27,124,510 from capital reserve, resulting in an increase in paid-in capital to NT\$440,630,000.
September 2002	Capital increase of NT\$48,819,000 from capital surplus, resulting in an increase in paid-in capital to NT\$489,449,000.
August 2002	Capital increase of NT\$24,472,450 from capital surplus, resulting in an increase of paid-in capital to NT\$513,921,450.

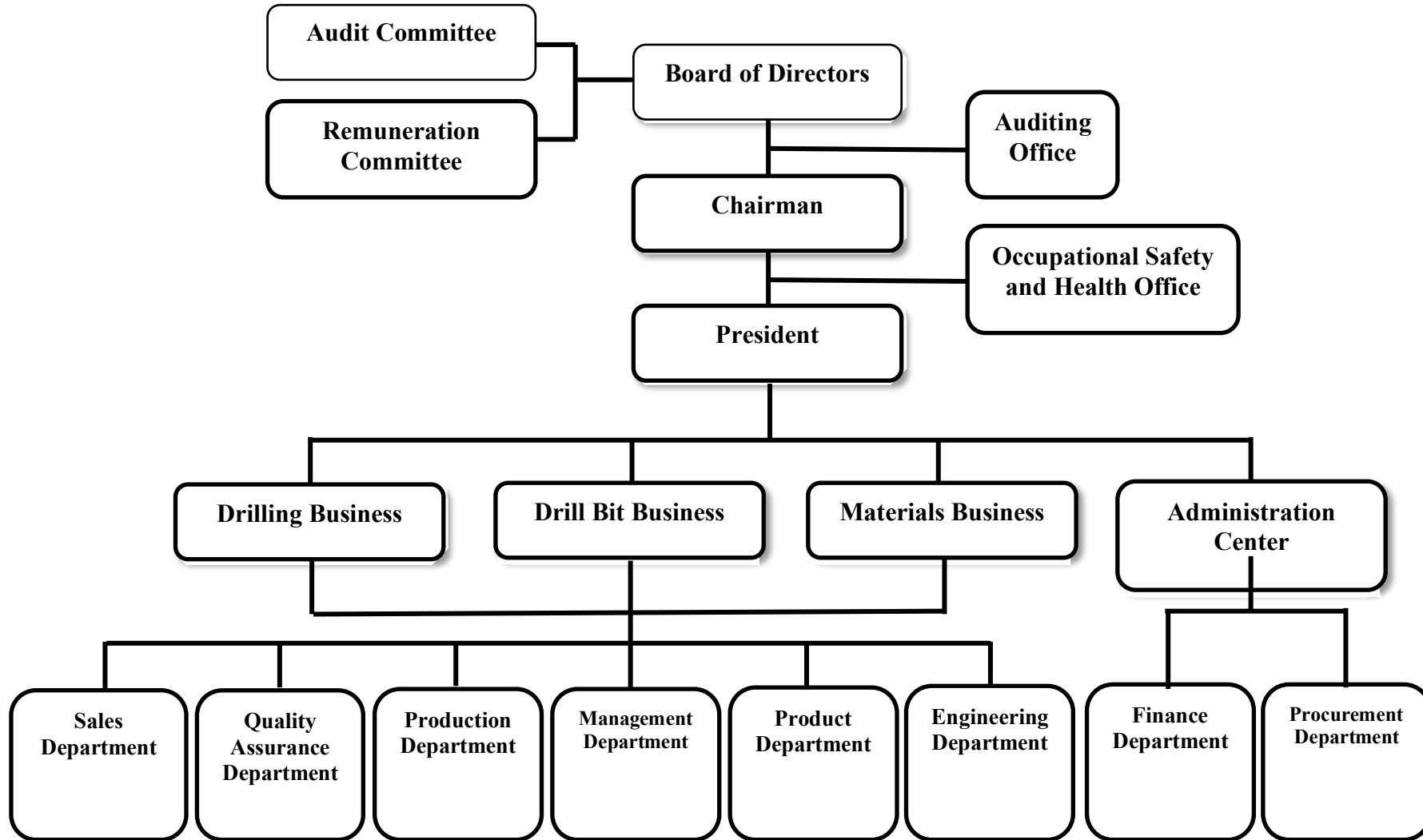
<u>Year and Month</u>	<u>Milestones</u>
December 2003	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$544,879,900 as of December 2003.
January 2004	Reinvested in Key Ware International Limited, and indirectly established Kunshan Key Ware Electronics Co., Ltd. and officially entered the LCD module business.
March 2004	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$579,856,740 as of March 2004.
June 2004	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$583,144,390 as of June 2004.
August 2004	Capital increase of NT\$49,490,400 from capital surplus and NT\$16,306,400 from capital reserve, resulting in an increase in paid-in capital to NT\$648,981,190.
September 2004	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$656,124,040 as of September 2004.
February 2005	Capital increase of NT\$220 million in cash, and paid-in capital increased to NT\$876,328,120 as of February 2005.
February 2005	Invested 71,500 thousand shares in Hotek Technology Co., Ltd. and acquired 88% of the shares, and indirectly holds its investment in Hung Shun Electronic (HK) Co., Ltd. to actively develop the field of consumer electronics products.
March 2005	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$880,715,850 as of March 2005.
April 2005	Reinvested in Key Ware International Limited, and indirectly established Kunshan Hua Wai Electronic Technology Co., Ltd.
July 2005	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$990,749,700 as of July 2005.
September 2005	Capital increase of NT\$40,607,200 from capital surplus and NT\$19,465,600 from capital reserve, resulting in an increase in paid-in capital to NT\$1,050,482,500.
October 2005	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$1,055,584,540 as of October 2005.
January 2006	Convertible bonds amounting to NT\$200 million were issued in August 2003, and the paid-in capital increased to NT\$1,055,801,930 as of January 2006.
July 2006	Capital increase of NT\$200 million in cash, and paid-in capital increased to NT\$1,255,801,930 as of July 2006.
September 2006	Capital increase of NT\$104,406,140 from capital surplus, resulting in an increase of paid-in capital to NT\$1,360,208,070.
April 2007	Relocated to Guishan Industrial Park, Xingbang Rd., Taoyuan City.
May 2007	Reinvested in Key Ware International Limited, and indirectly established Kunshan Hao Zhen Electronics Co., Ltd.
July 2007	Capital increase of NT\$72,66,410 from capital surplus, resulting in an increase of paid-in capital to NT\$1,432,868,480.
August 2008	Liquidation of Kunshan Hua Wai Electronic Technology Co., Ltd. in China, which was reinvested by Key Ware International Limited, is completed.
May 2009	Disposal of the reinvestment of Hongshun Haozhong Technology Co., Ltd. - Hongshun Electronics (HK) Co., Ltd.
August 2009	Private placement of additional capital of Nt\$157,900,000, resulting in an increase of paid-in capital to NT\$1,597,608,480.

<u>Year and Month</u>	<u>Milestones</u>
November 2009	On October 28, 2009, Hongshun Haozhong Technology Co., Ltd. was resolved to be dissolved, with November 17 as the base date for liquidation, and the liquidation process was completed in 2010.
March 2010	Kunshan Weixing Electronics Co., Ltd. merged with Kunshan Haozhen Electronics Co., Ltd., and Kunshan Weixing Electronics Co., Ltd. is the surviving company after the merger.
December 2012	Convertible bonds amounting to NT\$350 million were issued in October 2011, and the paid-in capital increased to NT\$1,618,958,800 as of December 2012.
December 2014	Invested NT\$999,990 in Hui Peng Technology Co., Ltd. and acquired 99% of the shares to develop the field of laser drilling foundry in Taiwan.
June 2015	Established Laserware Laser Technology Co., Ltd to enter the field of laser drilling foundry.
May 2016	Successfully expanded into the sales market in Thailand.
December 2016	Established office in Thailand as a sales expansion and product service base in Thailand.
June 2017	Invested 612,000 shares in Key De Precise Industris Co., Ltd. to acquire 51% of the shares, and expanded the business into the distribution and processing of copper foil substrates.
November 2017	Kunshan Key Ware Electronics Co., Ltd. invested and established King Ware(Chongqing) Electronics Co., Ltd
March 2018	Kunshan Key Ware Electronics Co., Ltd. invested and established Wuhan Laserware Laser Technology Co., Ltd. to enter the field of mechanical drilling foundry in mainland China.
September 2018	Capital increase of NT\$26,227,120 from capital surplus and NT\$1,841,750 from employees' remuneration, resulting in an increase of paid-in capital to NT\$1,647,027,670.
May 2019	Invested NT\$7,500,000 in Jia Chi Co., Ltd and acquired 60% of the shares to expand the laser drilling foundry service in Taiwan.
July 2009	Capital increase of NT\$1,211,450 from employee's remuneration., resulting in an increase of paid-in capital to NT\$1,648,239,120.
March 2020	Invested NT\$42 million in Jia Chi Co., Ltd. and increased shareholdings to 83.63%.
September 2020	Capital increase of NT\$44,502,450 from capital surplus and NT\$655,990 from employees' remuneration, resulting in an increase of paid-in capital to NT\$1,693,397,560.
November 2020	Kunshan Key Ware Electronics Co., Ltd. invested and established Shenzhen Laserware Laser Technology Co., Ltd. to expand the field of laser drilling and mechanical drilling foundry in South China.
January 2021	Completed the construction of a new plant in Yangmei, Taoyuan to expand the field of Taiwan mechanical drilling foundry services.
May 2021	Issued convertible bonds of NT\$200 million.
October 2021	Capital increase of NT\$67,735,900 from capital surplus, resulting in an increase of paid-in capital to NT\$1,761,133,460. Capital increase of NT\$201,480,000 in cash, and paid-in capital increased to NT\$1,899,133,460.
November 2021	Kunshan Key Ware Electronics Co., Ltd. completed the construction of the new plant and completed the relocation in November 2021.
October 2023	The surplus will be converted into an increase in capital of NT\$21,891,990, and the employee stock options will be converted into an increase in capital of NT\$2,000,000. As a result, the paid-in capital will increase to NT\$192,313,550.

Chapter 3 Corporate Governance Report

I. Organizational System:

(I) Organizational Chart:



(II) Functions of Major Divisions

Division	Major Functions
Auditing Office	<ol style="list-style-type: none"> 1. Risk assessment and planning of the internal control and audit system of the Company and each subsidiary. 2. Supervise and assist all units and subsidiaries of the Company in developing internal control systems. 3. Draft and implement the audit plan. 4. Prepare audit reports and track deficiencies. 5. Review of self-examination and implementation by each unit and subsidiary of the Company. 6. Implementation of project-based audits. 7. Other matters required to be implemented in accordance with the relevant laws and regulations.
Occupational Safety and Health Office	<ol style="list-style-type: none"> 1. Labor safety contractor hazard notification. 2. Engineering labor safety regulations notification. 3. Employee occupational accident notification, statistics and analysis. 4. Civil defense, labor safety, firefighting, and emergency response education training and drills. 5. Emergency disaster response revision. 6. Work safety code amendment. 7. Management and declaration of waste. 8. Employee health screening. 9. Other duties related to labor safety, environmental protection, and fire prevention.
Drill Bit Business	<ol style="list-style-type: none"> 1. Responsible for formulating the business philosophy and quality policy of the drill bit business. 2. Establishing standardized operational processes. 3. Approving company budget goals and leading the entire company to achieve them. 4. Serving as the external representative of the company in handling related business affairs. 5. Internally supervising the execution of work in various departments. 6. Evaluating and developing new product initiatives.
Contract Manufacturing Business	<ol style="list-style-type: none"> 1. Responsible for formulating the business philosophy and quality policy of the contract manufacturing business. 2. Establishing standardized operational processes. 3. Approving company budget goals and leading the entire company to achieve them. 4. Serving as the external representative of the company in handling related business affairs. 5. Internally supervising the execution of work in various departments. 6. Evaluating and developing new product initiatives in other trading businesses. 7. Leading the overall planning of each department, setting KPI indicators, and ensuring their completion.
Substrate Business	<ol style="list-style-type: none"> 1. Responsible for formulating the business philosophy and quality policy of the substrate business. 2. Establishing standardized operational processes. 3. Approving company budget goals and leading the entire company to achieve them. 4. Serving as the external representative of the company in handling related business affairs. 5. Internally supervising the execution of work in various departments. 6. Leading the overall planning of each department, setting KPI indicators, and ensuring their completion.

Financial Center	<ol style="list-style-type: none"> 1. Planning and implementation of the Company's financial management and capital deployment operations. 2. Planning and implementation of the Company's shareholding and shareholders' equity related business. 3. Implementation of customer credit and credit control related business. 4. Planning and implementation of capital market funding. 5. Implementation of corporate governance, compliance with laws and regulations, and filing of various announcements and disclosures. 6. Coordinate the Company's accounting process and implement the collection and analysis of cost information. 7. Preparation of financial statements and analysis and interpretation of management financial information. 8. Review monthly operating results and provide management accounting information. 9. Preparation of the Group's consolidated financial statements, transfer pricing reports and review of affiliates' accounts and financial reports. 10. Manage the planning and implementation of corporate taxation and compliance with various tax laws and regulations. 11. Budget compilation and control of monthly budget implementation status and variance analysis. 12. Procurement and supplier management operations. 13. Public offerings, compliance with the listing regulations, and enforcement of corporate governance regulations.
Business Center	<ol style="list-style-type: none"> 1. Annual budget operational planning. 2. Management and implementation of pricing policies. 3. Business talent cultivation and business resource integration. 4. Product sales and competitor information collection. 5. Implementation of marketing plans and strategies. 6. Review orders for shipment. 7. Collection of accounts receivable. 8. Customer service and handling of customer complaints. 9. Channel conflict management and strategic planning. 10. Channel development zoning management. 11. Determine channel pricing strategy. 12. Track and manage the performance of long term customers. 13. Strategic partner development and establishment.

Management Division	<ol style="list-style-type: none"> 1. Setting and completing departmental overall planning and KPI indicators. 2. Mastering and rationalizing the human resources. 3. Relevant operations of personnel salary calculation and employee benefits. 4. Establish and implement comprehensive education and training programs. 5. Relevant operation of employee performance appraisal. 6. General administrative operations. 7. Procurement and supplier management operations. 8. Raw material planning and procurement, inventory management and control. 9. Production scheduling and sales coordination. 10. Inbound and outbound shipment of products. 11. Coordinate and communicate with various departments to achieve balanced production and sales. 12. Control the cost of external failure and achieve objectives. 13. Responsible for the design and maintenance of the Company's computer operating system, maintenance of hardware equipment and file data processing.
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Product Division	<ol style="list-style-type: none"> 1. Responsible for the new design and development of the Company's tools. 2. Responsible for the evaluation of the direction of the Company's tool development technology. 3. Responsible for the establishment and maintenance of the development system. 4. Assist in the establishment, implementation and maintenance of the Company's related systems. 5. Follow the Company's policy to develop new and relevant concept technologies. 6. Responsible for the development and specification of new products for the Company's cutting tools. 7. Specification revision and inspection maintenance of existing products. 8. Testing and selection of tool materials. 9. Implementation and maintenance of engineering change system. 10. Maintenance of material management system for tool specification. 11. Responsible for the technical advice and troubleshooting of abnormal problems on the client side.
Production Division	<ol style="list-style-type: none"> 1. Setting and completing departmental overall planning and KPI indicators. 2. Perform drill production management to enhance personnel efficiency, quality improvement and cost reduction. 3. Production process quality control and product dispatch quality control. 4. Process technology analysis and improvement. 5. Production cost management and improvement. 6. Standardization of equipment parameters. 7. Supervise the workplace labor safety, environmental safety and industrial safety.
Quality Assurance Division	<p>QC:</p> <ol style="list-style-type: none"> 1. IQC (Incoming Quality Control): Quality control for suppliers' input and raw materials. 2. IPQC (In-Process Quality Control): Focuses on the quality control in the manufacturing process. 3. OQC (Out-going Quality Control): Quality control for the finished products outbound. 4. Collaborative vendor auditing and maintenance. 5. Calibration and maintenance of production inspection equipment. <p>QA:</p> <ol style="list-style-type: none"> 1. Abnormal analysis and cross-departmental coordination. 2. Formulation and response of improvement measures. 3. Statistical analysis of customer complaints and tracking of countermeasures. 4. Provide all quality report data on the client side. 5. Client exception override and exception 8D Report response. 6. Revision of ISO related data for quality assurance.

<p>Design and Engineering Division</p>	<p>Setting and completing departmental overall planning and KPI indicators. Responsible for the maintenance of production machines and peripheral equipment and facilities. Performance improvement of existing equipment.</p>
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II. Information on the Directors, President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units:

(I) Information of directors: 1. Information of directors

Title	Nationality/ Place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark (Note)
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
Chairman	R.O.C.	Jia Ju Investment Co., Ltd.	-	2021.07.20	3 years	2000.03.30	9,991,401	5.26	11,169,353	5.81	-	-	-	-	-	Director, Savior Lifetec Corporation	-	-	-	None
Chairman	R.O.C.	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	Male 71-80	2021.07.20	3 years	2000.03.30	-	-	4,603,714	2.39	873,074	0.45	-	-	M.B.A., School of Business, Columbia University Chairman, Concord Venture Capital Group	Chairman (Legal Representative), Key Ware Electronics Co., Ltd. Chairman (Legal Representative), Concord Venture Capital Group Chairman (Legal Representative), Silicon Motion Technology Corp. Chairman (Legal Representative), Qbic Technology Co., Ltd. Director, Ruize Biotechnology Co., Ltd.	Corporate Director Representative	Chow, Chia-Chu	Father and Son	None
Director	R.O.C.	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	Male 41-50	2021.07.20	3 years	2017.06.16	-	-	-	-	-	-	-	-	M.B.A., College of Management, National Taiwan University, B.S., College of Business, New York University	Vice President, Investment Department, Concord Venture Capital Group Director (Legal Representative), Key De Precise Industries Co., Ltd. Assistant Manager, Savior Lifetec Corporation Director (Legal Representative), Qbic Technology Co., Ltd. Director, Ruize Biotechnology Co., Ltd.	Corporate Director Representative	Chow, Pong-Chi	Father and Son	None
Director	R.O.C.	Concord Venture Capital Group	-	2021.07.20	3 years	2012.06.13	5,677,684	2.99	6,347,063	3.30	-	-	-	-	-	-	-	-	-	None
Director	R.O.C.	Concord Venture Capital Group Representative: Chao, Yuan-Chi	Male 71-80	2021.07.20	3 years	2006.05.16	-	-	1,586,055	0.82	3,654,068	1.90	-	-	M.B.A. in Finance, New York University President, First Financial Holding Co., Ltd. Independent Director, Taipei Fubon Commercial Bank Co., Ltd.	Chairman, Concord Asia Finance Ltd.	None	None	None	None
Director	R.O.C.	Concord Venture Capital Group Representative: Li, Hsiang-Yun	Female 51-60	2021.07.20	3 years	2006.05.16	-	-	-	-	-	-	-	-	M.S. in Accounting, University of Houston Auditor, Deloitte Taiwan Vice President, Concord Venture Capital Group	Vice President, Concord Venture Capital Group Director, Walkgame Corporation Director (Legal Representative), Qbic Technology Co., Ltd. Chairman (Legal Representative), Rong Pei Technology Corp. Representative of Chairman (Legal Representative), Savior Lifetec Corporation Chairman (Legal Representative), Sjeng Dany Enterprise Co., Ltd. Director (Legal Representative), Concord Venture Capital Group Chairman, Ruize Biotechnology Co., Ltd. Supervisor (Legal Representative), SLC BioPharm Co., Ltd.	None	None	None	None
Director	R.O.C.	Concord Financial Management Consultant Ltd.	-	2021.07.20	3 years	2006.05.16	6,918,456	3.64	7,734,118	4.02	-	-	-	-	-	Chairman, Savior Lifetec Corporation Director, Qbic Technology Co., Ltd. Director, Hanyu Venture Capital Ltd. Director, Rong Pei Technology Corp.	-	-	-	None
Director	R.O.C.	Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	Male 61-70	2021.07.20	3 years	2012.06.13	-	-	-	-	-	-	-	-	M.S. in Computer Science and Electrical Engineering, University of California, USA Master of Business Administration, Santa Clara University, USA B.S., Department of Electron Physics, National Chiao Tung University	Chairman, China Real Estate Management Co., Ltd. Chairman, China Development Asset Management Corporation President, Kang Ning Life Corporation Director, Chien Kuo Construction Co., Ltd. Chairman, Kang Ning Industrial Co., Ltd. Director, Vivasolis Biotechnology Co., Ltd.	None	None	None	None
Director	R.O.C.	Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh (Note2)	Male 51-60	2022.11.10	3 years	2022.11.10	-	-	-	-	-	-	-	-	Department of Chemical Engineering, Tatung Institute of Technology Plant Manager, HannStar Board Corporation	President, Key Ware Electronics Co., Ltd. President, Kunshan Laserware Laser Technology Co., Ltd. President, Wuhan Laserware Laser Technology Co., Ltd. President, Shenzhen Laserware Laser Technology Co., Ltd.	-	-	-	None

Note 1: If the Chairman and General Manager or equivalent positions (the highest managerial positions) are held by the same individual, are spouses, or are first-degree relatives, the reasons, rationale, necessity, and corresponding measures should be explained: There is no such situation.

Note 2: Mr. Xu Weijie, the legal representative of Han You Finance Management Consulting Co., Ltd., passed away in June 2023.

Title	Nationality/Place of Registration	Name	Gender and Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Remark (Note)
							Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
Independent Director	R.O.C.	Lin, Tsung-Tan	Male 61-70	2021.07.20	3 years	2015.06.17	-	-	-	-	-	-	-	-	Master of Business Administration, Santa Clara University, USA Master of Science in Electrical Engineering, University of Florida, USA Vice Chairman, Concord Venture Capital Group	Executive Director, PineBridge International Asset Management Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Hsieh, Han-Ping	Male 61-70	2021.07.20	3 years	2018.06.13	-	-	-	-	-	-	-	-	Doctor of Electrical and Computer Engineering, Carnegie Mellon University, USA Vice President, National Yang Ming Chiao Tung University Dean, School of Electrical Engineering Lifetime Chair Professor, National Yang Ming Chiao Tung University	Director (Legal Representative), FocalTech Systems Co., Ltd. Externa; Director, Silicon Motion Technology Corp. Independent Director, Dynapack International Technology Corporation Director, Ta Liang Technology Co., Ltd. Director, Coretronic Corporation	-	-	-	None
Independent Director	R.O.C.	Cheng, Wen-Chung	Male 61-70	2021.07.20	3 years	2018.06.13	-	-	-	-	-	-	-	-	Doctor of Electrical Computing, Carnegie Mellon University, USA Professor, Department of Electrical Engineering, National Yang Ming Chiao Tung University	Professor, Department of Information Engineering, Asia University Independent Director, Promise Technology, Inc.	-	-	-	None

2. Major Shareholders of Corporate Shareholders

April 23, 2024

Name of corporate shareholder	Major shareholders of the corporate shareholder
Jia Ju Investment Co., Ltd.	D.J. AMC Inc. Shareholding ratio: 95.24%
Concord Financial Management Consultant Ltd.	Norwich Finance Corp. Shareholding ratio: 100%
Concord Venture Capital Group	BVI Shang Hua You Financial Management Co. Shareholding ratio: 99.99%

3. Major Shareholders of the Company's Major Corporate Shareholders

April 23, 2024

Name of Institutional Shareholder	Major Shareholder
D.J. AMC Inc.	Shareholding held by Blissmore Holdings Limited: 100%
Norwich Finance Corp.	Shareholding held by Walpac Inc.: 30% Shareholding held by Chow, Pong-Chi: 30% Shareholding held by Liu, Lien-Chun: 10% Shareholding held by First Trophy International Limited: 10% Shareholding held by Lee, Shu-Juan: 8% Shareholding held by Chiao, Tzu-Yi: 7% Shareholding held by Lee, Hsiang-Yun: 5%
BVI Shang Hua You Financial Management Co.	Shareholding ratio held by D.J. AMC Inc.: 41% Shareholding held by Lee, Shu-Juan: 19% Shareholding held by Liu, Fen-Jo: 19% Shareholding held by Yu, Hui-Yi: 3% Shareholding held by Kathmund Limited: 10% Shareholding held by First Trophy International Limited: 8%

4. Information on Directors (II)

(1) Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors:

Qualifications Name	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chairman/ Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	Having work experience in commerce and finance. He served as the Chairman of the Company, Chairman of Concord Venture Capital Group, Chairman of Silicon Motion Technology Corporation Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	Having work experience in commerce and finance. He served as a director of the the Company, Vice President of Investment Department of Concord Venture Capital Group., Assistant Manager of Savior Lifetec Corporation. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Venture Capital Group Representative: Chao, Yuan-Chi	Having work experience in commerce, finance and banking. He served as a director of the Company, President of First Financial Holdings Co., Ltd., and Independent Director of Taipei Fubon Commercial Bank, Co., Ltd. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Venture Capital Group Representative: Li, Hsiang-Yun	Having work experience in commerce and finance. She served as a director of the Company, Vice President of Concord Venture Capital Group, Chairman of Savior Lifetec Corporation. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	Having work experience in commerce. He served as a director of the Company, the Chairman of the Board of Directors of China Real Estate Management Co., Ltd., and Chairman of the China Development Asset Management Co., Ltd. Not under any of the categories stated in Article 30 of the Company Act.	-	0
Director/ Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh (Note)	Having work experience in commerce and corporate business. He served as a director of the Company, President of Key Ware Electronics Co., Ltd., and President of Kunshan Laserware Laser Technology Co., Ltd. Not under any of the categories stated in Article 30 of the Company Act.	-	0

<p>Independent Director/ Lin, Tsung-Tan</p>	<p>Having work experience in commerce and finance He served as an Independent Director of the Company, Executive Director of PineBridge International Asset Management Co., Ltd., and Vice Chairman of Concord Venture Capital Group. Not under any of the categories stated in Article 30 of the Company Act</p>	<p>Is an independent director, in compliance with the criteria for independence: not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives: not holding shares of the Company; not a director, supervisor, or employee of the Company's affiliates; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.</p>	<p>0</p>
<p>Independent Director/ Hsieh, Han-Ping</p>	<p>Having work experience as a professor in national university related to the corporate business He served as an independent director of the Company, Dean of the School of Electrical Engineering, Vice President of National Yang Ming Chiao Tung University, and Lifetime Chair Professor of National Yang Ming Chiao Tung University. Not under any of the categories stated in Article 30 of the Company Act</p>	<p>Is an independent director, in compliance with the criteria for independence: not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives: not holding shares of the Company; not a director, supervisor, or employee of the Company's affiliates; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.</p>	<p>1</p>
<p>Independent Director/ Cheng, Wen-Chung</p>	<p>Having work experience as a professor in national and private university related to the corporate business He served as an Independent Director of the Company, Professor of the Department of Electrical Engineering of National Yang Ming Chiao Tung University, and Head of Department of Information Engineering of Asia University. Not under any of the categories stated in Article 30 of the Company Act</p>	<p>Is an independent director, in compliance with the criteria for independence: not a director, supervisor, or employee of the Company or its affiliates; including but not limited to the person himself/herself, spouses or second-degree relatives: not holding shares of the Company; not a director, supervisor, or employee of the Company's affiliates; not having received any remuneration for commercial, legal, financial and accounting services provided by the Company or its affiliates in the past two years.</p>	<p>1</p>

Note: Hsu, Wei-Chieh, the legal representative of Concord Financial Management Consultant Ltd., passed away in June 2023.

5. Diversity and Independence of the Board of Directors

(1) Diversity of the Board of Directors:

To achieve sustainable and balanced development and increasing diversity at the Board level, the Company considers diversity of Board members in setting the composition of the Board from various aspects, including not limited to gender, age, culture, educational background, race, professional experience, skills, knowledge and term of service. All appointments to the Board of Directors are made on the basis of merit, and the importance of diversity of the Board of Directors is fully taken into account in considering candidates on objective terms.

Diversification Field of Directors:

Title	Name	Basic Composition									Diversification Field		
		Nationality	Gender	A Concurrent Employee of the Company	Age			Seniority of Independent Director			Profession	Finance	Academics
					30 - 50 years old	50 - 70 years old	Over 70 years old	Less than 3 years	3 - 9 years	Over 9 years			
Director	Chow, Pong-Chi	R.O.C.	Male			√					√	√	
	Chow, Chia-Chu		Male		√						√	√	
	Chao, Yuan-Chi		Male			√					√	√	
	Li, Hsiang-Yun		Female		√						√	√	
	Cheng, Chung		Male		√						√	√	
	Hsu, Wei-Chieh (Note)		Male	√	√						√	√	
Independent Director	Lin, Tsung-Tan		Male		√				√		√	√	
	Hsieh, Han-Ping		Male			√			√		√		√
	Cheng, Wen-Chung		Male		√				√		√		√

Note: Hsu, Wei-Chieh, the legal representative of Concord Financial Management Consultant Ltd., passed away in June 2023.

(2) Independence of the Board of Directors:

There are 6 directors and 3 independent directors in the 9th session of the Board of Directors, with 33.33% independent directors; 1 director who is an employee of the Company (11.11%); 1 female director (11.11%); and 2 directors who are related to each other within the second degree of kinship, and there are no matters specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(II) Information on the President, Vice Presidents, Assistant Vice Presidents, and Supervisors of Divisions and Branch Units:

April 23, 2024; Unit: Share

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)			Title	Name	Relationship	
Acting President	R.O.C	Chu, Tsung-Wei (Not1 1)	Male	2024.06	228,019	0.12	-	-	-	-	Feng Chia University, Department of Accounting Manager, Administration Department, Asia Sunrise Company	President, Key Ware Electronics Co., Ltd. President, Kunshan Laserware Laser Technology Co., Ltd. President, Wuhan Laserware Laser Technology Co., Ltd. President, Shenzhen Laserware Laser Technology Co., Ltd.	None	None	None	None
President	R.O.C.	Hsu, Wei-Chieh (Note 1)	Male	2021.11	-	-	-	-	-	-	Department of Chemical Engineering, Tatung Institute of Technology Plant Manager, HannStar Board Corporation	President, Key Ware Electronics Co., Ltd. President, Kunshan Laserware Laser Technology Co., Ltd. President, Wuhan Laserware Laser Technology Co., Ltd. President, Shenzhen Laserware Laser Technology Co., Ltd.	None	None	None	None
President for the China Region	R.O.C	Wang Zhi-Wei (Note 2)	Male	2023.12	-	-	-	-	-	-	National Taiwan University of Culture, Department of Chemical Engineering General Manager, Huizhou Sanqiang Circuit Co., Ltd.	None	None	None	None	None
Special Assistant to President's Office	R.O.C.	Chen, Po-Ying	Male	2016.01	99,770	0.05	-	-	-	-	Institute of Electrical and Mechanical Research, National Sun Yat-sen University	President, Kunshan Key Ware Electronics Co., Ltd. Chairman and President, Key De Precise Industries Co., Ltd.	None	None	None	None

											Sales Director, Wellink Technology Co., Ltd.					
Vice President of Sales	R.O.C.	Kang, Po-Yao	Male	2021.11	-	-	-	-	-	-	Department of Marine Engineering, Taipei University of Marine Technology Director of Sales and Marketing, Greater China, Taiwan Union Tool Corp. Special Assistant to President, Topoint Technology Co. Ltd.	Kunshan Key Ware Electronics Co., Ltd. Vice President of Sales	None	None	None	None
Chief Financial Officer	R.O.C.	Li, Yung-Ting	Female	2021.11	13,253	0.01	-	-	-	-	Department of Accounting, Chung Yuan Christian University Associate, PricewaterhouseCoopers Taiwan	None	None	None	None	None
Assistant Manager	R.O.C.	Lo, Hung-Fu (Note3)	Male	2015.03	669	0	-	-	-	-	Ming Hsin Engineering College Plant Manager, Picvue Electronics Co., Ltd.	None	None	None	None	None
Assistant Manager	R.O.C.	Chien, Ju-Hung	Male	2016.01	2,946	0	-	-	-	-	Department of Industrial Management, Vanung University Manager, Key Ware Electronics Co., Ltd.	None	None	None	None	None
Assistant Manager	R.O.C.	Yu, Chang-Wei (Note4)	Male	2013.11	-	-	-	-	-	-	Department of Accounting, Chung Yuan Christian University Associate Manager, Multiplas Enginery Co., Ltd.	None	None	None	None	None
Assistant Manager	R.O.C.	Chen, Liang-Chi	Male	2021.11	-	-	-	-	-	-	Department of Mechanical Engineering, Taipei Institute of Technology Vice President, Shin Feng Li Enterprise Co., Ltd.	None	None	None	None	None

Note 1: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023. Chu, Tsung-Wei, assumed the position of Acting President.

Note 2: Wang Zhiwei assumed the position of President for the China Region in December 2023.

Note 3: Manager Lo, Hung-Fu, was dismissed in September 2023.

Note 4: Manager Yu, Chang-Wei, was dismissed in June 2023.

(III) Remuneration to Directors, President, and Vice Presidents for the Most Recent Year

1. Remuneration to Directors (Including Independent Directors)

(1) Remuneration to Ordinary Directors and Independent Directors

Unit: NT\$ thousand/ %

Title	Name	Remuneration to directors							Sum of A+B+C+D and ratio to net income		Remuneration received by directors for concurrent service as an employee						Sum of A+B+C+D+E+F+G and ratio to net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company			
		Base compensation (A)		Retirement pay and pension (B)		Director compensation (C)		Expenses and perquisites (D)		Salary, rewards, and special disbursements (E)		Retirement pay and pension (F)		Employee compensation (G)								
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements						
		Amount in cash	Amount in stock	Amount in cash	Amount in stock																	
Chairman	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None		
Director	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None		
Director	Concord Venture Capital Group Representative: Chao, Yuan-Chi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None		
Director	Concord Venture Capital Group Representative: Li, Hsiang-Yun	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None		
Director	Concord Financial Management Consultant Ltd./Representative: Cheng, Chung	240	240	-	-	-	-	-	-	240	240	-	-	-	-	-	-	240	240	2.03	2.03	None

Director	Concord Financial Management Consultant Ltd./Representative: Hsu, Wei-Chieh (Note2)	-	-	-	-	-	-	-	-	-	-	5,703	6,691	53	53	-	-	-	-	5,756 48.57	6,744 56.91	None
Independent Director	Lin, Tsung-Tan	240	240	-	-	-	-	-	-	240 2.03	240 2.03	-	-	-	-	-	-	-	-	240 2.03	240 2.03	None
Independent Director	Hsieh, Han-Ping	240	240	-	-	-	-	-	-	240 2.03	240 2.03	-	-	-	-	-	-	-	-	240 2.03	240 2.03	None
Independent Director	Cheng, Wen-Chung	240	240	-	-	-	-	-	-	240 2.03	240 2.03	-	-	-	-	-	-	-	-	240 2.03	240 2.03	None
<p>1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: The remuneration to the Company's Directors is fixed at regular intervals and there is no correlation between changes in remuneration and profit or loss after tax.</p> <p>2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities /invested enterprises): None.</p>																						

Note 1: The profit distribution plan for the fiscal year 2023 was approved by the board of directors on March 8, 2024, proposing to distribute employee compensation of NT\$195,704 and director remuneration of NT\$0, both to be distributed in cash. This distribution plan is subject to approval by the shareholders' meeting for the fiscal year 2024.

Note 2: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023.

Remuneration Range Table

Ranges of remuneration paid to each of the Company's directors	Names of Directors			
	Sum of A+B+C+D		Sum of A+B+C+D+E+F+G	
	The Company	All consolidated entities H	The Company	All consolidated entities I
Less than NT\$1,000,000	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung	Cheng, Chung, Lin, Tsung-Tan, Hsieh, Han-Ping, Cheng, Wen-Chung
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (excl.)	-	-	-	-
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (excl.)	-	-	-	-
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (excl.)	-	-	-	-
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (excl.)	-	-	Hsu, Wei-Chieh (Note)	Hsu, Wei-Chieh (Note)
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (excl.)	-	-	-	-
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (excl.)	-	-	-	-
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (excl.)	-	-	-	-
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (excl.)	-	-	-	-
NT\$100,000,000 or above	-	-	-	-
Total	4	4	5	5

Note 1: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023.

(2) Remuneration to Supervisors

Not applicable (The Company has established the Audit Committee).

2. Remuneration President(s) and Vice President(s)

(1) Remuneration to President, and Vice Presidents

Unit: NT\$ thousand/ %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			

Acting President	Chu, Tsung-Wei (Note3)	6,890	8,215	215	215	1,673	1,731	0	0	0	0	8,778.06	10,161.85.73	None
President	Hsu, Wei-Chieh (Note3)													
President for the China Region	Wang Zhi-Wei (Note 4)													
Vice President of Sales	Kang, Po-Yao													

Note 1: The profit distribution plan for the fiscal year 2023 was approved by the board of directors on March 8, 2024. It proposes to distribute employee compensation totaling NT\$195,704 and director remuneration of NT\$0, both to be distributed in cash. However, this plan is subject to approval by the shareholders' meeting for the fiscal year 2023.

Note 2: The actual payment of retirement benefits for the fiscal year 2023 amounted to NT\$0, with provisions and allocations for retirement benefits totaling NT\$215,000.

Note 3: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023. Chu, Tsung-Wei, assumed the position of Acting President.

Note 4: Wang, Zhi-Wei assumed the position of President for the China Region in December 2023.

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All consolidated entities E
Less than NT\$1,000,000	Wang Zhi-Wei (Note 2)	Wang Zhi-Wei (Note 2)
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (excl.)	Chu, Tsung-Wei (Note1), Kang, Po-Yao	Chu, Tsung-Wei (Note1), Kang, Po-Yao
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (excl.)	-	-
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (excl.)	-	-
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (excl.)	Hsu, Wei-Chieh (Note1)	Hsu, Wei-Chieh (Note1)
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (excl.)	-	-
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (excl.)	-	-
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (excl.)	-	-
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (excl.)	-	-
Over NT\$100,000,000	-	-
Total	4	4

Note 1: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023. Chu, Tsung-Wei, assumed the position of Acting President.

Note 2: Wang, Zhi-Wei assumed the position of President for the China Region in December 2023.

(2) Remuneration to the Five Highest Remunerated Management Personnel

Unit: NT\$ thousand; %

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	Hsu, Wei-Chieh (Note2)	4,303	5,291	53	53	1,400	1,400	-	-	-	-	5,756 48.57	6,744 56.91	None
Special Assistant to President's Office	Chen, Po-Ying	1,440	1,779	98	98	292	292	-	-	-	-	1,830 15.44	2,169 18.30	None
Vice President of	Kang, Po-Yao	1,800	1,800	108	108	75	75	-	-	-	-	1,983 16.73	1,983 16.73	None
Finance Manager	Li, Yun-Ting	1,258	1,258	76	76	300	300	35	-	35	-	1,669 14.08	1,669 14.08	None
Assistant Manager	Chien, Ju-Hung	1,200	1,200	73	73	248	248	35	-	35	-	1,556 13.12	1,556 13.12	None

Note 1: The profit distribution plan for the fiscal year 2023 was approved by the board of directors on March 8, 2024. It proposes to distribute employee compensation totaling NT\$195,704 and director remuneration of NT\$0, both to be distributed in cash. However, this plan is subject to approval by the shareholders' meeting for the fiscal year 2023.

Note 2: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023.

(3) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

March 8, 2024; Unit: NT\$ thousand

Item	Title	Name	Amount in stock	Amount in cash (Note)	Total	As a % of net profit
Employee Remuneration	Finance Manager	Li, Yun-Ting	-	35	35	0
	Assistant Manager	Chien, Ju-Hung	-	35	35	0
	Assistant Manager	Chen, Liang-Chi	-	20	20	0

Note: This refers to the employee compensation distribution plan for the fiscal year 2023, which was approved by the board of directors on March 8, 2024. The proposed employee compensation distribution amount will be subject to approval at the shareholders' meeting for the fiscal year 2023.

(IV) Analysis of Total Remuneration, as a Percentage of Net Income Stated in the Parent Company Only Financial Statements, Paid by the Company and All Companies in Consolidated Financial Statements during the Past 2 Fiscal Years to the Directors, President, and Vice Presidents, Along with Description of Remuneration Policies, Standards, and Packages, Procedure for Determining Remuneration, and Linkage Thereof to Operating Performance and Future Risk Exposure

Unit: NT\$ thousands

Payment recipient	The Company		All companies included in the consolidated financial statements	
	2023	2022	2023	2022
Total remuneration to the Directors, President, and Vice Presidents	9,738	6,473	11,121	9,622
Ratio of parent company only or consolidated net income (loss)	82.16	244.53	93.83%	363.46

The policy, standards, and composition of remuneration, the procedure for setting remuneration, and the correlation with operational performance and future risks are as follows:

1. Remuneration for directors, general managers, and deputy general managers of the company are paid by the company group, including director remuneration such as fees and profit distribution.
2. Regarding director remuneration for profit distribution, it is handled in accordance with Article 31 of the company's articles of association. If the company has profits in its annual financial statements, it shall first pay taxes and donations, offset losses, and then set aside 10% of the remaining balance as legal surplus reserves. However, if the legal surplus reserves reach the company's capital amount, they may be exempted from further provision. After making provisions for special reserves or reversing special reserves according to the law, if there are still profits, along with undistributed profits from the beginning of the period, the board of directors shall propose a profit distribution proposal, which shall be submitted to the shareholders' meeting for resolution. If the company makes a profit in the fiscal year, it shall allocate 1% to 10% for employee compensation and no more than 1% for director remuneration, which shall be distributed in the form of stocks or cash as determined by the board of directors; the distribution plan for employee compensation and director remuneration shall be reported to the shareholders' meeting. However, when the company still has accumulated losses, an amount for offsetting the losses shall be reserved first, and then employee compensation and director remuneration shall be allocated in accordance with the above proportions. Director remuneration determined by the shareholders' meeting shall be further distributed according to the number of director positions and the average tenure of the directors.

3. The remuneration for general managers and deputy general managers includes salaries, bonuses, employee compensation, etc., and is determined based on the level of similar positions in the industry considering the positions held and the responsibilities undertaken.

III. Implementation of Corporate Governance:

(I) Operation of the Board of Directors

1. A total of 5 (A) board meetings were held in the most recent year. The attendance of the directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) [B/A]	Remarks
Chairman	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Chi	5	0	100%	Re-elected on July 20, 2022
Director	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	4	0	80%	Re-elected on July 20, 2022
Director	Concord Venture Capital Group Representative: Chao, Yuan-Chi	4	1	80%	Re-elected on July 20, 2022
Director	Concord Venture Capital Group Representative: Li, Hsiang-Yun	5	0	100%	Re-elected on July 20, 2022
Director	Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	5	0	100%	Re-elected on July 20, 2022
Director	Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh (Note)	2	0	100%	Newly elected on November 10, 2022
Independent Director	Lin, Tsung-Tan	5	0	100%	Re-elected on July 20, 2022
Independent Director	Hsieh, Han-Ping	3	2	60%	Re-elected on July 20, 2022
Independent Director	Cheng, Wen-Chung	5	0	100%	Re-elected on July 20, 2022

Note: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital

Group, passed away in June 2023. Therefore, the number of attendance should be recorded as 2 times.

Other information required to be disclosed:

- I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors: None. (Please refer to pages 42-44: Major Resolutions of the Board of Directors)
 - (I) Any matter under Article 14-3 of the Securities and Exchange Act.
 - (II) In addition to the matters referred to above, any dissenting or qualified opinion of an independent director that is on record or stated in writing with respect to any board resolution.
- II. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: None.
- III. Information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content. Additionally, complete the table of Implementation of Evaluations of the Board of Directors.

Evaluation cycle	Once a year
Evaluation period	2023.01.01~2023.12.31
Scope of evaluation	Performance evaluation of the entire Board of Directors, individual Board members and functional committees (including Audit Committee and Remuneration Committee)
Method	Self-evaluation of the entire Board of Directors, individual Board members and functional committees (including Audit Committee and Remuneration Committee)
Content	Evaluation of the performance of the board: Participation in the Company's operations, enhancement of the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control. Evaluation of the performance of Board member: Alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and

	continuing education, and internal control. Evaluation of the performance of functional committee: Participation in the operation of the company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, makeup of the functional committee and election of its members, and internal control.
Evaluation result	The evaluation results indicate that the overall performance of the board of directors and functional committees is satisfactory. In the fiscal year 2024, efforts will continue to be made to coordinate meeting dates and allow attendance via video conferencing to enhance the attendance rates of directors at board meetings and shareholders' meetings.
Date of submission to the Board of Directors	2024.03.08

IV. Evaluation of the current and most recent year's objectives for strengthening the Board of Directors' functions (e.g., establishing the Audit Committee, enhancing information transparency, etc.) and their implementation:

- (I) The Company established the Remuneration Committee in December 2011 and the Audit Committee in June 2018.
- (II) In addition to setting up three Independent Directors, the Company has adopted the "Rules of Procedure for Board of Directors Meetings" and the "Code of Ethical Conduct for Directors and Managerial Personnel" as the basis for the implementation of the Board of Directors Meeting to enhance the operational efficiency and decision-making ability of the Board of Directors. In addition, all directors actively attend the board meetings to discuss and provide opinions on major decisions of the Company, and report the attendance of directors at board meetings and major resolutions of the board meetings on the Market Observation Post System.

To enhance the transparency of information, the Company has set up a corporate website to facilitate shareholders' access to various corporate information.

(II) Operation of the Audit Committee or Supervisors' Participation in the Board of Directors:

1. Operation of the Audit Committee:

A total of 4 (A) meetings of the Audit Committee were held in the most recent year. The attendance of independent directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A) (Note)	Remark
Convener	Lin, Tsung-Tan	4	0	100%	Re-elected on July 20, 2022
Committee Member	Hsieh, Han-Ping	2	2	50%	Re-elected on July 20, 2022
Committee Member	Cheng, Wen-Chung	4	0	100%	Re-elected on July 20, 2022

Other information required to be disclosed:

- I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:
 - (I) Any matter under Article 14-5 of the Securities and Exchange Act.: (Please refer to pages 42-44: Major Resolutions of the Board of Directors)
 - (II) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors: None.
- II. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: None.
- III. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication.):

- (1) The Chief Internal Auditor of the Company regularly participates in the quarterly audit committee meetings to report and discuss the audit matters with the independent directors, and the current communication status is good.

The Company's independent directors and CPAs conduct critical audit reports at least once a year, and the communication status is good.

2. The major matters considered by the Audit Committee include:
- (1) Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
 - (2) Assess the validity of internal control system.
 - (3) Establish or amend the process for acquisition or disposal of assets, the trading of derivatives, lending of loans to others, provision of guarantee/endorsement to others, and other material financial business activities in accordance to Article 36-1 regulations.
 - (4) Responsible for items relating to interests of directors.
 - (5) Responsible for items related to trading of assets or derivative products.
 - (6) Responsible for material loaning of funds, and provision of endorsements/guarantees.
 - (7) Responsible for fundraising or issuing or private placement of equity-based securities.
 - (8) Responsible for appointment, dismissal, and compensation of CPAs.
 - (9) Responsible for appointment or dismissal of a finance officer, accounting officer, or chief internal auditor.
 - (10) Annual financial statements and semi-annual financial statements.
 - (11) Other material information stipulated by the Company or competent authorities
3. Major Resolutions of the Audit Committee for the most recent year and up to the date of publication of the Annual Report:

Date of major resolutions	Proposal content and subsequent response	Resolution result	The Company's Response
February 24, 2023 / 2-7	1. Proposal for the company's 2022 financial statements. 2. Proposal regarding the company's significant accounts receivable overdue by more than three months as of the fourth quarter of 2022, to not be considered as fund lending in nature. 3. Proposal for the periodic evaluation of the independence and suitability of the company's certifying accountants. 4. Proposal for the company's 2022 earnings distribution statement. 5. Proposal for the issuance of new shares through capitalization of the company's earnings. 6. Proposal for the allocation of employee and director remuneration for 2022. 7. Proposal for the issuance of the company's 2022 internal control system statement. 8. Proposal for the addition of "Pre-approval Audit Procedures for Non-assurance Services Provided by Certifying Accountants." 9. Proposal for non-assurance services provided by Deloitte & Touche for 2023. 10. Proposal for the partial amendments to the company's	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present

	"Rules of Procedure for Shareholders' Meetings" and "Regulations Governing Procedures for Board of Directors Meetings."		
May 5, 2023 / 2-8	<ol style="list-style-type: none"> 1. Proposal for the company's consolidated financial statements for the first quarter of 2023. 2. Proposal regarding the company's significant accounts receivable overdue by more than three months as of the first quarter of 2023, to not be considered as fund lending in nature. 	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
August 10, 2023 / 2-9	<ol style="list-style-type: none"> 1. Proposal for the company's consolidated financial statements for the second quarter of 2023. 2. Proposal regarding the company's significant accounts receivable overdue by more than three months as of the second quarter of 2023, to not be considered as fund lending in nature. 3. Proposal for the issuance of new shares through the conversion of employee stock warrants and the determination of the base date for capital increase. 4. Proposal for setting the base date for the distribution of cash dividends and the capitalization of earnings from 2022, and related matters. 	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
November 3, 2023 / 2-10	<ol style="list-style-type: none"> 1. Proposal for the company's consolidated financial statements for the third quarter of 2023. 2. Proposal regarding the company's significant accounts receivable overdue by more than three months as of the third quarter of 2023, to not be considered as fund lending in nature. 	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
March 8, 2024 / 2-11	<ol style="list-style-type: none"> 1. Proposal for the company's financial statements for 2023. 2. Proposal regarding the company's significant accounts receivable overdue by more than three months as of the fourth quarter of 2023, to not be considered as fund lending in nature. 3. Proposal for the periodic evaluation of the independence and suitability of the company's certifying accountants. 4. Proposal for the company's 2023 earnings distribution statement. 5. Proposal for the allocation of employee and director remuneration for 2023. 6. Proposal for the issuance of the company's 2023 internal control system statement. 7. Proposal for non-assurance services provided by Deloitte & Touche for 2023. 	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present

4. Attendance by the Supervisors at Board of Directors Meetings:
Not applicable (The Company has established the Audit Committee).

(III) Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Description	
I. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has established a "Corporate Governance Best-practice Principles" in 2022, which is disclosed on the Market Observation Post System and the Company's website.	No deviation.
II. Shareholding Structure and Shareholders' Rights				No deviation.
(I) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) The Company has established "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" to regulate the relevant handling procedures, and has a spokesperson, an acting spokesperson and a dedicated person to handle related matters.	
(II) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		(II) The relevant matters are handled by a professional stock affairs agency with professional stock affairs specialist who have good relations with the major shareholders, are in contact with them and are in control at all times.	
(III) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	V		(III) The Company has established "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" and implements risk control and firewall mechanisms with its affiliates in accordance with the regulations.	
(IV) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	V		(IV) The Company has established the "Code of Ethical Conduct for Directors and Managers", "Ethical Corporate Management Best Practice Principles" and "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" to strictly prohibit relevant personnel from engaging in insider trading by using undisclosed information known to them and from disclosing such information to others to prevent others from using such information to engage in insider trading.	
III. Composition and responsibilities of the board of directors				
(I) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		(I) The Company has established the " Diversity Policy of the Board of Directors" and is composed of nine directors with outstanding backgrounds and experience in the professional, financial, and academic fields, and the Board of Directors is responsible for overseeing the overall operations and	(I) No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Description	
(II) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	<p>affairs of the Company.</p> <p>(II) The Company is in the process of research.</p>	(II) In the future, we will follow the development needs of the Company and the laws and regulations.
(III) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		<p>(III) The Company has established the " Performance Evaluation Method of the Board of Directors" in 2020, and the scope of evaluation is as follows: 1. Performance evaluation of the board of directors as a whole, 2. Performance evaluation of individual board members, and 3. Performance evaluation of functional committees.</p> <p>Performance evaluation is conducted annually and periodically. The results of the 2022 evaluation, which were reported to the Board of Directors on February 24, 2023, are good for the overall performance of the Board of Directors and will be used as reference for individual director's remuneration and nomination for reappointment.</p>	(III) No deviation.
(IV) Does the Company regularly evaluate its external auditors' independence?	V		<p>(IV) The Company obtains the " CPAs' Independence Statement" issued by the certifying CPA firm on an annual basis and confirms that the certifying CPA does not hold any shares of the Company and does not hold any position as a disinterested party of the Company. We have no other financial interests or business relationships. We also evaluate the independence and appropriateness of the certified public accountants with reference to the Audit Quality Indicators (AQI), and then submit the evaluation results to the Audit Committee and the Board of Directors for discussion. Up to date, no breach of independence has been identified.</p>	(IV) No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Description	
IV. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		The President's Office and the personnel of the Stock Affairs Division are responsible for matters related to corporate governance of the Company.	The Company will appoint a Chief of Corporate Governance in 2023 as required by law.
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		The Company has established a spokesperson system to handle related matters, and a message section has been set up on the Company's website to provide a channel for communication with interested parties.	No deviation.
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The relevant matters are handled by a professional shareholder services agent: The Company has appointed "Stock Agency Unit of Horizon Securities Co., Ltd.", and the relevant matters are handled by professional stock affairs personnel.	No deviation.
VII. Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? (II) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure,	V V		(I) The Company's website is www.key-ware.com.tw , where financial operations and corporate governance information are disclosed, and the link to the Market Observation Post System is available. (II) The Company has appointed dedicated personnel to collect and disclose corporate information, and has established a spokesperson system to ensure that information that may affect shareholders' and stakeholders' decisions is disclosed promptly and appropriately.	(I) No deviation. (II) No deviation.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Description	
<p>appointing spokespersons, webcasting investors conference etc.)?</p> <p>(III) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?</p>		V	(III) The Company's financial statements and operating reports for each month are reported before the deadline.	(III) The Company will comply with the provisions of the Law in the future.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		<p>The Company has disclosed its corporate governance information on its website, which can also be accessed by linking to the Market Observation Post System.</p> <p>(I) The Company has established an employee welfare committee to implement a pension system, plan employee group insurance and arrange regular health examinations.</p> <p>(II) The Company discloses information about the Company in an honest manner in accordance with the law, and has set up an investor relations section on the Company's website to protect the basic rights of investors and fulfill its responsibilities to shareholders.</p> <p>(III) From time to time, the directors of the Company attend continuing education courses to obtain the latest information on corporate governance.</p> <p>(IV) The Company's communication with customers is seamless and well implemented.</p> <p>(V) The Company has obtained directors' liability insurance from 2019 and renew the insurance annually.</p>	No deviation.
<p>IX. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.</p> <p>Improvements: The Company has established the "Corporate Governance Best-practice Principles" in 2022.</p> <p>Priority enhancements and measures: The Company will continue to evaluate the feasibility of future improvements for those parts that have not yet been scored.</p>				

(IV) Composition, duties and operation of the Remuneration Committee:

1. The Company's Remuneration Committee was established by a resolution of the Board of Directors on December 28, 2021, and the "Remuneration Committee Charter" has been established in accordance with the law, which stipulates that the members of this Committee shall be appointed by a resolution of the Board of Directors.

Terms of Reference of the Remuneration Committee:

- (1) Establish and regularly review the policies, systems, standards and structures for performance evaluation and remuneration to directors and managers.
- (2) Evaluate and review the remuneration to directors and managers on a regular basis.

2. Information on Remuneration Committee Members

Capacity	Qualifications	Professional qualifications and experience	Independence analysis	Number of other public companies at which the person concurrently serves as remuneration committee member
	Name			
Independent Director (Convener)	Lin, Tsung-Tan	Please refer to "Disclosure of Professional Qualifications of Directors and Independence of Independent Directors" on pages 14-15.		0
Independent Director	Hsieh, Han-Ping			1
Independent Director	Cheng, Wen-Chung			1

3. Operation of the Remuneration Committee

- (1) The Company's Remuneration Committee has a total of 3 members.
- (2) The term of the current members is from July 20, 2021 to July 19, 2024. The number of remuneration committee meetings held in the most recent fiscal years was 2 (A). The attendance by the members was as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) (B/A)	Remark
Convener	Lin, Tsung-Tan	2	0	100%	Re-elected on July 20, 2022
Committee Member	Hsieh, Han-Ping	1	1	50%	Re-elected on July 20, 2022
Committee Member	Cheng, Wen-Chung	2	0	100%	Re-elected on July 20, 2022

Other information required to be disclosed:

- 一、 If the board of directors does not accept, or amends, any recommendation of the remuneration committee, specify the board meeting date, meeting session number, content of the recommendation(s), the outcome of the resolution(s) of the board of directors, and the measures taken by the Company with respect to the opinions given by of the remuneration committee (e.g., if the salary/compensation approved by the board is higher than the recommendation of the remuneration committee, specify the difference(s) and the reasons): None.
- 二、 With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing, specify the remuneration committee meeting date, meeting session number, content of the motion, the opinions of all members, and the measures taken by the Company with respect to the members' opinion: None.

4. Major Resolutions of the Remuneration Committee for the most recent year and up to the date of publication of the Annual Report:

Remuneration Committee	Content of Motion and Follow-up	Resolution result	The Company's Response
February 24, 2023 / 5-3	<ol style="list-style-type: none"> 1. Proposal of reviewing the policies, systems, standards and structures for performance evaluation and remuneration to directors and managers. 2. Proposal of salary structure and payment amount for directors and managers of the Company. <p>Proposal of allocating employees' compensation and directors' remuneration for 2022.</p>	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
August 10, 2023 / 5-4	<ol style="list-style-type: none"> 1. Proposal of allocating employees' compensation and directors' remuneration for 2022. 	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present
March 8, 2024 / 5-5	<ol style="list-style-type: none"> 1. Proposal of reviewing the policies, systems, standards and structures for performance evaluation and remuneration to directors and managers. 2. Proposal of salary structure and payment amount for directors and managers of the Company. 3. Proposal of allocating employees' compensation and directors' remuneration for 2023. 	Approved by all members present at the meeting	Submitted to the Board of Directors and approved by all Directors present

(V) Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?		√	The Company is in the process of research.	In the future, we will follow the development needs of the Company and the laws and regulations.
II. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?		√	The Company has conducted a risk assessment with respect to the materiality principle.	No significant deviation, and the Company will ensure compliance with the law in the future.

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>III. Environmental issues</p> <p>(I) Has the Company set an environmental management system designed to industry characteristics?</p> <p>(II) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?</p> <p>(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?</p> <p>(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?</p>	<p>√</p> <p>√</p> <p>√</p>	<p>√</p>	<p>(I) The company has passed ISO14001 international certification and regularly performs audits of the environmental management system in the factory to ensure the appropriateness and effectiveness of the overall operation through the PDCA improvement cycle of planning, implementation, inspection and verification.</p> <p>(II) The main energy used by the Company is purchased electricity, and the internal energy consumption of the organization also includes gasoline and diesel fuel. In addition to removing business waste in accordance with government regulations, the Company has also taken the initiative to request for process waste reduction, replacement of LED lighting in the factory to reduce electricity consumption, water conservation, and other energy-saving measures to reduce the impact of industrial activities on the environment.</p> <p>(III) The Company is in the process of research.</p> <p>(IV) The total greenhouse gas emissions of our company in 2022 amounted to 6,906.973 metric tons of CO₂e. For the year 2023, the data is still under review. Over the past two years, our water usage has been 42,521 metric tons, and the total weight of waste generated is approximately 81,707 metric tons. Currently, our company has been progressively replacing traditional lighting with LED fixtures, intensifying efforts to recycle packaging materials for reuse, aiming to reduce waste generation. Additionally, we have leased roof space for the installation of solar panels to generate electricity.</p>	<p>No significant deviation, and we will follow the development needs of the Company and the laws and regulations in the future.</p>
<p>IV. Social issues</p> <p>(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p> <p>(II) Has the company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?</p>	<p>√</p> <p>√</p>		<p>(I) The Company has established work rules and regulations in accordance with the law, which are reported to the competent authorities for approval and implementation, and holds regular labor-management meetings, and follows clear regulations on the legal rights and interests of employees.</p> <p>(II) The Company has established and implemented reasonable employee benefit measures (including salary, vacation and other benefits, etc.).</p>	<p>No significant deviation, and we will follow the development needs of the Company and the laws and regulations in the future.</p>

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>(III) Does the company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?</p> <p>(IV) Has the company established effective career development training programs for employees?</p> <p>(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p> <p>Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>		<p>(III) The Company has set up an employee welfare committee, and the welfare committee members are appointed by each unit to promote and improve employee welfare, such as marriage, childbirth, funeral, birthday, etc. The various subsidies have been operating normally. The Company also holds annual health examinations for employees, regular visits by specialists and nurses, and provides health consultation for employees.</p> <p>(IV) The Company has established an employee education and training program, which includes: new employee education and training, professional development for colleagues, etc.</p> <p>(V) To protect the rights of customers and enhance customer service satisfaction, our company has set up a stakeholder area on our website at http://www.key-ware.com.tw and established the "Customer Grievance Management System" to handle customer complaints, grievances, proposals or dissatisfaction with products in order to solve customer problems and make the relationship between customers and the company more harmonious, thus achieving win-win results. To achieve a win-win situation.</p> <p>(VI) The Company has established a supplier management system that requires suppliers to prohibit harmful substances in the area of environmental protection.</p>	
V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	Our company plans to compile the 2022 sustainability report in 2023.	In the future, we will follow the development needs of the Company and the laws and regulations.
VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: None.				
VII. Other important information to facilitate better understanding of the company's promotion of sustainable development:				
<p>1. Our company has conducted an assessment of greenhouse gas emissions for the Taoyuan and Yangmei factories in 2022.</p> <p>2. We deeply care about the safety and well-being of our employees. In the design of our factory buildings, we consider aspects such as greenery planting, earthquake and fire resistance of office building materials, as well as air conditioning and lighting, to provide employees with a safe and comfortable working environment. Additionally, we have installed access control, security, and surveillance camera systems within the factory premises to ensure the personal safety of our employees.</p>				

Item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
3.			Our company is committed to workplace safety and environmental protection measures. In addition to establishing safety and health work regulations in accordance with the law, conducting regular employee health checks, and providing workplace education and training, we established an ISO14000 operational mechanism in 2000, effective from April 30, 2023, to April 1, 2025. This allows us to continuously assess the environment, monitor environmental conditions, and legally dispose of industrial waste to maintain environmental safety and comfort.	
4.			We also actively participate in community engagement and safety initiatives. We are part of the regional joint defense system in the Guishan Industrial Zone, where we collaborate with neighboring companies and cooperate with the police by providing relevant road surveillance footage to maintain local security. Additionally, we take proactive measures to keep the environment clean and well-maintained within the industrial zone.	

Climate-related information

1. Implementation status of climate-related information

Item	Implementation status
<p>1. Describe the supervision and governance of climate-related risks and opportunities by the board of directors and management.</p> <p>2.Explain how identified climate risks and opportunities affect the business, strategy, and finances of the enterprise (short-term, medium-term, long-term).</p> <p>3.Describe the financial impact of extreme weather events and transition actions.</p> <p>4.Explain how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.</p> <p>5.If scenario analysis is used to assess resilience to climate change risks, explain the scenarios, parameters, assumptions, analysis factors, and key financial impacts used.</p> <p>6.If there is a transition plan to manage climate-related risks, describe the content of the plan, indicators, and targets used to identify and manage physical and transition risks.</p> <p>7.If internal carbon pricing is used as a planning tool, explain the pricing basis.</p> <p>8.If climate-related goals are set, explain the activities covered, greenhouse gas emission scope, planning timeline, annual progress, etc. If carbon offsets or Renewable Energy Certificates (RECs) are used to achieve the goals, explain the source and quantity of carbon offsets or RECs.</p> <p>9.Greenhouse gas inventory, assurance status, reduction targets, strategies, and specific action plans.</p>	<p>1.In accordance with the Financial Supervisory Commission's letter No. 1110381030 issued on March 9, 2022, the Company has completed greenhouse gas inventory and verification in accordance with the "Sustainable Development Roadmap for Listed and Over-the-Counter Companies" plan. The schedule was submitted to the board of directors, and subsequent progress will be reported quarterly to the board for control.</p> <p>2.Under discussion.</p> <p>3.Under discussion.</p> <p>4.Under discussion.</p> <p>5.Under discussion.</p> <p>6.Under discussion.</p> <p>7.Internal carbon pricing was not used this year.</p> <p>8.Under discussion.</p> <p>9.The greenhouse gas inventory for the year 111 was conducted by the third-party notarization unit, ARES International Verification (Stock) Company. Please refer to page 32 of this year's annual report for the verification report.</p>

2. Greenhouse Gas Inventory and Verification Status

<p>Basic Information of Our Company</p> <ul style="list-style-type: none"> <input type="checkbox"/> Companies with a capital of over 10 billion NT dollars, in the steel or cement industry <input type="checkbox"/> Companies with a capital of over 5 billion NT dollars but less than 10 billion NT dollars <input checked="" type="checkbox"/> Companies with a capital of less than 5 billion NT dollars 	<p>According to the requirements of the Sustainability Development Pathway for Listed and OTC Companies, at least the following should be disclosed</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Parent company individual inventory check <input type="checkbox"/> Subsidiary inventory check in consolidated financial statements <input type="checkbox"/> Parent company individual verification <input type="checkbox"/> Subsidiary verification in consolidated financial statements
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Category One	Total Emissions (metric tons of CO ₂ e)	Intensity (metric tons of CO ₂ e per million dollars)	Assurance Agency	Assurance Situation Explanation
Parent Company	202.9502(Note 1)	0.1900	ARES International Verification (Co., Ltd.)	Verified by ARES according to ISO 14064-1:2018
Subsidiaries	Not Verified	Not Verified		
Total	202.9502(Note 1)	0.1900		
Category Two	Total Emissions (metric tons of CO ₂ e)	◇	Assurance Agency	Assurance Situation Explanation
Parent Company	5499.8955(Note 1)	5.1497	ARES International Verification (Co., Ltd.)	Verified by ARES according to ISO 14064-1:2018 standard.
Subsidiaries	Not Verified	Not Verified		
Total	5499.8955(Note 1)	5.1497		
Category Three	1204.1269 (Note 1)	1.1275		

Note 1: Due to the unavailability of emission data for the year 2023 before the issuance of the annual report, the data provided here is for the year 2022.

3. Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans The company is committed to the concept of continuous improvement, aiming to effectively utilize resources and fulfill corporate social responsibility. The carbon reduction strategies are as follows:

- (1) Implementing zone-based control for office lighting, with lighting control during lunch breaks and overtime.
- (2) Promoting energy conservation by turning off lights and computers when not in use, and regularly shutting down unnecessary power sources.
- (3) Setting indoor air conditioning to 26 degrees Celsius or above to reduce energy waste.
- (4) Prioritizing the purchase of high-efficiency products with eco-friendly and energy-saving labels.
- (5) Encouraging employees to use public transportation more frequently, or adopting carpooling and video conferencing for meetings to reduce carbon emissions from transportation.

OPINION



Greenhouse Gas Verification Opinion 2022 Greenhouse Gas Emissions Information

KEY WARE ELECTRONICS CO., LTD

No.32, Singbang Rd., Taoyuan Dist, Taoyuan City

Has completed the verification according to ISO 14064-3:2019 and meets the following standard requirements

ISO 14064-1 : 2018

Direct emissions

202.9502 tonnes of CO₂e

Indirect emissions

6,704.0224 tonnes of CO₂e

Direct emissions and indirect emissions

6,906.973 tonnes of CO₂e

Opinion No.: ARES/TW/2311005G

Date: 2024-01-15

Version: 01

The opinion must contain the complete scope of verification, objectives, criteria and findings, otherwise the opinion is invalid.



Validation and Verification
VB015

Authorized by :



ARES International Certification Co., Ltd.
No.12-2, Ln. 187, Wenping Rd., Anping Dist., Tainan City 708, Taiwan
TEL / 06-295 9696 (Rep. Line) FAX / 06-295 9667
www.ares-registration.com

(VI)Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?</p> <p>(III) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company's Board of Directors resolved in November 2022 to adopt the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conduct for Directors and Managers" and to disclose them on the Market Observation Post System and the Company's website for compliance by directors, managers, all employees and other interested parties.</p> <p>(II) The Company has an "Ethical Corporate Management Best Practice Principles" and "Work Rules", which stipulate that employees shall not accept hospitality, gifts, rebates or other unlawful benefits for or against the performance of their duties.</p> <p>(III) The Company's "Ethical Corporate Management Best Practice Principles" explicitly prohibits business activities that involve the risk of dishonest conduct and implements precautionary measures. In addition, the Company also regularly reviews relevant work processes through internal audits to prevent the risk of dishonest conduct.</p>	No significant deviation.
<p>II. Ethical Management Practice</p> <p>(I) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p>		<p>V</p> <p>V</p>	<p>(I) Before engaging in business activities with suppliers, customers, or other business counterparts, the company conducts prior assessments of their legality and whether there are any records of dishonest behavior. If dishonest behavior is discovered, business dealings are immediately</p>	The company will proceed according to its development needs and legal requirements in the future.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> <p>(III) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?</p> <p>(V) Does the company provide internal and external ethical corporate management training programs on a regular basis?</p>		<p>V</p> <p>V</p> <p>V</p>	<p>halted. The company is currently considering incorporating clauses on honest behavior into contractual agreements.</p> <p>(II) This aspect is under consideration by the company.</p> <p>(III) The company has a spokesperson who timely disseminates important information related to the company through major news outlets or newspapers. By participating in industry associations, the company communicates its product quality, services, and integrity to external parties, aiming to earn recognition for the company's ethical standards from customers.</p> <p>(IV) This aspect is currently under consideration by the company.</p> <p>(V) This aspect is currently under consideration by the company.</p>	
<p>III. Implementation of Complaint Procedures</p> <p>(I) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel</p>	V		<p>(I) Employees can report to the General Manager via company internal email, or through the Stakeholder Section of the company website at http://www.key-ware.com.tw. Employees who disagree with disciplinary actions can file a specific</p>	No deviation.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
<p>specifically responsible for handling complaints received from whistleblowers?</p> <p>(II)) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?</p> <p>(III) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?</p>	V	V	<p>complaint with evidence.</p> <p>(II) Under consideration by the company.</p> <p>(III) The company maintains a mechanism to protect the identity and content of whistleblowers, ensuring confidentiality.</p>	
<p>IV. Strengthening Information Disclosure</p> <p>Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</p>	V		<p>The Company's "Ethical Corporate Management Best Practice Principles" is disclosed on the Market Observation Post System and the Company's website.</p>	No deviation.
<p>V. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation: None.</p>				
<p>VI. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): None.</p> <p>The Company maintains honesty and integrity in negotiating and fulfilling contracts with its customers, and pursues, negotiates and fulfills all contracts in a fair and ethical manner.</p>				

- (I) For inquiries regarding the Company's Code of Corporate Governance and related rules and regulations, please refer to:
Please visit the Corporate Governance section of the Market Observation Post System or the Company's website for more information.
- (II) Other important disclosures for understanding the operation of corporate governance:
The Company maintains honesty and integrity in negotiating and fulfilling contracts with its customers, and pursues, negotiates and fulfills all contracts in a fair and ethical manner.

(VI) The status of implementation of the internal control system shall disclose the following matters:

1. Statement on Internal Control:

Statement of Internal Control System of Public Offering Companies

Indicates that the design and execution are valid

(This statement applies when all of the Acts are declared in compliance with the Acts)

Key Ware Electronics Co., Ltd.
Statement on Internal Control

Date: March 8, 2024

The Company hereby states the results of the self-evaluation of the internal control system for 2023 as follows:

- I. The Board of Directors and Managers are responsible for establishing, implementing, and maintaining an adequate internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. We have evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the aforesaid evaluation results, the Company is of the opinion that, as of Dec. 31, 2023, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of our annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 8, 2024, and none of the nine Directors in attendance objected to it and all consented to the content expressed in this statement and made declaration with regards to this matter.

Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi

Signature

President: Chu, Tsung-Wei

Signature

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: No penalties upon the Company and its employees in accordance with the law during the most recent fiscal year up to the date of publication of the Annual Report: None.

(XI) Major Resolutions of Board of Shareholders and Board of Directors During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

1. Review of resolutions and implementation at shareholders' meetings on June 16, 2023:

Major resolutions of shareholders' Meeting	Implementation status
<ol style="list-style-type: none"> 1. Case of the company's 2022 operating report and financial statements (including consolidated financial statements). 2. Case of the company's 2022 profit distribution table. Cash dividends of NT\$0.1 per share of earnings. Stock dividends of NT\$0.115 per share of earnings. 3. Case of the company's earnings conversion into additional capital and issuance of new shares. 4. Partial amendment case of the company's "Shareholders' Meeting Rules". 	<ol style="list-style-type: none"> 1. The voting results have reached the statutory standards, and this motion is approved accordingly. 2. The voting results have reached the statutory standards, and this motion is approved accordingly. 3. The voting results have reached the statutory standards, and this motion is approved accordingly. Additionally, the ex-dividend date is set for September 18, 2023, and the dividends will be distributed according to this distribution plan by November 9, 2023. The actual cash dividends are NT\$0.09989 per share of earnings. (Note) The actual stock dividends are NT\$0.1149328 per share of earnings. (Note) 4. The voting results have reached the statutory standards, and this motion is approved accordingly, and it will be operated according to the amended "Shareholders' Meeting Rules".

Note: The company, by the resolution of the shareholders' meeting on June 16, 2023, approved the distribution of cash dividends for the year 2022 amounting to NT\$18,992,838 and the capitalization of earnings amounting to NT\$21,851,990. Due to the execution of employee stock options affecting the number of outstanding shares, the distribution rate was adjusted based on the 190,128,346 outstanding shares.

2. Major Resolutions of Board of Directors During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

Date of major resolutions	Date of major resolutions	Matters referred to in Article 14-3 and 14-5 of the Securities and Exchange Act:	Independent directors' opinion and the Company's response	Results of resolutions of the Board of Directors or Audit Committee
February 24, 2023 / Board of Directors Meeting 9-8	1. Proposal for the 2022 financial statements of the company.	V	None	Approved by the directors present
	2. Proposal to not consider as loans certain significant accounts receivable that are overdue by more than three months as of the fourth quarter of 2022.	V	None	Approved by the directors present
	3. Proposal for regular evaluation of the independence and suitability of the company's certifying accountants.	V	None	Approved by the directors present
	4. Proposal for the 2022 earnings distribution table.	V	None	Approved by the directors present
	5. Proposal for the distribution of employee and director compensation for 2022.	V	None	Approved by the directors present
	6. Proposal for the issuance of new shares through capital increase from retained earnings.	V	None	Approved by the directors present
	7. Proposal for the date and location of the 2023 Annual General Meeting of Shareholders.		None	Approved by the directors present
	8. Proposal to stipulate the period and location for accepting shareholder proposals.		None	Approved by the directors present
	9. Proposal for bank credit limits.		None	Approved by the directors present
	10. Proposal for issuing the 2022 internal control system statement.	V	None	Approved by the directors present
	11. Proposal for partial amendments to the "Rules of Procedure for Shareholder Meetings" and "Board of Directors Meeting Rules and Procedures" of the company.	V	None	Approved by the directors present
May 5, 2023 / Board of Directors Meeting 9-9	1. Proposal for the consolidated financial statements of the company for the first quarter of 2023.	V	None	Approved by the directors present
	2. Proposal for the consolidated financial statements of the company for the first quarter of 2023.	V	None	Approved by the directors present
	3. Proposal for the appointment of the company's corporate governance officer.		None	Approved by the directors present

	4. Proposal for bank credit limits for the company.		None	Approved by the directors present
	5. Proposal for the provision of loans to 100% owned subsidiary companies.	V	None	Approved by the directors present
	6. Proposal for the provision of endorsements and guarantees for subsidiary companies.	V	None	Approved by the directors present
August 10, 2023 / Board of Directors Meeting 9-10	1. Proposal for the consolidated financial statements of the company for the second quarter of 2023.	V	None	Approved by the directors present
	2. Proposal to not consider as loans certain significant accounts receivable that are overdue by more than three months as of the second quarter of 2022.	V	None	Approved by the directors present
	3. Proposal for the conversion of employee stock warrants into new shares and the determination of the capital increase base date.	V	None	Approved by the directors present
	4. Proposal to set the base dates for the distribution of 2022 cash dividends and the capital increase through retained earnings.	V	None	Approved by the directors present
	5. Proposal for the list of employees to receive remuneration for the year 2022.		None	Approved by the directors present
	6. Proposal for bank credit limits for the company.		None	Approved by the directors present
	7. Proposal for short-term guaranteed bank loans.		None	Approved by the directors present
	8. Proposal for guaranteed bank credit limits.		None	Approved by the directors present
November 3, 2023 / Board of Directors Meeting 9-11	1. Proposal for the consolidated financial statements of the company for the third quarter of 2023.	V	None	Approved by the directors present
	2. Proposal to not consider as loans certain significant accounts receivable that are overdue by more than three months as of the third quarter of 2022.	V	None	Approved by the directors present
	3. Proposal for bank credit limits for the company.		None	Approved by the directors present
	4. Proposal for endorsing and guaranteeing subsidiaries.	V	None	Chairman Chow, Pong-Chi suggested amending the proposal to consider other methods for Jiashi Co., Ltd., a subsidiary, to obtain the necessary operating funds. After consulting with all attending directors, the proposal was unanimously approved without objection.

	5. Proposal for providing funds to investee companies.	V	None	Approved by the directors present
	6. Proposal for short-term guaranteed bank loans.		None	Approved by the directors present
Date of major resolutions	Date of major resolutions	Matters referred to in Article 14-3 and 14-5 of the Securities and Exchange Act:	Independent directors' opinion and the Company's response	Results of resolutions of the Board of Directors or Audit Committee
December 25, 2023 / Board of Directors Meeting 9-12	1. Fiscal Year 2024 Budget Proposal.		None	Approved by the directors present
	2. Appointment and Dismissal of General Manager for the China Region.		None	Approved by the directors present
	3. Bank Long-Term Guarantee Loan Quota Proposal.		None	Approved by the directors present
	4. Consideration of Accounts Receivable for Jiashi Co., Ltd., a subsidiary, exceeding the normal credit period by more than three months in the fourth quarter of 2023, to be treated as a loan case.	V	None	Approved by the directors present
March 8, 2024 / Board of Directors Meeting 9-13	1. Proposal for the company's 2023 financial statements.	V	None	Approved by the directors present
	2. Proposal not to classify accounts receivable overdue by more than three months and significant in amount in the fourth quarter of 2023 as loan in nature.	V	None	Approved by the directors present
	3. Proposal for the periodic evaluation of the independence and competence of the certifying accountant.	V	None	Approved by the directors present
	4. Proposal for the distribution of the company's 2023 earnings.	V	None	Approved by the directors present
	5. Proposal for the distribution of 2023 employee compensation and director compensation.	V	None	Approved by the directors present
	6. Proposal for the date and location of the company's 2024 annual shareholders' meeting.		None	Approved by the directors present
	7. Proposal for the period and location for accepting shareholder proposals.		None	Approved by the directors present
	8. Proposal for the election of the 10th-term directors.	V	None	Approved by the directors present
	9. Proposal for the nomination of candidates for the 10th-term directors (including independent directors) by the board of directors.	V	None	Approved by the directors present

	10. Proposal to lift the non-competition restrictions on the newly appointed directors of the company.	V	None	Approved by the directors present
	11. Proposal for the settlement of the company's third domestic unsecured convertible bonds upon maturity.	V	None	Approved by the directors present
	12. Proposal for the company's capital loan to invest in subsidiary companies.	V	None	Approved by the directors present
	13. Proposal for the company's 2023 internal control system statement.	V	None	Approved by the directors present
April 11, 2024 / Board of Directors Meeting 9-14	1. Proposal for investment in "Key Ware Electronics (Thailand) Co., Ltd."		None	Approved by the directors present

(XII) Any dissenting opinion expressed by a Director or Supervisor with respect to a major resolution passed by the Board of Directors during the most recent fiscal year and up to the date of publication of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration. The main contents: None.

(XIII) A summary of resignations and dismissals of the Company's Chairman, President, Accounting Manager, Finance Manager, Corporate Governance Officer, Chief Internal Auditor, Corporate Governance Officer, and R&D Manager during the most recent fiscal year and up to the date of publication of the Annual Report: None.

IV. Information on CPA Professional Fees

The Company discloses the following information about the CPA professional fees in the form of interval amount disclosure:

1. Information on CPA

Name of accounting firm	Name of CPAs		Period covered by the CPA audit	Remarks
Deloitte Taiwan	Li, Kuan-Hao	Lin, Wang-Sheng	III. 2023	IV. None

2. Information on CPA Professional Fees

Unit: NT\$ thousands

Name of accounting firm	Name of CPAs	Period covered by the CPA audit	Audit Fees	Non-audit Fees (Note)	Total	Remarks
Deloitte Taiwan	Li, Kuan-Hao	2023	2,940	270	3,210	None
	Lin, Wang-Sheng					

Business registration: NT\$110 thousand; Other (review of annual reports and various documents): NT\$160 thousand.

- (I) If the audit fees paid in the year of changing the accounting firm are lower than the audit fees of the previous year, the amounts of audit fees before and after the change and the reasons should be disclosed: None.
- (II) If the audit fees have decreased by more than 10% compared to the previous year, the amount, percentage, and reasons for the decrease should be disclosed: None.
- (III) Disclosure of the Board's Procedures for Evaluating Accountant Independence and Specific Standards for Evaluating Accountant Independence:
- Procedures for Evaluating Accountant Independence by the Board: The company's board of directors conducts an annual evaluation of the accountant's independence. The "Proposal for the Periodic Evaluation of the Independence and Competence of the Certifying Accountant" was approved by the board on February 24, 2023, and March 8, 2024.
 - Specific Standards for Evaluating Accountant Independence: The company's shareholder services department verifies that the certifying accountant does not hold any shares in the company and does not hold any position within the company. The evaluation also considers the Audit Quality Indicators (AQI) to assess the independence and competence of the certifying accountant and includes obtaining an "Independence Declaration" from Deloitte Taiwan.
 - The Deloitte Taiwan CPAs, Li, Kuan-Hao and Lin, Wang-Sheng, have met the Company's independence and suitability criteria and are qualified to act as the Company's CPAs.

V. Information on Replacement of CPAs: None.

VI. The name, title, and position at the company's CPA accounting firm or at an affiliated enterprise of such accounting firm of the Company Chairperson, CEO, or Managers in charge of finance or accounting matters within the past 1 year holding a position at the company's CPA accounting firm or at an affiliated enterprise of such accounting firm shall

be disclosed: None.

VII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report) by Director, Managerial Officer, or Shareholder with a Stake of More than 10%:

(I) Change in Equity Interests by Directors, Managerial Officers, and Major Shareholders

Title	Name	2023		2024 As of April 23, 2024	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Corporate Director	Jia Ju Investment Co., Ltd.	126,913	0	0	0
Corporate Director Representative and Chairman	Jia Ju Investment Co., Ltd. Representative: Chow, Pong-Ch	52,310	0	0	0
Corporate Director Representative	Jia Ju Investment Co., Ltd. Representative: Chow, Chia-Chu	0	0	0	0
Corporate Director	Concord Venture Capital Group	72,119	0	0	0
Corporate Director Representative	Concord Venture Capital Group Representative: Chao, Yuan-Chi	18,021	0	0	0
Corporate Director Representative	Concord Venture Capital Group Representative: Li, Hsiang-Yun	0	0	0	0
Corporate Director	Concord Financial Management Consultant Ltd.	87,880	0	0	0
Corporate Director Representative	Concord Financial Management Consultant Ltd. Representative: Cheng, Chung	0	0	0	0
Corporate Director Representative and President	Concord Financial Management Consultant Ltd. Representative: Hsu, Wei-Chieh (Note 1)	0	0	0	0
Independent Director	Lin, Tsung-Tan	0	0	0	0
Independent Director	Hsieh, Han-Ping	0	0	0	0
Independent Director	Cheng, Wen-Chung	0	0	0	0
Acting President	Chu, Tsung-Wei (Note 1)	2,590	0	0	0
Special Assistant to President's Office	Chen, Po-Ying	1,133	0	0	0
Vice President of Sales	Kang, Po-Yao	(1,955)	0	(2,045)	0
Chief Financial Officer	Li, Yung-Ting	9,106	0	0	0
Assistant Manager	Lo, Hung-Fu (Note 2)	(29,891)	0	0	0
Assistant Manager	Chien, Ju-Hung	44	0	(1,000)	0

Assistant Manager	Yu, Chang-Wei (Note 3)	100,000	0	0	0
Assistant Manager	Chen, Liang-Chi	0	0	0	0

Note 1: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023. Chu, Tsung-Wei, assumed the position of Acting President.

Note 2: Manager Lo, Hung-Fu, was dismissed in September 2023.

Note 3: Manager Yu, Chang-Wei, was dismissed in June 2023.

(II) Where the counterparty of the equity transfer is a related party: None.

(III) Where the counterparty of the equity pledged is a related party: None.

VIII. Relationship information, among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

NAME	CURRENT SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING		SHAREHOLDING BY NOMINEES		AMONG 10 LARGEST SHAREHOLDERS, NAME AND RELATIONSHIP WITH ANYONE WHO IS A RELATED PARTY UNDER NO. 6 OF THE FINANCIAL AND ACCOUNTING STANDARDS OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP		NOTE
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)		Shareholding (%)	Name	Relationship	
Qing Yu Investment Co., Ltd.	14,201,709	7.38%	-	-	None	-	None	None	None
Representative: Lin Kao, Hui-I	548,075	0.28%	-	-	None	-	None	None	None
Jia Ju Investment Co., Ltd.	11,169,353	5.81%	-	-	None	-	Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person	None
Representative: Chow, Pong-Chi	4,603,714	2.39%	873,074	0.45%	None	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same person	None
Sheng Ding Enterprise Co., Ltd.	9,063,448	4.71%	-	-	None	-	None	None	None
Representative: Li, Hsiang-Yun	-	-	-	-	None	-	None	None	None
Concord Financial Management Consultant Ltd.	7,734,118	4.02%	-	-	None	-	Jia Ju Investment Co., Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person	None
Representative: Chow, Pong-Chi	4,603,714	2.39%	873,074	0.45%	None	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same person	None
Concord Venture Capital Group	6,347,063	3.30%	-	-	None	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd.	Chairman is the same person Chairman is the same person	None
Representative: Chow, Pong-Chi	4,603,714	2.39%	873,074	0.45%	None	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same	None

								person	
Chow, Pong-Chi	4,603,714	2.39%	873,074	0.45%	NOTE	-	Jia Ju Investment Co., Ltd. Concord Financial Management Consultant Ltd. Concord Venture Capital Group	Chairman is the same person Chairman is the same person Chairman is the same person	None
Ji Shan Investment Co., Ltd.	4,132,555	2.15%					None	None	None
Representative: Chow, Pong-Wei	167,095	0.09%					Chow, Pong-Chi	Relatives within second degree of kinship	None
Liu, Ling-Chun	3,654,068	1.90%	1,586,055	0.82%	-	-	None	None	None
Hanxun Investment Co., Ltd.	2,944,704	1.53%	-	-	-	-	None	None	None
Chou, Ching-Ching	10,114	0%	-	-	-	-	Chow, Pong-Chi	Relatives within second degree of kinship	None
Min Ju Investment Co., Ltd.	1,833,568	0.95%	-	-	-	-	None	None	None
Wang, Shan-Shan	873,074	0.45%	4,603,714	2.39%	-	-	Chow, Pong-Chi	Spouse of the Chairman	None

IX. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company

December 31, 2023; Unit: Share, %

Investee Business (Note)	Ownership by the Company		Investment by Directors, Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Rong Pei Technology Corp.	1,866,665	22.73%	-	-	1,866,665	22.73%

Note: Investments Accounted for Using the Equity Method.

Chapter 4 Capital Overview

I. Capital and Shares:

(I) Source of Capital:

1. Equity Change during the Most Recent Five Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report

Year/ Month	Issuance Price (NT\$)	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
108.07	10	250,000,000	2,500,000,000	164,823,912	1,648,239,120	Employee compensation converted to capital: NT\$1,211 thousand	None	Authorized Commercial No. 10801076940
109.09	10	250,000,000	2,500,000,000	169,339,756	1,693,397,560	Earnings converted to capital: NT\$44,502,000 Employee compensation converted to capital: NT\$656 thousand	None	Authorized Commercial No. 10901176290
110.10	10	250,000,000	2,500,000,000	176,113,346	1,761,133,460	Earnings converted to capital: NT\$67,736 thousand	None	Authorized Commercial No. 11001181360
110.10	10	250,000,000	2,500,000,000	189,913,346	1,899,133,460	Cash capital increase: NT\$138,000 thousand	None	Authorized Commercial No. 11001189100
111.03	10	250,000,000	2,500,000,000	189,928,346	1,899,283,460	Employee stock options converted to capital: NT\$150 thousand	None	Authorized Commercial No. 11101043550
112.10	10	250,000,000	2,500,000,000	192,313,545	1,923,135,450	Earnings converted to capital: NT\$21,852 thousand Employee stock options converted to capital: NT\$2,000 thousand	None	Authorized Commercial No. 11230190100

2. Share Type

April 23, 2024; Unit: Share

Share Type	Authorized Capital			Note
	Issued Shares	Unissued Shares	Total	
Common stock	192,353,545 (Note)	57,646,455	250,000,000	Listed Company Shares

Note: Includes 40,000 shares of employee stock options exercised in the first quarter of 2024 but not yet registered.

3. Information on the shelf registration system: N/A.

(II) Shareholder Structure:

April 23, 2024; Unit: Person, Share

Shareholder StructureItem	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	0	1	171	32,421	50	32,643
Shares Held	0	135,000	58,935,911	129,542,491	3,740,143	192,353,545
Shareholding Ratio (%)	0	0.07	30.64	67.35	1.94	100.00

(III) Shareholding Distribution Status:

1. Common stock:

April 23, 2024; Unit: Person, Share

Range of Shares	Number of Shareholders	Shares Held	Percentage of Ownership (%)
1~999	18,775	784,032	0.41
1,000~5,000	9,234	19,661,833	10.22
5,001~10,000	2,192	16,001,447	8.32
10,001~15,000	904	10,736,621	5.58
15,001~20,000	403	7,317,233	3.80
20,001~30,000	450	11,098,043	5.77
30,001~40,000	196	6,839,307	3.56
40,001~50,000	121	5,547,348	2.88
50,001~100,000	224	15,977,336	8.31
100,001~200,000	81	10,996,158	5.72
200,001~400,000	36	9,795,396	5.09
400,001~600,000	8	3,873,564	2.01

600,001~800,000	4	2,632,863	1.37
800,001~1,000,000	2	1,805,744	0.94
Over 1,000,001	13	69,286,620	36.02
Total	32,643	192,353,545	100.00

Note: Denomination of NT\$10 per share

1. Preferred stock: N/A.

(IV) List of Major Shareholders

April 23, 2024

Name of Major Shareholders	Shareholding Shares Held	Shareholding Ratio (%)
Qing Yu Investment Co., Ltd.	14,201,709	7.38
Jia Ju Investment Co., Ltd.	11,169,353	5.81
Sheng Ding Enterprise Co., Ltd.	9,063,448	4.71
Concord Financial Management Consultant Ltd.	7,734,118	4.02
Concord Venture Capital Group	6,347,063	3.30
(Chow, Pong-Chi	4,603,714	2.39
Ji Shan Investment Co., Ltd.	4,132,555	2.15
Liu, Ling-Chun	3,654,068	1.90
Han Xun Investment Co., Ltd.	2,944,704	1.53
Min Ju Investment Co., Ltd.	1,833,568	0.95

(V) Share Price for the Past 2 Fiscal Years, with Net Worth per Share, Earnings per Share, Dividends per Share, and Related Information

Unit: NT\$

Item		Year			
		2022	2023	2024 As of March 31	
Market Price Per Share	Highest	15.30	14.20	18.70	
	Lowest	9.47	10.20	10.90	
	Average	11.16	11.29	12.79	
Net Worth per Share	Before distribution	11.04	10.51	Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report	
	After distribution	10.91(Note 1)	10.51(Note 1)		
Earnings per share	Weighted average number of shares	192,114 thousand shares	192,214 thousand shares		
	Earnings per share	0.01	0.06		
Dividends per share	Cash dividends		0.09989		-(Note 1)
	Stock dividends	Stock dividends appropriated from earnings	0.1149328		-(Note 1)
		Stock dividends appropriated from capital surplus	-(Note 1)		-(Note 1)
	Accumulated unpaid dividends		-		-
Return on Investment	Price-to-earnings ratio	1,116	188.17		
	Price-to-dividend ratio	111.6	-		
	Cash dividend yield	0.9%	-		

Note 1: Approved by the Company's Board of Directors on March 8, 2024, subject to the resolution of the 2024 Annual General Meeting of Shareholders.

(VI) Dividend Policy and Its Implementation:

1. Dividend Policy as stipulated in the Articles of Incorporation:

- (1) The Company shall first settle the taxes and make up for any deficit in the annual accounts and then set aside 10% of the remaining balance as legal reserve, except that the legal reserve may be waived when the legal reserve has reached the Company's capital, and after setting aside a special reserve or reversing a special reserve in accordance with the law. For the remaining surplus, the Board of Directors shall prepare a proposal for appropriation of earnings, including the undistributed earnings at the beginning of the period, and submit it to the shareholders meeting for resolution.
- (2) For the current year's stock dividends, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

- (3) If the Company makes a profit in a year, the Company shall contribute 1% to 10% as compensation to employees and up to 1% as remuneration to directors, which shall be distributed in shares or cash by resolution of the Board of Directors; the distribution of compensation to employees and remuneration to directors shall be reported to the shareholders meeting. However, when the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee compensation and directors' remuneration in proportion to the preceding paragraph.
- (4) The Company executes employee treasury stock, employee stock options, employee subscription of new stock, employee restricted new stock and employee compensation to employees who meet certain criteria for control or subordinate company employees.

2. Distribution of dividends proposed in the shareholders' meeting

Resolution of the Board of Directors on March 8, 2024: After the statutory earnings reserve and special earnings reserve are set aside from the 2023 after-tax earnings in accordance with the law, the distributable earnings are NT\$0. It is proposed not to distribute any dividends or bonuses.

3. Expected significant changes in dividend policy: None.

(VII) Effect on the Operating Performance and Earnings per Share of Distribution of Stock Dividends Proposed or Adopted in the Most Recent Shareholders' Meeting:
This proposed issuance of bonus shares is not applicable.

(VIII) Remuneration of Employees and Directors:

1. Percentage or range of the remuneration of employees and directors as set forth in the Articles of Incorporation:

Article 31 of the Company's Articles of Incorporation stipulates that: If the Company makes a profit in a year, the Company shall contribute 1% to 10% as compensation to employees and up to 1% as remuneration to directors, which shall be distributed in shares or cash by resolution of the Board of Directors; the distribution of compensation to employees and remuneration to directors shall be reported to the shareholders meeting. However, when the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee compensation and directors' remuneration in proportion to the preceding paragraph.”

2. The basis for estimating the amount of employee and director remunerations, for calculating the number of shares to be distributed as employee remuneration, and

the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: N/A.

3. Distribution of remuneration approved by the Board of Directors:

- (1) The amount of employees' and directors' remuneration distributed in cash or stock; if the amount differs from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reasons for the difference, and the circumstances under which the difference was handled shall be disclosed:

The company's proposal for employee compensation and director compensation for the year 2023 was approved by the board of directors on March 8, 2024. Employee compensation of NT\$195,704 will be distributed in cash, and no director compensation will be issued. This will be reported at the annual shareholders' meeting and handled in accordance with relevant regulations.

The amounts of director and employee compensation are consistent with the originally estimated expenses for 2023, with no differences.

- (2) The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial statements or individual financial statements for the current period and the total employee remuneration: N/A.

4. The actual distribution of employees' and directors' remuneration in the previous year (including the number of shares distributed, the amount and the share price), the difference between the distribution and the recognition of employees' and directors' remuneration, and the amount of the difference, the reasons for the difference and the treatment of the difference should be stated:

The company's proposal for the distribution of employee and director compensation for the year 2022 was reported at the shareholders' meeting on June 16, 2023, and there are no differences from the actual distribution results.

(IX) Share Repurchases: None.

II. Corporate Bonds:

Type of Corporate Bonds	Third Domestic Unsecured Convertible Bond	
Issuance (Processing) date	May 10, 2021	
Face Value	NT\$100,000	
Issuance and Trading Location	N/A	
Issuance Price	Issue at full face value.	
Total Amount	NT\$200 million.	
Interest Rate	0%	
Period	3 years Maturity Date: May 10, 2024	
Guarantor Institution	N/A	
Trustees	Taiwan Shin Kong Commercial Bank Co., Ltd.	
Accepting Institution	Horizon Securities Co., Ltd.	
Attorney	Pan, Chao-Wei/ Mega Trust International Law Offices	
CPA	Lin, Wang-Sheng, Chen, Ying-Chou Deloitte Taiwan	
Repayment Method	Except for the conversion of the bonds into the Company's common stock in accordance with Article 10 of the Company's Issuance and Conversion Procedures or the exercise of the right of sale in accordance with Article 19 of the Company's Issuance and Conversion Procedures, and the early redemption by the Company or cancellation by purchase from the securities dealer's office in accordance with Article 18 of the Company's Issuance and Conversion Procedures, the Company will repay the bonds in cash at face value upon maturity.	
Outstanding Principal	NT\$57,300,000	
Terms of Redemption or Early Settlement	Please refer to pp. 221.	
Restrictions	Please refer to pp. 221.	
Name of Credit Rating Agency, Date of Rating, Results of Corporate Bond Rating	N/A	
Additional Rights	Amount of common shares, ODRs or other marketable securities converted (exchanged or subscribed) as of the date of printing of the annual report	Current cumulative converted common shares: 0 shares

	Issuance and Conversion (Exchange or Subscription) Method	Please refer to pp. 221.
	The method of issuance and conversion, exchange or stock options, the possible dilution of shareholdings by the terms of issuance and the effect on the interests of existing shareholders	According to Article 11 of our company's issuance and conversion regulations, and based on the current outstanding balance in circulation, if all were converted into common shares, it would require the issuance of 2,953,608 shares, accounting for 1.54% of the total issued shares. This conversion would have a limited impact on shareholder equity.
	Name of Custodian Entrusted with the Subject of Exchange	N/A

III. Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options:

1. The status of the Company's outstanding employee stock options as of the date of printing of the annual report and the effect on shareholders' equity:

April 23, 2024

Type of Employees Stock Option	2018 First (Period) Employees Stock Option	2020 First (Period) Employees Stock Option
Filing Effective Date and Total Units	November 7, 2018 4,000,000 shares	December 30, 2020 2,300,000 shares
Issuance (Processing) Date	November 1, 2019	February 26, 2021
Number of Units Issued	1,700,000 shares	985,000 shares
Number of Units Available for Issuance	0 shares	0 shares
Ratio of the Number of Subscription Shares Issued to the Total Number of Shares Issued	0.88%	0.51%
Subscription Period	November 11, 2019 to October 31,	February 26, 2021 to February 25,

	2025	2027
Method of Performance	The Company issues new shares by way of delivery.	The Company issues new shares by way of delivery.
Restricted Period and Rate (%)	50% of the stock options shall be exercisable after two years from the issue date and 100% of the stock options shall be exercisable cumulatively after three years from the issue date.	50% of the stock options shall be exercisable after two years from the issue date and 100% of the stock options shall be exercisable cumulatively after three years from the issue date.
Number of Shares Executed	255,000 shares	0 shares
Amount of Executed Share Options	NT\$2,979,500	NT\$0
Number of Outstanding Share Options	1,445,000 shares	985,000 shares
Subscription Price per share for Outstanding Stock Options	NT\$11.60	NT\$15.20
Ratio of the Number of Outstanding Share Options to Total Number of Shares Issued (%)	0.75%	0.51%
Effect on Shareholders' Equity	The Company has a positive impact on shareholders' equity in order to attract and retain the talents needed by the Company and to motivate and enhance the motivation of employees to work together for the benefit of the Company and shareholders.	

2. The names of the managers and the top ten employees who acquired stock options as of the publication date of the annual report, and the acquisition and subscription status of the stock options:

March 31, 2024; Unit: NT\$; Share

	Title	Name	Number of Stock Options Acquired	Ratio of the Number of Stock Options Acquired to the Total Number of Shares Issued	Executed				Unexecuted			
					Number of Subscriptions	Subscription Price	Amount of Subscriptions	Ratio of the Number of Subscriptions to the Total Number of Shares Issued	Number of Subscriptions	Subscription Price	Amount of Subscriptions	Ratio of the Number of Subscriptions to the Total Number of Shares Issued
Managerial Officer	Acting President	Chu, Tsung-Wei (Note 1)	1,170,000	0.61%	100,000	11.7	1,170,000	0.05%	1,070,000	11.6~15.2	13,384,000	0.56%
	President	Hsu, Wei-Chieh (Note 1)										
	Special Assistant to President's Office	Chen, Po-Ying										
	Assistant Manager	Lo, Hung-Fu (Note 2)										
	Assistant Manager	Chien, Ju-Hung										
	Assistant Manager	Yu, Chang-Wei (Note 3)										
Employee	Assistant Manager, Kunshan Laserware Laser Technology Co., Ltd.	Hu, Chien-Hung	1,110,000	0.58%	155,000	11.6~11.7	1,809,500	0.08%	955,000	11.6~15.2	12,878,000	0.50%
	Assistant Manager, Kunshan Key Ware Electronics Co., Ltd.	Shen, Liang-Ping										
	Plant Manager, Wuhan Laserware Laser Technology Co., Ltd	Lo, Chin-Chuan										
	Special Assistant, Kunshan Key Ware Electronics Co., Ltd.	Chen, Chih-Chun										
	President, Jia Chi Co., Ltd.	Yang, Chun-Nan										
	Assistant Manager, Key De Precise Industries Co., Ltd	Lin, Kuei-Tun										
	Plant Manager, Kunshan Laserware Laser Technology Co., Ltd.	Huang, Chui-Mei										
	Manager, Kunshan Laserware Laser Technology Co., Ltd.	Tsai, I-An										
	Deputy Manager	Cheng, Chien-Ming										
	Deputy Manager	Cheng, Chien-Ming										

Note 1: Hsu, Wei-Chieh, the legal representative and concurrently President of Concord Venture Capital Group, passed away in June 2023. Chu, Tsung-Wei, assumed the position of Acting President.

Note 2: Manager Lo, Hung-Fu, was dismissed in September 2023.

Note 3: Manager Yu, Chang-Wei, was dismissed in June 2023.

3. The status of the Company's new shares with restricted employee stock that have not yet fully met the vesting conditions as of the printing date of the annual report and the effect on shareholders' equity: None.
4. The names of the managers and the top ten employees who acquired new shares with restricted employee stock as of the publication date of the annual report, and the status of acquisition and subscription: None.

VI. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VII. Implementation of Capital Allocation Plans: None.

Chapter 5 Operational Highlights

I. Business Activities:

(I) Scope of Business

1. Principal Business Activities:

- (1) Manufacturing and sales of full-size drilling needles and tools for electronic circuit boards.
- (2) Electronic circuit board drilling services, including: laser, machine drilling, molding and electrical testing foundry.
- (3) Import trade and agency.

2. Operating Weight of Major Products:

Unit: NT\$ thousand

Item	2023	
	Net Operating Revenue	Operating Weight (%)
Drill Bits	695,204	65%
Copper Foil Substrate	256,448	24%
Drilling Foundry	116,618	11%
Total	1,068,270	100%

3. Current Products (Services)

The Company is a professional manufacturer and distributor of Printed Circuit Board (PCB) drill bits, copper foil laminates and drilling services. Among them, we mainly produce and sell drill bits, followed by copper foil laminates and drilling processing services. The following table summarizes the major operating items of the Company:

Item	Product Description
PCB cutting tools	Manufacturing and sales of full-size drilling pins, milling cutters and coating tools.
Copper foil substrate	Sales of copper foil substrates for Nanya.
Drilling process value-added service	Distributor of consumables required for drilling process (aluminum cover plate, lower pad, etc.); and provide technical services for drilling needle grinding.
Circuit board foundry	Mechanical drilling, mechanical forming, laser drilling, electrical testing.

4. New products (services) planned to be developed

- (1) Develop back-drilling needles for 5G high-frequency products.
- (2) High aspect ratio coated drill needle.
- (3) ABF carrier board with tiny point pin (drill diameter less than 0.15mm).
- (4) Development of drill needles for soft plates, such as high chip evacuation drill

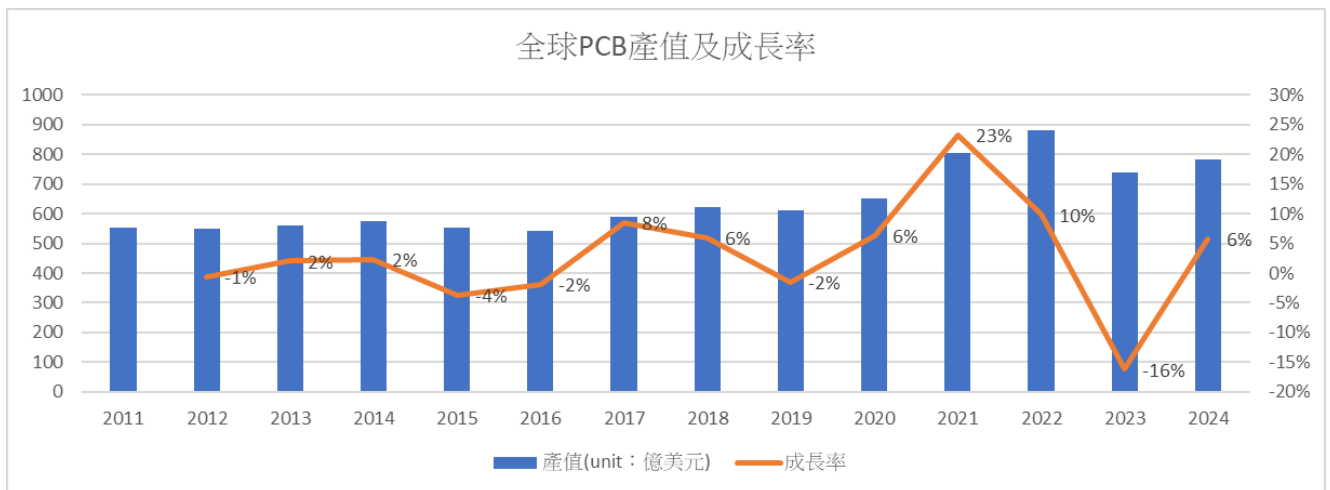
needles, wide slotted drill bits and chipbreaker coating needles.

(II) Industry Overview:

1. Current status and development of the industry

Drill bit is a consumable used in PCB drilling process, and copper foil substrate is the most important direct raw material for PCB manufacturing, both are important upstream raw materials in the process of PCB manufacturing, so the prosperity of drill bit and copper foil substrate industry is inextricably related to the overall PCB industry boom, in addition, with the rapid growth of 5G and intelligent related electronic products, the demand for laser and mechanical drilling has increased greatly, which is the bottleneck process gap for all PCB makers.

Figure 1: Estimated Global PCB Production Value from 2011 to 2024



In 2023, the PCB industry in Taiwan experienced a 16.7% decline in production value due to the slow global economic recovery. However, as electronic product inventories are depleted, inflation eases, and AI applications flourish, it is estimated by the Industrial Technology Research Institute (ITRI) that the global PCB production value will rebound to \$78.2 billion in 2024, representing a 6.3% increase from 2023. As the growth momentum of the overall consumer market gradually approaches the global economic performance, the growth rate of the global PCB production value is expected to return to the long-term average level of 4-5%.

In 2024, four key issues are identified in the global PCB industry, including the accelerated globalization of the supply chain and geopolitical influences, the emergence of new PCB clusters in Southeast Asia, carbon neutrality initiatives, the increase in demand and prices of PCBs for automotive applications, and the proliferation of AI applications.

1. Correlation between Upstream, Midstream, and Downstream of the Industry

	High school	1	1
Total		4	6
Average Service Year		9.39	9.79

3. Research and Development Expenses for the Most Recent Year and Up to the Date of Publication of the Annual Report

Unit: NT\$ thousand

Item	Year	2021	2022	2023
	Consolidated research and development expenses (A)		3,295	2,287
Consolidated net operating revenues (B)		1,579,047	1,453,993	1,068,270
Percentage of consolidated net operating revenues (A/B)		0.21%	0.16%	0.32%

4. Development of successful technologies or products

Year	Development of successful technologies and products
2021	<p>φ0.10x1.8 (2.0 shank diameter) coating product certification passed</p> <p>φ0.45~φ0.65 UC type slotted cutter products certification passed</p> <p>φ0.10x2.0 super long edge coating product certification passed (modified version)</p> <p>φ0.20x4.3 super long edge coating product certification passed</p> <p>φ0.225x5.5 super long edge coating product certification passed (modified version)</p> <p>φ0.25x6.0 super long edge coating product certification passed</p> <p>φ0.28x6.2 super long edge coating product certification passed (modified version)</p> <p>φ0.40x5.0 back-drilling coating product certification passed</p> <p>φ0.45x5.0 back-drilling coating product certification passed</p> <p>φ0.50x5.0 back-drilling coating product certification passed</p> <p>φ0.175x4.2 super long blade product certification passed</p> <p>φ0.19x4.3 super long blade product certification passed</p>
2022	<p>φ0.40~φ0.45 EA slotted cutter certification passed</p> <p>φ0.20x4.5 super long blade product certification passed</p> <p>φ0.275x5.5 super long blade product certification passed</p> <p>φ0.20x5.0 super long edge coating product certification passed</p> <p>φ0.20x6.5 super long edge coating product certification passed</p> <p>φ0.225x5.5 super long edge coating product certification passed (modified version)</p> <p>φ0.25x6.0 super long edge coating product certification passed (modified version)</p> <p>φ0.275~φ0.375 back-drilling needle coating products certification passed</p>
2023	<p>φ0.15x3.7 Ultra-long blade product certification passed</p>

Year	Development of successful technologies and products
	<p>ψ0.19x4.3 Ultra-long blade product certification passed</p> <p>ψ0.20x4.2 Ultra-long blade product certification passed</p> <p>ψ0.225x4.8 Ultra-long blade product certification passed</p> <p>ψ0.35x4.0 Back-drilling product certification passed</p> <p>ψ0.368x4.0 Back-drilling product certification passed</p> <p>ψ0.375x4.0 Back-drilling product certification passed</p> <p>ψ0.15x3.5 Ultra-long blade coating product certification passed</p> <p>ψ0.20x3.8 Coating product certification passed</p> <p>ψ0.20x4.3 Ultra-long blade coating product certification passed</p> <p>ψ0.20x4.5 Ultra-long blade product certification passed</p> <p>ψ0.20x5.0 Ultra-long blade coating product certification passed (Revised version)</p> <p>ψ0.25x6.0 Ultra-long blade coating product certification passed (Revised version)</p> <p>ψ0.40 to ψ1.0 Back-drilling coating product certification passed</p>

(IV) Long-term and Short-term Business Development Plans

1. Short-term Business Development Plans

- (1) Increase the proportion of orders for micro-drilling process below 0.20mm (inclusive) to maintain more than 60% of sales.
- (2) Enhance on-time delivery rate to improve customer satisfaction and strengthen customer service, with excellent process technology and professional technicians, with complete and rigorous certification procedures to win the trust of customers.
- (3) Continuously improve the yield rate to 95% for tiny drill diameter products below 0.20mm (inclusive).
- (4) Effective integration of various businesses and professional technical support to expand overseas markets.
- (5) Continuing the cycle of drilling needles, holes, and copper foil substrates to pre-empt the process capability and cutting tools required for next-generation PCB new materials.

2. Medium-term and Short-term Business Development Plans

- (1) Product line layout for the technical requirements of high frequency products
 - A. Microdrill high aspect ratio (30x or more) product line.
 - B. Back drill product line.
 - C. Anti-abrasion and high chip removal coating product line.
 - D. Build up laser and mechanical drilling capacity for high end HDI and IC carrier boards.
- (2) Continuous development of new process technology: Develop new specifications of product processes to expand new customer sources and follow the trend of technological development.

- A. Shank2.0 shank micro drill bit high speed drilling product mass production is launched.
 - B. Promotion of special tools and coated drills to improve the Company's cost performance.
- (3) Strengthen the development of overseas markets and increase the proportion of orders received in response to the circuit board industry.

II. Market and Sales Overview:

(I) Market Analysis:

1. Sales Regions of Main Products (Services):

Unit: NT\$ thousand

Region		2022		2023	
		Sales	Rate (%)	Sales	Rate (%)
Domestic Sales		1,239,023	85.22	974,961	91.27
Foreign Sales	210,936	14.51	90,276	8.45	14.51
	4,034	0.27	3,033	0.28	0.27
Total		1,453,993	100.00	1,068,270	100.00

2. Market Share of Drill Bit Products

The Group's Taiwan plant has a monthly sales volume of about 4 million units, and if the domestic monthly demand is about 14 million units, the domestic market share is about 30%; and the combined monthly sales volume of 8 million units for the Company's investment in China's Kunshan and Chongqing Jinwei, the Group's total monthly sales volume is 12 million units, and if the global monthly demand is about 120 million units, the market share is about 10%.

3. Future Supply and Demand and Growth of Drill Bit Market

(1) Supply Status:

There is no unbalanced trend of self-production and self-distribution by drill needle suppliers in different regions.

(2) Demand Status:

According to Taiwan Printed Circuit Association (TPCA), the main focus of PCB industry development in Taiwan comes from three major applications, including fifth-generation mobile communications (5G), artificial intelligence Internet of Things (AIoT) and high-speed computing (HPC), driving related HDI manufacturers and server boards, carrier boards, and high-end flexible boards.

(3) Future Growth:

The usage of automotive boards is expected to have a compound annual growth rate (CAGR) of 7.1% from 2022 to 2028. With the increasing prevalence of electric vehicles and Advanced Driver Assistance Systems

(ADAS), automotive PCBs are gradually developing towards miniaturization and high computational performance. As a result, automotive HDI (High-Density Interconnect) boards are projected to achieve the fastest growth among automotive PCB products, with a CAGR of 16.5% from 2022 to 2028.

The market value of high-end infrastructure PCBs (including servers, AI accelerators, and high-end network infrastructure) is estimated to reach 7.9 billion USD by 2027, with a CAGR of 6.4% from 2022 to 2027. Among these, 8 to 16-layer PCBs and HDI boards are expected to grow the fastest, with CAGRs of 8.5% and 8.0%, respectively, from 2022 to 2027.

4. Competitive Niches

(1) The management team has rich experience in production and sales

The management team of our company has served in the upstream and downstream PCB manufacturers, and is a professional management team with rich experience and excellent technical ability, and has rich experience in related industries. No matter in production, sales, R&D and quality control, we are able to develop products that meet the market demand in a short time, so that we can occupy a place in the global drill market.

(2) Competitive Product Quality

Since the establishment of the Company, we have been committed to improving the quality of our products and have obtained ISO-9002 quality certification in January 2000. Due to the stable quality and delivery of our products, the major domestic PCB manufacturers such as GCE, Kinsus, Chinm Poon, Unimicron, Nanya, HannStar, and Mil Technology are our main customers, and we also cooperate with our customers to develop products with tiny diameter to enhance our competitiveness in the market.

(3) Competitive Cost and Product Pricing

The Company has developed its own bonding technology between stainless steel and tungsten carbide, in order to reduce the use of tungsten carbide rods and reduce costs, and increase the competitiveness of our products. In addition, raw materials are purchased under contract, the prices of which are determined at the time of contracting with suppliers, so as not to affect the cost due to changes, which facilitates the quotation of the Company's products.

(4) Good Knowledge of Market Trends

The directors of our business unit have been working in the PCB industry for many years and have a good grasp of upstream and downstream industry information, and have good relationships with our customers. At present, in addition to actively developing the top 20 PCB manufacturers in China, we are also sending samples and trials to BGA substrate manufacturers in order to

develop the market for drill bits of sizes below 0.20mm and to grasp the trend of light, thin, short and small PCBs.

(5) Professional and Comprehensive Sales Service

Our company upholds the service concept of "Quality First, Customer Satisfaction". In addition to providing high quality and competitively priced drill bits, we also assist manufacturers in adjusting drilling equipment and processes, and developing coating technology to improve drilling durability, thereby increasing drilling yields and stabilizing customers' production quality. We also supply drilling process peripheral products such as Nanya copper foil substrate, aluminum cover plate, lower pad plate, milling cutter and coating tool to satisfy customers' "one-time purchase" demand, and provide professional and comprehensive sales service to meet customers' needs and enhance customer satisfaction.

5. Favorable and Unfavorable Factors of Development Prospects

(1) Favorable Factors

- A. Fifth generation cellular communication (5G), artificial intelligence internet of things (AIoT) and high speed computing (HPC) are driving PCB demand growth.
- B. China's PCB market has grown significantly, driving demand for mid-range and high-end products.
- C. Advanced production facilities and stable production are conducive to the development of high-end products.
- D. Early deployment in Southeast Asia market.

(2) Unfavorable Factors and Related Measures

- A. The red supply chain is growing rapidly, and middle and low-end products are facing cost competition.
- B. The supply source of tungsten carbide is limited, and it is difficult to disperse the risk of rising raw materials.

(3) Measures:

- A. Strengthen business products and regional breadth.
- B. Promote high performance drills for high end products.
- C. Continuous improvement of production efficiency to reduce waste and enhance cost competitiveness.
- D. Continuously develop new tungsten materials to reduce the risk of raw material fluctuations.

(II) Usage and Manufacturing Processes for Main Products

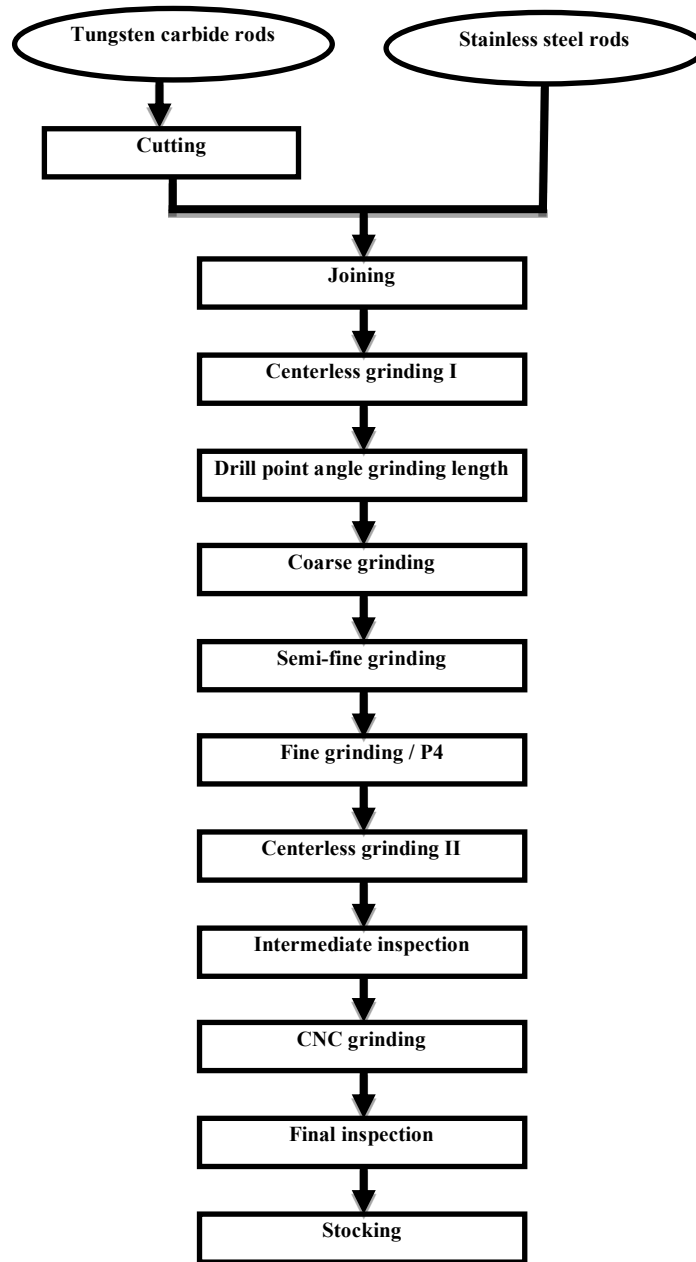
1. Usage for Main Products

Our tungsten carbide drill bit is a cutting tool for PCBs. It has various specifications depending on the design of drill diameter, flute length, helix angle and point angle, etc. It can be used for drilling holes of various circuit boards as follows:

Type of PCB	Usage
Flexible circuit board	Smartphones, tablets, digital cameras, and notebooks.
Rigid single-layer board	Consumer electronics.
Rigid double-layer board	Computer peripherals and terminals, fax machines, video recorders, numerical control equipment, personal computers, communication equipment, etc.
Rigid multi-layer board HDI board	Smartphones, tablet PCs, digital cameras, notebooks, game consoles, personal computers, fax machines, industrial automation-related equipment, numerical control equipment, communication equipment, small, medium and mini computers, semiconductor test equipment, wall-mounted ultra-thin TV systems, etc.
IC Substrate	Mobile communication chips, CPU chips, graphics chips, Northbridge chipsets, Southbridge chipsets, game machine chips, digital TVs, etc.
Aluminum substrates	Heat dissipation application board for backlight module and LED light emitting diode.

2. Manufacturing Processes:

Manufacturing process of drill bit products:



(III) Supply situation for major raw materials

Major raw material	Major suppliers	Supply situation
Tungsten carbide rods	AXIS	Good
Stainless steel joint handle	Tai Yu Sheng Co., Ltd.	Good

(IV) Names of customers with more than 10% of total purchase (sales) and the amount and proportion of purchase (sales) in any of the last two years, and the reasons for the increase or decrease

1. List of suppliers of purchases

Unit: NT\$ thousand; %

Item	2022				2023			
	Name	Amount	Proportion to Net Purchase for the Year %	Relationship with the Issuer	Name	Amount	Proportion to Net Purchase for the Year %	Relationship with the Issuer
1	Supplier A	192,872	26.63	Affiliate	Supplier C	102,284	21.49	None
2	Supplier B	164,712	22.75	None	Supplier A	91,673	19.26	Affiliate
3	Supplier C	149,183	20.60	None	Supplier B	79,452	16.69	None
4	Supplier D	92,892	12.83	None	Supplier D	67,690	14.22	None
	Others	124,461	17.19		Others	134,936	28.34	None
	Net purchase	724,120	100.00		Net purchase	476,035	100.00	

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

Reason for change: There was no significant change in the percentage of customers with more than 10% of total purchases in the last two years.

2. List of Sales Customers

Unit: NT\$ thousand; %

Item	2022				2023			
	Name	Amount	Proportion to Net Sale for the Year %	Relationship with the Issuer	Name	Amount	Proportion to Net Sale for the Year %	Relationship with the Issuer
1	Customer A	189,223	14.65	-	Customer A	155,174	14.53	None
2	Others	1,264,770	85.35	-	Others	913,096	85.47	-
	Net sales	1,453,993	100.00		Net sales	1,068,270	100.00	

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

Reason for change: There was no significant change in the percentage of customers with more than 10% of total purchases in the last two years.

(V) Production Volume and Value for the Most Recent 2 Years

Unit: Production capacity/volume: thousands unit; Production value: NT\$ thousand

Production Volume and Value	Year	2022			2023		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Main Products							
Drill Bits		97,440	79,332	359,759	97,440	74,287	341,345
Total		97,440	79,332	359,759	97,440	74,287	341,345

Note: Production capacity is expressed in terms of finished drill bits.

(VI) Sales Volume and Value for the Most Recent 2 Years

Unit: Sales volume: thousand unit; Sales value: NT\$ thousand

Sales Value Main Products	Year	2022				2023			
		Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Drill Bits		26,079	268,829	63,120	369,606	85,377	479,746	9,061	124,558
Board		208	162,644	16	11,025	111	76,778	23	9,403
Others		-	186,869	-	455,020	-	154,923	-	222,861
Total		26,287	618,342	63,136	835,651	85,488	711,447	9,084	356,822

Analysis of changes in sales volume:

There were no significant changes in sales volume between the two years.

III. Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date

February 29, 2024

Year		2022	2023	As of February 29, 2024
Number of Employees	Director labor	248	250	238
	Indirector labor	146	134	133
	Total	394	384	371
Average Age		38.82	38.47	39.29
Average Service Year		6.25	6.31	6.86
Academic Background Distribution (%)	PhD	0.00%	0.00%	0.00%
	Master's	2.28%	2.60%	2.43%
	Bachelor's	33.00%	33.33%	34.77%
	High school	34.26%	41.67%	42.05%
	Below high school	30.46%	22.40%	20.75%
	Total	100.00%	100.00%	100.00%

IV. Disbursements for Environmental Protection:

- (I) For the last two years and up to the date of publication of the public statement, the losses suffered by the Company due to pollution of the environment (including compensation and environmental protection audit results for violations of environmental protection laws and regulations, the date of the penalty, the word number of the penalty, the provision of the violation, the content of the violation, and the content of the penalty should be listed), and the estimated amount of current and possible future occurrences and response measures should be disclosed, and if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated: None.

V. Labor-management relations:

- (I) Employee Benefit Plans, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests
 1. Employee benefits measures:
 - (1) Statutory benefits: Labor insurance, universal health insurance, group insurance, pension
 - (2) Company benefits: employee bonus shares, on-the-job training for employees.
 - (3) Welfare Committee benefits: The Company has established the Employee Welfare Committee in 1999 according to the law, providing wedding and funeral subsidies, emergency relief, annual gifts, employee celebrations, club activities, company trips, etc.
 2. Continuing Education, Training, Retirement System and its implementation:
 - (1) The Company has established the "Education and Training Management System" to implement various training programs in a planned manner so that all employees have the proper ability to perform their jobs, including: new employee training, pre-employment training, on-the-job training, and other training, in the hope of improving the overall quality of the company's manpower, developing the potential of the Company's employees, and reserving future management personnel.
 - (2) The Company has established the " Regulations for Labor Retirement Management". Employees who have completed a certain number of years of service or reached a certain age are entitled to receive a pension under the Regulations.
 3. Agreement between labor and management and measures to protect employees' rights and interests: Therefore, the Company has always attached great importance to the harmony of labor relations and spared no effort in protecting the rights of employees and caring for them physically and mentally, and has established an employee welfare committee to be responsible for the planning of employee welfare matters. Both employers and employees can make use of the Employee Welfare Committee to maintain good labor relations, therefore, labor relations have always been good and no disputes have occurred.
- (II) For the most recent year and up to the date of printing of the annual report, the losses suffered by the Company due to labor disputes (including labor inspection results in violation of the Labor Standards Law, the date of sanction, the sanction number, the provisions of the law violated, the content of the law violated, and the content of the sanction) should be listed, and the estimated amount of current and possible future occurrence and the measures to be taken should be disclosed, and if it cannot be

reasonably estimated, the facts that cannot be reasonably estimated should be stated: None.

The Company does not have a labor union but it has always valued the welfare of its employees and provided an excellent working environment. It also emphasizes two-way communication with its employees to ensure harmonious labor-management relations, and has established work rules in accordance with governmental regulations, and has perfect and reasonable regulations on salaries, working hours, vacations, and retirement, etc. In addition, it has also taken welfare measures such as safety and health, education and training to reduce the chance of future labor disputes and losses.

VI. Cyber security management:

- (I) Cyber security risk management framework, cyber security policies, specific management plans and resources devoted to cyber security:
 - 1. Cyber security risk management structure: Currently, the information professionals established by the Company's management department are responsible for overseeing cyber security-related management issues. It is expected that by the end of 2023, we will have a dedicated head of information security and at least one dedicated information security officer in compliance with regulations.
 - 2. Cyber Security Policy: The Company has established "Information Security Practice Management Regulations".
 - 3. Specific management solutions: anti-virus software, firewall, intrusion detection system and other information security control measures, regular promotion of information security awareness, and e-mail social engineering exercises.
 - 4. Investing in resources for information security management: upgrading anti-virus software, firewall and intrusion detection system equipment.
- (II) For the most recent year and as of the printing date of the annual report, the losses suffered as a result of significant information security incidents, their possible effects and the measures taken in response, if they cannot be reasonably estimated, should state the facts that cannot be reasonably estimated: None.

VII. Important Contracts:

Type of Contract	Party	Contract Duration	Contract Content	Restrictions
Bank loans contract	Chang Hwa Bank	2022.12.31-2023.12.31	Short-term consolidated credit line	None
Bank loans contract	Taishin International Bank	2022.12.31-2023.12.31	(1) Short-term consolidated credit line (2) Short-term secured loan - stock	None
Bank loans contract	Land Bank of Taiwan	2023.02.17-2034.02.17	Short-term loans	None
Bank loans contract	Taiwan Cooperative Bank	2022.09.27-2023.09.27	Short-term loans	None
Bank loans contract	Mega International Commercial Bank	2022.08.30-2023.08.29	Short-term consolidated credit line	None
Bank loans contract	Entie Commercial Bank	2022.09.30-2023.09.30	Short-term consolidated credit line	None
Bank loans contract	Yuanta Commercial Bank	2022.08.31-2023.08.31	General revolving funds	None
Bank loans contract	Bank of Panhsin	2022.12.31-2023.12.31	Short-term loans	None
		2021.07.27-2026.10.29	Interim equipment secured loans	None
Bank loans contract	KGI Bank	2022.11.04-2023.11.04	Short-term loans	None
Bank loans contract	Bank Sinopac	2023.03.16-2023.06.21	Short-term consolidated credit line	None
Bank loans contract	Taichung Commercial Bank	2023.05.31-2023.05.31	Short-term consolidated credit line	None
Bank loans contract	Cathay United Bank	2022.11.30-2023.11.30	Short-term consolidated credit line	None
Bank loans contract	Jih Sun International Bank	2022.12.15-2023.12.15	Short-term loans	None
Bank loans contract	First Commercial Bank	2022.09.19-2023.09.19	Short-term loans	None
		2022.05.25-2027.05.25	Equipment guarantee	None
		2022.08.30-2023.08.30	Short-term secured loan - stock	None
Guaranteed issuance of commercial bills	Mega Bills Finance Co., Ltd.	2023.03.14-2024.03.13	Operations revolving funds	None
Bank loans contract	Taiwan Shin Kong Commercial Bank	2023.02.08-2024.02.08	Short-term loans	None
Bank loans contract	Taiwan Shin Kong Commercial Bank	2023.01.26-2025.01.26	(1) Interim secured loan - equipment (2) Interim secured loan - land and plant	None

Chapter 6 Financial Information

I. Condensed balance sheet, statement of comprehensive income, and CPAs' name and audit opinion for the last five years:

1. Condensed Balance Sheet (Consolidated) - IFRS

Unit: NT\$ thousand

Year		Financial Information for the Past Five Fiscal Years				
		2019	2020	2021	2022	2023
Item						
Current Assets		1,652,991	2,053,958	2,060,511	2,092,078	1,836,791
Property, plant, and equipment		943,332	1,010,969	1,542,576	1,636,419	1,321,591
Intangible Assets		38,753	35,503	32,101	28,850	25,366
Other Assets		413,952	446,251	524,120	335,881	477,336
Total Assets		3,049,028	3,546,681	4,159,308	4,093,228	3,661,084
Current Liabilities	Before distribution	793,421	992,012	1,753,058	1,170,983	988,196
	After distribution	798,366	1,025,880	1,753,058	1,189,976	N/A
Non-current liabilities		513,337	513,234	396,550	797,267	633,357
Total Liabilities	Before distribution	1,306,758	1,505,246	2,149,608	1,968,250	1,621,553
	After distribution	1,311,703	1,539,114	2,149,608	1,987,243	N/A
Equity Attributable to Owners of the Parent		1,710,877	2,007,463	1,972,803	2,096,437	2,021,903
Share capital		1,648,239	1,693,397	1,899,309	1,899,283	1,923,135
Capital surplus		833	3,439	79,217	80,139	80,479
Retained earnings	Before distribution	248,486	283,379	217,158	224,607	185,255
	After distribution	199,039	181,775	217,158	205,614	N/A
Other equity		(186,681)	27,248	(222,881)	(107,592)	(166,966)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		31,393	33,972	36,897	28,541	17,628
Total Equity	Before distribution	1,742,270	2,041,435	2,009,700	2,124,978	2,039,531
	After distribution	1,737,325	2,007,567	2,009,700	2,105,985	N/A

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

2. Condensed Statements of Comprehensive Income (Consolidated) - IFRS

Unit: NT\$ thousand

Year		Financial Information for the Past Five Fiscal Years				
Item		2019	2020	2021	2022	2023
Operating revenue		1,255,128	1,264,376	1,579,047	1,453,993	1,068,270
Gross profit		171,671	174,756	172,000	51,555	(40,120)
Operating Income		48,343	36,787	28,323	(94,716)	(184,043)

Non-operating income and expenses	47,369	80,379	27,625	114,409	332,664
Net income before tax	95,712	117,166	55,948	19,693	148,621
Income from Continuing Operations	74,531	89,057	37,786	3,166	4,939
Loss from Discontinued Operations	-	-	-	-	-
Net Income (Loss)	74,531	89,057	37,786	3,166	4,939
Other Comprehensive Income (Net After Tax)	24,367	215,089	(246,177)	120,090	(69,733)
Total Comprehensive Income	98,898	304,146	(208,391)	123,256	(64,794)
Net Income Attributable to Shareholders of the Parent	69,514	87,256	31,431	2,648	11,852
Net Income Attributable to Non-controlling Interests	5,017	1,801	6,355	518	(6,913)
Comprehensive Income Attributable to Owners of the Parent	93,881	302,345	(214,746)	122,738	(57,881)
Comprehensive Income Attributable to Non-controlling Interests	5,017	1,801	6,355	518	(6,913)
Earnings per share	0.41	0.50	0.18	0.01	0.06

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

3. Condensed Balance Sheet (Parent Company Only) - IFRS

Unit: NT\$ thousand

Year		Financial Information for the Past Five Fiscal Years				
		2019	2020	2021	2022	2023
Item						
Current Assets		682,966	1,014,969	1,199,831	1,082,270	876,823
Property, plant, and equipment		485,730	538,730	797,509	777,377	566,950
Intangible Assets		-	-	-	-	-
Other Assets		1,542,924	1,971,089	1,759,259	1,803,008	1,847,364
Total Assets		2,711,620	3,254,788	3,756,599	3,662,655	3,291,137
Current Liabilities	Before distribution	574,453	805,023	1,476,446	825,120	689,420
	After distribution	579,398	838,891	1,476,446	806,127	N/A
Non-current liabilities		247,186	442,302	307,350	741,098	579,814
Total Liabilities	Before distribution	1,000,743	1,247,325	1,783,796	1,566,218	1,269,234
	After distribution	1,005,688	1,281,193	1,783,796	1,547,225	N/A
Equity Attributable to Owners of the Parent		1,710,877	2,007,463	1,972,803	2,096,437	2,021,903
Share capital		1,648,239	1,693,397	1,899,309	1,921,135	1,923,135
Capital surplus		833	3,439	79,217	80,139	80,479

Retained earnings	Before distribution	248,486	283,379	217,158	224,607	185,255
	After distribution	199,039	181,775	217,158	183,762	N/A
Other equity		(186,681)	27,248	(222,881)	(107,592)	(166,966)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Equity	Before distribution	1,710,877	2,007,463	1,972,803	2,096,437	2,021,903
	After distribution	1,705,932	1,973,595	1,972,803	2,077,444	N/A

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

4. Condensed Statements of Comprehensive Income (Parent Company Only) - IFRS

Unit: NT\$ thousand

Item	Year	Financial Information for the Past Five Fiscal Years				
		2019	2020	2021	2022	2023
Operating revenue		449,622	520,721	573,431	699,454	488,347
Gross profit		70,854	69,671	28,651	6,133	4,957
Operating Income		11,220	6,581	(35,198)	(55,598)	(61,795)
Non-operating income and expenses		57,945	82,658	67,848	56,545	81,170
Net income before tax		69,165	89,239	32,650	947	19,375
Income from Continuing Operations		69,514	87,256	31,431	2,648	11,852
Loss from Discontinued Operations		-	-	-	-	-
Net Income (Loss)		69,514	87,256	31,431	2,648	11,852
Other Comprehensive Income (Net After Tax)		24,367	215,089	(246,177)	120,090	(69,733)
Total Comprehensive Income		93,881	302,345	(214,746)	122,738	(57,881)
Net Income Attributable to Shareholders of the Parent		69,514	87,256	31,431	2,648	11,852
Net Income Attributable to Non-controlling Interests		-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent		93,881	302,345	(214,746)	122,738	(57,881)
Comprehensive Income Attributable to Non-controlling Interests		-	-	-	-	-
Earnings per share		0.42	0.50	0.18	0.01	0.06

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

5. Name of CPAs and Audit Opinions for the Last Five Years

Year	Name of accounting firm	Name of CPAs	Opinions
2019	Deloitte Taiwan	Lin, Wang-Sheng, Chen, Ying-Chou	Unmodified opinion
2020	Deloitte Taiwan	Lin, Wang-Sheng, Chen, Ying-Chou	Unmodified opinion
2021	Deloitte Taiwan	Lin, Wang-Sheng, Li, Kuan-Hao	Unmodified opinion
2022	Deloitte Taiwan	Li, Kuan-Hao, Lin, Wang-Sheng	Unmodified opinion
2023	Deloitte Taiwan	Li, Kuan-Hao, Lin, Wang-Sheng	Unmodified opinion

II. Financial Analyses for the Past Five Fiscal Years:

1. Financial Analysis (Consolidated) - IFRS

Analysis Item		Financial Analyses for the Past Five Fiscal Years				
		2019	2020	2021	2022	2023
Financial structure	Debt ratio (%)	42.86	42.44	51.68	48.09	44.29
	Ratio of long-term capital to property, plant, and equipment (%)	239.11	252.70	155.99	178.58	202.25
Solvency	Current ratio (%)	208.34	207.05	117.54	178.66	185.87
	Quick ratio (%)	143.64	159.63	87.54	133.02	139.30
	Interest coverage ratio	6.29	7.51	3.47	1.62	574.89
Operating ability	Accounts receivable turnover rate (times)	1.86	1.84	2.11	1.78	1.54
	Average days for cash receipts	196	198	173	205	237.01
	Inventory turnover rate (times)	2.35	2.45	3.14	2.93	2.40
	Accounts payable turnover rate (times)	8.50	7.20	7.41	6.34	8.85
	Average days for sale of goods	156	149	116	124	152.08
	Property, plant, and equipment turnover rate (times)	1.31	1.29	1.24	0.91	0.72
	Total assets turnover rate (times)	0.42	0.38	0.41	0.35	0.28
Profitability	Return on assets (%)	2.95	3.14	1.45	0.69	0.77
	Return on equity (%)	4.40	4.71	1.87	0.15	0.24
	Ratio of income before tax to paid-in capital (%)	5.81	6.92	2.95	1.04	7.73
	Net profit margin (%)	5.94	7.04	2.39	0.22	0.46
	Earnings per share (NT\$)	0.42	0.50	0.18	0.01	0.06
Cash Flows	Cash flow ratio (%)	4.05	20.54	4.06	4.29	16.30
	Cash flow adequacy ratio (%)	88.81	63.59	62.78	62.65	92.10
	Cash reinvestment ratio (%)	0.66	5.12	0.66	0.80	3.27
Leverage	Operating leverage	3.25	4.26	6.35	(0.72)	(0.20)
	Financial leverage	1.59	1.96	4.97	0.75	0.85

Please explain the reasons for the changes in each financial ratio for the last two years. (If the change is less than 20%, the analysis is exempted)

1. Interest Coverage Ratio: The increase in the interest coverage ratio in 2023 was due to the subsidiary in Mainland China receiving compensation benefits for relocating its factory in compliance with policies, resulting in an increase in pre-tax net income.
2. Total Asset Turnover Ratio: The decrease in the total asset turnover ratio in 2023 was primarily attributable to a decrease in net sales compared to the previous year (2022).
3. Return on Equity (ROE): Similar to the interest coverage ratio, the increase in ROE in 2022 was driven by

- the increase in after-tax net income resulting from the subsidiary's receipt of compensation benefits.
4. Pre-tax Net Income to Paid-up Capital Ratio: The increase in this ratio in 2022 was a consequence of the increase in pre-tax net profit due to the factors mentioned earlier.
 5. Net Profit Margin and Earnings per Share (EPS): Despite a decrease in sales revenue due to industry destocking trends, the increase in after-tax net income resulting from the subsidiary's compensation benefits led to higher net profit margin and EPS.
 6. Cash Reinvestment Ratio: The increase in the cash reinvestment ratio was a result of an increase in net cash flow from operating activities.
 7. Operating leverage: Due to the impact of destocking in the current period, the utilization rate of the drilling subcontracting business is low, leading to gross losses and operating losses.

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

2. Financial Analysis (Parent Company Only) - IFRS

Analysis Item		Financial Analyses for the Past Five Fiscal Years				
		2019	2020	2021	2022	2023
Financial structure	Debt ratio (%)	36.91	38.32	47.48	42.76	38.57
	Ratio of long-term capital to property, plant, and equipment (%)	439.99	454.73	285.91	365.01	458.9
Solvency	Current ratio (%)	118.89	126.08	808.28	131.17	127.18
	Quick ratio (%)	90.86	104.66	794.24	101.26	90.41
	Interest coverage ratio	5.20	6.36	2.58	1.04	1.7
Operating ability	Accounts receivable turnover rate (times)	2.59	2.67	2.60	2.70	2.05
	Average days for cash receipts	140	137	141	135	178
	Inventory turnover rate (times)	2.53	2.92	3.27	3.49	2.27
	Accounts payable turnover rate (times)	9.64	10.21	9.23	10.57	7.29
	Average days for sale of goods	144	125	112	105	161
	Property, plant, and equipment turnover rate (times)	0.96	1.02	0.86	0.89	0.73
	Total assets turnover rate (times)	0.17	0.17	0.16	0.19	0.14
Profitability	Return on total assets (%)	3.12	3.37	1.37	0.62	0.97
	Return on equity (%)	4.18	4.69	1.58	0.13	0.58
	Ratio of income before tax to paid-in capital (%)	4.20	5.27	(1.85)	0.05	1.01
	Net profit margin (%)	15.46	16.76	5.48	0.38	2.43
	Earnings per share (NT\$)	0.42	0.50	0.18	0.01	0.06
Cash Flows	Cash flow ratio (%)	2.42	4.13	(7.05)	20.26	7.78
	Cash flow adequacy ratio (%)	93.60	80.85	21.94	41.20	43.42
	Cash reinvestment ratio (%)	0.98	2.04	(0.85)	8.01	2.76
Leverage	Operating leverage	4.49	9.08	(0.80)	(0.29)	0.26
	Financial leverage	(2.13)	(0.65)	0.63	0.69	0.69

Please explain the reasons for the changes in each financial ratio for the last two years. (If the change is less than 20%, the analysis is exempted)

1. Long-term Funds to Property, Plant, and Equipment Ratio: The decrease in this ratio in 2023 was due to a reduction in capital expenditure during the year.
2. Interest Coverage Ratio: The increase in the interest coverage ratio in 2023 was attributed to the

- increase in pre-tax net income during the year.
3. Accounts Receivable Turnover Ratio, Total Asset Turnover Ratio, Average Collection Period: The decrease in these ratios in 2023 was primarily due to a decrease in net sales compared to the previous year.
 4. Accounts Payable Turnover Ratio, Inventory Turnover Ratio, Average Sales Period: The decrease in these ratios in 2023 was a result of a decrease in cost of goods sold during the year.
 5. Asset Turnover, Return on Equity, Net Profit Margin, and Earnings per Share: The increase in these ratios in 2023 was due to the increase in after-tax net income compared to the previous year (2022).
 6. Pre-tax Net Income to Paid-up Capital Ratio: The increase in this ratio in 2023 was driven by the increase in pre-tax net income during the year.
 7. Cash Flow Ratio: The primary reason for the change in this ratio in 2023 was the decrease in current liabilities compared to the previous year.
 8. Cash Reinvestment Ratio: The decrease in this ratio in 2023 was mainly due to a reduction in operating capital compared to the previous year.
 9. Operating Leverage: The decrease in net sales in 2023 compared to the previous year led to a decrease in operating leverage.

Note: Information on the audited financial statements for the first quarter of 2024 is not available as of the date of printing of the annual report.

Note 1: The financial information for each year has been audited and certified by the CPAs.

Note 2: The following formula shall be shown at the end of this table in the annual report:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = $(\text{Total equity} + \text{Non-current liabilities}) / \text{Net value of property, plant, and equipment}$.
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = $(\text{Current assets} - \text{Inventories} - \text{Prepaid expenses}) / \text{Current liabilities}$.
 - (3) Interest coverage ratio = $\text{Income before tax and interest expenses} / \text{Interest expenses}$.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = $\text{Net sales} / \text{Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations)}$ for each period.
 - (2) Average days for cash receipts = $365 / \text{Accounts receivable turnover rate}$.
 - (3) Inventory turnover rate = $\text{Cost of goods sold} / \text{Average inventories}$.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = $\text{Cost of goods sold} / \text{Average balance of accounts payable (including accounts payable and notes payable generated from operations)}$ for each period.
 - (5) Average days for sale of goods = $365 / \text{Inventory turnover rate}$.
 - (6) Property, plant, and equipment turnover rate = $\text{Net sales} / \text{Average net property, plant, and equipment}$.
 - (7) Total assets turnover rate = $\text{Net sales} / \text{Average total assets}$.
4. Profitability
 - (1) Return on assets = $[\text{Income after tax} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$.
 - (2) Return on equity = $\text{Income after tax} / \text{Average total equity}$.
 - (3) Net profit margin = $\text{Income after tax} / \text{Net sales}$.
 - (4) Earnings per share = $(\text{Income attributable to owners of the parent} - \text{Preferred stock dividends}) / \text{Weighted average number of shares issued}$.
5. Cash Flows
 - (1) Cash flow ratio = $\text{Net cash flows generated from operating activities} / \text{Current liabilities}$.
 - (2) Cash flow adequacy ratio = $\text{Five-year sum of net cash flows generated from operating activities} / \text{Five-year sum of capital expenditure, inventory additions and cash dividends}$.
 - (3) Cash reinvestment ratio = $(\text{Net cash flows from operating} - \text{cash dividends}) / (\text{Gross amount of property, plant, and equipment} + \text{Long term investment} + \text{Other non-current assets} + \text{Working capital})$.
6. Leverage:
 - (1) Operating leverage = $(\text{Net operating revenue} - \text{Variable operating costs \& expenses}) / \text{Operating income}$.
 - (2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year:

Key Ware Electronics Co., Ltd.
Audit Committee's Review Report

The 2023 Financial Statements prepared and submitted by the Board of Directors have been audited by CPA Li, Kuan-Hao and CPA Lin, Wang-Sheng of Deloitte & Touche. The above statements and reports have been examined and reviewed by the Audit Committee, and no irregularities were found. According to the Article 219 of the Company Act, we hereby submit this report.

Sincerely,

2024 Annual Shareholders' Meeting

Key Ware Electronics Co., Ltd.

Convener of the Audit Committee: Lin, Tsung-Tan

March 8, 2024

IV. Financial Statements for the Most Recent Fiscal Year

Declaration of Consolidated Financial Statements of Affiliates

The entities that are required to be included in the combined financial statements of Key Ware Electronics Co., Ltd. for 2023 (January 1, 2023 to December 31, 2023), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Key Ware Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Name of Company: Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi

March 26, 2024

Independent Auditors' Report

To the Board of Directors of Key Ware Electronics Co., Ltd.:

Audit Opinion

Key Ware Electronics Co., Ltd. and its subsidiaries (hereinafter referred to as the "Key Ware Group") have audited the Consolidated Balance Sheets as of December 31, 2023, and 2022, as well as the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the annual periods from January 1 to December 31, 2023, and 2022.

In our opinion, the aforementioned Consolidated Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations, and clarifications thereof, recognized and issued by the Financial Supervisory Commission, and are sufficient to fairly present the financial position of Key Ware Group as of December 31, 2023, and 2022, and its financial performance and cash flows for the annual periods ended December 31, 2023, and 2022.

Basis for Audit Opinion

The auditors have conducted the audit in accordance with the Rules for Auditing the Verification Financial Statements by Auditors and Auditing Standards. The auditors' responsibilities under these standards will be further explained in the auditors' responsibility section of the auditors' report on the consolidated financial statements. Personnel of the auditors' firm subject to independence requirements have complied with the Code of Professional Ethics for Certified Public Accountants, maintained independence from Key Ware Group, and fulfilled other responsibilities required by the standards. The auditors believe that they have obtained sufficient and appropriate audit evidence to serve as the basis for expressing the audit opinion.

Key Audit Matters

Key audit key matters refer to those most material key matters for the audit on the Consolidated Financial Statements of the year 2023 of Key Ware Group, based on the professional judgment of the accountant. 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.

In our judgment, key audit matters for the Group's Consolidated Financial Statements for the year ended December 31, 2023 are stated as follows:

Truthfulness of Sales Revenue

The proportion of sales revenue from drill bit sales for Key Ware Group is 56%. The auditor believes that industry competition and management may face pressure to achieve expected business targets. Therefore, the auditor has identified the verification of the occurrence of sales revenue from the aforementioned sales item as a key audit matter for the year 2023. Please refer to Note 4 of the consolidated financial statements for the revenue recognition accounting policy.

The auditor performed the following key audit procedures related to revenue recognition:

1. Understanding the design of internal controls related to revenue recognition and testing their effectiveness.
2. Obtaining detailed sales revenue data, reviewing relevant shipping documentation and payment receipts, and verifying whether the sales and collection parties are consistent to confirm the authenticity of sales transactions.

Other Matters

We have also audited the Parent Company Only Financial Statements of Key Ware Electronics Co., Ltd. for the years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

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

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, the management is responsible for assessing Key Ware Group's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Key Ware Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Key Ware Group's financial reporting process.

Auditors' 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 misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 financial statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit 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 controls 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 controls of Key Ware Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 Key Ware Group's ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Key Ware Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Consolidated Financial Statements of Key Ware Group.

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 the key audit matters of Key Ware Group's Consolidated Financial Statements for the year ended December 31, 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
CPA, Li, Kuan-Hao

CPA, Lin, Wang-Sheng

Financial Supervisory Commission Approval
Document No.:
FSC Approval Document No. 1100372936

Financial Supervisory Commission Approval
Document No.:
FSC Approval Document No. 1060023872

March 26, 2024

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2023 and 2022

Unit: NT\$ thousand

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 137,913	4	\$ 198,745	5
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	110,266	3	75,516	2
1120	Financial assets at fair value through other comprehensive income - current (Notes IV, VIII and XXVIII)	282,220	8	354,046	9
1150	Notes receivable (Notes IV and IX)	61,616	2	158,669	4
1170	Accounts receivable (Notes IV and IX)	496,455	14	671,632	16
1180	Accounts receivable - related parties (Notes IV and XXVII)	72	-	65	-
1200	Other receivables (Notes IV and IX)	188,387	5	100,684	2
130X	Inventories (Notes IV and X)	447,605	12	477,875	12
1421	Prepayments for goods	12,675	-	14,469	-
1460	Non-current Assets Held for Sale (See Notes IV and XI)	49,227	1	-	-
1470	Other current assets	50,355	1	40,377	1
11XX	Total current assets	<u>1,836,791</u>	<u>50</u>	<u>2,092,078</u>	<u>51</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - current (Notes IV and VIII)	40,409	1	52,765	1
1550	Investments accounted for using the equity method (Notes IV and XIII)	13,138	1	20,658	1
1600	Property, plant, and equipment (Notes IV, XIII and XXVIII)	1,321,591	36	1,636,419	40
1755	Right-of-use assets (Notes IV, XIV and XXVIII)	81,176	2	108,434	3
1805	Goodwill (Notes IV)	7,155	-	7,277	-
1821	Other intangible assets (Notes IV and XVI)	18,211	1	21,573	1
1840	Deferred tax assets (Notes IV and XXIII)	82,093	2	90,949	2
1920	Refundable deposits	3,355	-	3,377	-
1915	Prepayment - non-current (Note XIII)	10,679	-	10,097	-
1930	Other Receivables - Non-current (Note IX and XIV)	242,746	7	43,189	1
1990	Other non-current assets	3,740	-	6,412	-
15XX	Total non-current assets	<u>1,824,293</u>	<u>50</u>	<u>2,001,150</u>	<u>49</u>
1XXX	Total assets	<u>\$ 3,661,084</u>	<u>100</u>	<u>\$ 4,093,228</u>	<u>100</u>
	Liabilities and Equity				
	Current Liabilities				
2100	Short-term loans (Note XVI)	\$ 552,950	15	\$ 724,855	18
2110	Accounts Payable - Short-term Notes (Note XVII)	24,979	1	44,965	1
2120	Financial Liabilities Measured at Fair Value through Profit or Loss - Current (Notes IV, VII, and XVIII)	-	-	4,380	-
2150	Notes Payable and Accounts Payable	116,242	3	134,251	3
2180	Accounts Payable - Related Parties (Note XXVIII)	22,721	1	28,507	1
2219	Other Payables (Note XIX)	103,598	3	88,965	2
2220	Other Payables - Related Parties (Note XXVIII)	165	-	171	-
2230	Current Income Tax Liabilities (Note IV)	68,421	2	91,224	2
2280	Lease Liabilities - Current (Notes IV, XV, and XXVIII)	18,292	-	19,896	1
2190	Current Portion of Long-term Corporate Bonds (Notes IV and XVIII)	56,759	2	-	-
2320	Short-term Borrowings Due within One Year (Notes XVII and XXIX)	16,274	-	25,460	1
2399	Other current liabilities	7,795	-	8,309	-
21XX	Total current liabilities	<u>988,196</u>	<u>27</u>	<u>1,170,983</u>	<u>29</u>
	Non-current liabilities				
2530	Corporate Bonds Payable (Notes IV and XVIII)	-	-	193,912	5
2540	Long-term Loans (Notes XVII and XXIX)	463,787	13	528,680	13
2570	Deferred Income Tax Liabilities (Notes IV and XXIII)	121,656	3	42,226	1
2580	Lease Liabilities - Non-current (Notes IV, XV, and XXVIII)	30,061	1	20,239	-
2670	Other Non-current Liabilities (Notes IV and XX)	17,853	-	12,210	-
25XX	Total non-current liabilities	<u>633,357</u>	<u>17</u>	<u>797,267</u>	<u>19</u>
2XXX	Total liabilities	<u>1,621,553</u>	<u>44</u>	<u>1,968,250</u>	<u>48</u>
	Equity attributable to owners of the parent				
3100	Share capital	1,923,135	53	1,899,283	46
3200	Capital surplus	80,479	2	80,139	2
3300	Retained earnings	185,255	5	224,607	6
3400	Other equity	(166,966)	(5)	(107,592)	(3)
31XX	Total equity attributable to owners of the Company	<u>2,021,903</u>	<u>55</u>	<u>2,096,437</u>	<u>51</u>
36XX	Non-controlling Interests	17,628	1	28,541	1
3XXX	Total equity	<u>2,039,531</u>	<u>56</u>	<u>2,124,978</u>	<u>52</u>
	Total liabilities and equity	<u>\$ 3,661,084</u>	<u>100</u>	<u>\$ 4,093,228</u>	<u>100</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:
Chow, Pong-ChiPresident:
Chu, Tsung-WeiAccounting Manager:
Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousands, except for
Earnings per share (in Dollars)

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating Revenue (Notes IV and XXVIII)	\$ 1,068,270	100	\$ 1,453,993	100
5000	Operating Costs (Notes IV, X, XX, XXII, and XXVIII)	<u>1,108,390</u>	<u>104</u>	<u>1,402,438</u>	<u>97</u>
5900	Gross Profit (Loss) from Operations	(<u>40,120</u>)	(<u>4</u>)	<u>51,555</u>	<u>3</u>
	Operating Expenses (Notes IV, IX, XX, and XXII)				
6100	Selling and Marketing Expenses	67,219	6	74,646	5
6200	Administrative Expenses	67,270	6	65,531	5
6300	Research Expenses	3,456	-	2,287	-
6450	Expected Credit Impairment Loss	<u>5,978</u>	<u>1</u>	<u>3,807</u>	<u>-</u>
6000	Total Operating Expenses	<u>143,923</u>	<u>13</u>	<u>146,271</u>	<u>10</u>
6900	Operating Loss	(<u>184,043</u>)	(<u>17</u>)	(<u>94,716</u>)	(<u>7</u>)
	Non-operating Income and Expenses (Notes IV, XIII, XIV, XXII, and XXVIII)				
7100	Interest Income	21,535	2	2,379	-
7010	Other Income	1,766	-	2,378	-
7020	Other Gains and Losses	383,385	36	143,541	10
7050	Financial Costs	(31,296)	(3)	(31,833)	(2)
7040	Expected Credit Impairment Loss	(65,879)	(6)	(3,159)	-
7060	Share of Profit or Loss of Associates Accounted for Using Equity Method	<u>23,153</u>	<u>2</u>	<u>1,103</u>	<u>-</u>
7000	Total Non-operating Income and Expenses	<u>332,664</u>	<u>31</u>	<u>114,409</u>	<u>8</u>
7900	Profit Before Tax	148,621	14	19,693	1
7950	Income Tax Expenses (Notes IV and XXIII)	<u>143,682</u>	<u>14</u>	<u>16,527</u>	<u>1</u>

8200	Net Profit for the Year	<u>4,939</u>	<u>-</u>	<u>3,166</u>	<u>-</u>
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Code		2023		2022	
		amount	%	amount	%
	Other Comprehensive Income				
8310	Items not to be reclassified to profit or loss				
8311	Remeasurement of Defined Benefit Plans (Notes IV and XX)	(\$ 3,160)	-	(\$ 2,824)	-
8316	Unrealized Gains and Losses on Equity Instruments Measured at Fair Value through Other Comprehensive Income (Notes IV and XXI)	(42,889)	(4)	103,510	7
8349	Income Tax related to items not to be reclassified (Notes IV and XXIII)	632	-	565	-
8360	Items that may be subsequently reclassified to profit or loss				
8361	Exchange Differences on Translation of Financial Statements of Foreign Operations (Notes IV and XXI)	(30,395)	(3)	23,549	1
8399	Income Tax related to items that may be subsequently reclassified (Notes IV, XXI, and XXIII)	6,079	1	(4,710)	-
8300	Other Comprehensive Income for the Year	(69,733)	(6)	120,090	8
8500	Total Comprehensive Income for the Year	(\$ 64,794)	(6)	\$ 123,256	8
	Net Profit Attributable to:				
8610	Equity Owners of the Company	\$ 11,852	1	\$ 2,648	-
8620	Non-controlling Interests	(6,913)	(1)	518	-
8600		\$ 4,939	-	\$ 3,166	-
	Total Comprehensive Income Attributable to:				
8710	Equity Owners of the Company	(\$ 57,881)	(5)	\$ 122,738	8
8720	Non-controlling Interests	(6,913)	(1)	518	-
8700		(\$ 64,794)	(6)	\$ 123,256	8

	Earnings Per Share (Note XXIV)		
9750	Basic	<u>\$ 0.06</u>	<u>\$ 0.01</u>
9850	Diluted	<u>\$ 0.06</u>	<u>\$ 0.01</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:
Chow, Pong-Chi

President:
Chu, Tsung-Wei

Accounting Manager:
Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

Unit: NTS thousand

		Equity attributable to owners of the parent (Note IV, VIII and XIX)						Other equity				
Code		Capital stock - common shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	Total	Non-controlling Interests	Total Equity
A1	Balance as of January 1, 2022	\$ 1,899,133	\$ 176	\$ 79,217	\$ 20,835	\$ 158,644	\$ 37,679	(\$ 109,332)	(\$ 113,549)	\$ 1,972,803	\$ 36,897	\$ 2,009,700
D1	Net income in 2022	-	-	-	-	-	2,648	-	-	2,648	518	3,166
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	(2,259)	18,839	103,510	120,090	-	120,090
D5	Total comprehensive income in 2022	-	-	-	-	-	389	18,839	103,510	122,738	518	123,256
	Appropriation and Distribution of Profits for the Year 2011											
B1	Legal reserve	-	-	-	3,538	-	(3,538)	-	-	-	-	-
B3	Reversal of special reserve	-	-	-	-	34,141	(34,141)	-	-	-	-	-
N1	Share-based Payments - Exercise of Employee Stock Options (Note XXV)	150	(176)	26	-	-	-	-	-	-	-	-
N1	Share-based Payments - Employee Stock Option Compensation Cost (Note XXV)	-	-	896	-	-	-	-	-	896	-	896
O1	Disposal of Equity Instruments Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	7,060	-	(7,060)	-	-	-
O1	Cash Dividends to Shareholders of Subsidiaries	-	-	-	-	-	-	-	-	-	(8,874)	(8,874)
Z1	Balance as of December 31, 2022	1,899,283	-	80,139	24,373	192,785	7,449	(90,493)	(17,099)	2,096,437	28,541	2,124,978
D1	Net Profit for the Year 2023	-	-	-	-	-	11,852	-	-	11,852	(6,913)	4,939
D3	Other Comprehensive Income After Tax for the Year 2023	-	-	-	-	-	(2,528)	(24,316)	(42,889)	(69,733)	-	(69,733)
D5	Total Comprehensive Income for the Year 2023	-	-	-	-	-	9,324	(24,316)	(42,889)	(57,881)	(6,913)	(64,794)
	Appropriation and Distribution of Profits for the Year 2022											
B1	Transfer to Legal Reserve	-	-	-	745	-	(745)	-	-	-	-	-
B3	Reverse of Special Reserve	-	-	-	-	(34,141)	34,141	-	-	-	-	-
B5	Cash Dividends for Common Shares	-	-	-	-	-	(18,993)	-	-	(18,993)	-	(18,993)
B9	Stock Dividends for Common Shares	21,852	-	-	-	-	(21,852)	-	-	-	-	-
N1	Share-based Payments - Exercise of Employee Stock Options (Note XXV)	2,000	-	340	-	-	-	-	-	2,340	-	2,340
O1	Disposal of Equity Instruments Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	(7,831)	-	7,831	-	-	-
O1	Cash Dividends to Shareholders of Subsidiaries	-	-	-	-	-	-	-	-	-	(4,000)	(4,000)
Z1	Balance as of December 31, 2023	\$ 1,923,135	\$ -	\$ 80,479	\$ 25,118	\$ 158,644	\$ 1,493	(\$ 114,809)	(\$ 52,157)	\$ 2,021,903	\$ 17,628	\$ 2,039,531

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi

President: Chu, Tsung-Wei

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Net income before tax	\$ 148,621	\$ 19,693
A20010	Adjustments to reconcile income (loss):		
A20100	Depreciation expenses	147,643	168,621
A20200	Amortization expenses	6,858	5,219
A20300	Expected credit losses (gains)	71,857	6,966
A20400	Valuation loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(5,904)	20,202
A20900	Finance costs	31,296	31,833
A21200	Interest income	(21,535)	(2,379)
A21300	Dividend income	(1,342)	(2,256)
A21900	Share-based compensation cost	-	896
A22500	Gains on property, plant, and equipment	12,960	(53,674)
A22600	Impairment Loss on Property, Plant, and Equipment	86,423	-
A22800	Impairment Loss on Non-current Assets Held for Sale	44,333	-
A22900	Benefits from Land Use Rights Acquisition	(514,185)	-
A22300	Share of Profit or Loss of Associates Accounted for Using Equity Method	(23,153)	(1,103)
A23700	Inventory Write-down and Obsolescence Loss	39,218	3,673
A24100	Unrealized Foreign Exchange Loss	2,134	5,301
A24200	Loss on Redemption of Convertible Bonds	431	-
A30000	Net Change in Operating Assets and Liabilities		
A31130	Notes Receivable	96,268	(48,892)
A31150	Accounts Receivable	157,399	33,416
A31160	Accounts Receivable - Related Parties	(7)	42
A31180	Other Receivables	2,569	(49,079)
A31200	Inventory	(363)	(28,828)
A31230	repayments	1,794	(6,567)
A31240	Other Current Assets	(22,267)	25,320
A32130	Notes Payable and Accounts Payable	(16,971)	(31,019)
A32160	Accounts Payable - Related Parties	(5,786)	(29,532)
A32180	Other Payables	17,229	9,033
A32190	Other Payables - Related Parties	(6)	36
A32230	Other Current Liabilities	(514)	349

A32240	Other Non-current Liabilities	<u>2,483</u>	<u>1,504</u>
A33000	Cash Generated from Operations	257,483	78,775

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Code		2023	2022
A33300	Interest Paid	(\$ 31,447)	(\$ 22,828)
A33100	Interest Received	2,460	2,379
A33200	Dividends Received	1,342	2,256
A33500	Income Tax Paid	(68,793)	(10,375)
AAAA	Net Cash Inflow from Operating Activities	<u>161,045</u>	<u>50,207</u>
	Cash Flow from Investing Activities		
B00010	Acquisition of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	(15,179)
B00020	Disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income	41,293	91,793
B00100	Acquisition of Financial Assets Measured at Fair Value through Profit or Loss	(317,665)	(369,197)
B00200	Disposal of Financial Assets Measured at Fair Value through Profit or Loss	286,277	330,624
B01800	Dividends Received from Associates	12,193	988
B02000	Increase (Decrease) in Prepayments	(6,234)	8,508
B02400	Return of Capital from Invested Companies Using Equity Method	18,480	-
B02700	Purchase of Property, Plant, and Equipment	(13,949)	(44,227)
B02800	Proceeds from Disposal of Property, Plant, and Equipment	4,193	101,946
B05350	Decrease in Receivable Compensation	206,410	-
B07100	Decrease in Payable Equipment Amount	-	(262,188)
B03700	Increase in Deposits Paid	(2)	(501)
B03800	Decrease in Deposits Paid	19	2,318
B06700	Increase in Other Non-current Assets	(824)	(45,054)
BBBB	Net Cash Inflow (Outflow) from Investing Activities	<u>230,191</u>	<u>(200,169)</u>
	Cash Flow from Financing Activities		
C00100	Short-term Borrowings (Decrease) Increase	(166,012)	30,092
C00500	Notes Payable (Decrease) Increase	(19,986)	9,974
C01300	Redemption of Convertible Bonds	(143,414)	-
C01600	Long-term Borrowings Obtained	-	454,406
C01700	Repayment of Long-term Borrowings	(74,079)	(394,007)
C04020	Principal Repayments on Leases	(23,687)	(27,548)
C04500	Payment of Cash Dividends	(18,993)	-
C04800	Exercise of Employee Stock Options	2,340	-
C05800	Payment of Cash Dividends to Non-controlling Interests	(4,000)	(8,874)
CCCC	Net Cash Flow from Financing Activities (Outflow) Inflow	<u>(447,831)</u>	<u>64,043</u>

DDDD	Effect of Exchange Rate Changes on Cash and Cash Equivalents	(<u>4,237</u>)	<u>5,417</u>
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<u>Code</u>		<u>2023</u>	<u>2022</u>
EEEE	Decrease in Cash and Cash Equivalents for the Year	(\$ 60,832)	(\$ 80,502)
E00100	Cash and Bank Balances at the Beginning of the Year	<u>198,745</u>	<u>279,247</u>
E00200	Cash and Bank Balances at the End of the Year	<u>\$ 137,913</u>	<u>\$ 198,745</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:
Chow, Pong-Chi

President:
Chu, Tsung-Wei

Accounting Manager:
Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
From January 1 to December 31, 2023 and 2022
(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

Key Ware Electronics Co., Ltd. (the “Company” was incorporated on February 27, 1997, and is mainly engaged in the design, manufacture and processing of printed circuit board materials such as electroplating solution, dry film, drill bits and copper foil substrates.

The common stock issued by the Company has been listed and traded on the Taipei Exchange since March 29, 2001.

The Consolidated Financial Statements are presented in the New Taiwan dollar, the Company's functional currency.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Consolidated Financial Statements have been approved by the Board of Directors on March 8, 2024.

III. Application of New and Amended Standards and Interpretations

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

The application of the latest Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC should not result in major changes in the accounting policies of the Group.

- (II) FSC-endorsed IFRSs that are applicable from 2024 onward

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date of Issuance by the IASB (Note 1)</u>
Amendment to IFRS 16 "Lease Liabilities in Sale and Leaseback Transactions"	January 1, 2024 (Note 2)
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendment to IAS 1 "Non-current Liabilities with Contractual Terms"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the aforementioned newly issued/amended/ revised standards or interpretations shall be effective for annual reporting periods beginning on or after the respective dates.

Note 2: Sellers acting as lessees shall retrospectively apply the amendments to IFRS 16 for sale and leaseback transactions entered into after the initial application of IFRS 16.

Note 3: Partial disclosure exemptions apply upon initial application of this amendment.

As of the date of issuance of this consolidated financial report, the consolidated company continues to assess that the amendments to the above standards and interpretations will not have a significant impact on the financial position and performance.

(III) Standards issued by the IASB but not yet endorsed and issued into effect by the FSC

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

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: Applicable for annual reporting periods beginning on or after January 1, 2025. Upon initial application of this amendment, the impact on amounts recognized in retained earnings at the date of initial application will be affected. When the consolidated company expresses its functional currency in a non-functional currency, the impact will adjust the translation differences of foreign operations under equity at the date of initial application.

As of the date of authorization of the Consolidated Financial Statements, the Group has continued to assess the effects of amendments to other standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

IV. Summary of Significant Accounting Policies

(I) Compliance declaration

The Consolidated Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC.

(II) Preparation basis

Except for financial instruments measured at fair value and the net defined benefit liability recognized by deducting the fair value of plan assets from the present value of the defined benefit obligation, this consolidated financial report is prepared on a historical cost basis.

The fair value measurement is classified into three levels based on the observability and importance of related input:

1. Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. deduced from).
3. Level 3: Inputs are unobservable inputs for the asset or liability.

(III) Standards for assets and liabilities classified as current and non-current

Current assets include:

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

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities expected to be settled when due within 12 months after the balance sheet date (even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue); and

3. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the publication of the balance sheet. 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 assets or liabilities that are not specified above are classified as non-current.

(IV) Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and entities controlled by the Company (i.e., subsidiaries). The Consolidated Statements of Comprehensive Income include the operating income/loss of the acquired or disposed subsidiaries from the date of acquisition to the date of disposal in the current period. The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the Group. All intergroup transactions, balances, income and expenses are eliminated in full upon consolidation. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

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

Please refer to Notes XI (Tables 5 and 6) for details, shareholding ratio, and business activities of subsidiaries.

(V) Foreign currencies

In the preparation of each individual financial statements, transactions denominated in a currency other than the entity's functional currency (i.e., foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations including subsidiaries, associates, joint ventures or branches that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income (and are attributable to owners of the Company and non-controlling interests respectively).

On the disposal of entire interests in foreign operators, or on the disposal of partial interests in subsidiary of foreign operation with loss of control, or when the retained interests upon the disposal of foreign operation's joint agreement or associate are financial assets and accounted for under the accounting policy for using the accounting policies for financial instruments, all of the accumulated exchange differences and associated with the foreign operation are reclassified to profit or loss.

When partial disposal of subsidiary of foreign operations does not result in loss of control, the accumulated exchange differences are reattributed to the non-controlling interest of the subsidiary on a pro rata basis and are not recognized in profit or loss. In the case of any other partial disposal of foreign operations, the accumulated exchange differences are reclassified to profit or loss in proportion to the disposal.

(VI) Inventories

Inventories comprise raw materials, materials, finished goods and work in process. Inventories are measured at the lower of cost and net realizable value. The comparison between costs and net realizable values is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventory costs are calculated using the weighted average method.

(VII) Investments in associates

An associate is an entity over which the Group has significant influence other than a subsidiary or a joint venture.

The Group accounts for investments in associates by using the equity method.

Under the equity method, investments are initially treated at cost and adjusted thereafter for the post-acquisition change in the Group's interest in profit or loss, share in other comprehensive income, and profits of associates. In addition, changes in the Group's equity in associates are recognized on a pro rata basis.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, and liabilities of associates recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When associates issue new shares and the Group does not subscribe to such shares to the extent that its original shareholding ratio can be changed, the difference is recorded as an adjustment to capital surplus - changes in the net value of shares in associates and joint ventures accounted for using the equity method and other investments accounted for using the equity method. If the amount of ownership interests in associates is not subscribed for or obtained in proportion to the shareholding ratio, the amount of the related assets or liabilities shall be recognized in other comprehensive income. The basis of the accounting treatment is the same as that of the associates. The difference in the balance of the capital reserve accounted for using the equity method shall be recognized in retained earnings.

The recognition of further losses ceases when the Group's share of losses in associates equals or exceeds its interest in the associates (including the carrying amount of its investment in the associates under the equity method and other long-term interests that are in substance a component of the Group's net investment in the associates). The Group recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments on behalf of associates have been incurred.

To assess impairment, the Group has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts. The cost of impairment identified is to be deemed as part of the

carrying amount of the investment. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Group shall cease the use of equity method from the date when its investment is no longer a joint venture. Its retained interest in the associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment and the carrying amount of the investment at the date of acquisition of the equity method is included in profit or loss for the current period. In addition, the Group shall account for all the amounts recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to use the equity method without remeasuring the retained interest.

Profits and losses in upstream, downstream and side-stream transactions between the Group and associates are recognized in the financial statements only when the profits and losses are irrelevant to the Group's interests in the associates.

(VIII) Property, plant, and equipment

Property, plant, and equipment shall be recognized at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses.

In addition to land owned by the Company, which is not depreciated, each significant part of property, plant, and equipment is separately depreciated over its useful life on a straight-line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(IX) Goodwill

The value of goodwill received through business combinations has to be shown as the amount of goodwill recognized on the acquisition date and subsequently evaluated as cost less accumulated impairment loss.

To evaluate impairment, goodwill is distributed among various cash-generating units or cash-generating unit groups ("cash-generating units") which the Group expects to benefit by business combinations.

The cash-generating units that are allocated goodwill will compare the unit's carrying amount and its recoverable amount including goodwill every year (and whenever there are signs of impairment) to evaluate the impairment of the unit. If the goodwill is obtained by the cash-generating units through a business combination in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Impairment loss is considered as loss in the current year. The impairment loss of goodwill shall not be reversed in subsequent periods.

Upon disposal of an operation within an amortized goodwill cash-generating unit, the amount of goodwill associated with the disposed operation is included in the carrying amount of the operation to determine the gain or loss on disposal.

(X) Intangible assets

Acquisition through business combinations

Intangible assets acquired in a business combination are recognized at fair value on the acquisition date and are recognized separately from goodwill. Subsequent measurement is based on cost less accumulated amortization and accumulated impairment losses.

(XI) Impairment of property, plant and equipment, right-of-use asset, intangible assets (other than goodwill) and assets related to contract costs

On each balance sheet date, the Group reviews the carrying amounts of its property, plant, and equipment as well as right-of-use assets, and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

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

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(XII) Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is expected to be recovered primarily through a sale transaction rather than through continuing use. Assets classified as held for sale must be available for immediate sale in their present condition, and the sale must be highly probable. When appropriate levels of management commit to a plan to sell the asset, and the sale is expected to be completed within one year from the date of classification, it will be deemed highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and depreciation is ceased for such assets.

(XIII) Financial instruments

Financial assets and liabilities will be recognized in the consolidated balance sheets when the Group becomes a party to the contract of the financial instrument.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Types of measurement

Financial assets held by the Group are classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated to be measured at fair value through other comprehensive income, and debt instrument investments.

Financial assets at fair value through profit or loss are measured at fair value. Dividends and interest generated are recognized in other income, and gains or losses arising from remeasurement are recognized in other gains and losses. Please refer to Note XXVI for the methods for determining fair values.

B. Financial assets at amortized cost

When the Group's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

After initial recognition, financial assets (including cash and bank deposits, notes receivable measured at amortized cost, accounts receivable, accounts receivable - related parties and other receivables) measured at amortized cost are measured at amortized cost, which

equals to gross carrying amount determined by the effective rate method less any impairment loss.

Except for the following two circumstances, interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- b. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Credit-impaired financial assets are those for which the issuer or the debtor has experienced significant financial difficulty, default, a substantial likelihood that the debtor will declare bankruptcy or other financial reorganization, or the disappearance of an active market for the financial assets due to financial difficulties.

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

The Group may, at initial recognition, make an irrevocable decision to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business combination to be measured at fair value through other comprehensive income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

Dividends of investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive payment is confirmed unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The impairment loss of financial assets (Including notes receivable, accounts receivable and other receivables) at amortized cost is measured by the Group on the balance sheet date based on the expected credit losses. Allowances shall be appropriated for notes and accounts receivable for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the expected credit losses during the lifetime represent the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

For the purpose of internal credit risk management, under the premise that the collateral held is not under consideration, the Group determines that there is internal or external information indicating that the debtor cannot settle the debt, which represents that the financial assets have breached the contract.

The impairment loss of all financial assets is reduced based on the allowance account.

(3) Derecognition of financial assets

The Group derecognizes the financial assets when the contractual rights to the cash flow from the said financial assets expire or when the Group transfers almost all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. Through the full derecognition of the investments in equity instruments at fair value

through other comprehensive income, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

4. Convertible bonds

The compound financial instruments (convertible bonds) issued by the Group are classified as financial liabilities and equity in accordance with the substance of the contractual agreements and the definitions of financial liabilities and equity instruments, respectively, at the time of initial recognition.

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

The conversion right classified as equity is equal to the remaining amount of the fair value of the compound instrument as a whole less the fair value of the

separately determined liability component, which is recognized in equity net of the income tax effect and is not subsequently measured. When the conversion right is exercised, the related liability component and the amount in equity will be transferred to equity and capital surplus - issue premium. If the conversion rights of convertible bonds are not exercised on the maturity date, the amount recognized in equity will be transferred to capital surplus - issue premium.

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

(XIV) Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

1. Sales revenue of commodities

Sales revenue of commodities comes from the sales of drill bits and copper foil substrates. The Group recognizes revenue and accounts receivable when the customer has the right to fix the price and use the goods and has the primary responsibility for re-selling the goods, and bears the risk of obsolescence.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2. Service revenue

Service revenue is derived from services such as needle electrical testing, mechanical drilling and laser drilling operations.

With the electrical testing of drilling needles, mechanical drilling and laser drilling provided by the Group, customers can obtain and consume performance benefits at the same time, and the related revenue is recognized when the services are provided.

(XV) Leases

The Group assesses whether the contract is (or includes) a lease on the date of its establishment.

1. Where the Group is a lessor:

A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight line basis over the lease term.

2. Where the Group is a lessee:

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. The right-of-use assets are separately expressed in the consolidated balance sheets.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of the lease payments (including the present value of fixed payments). If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used.

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. If the assessments on lease terms, amounts expected to be paid under residual value guarantees or changes in the index or rate which determines the lease payments result in changes in future lease payments, the Group would remeasure the lease liabilities with a corresponding adjustment on the right-of-use assets. However, if the carrying amount of right-of-use assets has

been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately in the consolidated balance sheets.

(XVI) Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to revenues are recognized in other income on a systematic basis over the period in which the related costs for which they are intended to compensate are recognized as expenses by the Group.

(XVII) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current periods) and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses. The remeasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It shall not be reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (residual) of the contribution made according to the defined benefit pension plan. Net defined benefit assets shall not exceed the present value of refunds of contributions from the plan or reductions in future contributions.

(XVIII) Share-based payment arrangements

Shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Group's best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus-employee stock options. If the acquisition is made immediately on the date of grant, the full cost is recognized on the date of grant. The Group reserves the right to retain employee subscriptions for cash capital increases by recognizing the date of granting the employee subscriptions.

The Group revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(XIX) Share-based payment arrangements

Shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Group's best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus-employee stock options. If the acquisition is made immediately on the date of grant, the full cost is recognized on the date of grant. The Group reserves the right to retain employee subscriptions for cash capital increases by recognizing the date of granting the employee subscriptions.

The Group revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(XX) Income Tax

Income tax expenses are the sum of the tax in the current period and deferred income tax.

1. Current income tax

The Group determines the income (loss) of the current period in accordance with the laws and regulations in each income tax declaration jurisdiction, and calculates the income tax payable (recoverable) accordingly.

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act of the Republic of China and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to prior year income taxes are shown in the taxes of the current period.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income. Deferred income tax assets and liabilities are not recognized for temporary differences arising from the initial recognition of assets and liabilities that are not part of a business combination that affects neither taxable income nor accounting profit at the time of recognition. In addition, deferred income tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when there are likely taxable income for the deducting temporary differences, loss carryforwards or income tax credits available for expenditures on machinery and equipment, research and development and personnel training.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, affiliates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For deductible temporary differences associated with such investment, when it is probable that sufficient taxable income will be available to realize such temporary difference, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Deferred income tax assets that were not initially recognized as such are reviewed at each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance

sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets 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.

3. Current and deferred income taxes for the year

Current income tax and deferred income tax are recognized in profit or loss or directly recognized in equity except for those related to items recognized in other comprehensive income that shall be recognized in other comprehensive income or directly recognized in equity.

If the current income tax or deferred income tax arises from a business combination, the income tax effect is included in the accounting for the business combination.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the Group adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from these estimates.

The management shall continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period of amendment. If an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

VI. Cash and bank deposits

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 831	\$ 1,165
Checks and demand deposits in banks	<u>137,082</u>	<u>197,580</u>
	<u>\$ 137,913</u>	<u>\$ 198,745</u>

The interest rate interval of bank deposits as of the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.00% ~ 1.45%	0.00% ~ 1.05%

VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Mandatorily measured at fair value through profit or loss</u>		
Domestic listed and emerging stocks	\$ 33,049	\$ 12,308
Foreign listed stocks	10,022	41,160
Renminbi financial products	<u>67,195</u>	<u>22,048</u>
	<u>\$ 110,266</u>	<u>\$ 75,516</u>
<u>Financial liabilities - Current</u>		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities held for trading</u>		
Repurchase option (Note XV)	<u>\$ _____</u>	<u>\$ 4,380-</u>

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic OTC stocks	<u>\$ 282,220</u>	<u>\$ 354,046</u>
<u>Non-current</u>		
Domestic unlisted (OTC) stocks	\$ 19,469	\$ 27,325
Foreign unlisted (OTC) stocks	<u>20,940</u>	<u>25,440</u>
	<u>\$ 40,409</u>	<u>\$ 52,765</u>

The consolidated company invests in equity instruments for medium to long-term strategic purposes, expecting to profit from these investments over the long term. The management of the consolidated company believes that recognizing short-term fair value fluctuations of these investments in profit or loss would not align with the aforementioned long-term investment strategy. Therefore, the company elects to designate these investments as measured at fair value through other comprehensive income.

In the years 2023 and 2022, the consolidated company adjusted its investment positions to diversify risks, selling a portion of its equity instrument investments for fair values of 33,293 thousand and 91,793 thousand respectively. The unrealized gains and losses related to other equity instruments measured at fair value through other comprehensive income amounted to a loss of 7,831 thousand and a gain of 7,060 thousand respectively, which were transferred to retained earnings.

For information on the pledging of equity instrument investments measured at fair value through other comprehensive income, refer to Note 29.

IX. Notes Receivables, Accounts Receivables, and Other Receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Due to operation	\$ 62,863	\$ 159,807
Less: Loss allowances	<u>(1,247)</u>	<u>(1,138)</u>
	<u>\$ 61,616</u>	<u>\$ 158,669</u>
<u>Accounts receivable</u>		
Due to operation	\$ 507,167	\$677,459
Less: Loss allowances	<u>(10,712)</u>	<u>(5,827)</u>
	<u>\$ 496,455</u>	<u>\$ 671,632</u>

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	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Other receivables</u>		
Receivables from land expropriation (see Note 14)	\$ 195,601	\$ 72,470
Receivables from disposal of equipment (see Note 14)	18,113	18,818
Deferred sales tax	-	1,377
Receivables from disposal of investments	12,559	7,569
Others	1,794	3,600
Less: Allowance for losses	(<u>39,680</u>)	(<u>3,150</u>)
	<u>\$ 188,387</u>	<u>\$ 100,684</u>
<u>Other receivables - Non-current</u>		
Receivables from land expropriation (see Note 14)	\$ 238,599	\$ -
Receivables from disposal of equipment (see Note 14)	32,264	43,189
Deduct: Allowance for losses	(<u>28,117</u>)	-
	<u>\$ 242,746</u>	<u>\$ 43,189</u>

(I) Notes and Accounts Receivable

To minimize credit risk, the management of the Group has delegated operational personnel to follow up on amounts past due to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the Group's management concludes that the credit risk has been significantly reduced.

The Group's credit period for commodity sales averages 120~180 days, and no interest was charged on accounts receivable.

The Group adopts the simplified approach as stipulated in IFRS 9 and recognizes loss allowances for accounts receivables based on the lifetime expected credit losses. The expected credit losses for the remaining period are calculated using a provision matrix, which takes into account the historical average recovery rates of various age groups of customers and the customers' past default records and current financial position. An allowance for loss is recognized as a percentage of the probable loss rate.

The Group writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of

recovery of the receivables. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, they are recognized in profit or loss.

Loss allowances for notes and accounts receivable based on the provision matrix are as follows:

December 31, 2023

	<u>0 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 360 Days</u>	<u>over 360 Days</u>	<u>Total</u>
Expected credit loss rate	0%~1.17%	0%~2.44%	0%~9.55%	0%~33.33%	0%~100%	
Total carrying amount	\$ 372,094	\$ 165,903	\$ 15,074	\$ 9,253	\$ 7,706	\$ 570,030
Allowance for loss (expected credit losses during the period)	(<u>1,428</u>)	(<u>1,643</u>)	(<u>971</u>)	(<u>2,079</u>)	(<u>5,838</u>)	(<u>11,959</u>)
Amortized cost	<u>\$ 370,666</u>	<u>\$ 164,260</u>	<u>\$ 14,103</u>	<u>\$ 7,174</u>	<u>\$ 1,868</u>	<u>\$ 558,071</u>

December 31, 2022

	<u>0 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 360 Days</u>	<u>over 360 Days</u>	<u>Total</u>
Expected credit loss rate	0% ~ 0.49%	0% ~ 2.96%	0% ~ 4.26%	0% ~ 21.49%	0% ~ 100%	
Total carrying amount	\$ 493,566	\$ 300,074	\$ 29,818	\$ 9,407	\$ 4,401	\$ 837,266
Allowance for loss (expected credit losses during the period)	(<u>489</u>)	(<u>1,005</u>)	(<u>380</u>)	(<u>1,087</u>)	(<u>4,004</u>)	(<u>6,965</u>)
Amortized cost	<u>\$ 493,077</u>	<u>\$ 299,069</u>	<u>\$ 29,438</u>	<u>\$ 8,320</u>	<u>\$ 397</u>	<u>\$ 830,301</u>

Changes in loss allowances for accounts receivable and note receivables are as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 6,965	\$ 3,140
Provision (reversal) of impairment loss for the year	5,978	3,807
Exchange difference	(800)	-
Ending balance	(<u>184</u>)	<u>18</u>
Beginning balance	<u>\$ 11,959</u>	<u>\$ 6,965</u>

The consolidated company's accounts receivable balances as of December 31, 2023 and 2022 were significantly concentrated among key customers, posing credit risk.

Please refer to Note 27 for further details.

(II) Other receivables

The Group recognized an allowance for losses on other receivables with reference to historical experience and the risk of default over the term of the receivables, and the changes in the allowance for losses on other receivables were as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 3,150	\$ -
Impairment loss in the current period	65,879	3,159
Exchange difference	(1,232)	(9)
Ending balance	<u>\$ 67,797</u>	<u>\$ 3,150</u>

X. Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw material	\$ 15,897	\$ 23,895
Material	10,023	9,081
Work in process	90,010	89,599
Finished products	<u>331,675</u>	<u>355,300</u>
	<u>\$ 447,605</u>	<u>\$ 477,875</u>

The consolidated company's cost of goods sold related to inventory for the years 2023 and 2022 were 779,791 thousand and 992,850 thousand, respectively. The cost of goods sold for the years 2023 and 2022 included inventory write-downs of 39,218 thousand and 3,673 thousand, respectively.

XI. To be sold non-current assets

	<u>December 31, 2023</u>
Machinery and Equipment held for sale	<u>\$ 49,227</u>

The consolidated company expects to dispose of a portion of the machinery and equipment within the next year, actively seeking buyers, and has reclassified the machinery and equipment to be sold as non-current assets held for sale.

The expected selling price of these non-current assets is lower than the carrying amount of the related net assets, resulting in an impairment loss of 44,333 thousand dollars, which is recognized in other income and expenses. Fair value measurement is based on the evaluation results of independent valuation experts, which are estimated using the cost method and market method and belong to Level 3 fair value.

XII. Subsidiaries

Subsidiaries included in the consolidated financial statements

The entities involved in the preparation of the Consolidated Financial Statements are listed as follows:

Name of Investor	Name of Subsidiary	Business Nature	Shareholding %	
			December 31, 2023	December 31, 2022
The Company	Key Ware International Limited	General investment	100%	100%

The Company	Key De Precise Industris Co., Ltd	Wholesale and processing of electronic parts and components	51%	51%
The Company	Laserware Laser Technology Co., Ltd	Electronic components, machinery and equipment	99.99%	99.99%
The Company	Jia Chi Co., Ltd	Drilling foundry	83.63%	83.63%
The Company	Hui Peng Technology Co., Ltd	Electronic components, machinery and equipment	60%	60%
Key Ware International Limited	Advisor Move Investments Limited	General investment	100%	100%
Key Ware International Limited	Module System International Limited	General investment	100%	100%
Advisor Move Investments Limited	Kunshan Key Ware Electronics Co., Ltd	Drilling tools, hand tools	100%	100%
Module System International Limited	Kunshan Weixing Electronics Co., Ltd.	Drilling tools, hand tools	100%	100%
Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	Drilling foundry	100%	100%
Kunshan Key Ware Electronics Co., Ltd	King Ware (Chongqing) Electronics Co., Ltd	Wholesale and processing of electronic parts and components	100%	100%
Kunshan Key Ware Electronics Co., Ltd	Wuhan Laserware Laser Technology Co., Ltd	Drilling foundry	100%	100%
Kunshan Key Ware Electronics Co., Ltd	Shenzhen Laserware Laser Technology Co., Ltd.	Drilling foundry	100%	100%

XIII. Investments Accounted for Using the Equity Method

The Group's associates are as follows:

Name of Company	December 31, 2023		December 31, 2022	
	Amount	Equity %	Amount	Equity %
<u>Individually insignificant associates</u>				
Rong Pei Wisdom Co., Ltd.	<u>\$ 13,138</u>	22.73	<u>\$ 20,658</u>	22.73

Rong Pei Wisdom Co., Ltd. reduced its capital and returned capital of 18,480 thousand dollars in July of the 112th year. The consolidated company's shareholding ratio remained unchanged.

The summarized financial information of the associated enterprises of the consolidated company is as follows:

	2023	2022
Share of profits owned by the consolidated company		
Net profit of continuing operations for the current year	<u>\$ 23,153</u>	<u>\$ 1,103</u>
Other comprehensive income	<u>\$ -</u>	<u>\$ -</u>
XIV. <u>Property, plant, and equipment</u>		

	Self-owned Land	Housing and Construction	Machinery	Transportation Equipment	Office Equipment	Lease Improvements	Other Equipment	Total
<u>Cost</u>								
Balance as of January 1, 2022	\$ 113,167	\$ 455,734	\$ 2,420,554	\$ 2,149	\$ 20,276	\$ 140,868	\$ 71,889	\$ 3,224,637
Addition	-	-	34,913	505	226	492	8,091	44,227
Disposal and	-	(55,325)	(83,516)	(1,295)	(2,346)	-	(8,253)	(150,735)

obsolence								
Effect of Foreign								
Currency Exchange								
Differences	-	4,176	17,962	21	93	-	849	23,101
Reclassifications	-	<u>105,948</u>	<u>120,887</u>	-	-	<u>168</u>	-	<u>227,003</u>
Balance as of December								
31, 2022	<u>\$ 113,167</u>	<u>\$ 510,533</u>	<u>\$ 2,510,800</u>	<u>\$ 1,380</u>	<u>\$ 18,249</u>	<u>\$ 141,528</u>	<u>\$ 72,576</u>	<u>\$ 3,368,233</u>
<u>Accumulated</u>								
<u>depreciation and</u>								
<u>impairment</u>								
Balance as of January 1,								
2022	\$ -	\$ 71,882	\$ 1,550,863	\$ 1,959	\$ 16,387	\$ 5,672	\$ 35,298	\$ 1,682,061
Disposal and								
obsolence	-	(18,333)	(76,136)	(710)	(2,166)	-	(5,118)	(102,463)
Depreciation expenses	-	11,641	103,535	-	859	14,991	8,816	139,842
Effect of Foreign								
Currency Exchange								
Differences	-	381	11,520	18	72	-	383	12,374
Balance as of December								
31, 2022	<u>\$ -</u>	<u>\$ 65,571</u>	<u>\$ 1,589,782</u>	<u>\$ 1,267</u>	<u>\$ 15,152</u>	<u>\$ 20,663</u>	<u>\$ 39,379</u>	<u>\$ 1,731,814</u>
Net balance as of								
December 31, 2022	<u>\$ 113,167</u>	<u>\$ 444,962</u>	<u>\$ 921,018</u>	<u>\$ 113</u>	<u>\$ 3,097</u>	<u>\$ 120,865</u>	<u>\$ 33,197</u>	<u>\$ 1,636,419</u>
<u>Cost</u>								
Balance as of January 1,								
2023	\$ 113,167	\$ 510,533	\$ 2,510,800	\$ 1,380	\$ 18,249	\$ 141,528	\$ 72,576	\$ 3,368,233
Addition	-	100	11,496	-	80	-	2,273	13,949
Disposal and								
obsolence	-	(10,645)	(20,197)	-	(73)	-	(275)	(31,190)
Effect of Foreign								
Currency Exchange								
Differences	-	-	(131,447)	-	-	-	-	(131,447)
Reclassifications	-	(5,570)	(19,312)	(6)	(56)	-	(983)	(25,927)
Balance as of December								
31, 2023	<u>-</u>	<u>-</u>	<u>43,717</u>	<u>-</u>	<u>(11)</u>	<u>(44,814)</u>	<u>4,687</u>	<u>3,579</u>
Cost	<u>\$ 113,167</u>	<u>\$ 494,418</u>	<u>\$ 2,395,057</u>	<u>\$ 1,374</u>	<u>\$ 18,189</u>	<u>\$ 96,714</u>	<u>\$ 78,278</u>	<u>\$ 3,197,197</u>
<u>Accumulated</u>								
<u>depreciation and</u>								
<u>impairment</u>								
Balance as of January 1,								
2023	\$ -	\$ 65,571	\$ 1,589,782	\$ 1,267	\$ 15,152	\$ 20,663	\$ 39,379	\$ 1,731,814
Disposal and								
obsolence	-	(3,890)	(10,061)	-	(20)	-	(66)	(14,037)
Reclassified as held for								
sale	-	-	(37,887)	-	-	-	-	(37,887)
Recognize impairment								
loss	-	-	28,712	-	447	57,264	-	86,423
Depreciation expense	-	13,730	92,991	-	667	4,627	11,216	123,231
Net exchange								
differences	-	(345)	(12,843)	(5)	(41)	-	(670)	(13,904)
Reclassifications	-	(1,888)	7,492	(5)	(652)	(5,961)	980	(34)
Balance as of December								
31, 2023	<u>\$ -</u>	<u>\$ 73,178</u>	<u>\$ 1,658,186</u>	<u>\$ 1,257</u>	<u>\$ 15,553</u>	<u>\$ 76,593</u>	<u>\$ 50,839</u>	<u>\$ 1,875,606</u>
Net balance as of								
December 31, 2023	<u>\$ 113,167</u>	<u>\$ 421,240</u>	<u>\$ 736,871</u>	<u>\$ 117</u>	<u>\$ 2,636</u>	<u>\$ 20,121</u>	<u>\$ 27,439</u>	<u>\$ 1,321,591</u>

(I) Depreciation of property, plant and equipment is calculated on a straight-line basis according to the following durable years:

Housing and Construction	20 to 50 years
Machinery	2 to 13 years
Transportation Equipment	3 to 5 years
Office Equipment	3 to 8 years
Lease Improvements	3 to 10 years
Other Equipment	3 to 20 years

(II) The consolidated company assessed that some machinery and lease improvements were idle due to reduced market demand. The expected recoverable amount was less than the carrying value. Therefore, an impairment loss of 86,423 thousand dollars

was recognized from January 1 to December 31 of the 2023, and it was recorded under other income and expenses.

(III) Kunshan Key Ware and Kunshan Weixing were originally located at No. 1999, Hua'an Road, Huaqiao Town, Kunshan City, Jiangsu Province, China. In order to meet the requirements of the Shanghai Railway Line No. 11 and Suzhou Railway Line No. S1 projects and to meet the relocation requirements of the Planning and Construction Bureau of Huaqiao Economic Development Zone of the local authority, the Board of Directors authorized the Chairman to execute the relocation compensation contract in accordance with the law. The signed compensation agreements are described as follows:

1. Compensation agreement for land demolition and relocation

The compensation agreement was signed on December 11, 2015 between the Kunshan Huaqiao Township Relocation Office and Kunshan Key Ware , with the contents of the agreement focusing on the compensation for the non-removable objects and the suspension of production and relocation of Kunshan Key Ware and Kunshan Weixing. The main terms of the agreement are as follows:

- (1) The total compensation amount is RMB 152,206 thousand;
- (2) The Kunshan Huaqiao Township Relocation Office shall pay the relocation compensation within three years after the signing of the relocation agreement, with RMB50,000,000 (received) in the first year, RMB70,000,000 (received) in the second year and RMB32,206,000 (received) in the third year.
- (3) Kunshan Key Ware and Kunshan Weixing shall transfer the old factory to the Kunshan Huaqiao Township Relocation Office within two years from the date of the relocation agreement.

Kunshan Key Ware has completed the relocation after signing the Compensation agreement for land demolition and relocation and has handed over all factories to Kunshan Huaqiao Township Relocation Office. The aforementioned payments have been fully received, and for information regarding the relocation benefits recognized before the 2022fiscal year, please refer to the consolidated financial reports from the 2016 to the 2022 fiscal years.

2. Land Use Rights Acquisition Compensation Agreement

The Land Use Right Acquisition Compensation Agreement was signed between Kunshan Huaqiao Weimin House Demolition Limited Company and Kunshan Key Ware on January 6, 2023. The content of the agreement is to compensate Kunshan Key Ware and Kunshan Weixing for the resumption and relocation of their state-owned land use rights. The main terms of the agreement are as follows:

- (1) The total compensation amount is RMB 158,856 thousand;
- (2) Kunshan Huaqiao Weimin House Demolition Limited Company shall pay the first installment of compensation of RMB47,000,000 by June 2023; the second installment of compensation of RMB47,000,000 by June 2024; the third installment of compensation of RMB31,000,000 by June 2025; and the remaining compensation of RMB33,857,000 by June 2026.
- (3) Kunshan Key Ware and Kunshan Weixing shall deliver the land use certificate to Kunshan Huaqiao Weimin House Demolition Limited Company after the signing of the contract, and deliver the legal documents for cancellation of the land use certificate and real estate certificate to Kunshan Huaqiao Weimin House Demolition Limited Company after the demolition of the old factory is completed.

Kunshan Key Ware has fulfilled its main obligations in accordance with the aforementioned compensation agreement. In March, 2023 it recognized land acquisition benefits of RMB 117,081 thousand (recorded under other income and expenses) and considered the expected credit losses of RMB 14,242 thousand for the remaining period of the payment. As of December 31st, 2023, the net amount of land acquisition benefits recognized by the consolidated company, deducted by the received land acquisition payments, resulted in the recognition of receivable land acquisition payments of RMB 97,996 thousand (recorded under other receivables).

Additionally, the relocation agreement included incentive clauses for facility relocation. Kunshan Key Ware recognized subsidy incentives of RMB 16,435 thousand for completed facility relocations in December 2022 (recorded under other income and expenses) and considered

expected credit losses of RMB 714 thousand for the remaining period of the payment term, which were fully received by June 2023.

(IV) In November 2022, Kunshan Key Ware entered into a contract for the sale of machinery and equipment with an unrelated party, Chongqing Jinzixin Technology Co., Ltd. The main terms of the contract are described as follows:

1. The total amount of machinery and equipment sold was RMB14,500 thousand.
2. Chongqing Jinzixin Technology Co., Ltd. shall pay the first installment of RMB2,900 thousand within one month after receiving the machinery and equipment, and the remaining amount shall be paid in 54 installments starting from July 2023.
3. Kunshan Key Ware shall complete the delivery of the machines by December 2022.

Kunshan Key War has completed the transfer of machinery and equipment after signing the sale contract and recognized a gain of RMB12,916 thousand (recorded as other gains and losses) on the sale of machinery and equipment in 2022 after considering the time value of currency of the sale price.

Chongqing Jinzixin Technology Co., Ltd. suspended equipment payments in December of 2023 due to the functionality of some aforementioned equipment not meeting expectations. As of December 31st of 2023, both parties were still in discussions regarding the matter. Kunshan Key Ware recognized expected credit impairment losses of RMB 4,453 thousand as there were indications that the related payments might not be reasonably recoverable.

(V) For the amount of property, plant, and equipment pledged as collateral, please refer to Note XXIX.

XV. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 33,395	\$ 68,978
Buildings	32,683	31,411
Machinery	14,195	5,852
Transportation Equipment	<u>903</u>	<u>2,193</u>
	<u>\$ 81,176</u>	<u>\$ 108,434</u>
Addition of Right-of-Use	<u>\$ 32,367</u>	<u>\$ 3,149</u>

Assets	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Depreciation Expense of Right-of-Use Assets		
Land	\$ 829	\$ 2,139
Buildings	14,821	15,181
Machinery	7,471	8,435
Transportation Equipment	<u>1,291</u>	<u>3,024</u>
	<u>\$ 24,412</u>	<u>\$ 28,779</u>

(II) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 18,292</u>	<u>\$ 19,896</u>
Non-current	<u>\$ 30,061</u>	<u>\$ 20,239</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.89% ~ 2.37%	1.89% ~ 2.26%
Machinery	2.26% ~ 2.37%	2.26%
Transportation Equipment	1.56% ~ 2.26%	1.56% ~ 2.26%

(III) Major lease activities and terms

The Group leases certain offices, machinery and equipment and vehicles for business use for a period of 2 to 8 years. At the end of the lease term, the lease agreements do not contain renewal or off-take provisions.

(IV) Other lease information

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	<u>\$ 3,549</u>	<u>\$ 3,730</u>
Low-value asset lease expense	<u>\$ 451</u>	<u>\$ 1,482</u>
Total cash flows on lease	<u>(\$ 28,462)</u>	<u>(\$ 32,760)</u>

XVI. Other intangible assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Customer Relationships	<u>\$ 21,573</u>	<u>\$ 24,936</u>

The acquisition of Key De Precise Industries Co., Ltd. resulted in an intangible asset - customer relationship, which was recognized at the fair value of NT\$40,346 thousand as of June 1, 2017, the fair value was recorded on the basis of an appraisal report and amortized on a straight-line basis over 12 years of effectiveness.

The Group's amortization amounted to NT\$3,363 thousand and NT\$3,363 thousand (recorded as amortization expense) in 2023 and 2022, respectively.

XVII. Loans

(I) Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Credit line loans	\$ 481,950	\$ 664,855
<u>Secured loans</u>		
Bank loans	<u>71,000</u>	<u>60,000</u>
	<u>\$ 552,950</u>	<u>\$ 724,855</u>

The interest rates on revolving bank loans as of December 31, 2023 and 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
NTD	2.00% ~ 2.91%	1.25% ~ 2.65%
RMB	3.30% ~ 3.65%	3.85% ~ 4.00%
JPY	1.16% ~ 1.49%	1.10% ~ 1.44%

(II) Short-term notes and bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper payable	\$ 25,000	\$ 45,000
Deduct: Discount on short-term notes and bills payable	<u>21</u>	<u>35</u>
	<u>\$ 24,979</u>	<u>\$ 44,965</u>

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2023

<u>Guarantor/ Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying amount</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying amount of collaterals</u>
<u>Commercial paper payable</u>						
Mega Bills	<u>\$ 25,000</u>	<u>\$ 21</u>	<u>\$ 24,979</u>	1.81%	-	<u>\$ -</u>

December 31, 2022

<u>Guarantor/ Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying amount</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying amount of collaterals</u>
<u>Commercial paper payable</u>						
Mega Bills	<u>\$ 45,000</u>	<u>\$ 35</u>	<u>\$ 44,965</u>	1.75%	-	<u>\$ -</u>

(III) Long-term loans

<u>December 31, 2023</u>	<u>December 31, 2022</u>
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<u>Secured loans</u>		
Bank loans	\$ 480,061	\$ 554,140
Deduct: Classified as due within 1 year	<u>16,274</u>	<u>25,460</u>
	<u>\$ 463,787</u>	<u>\$ 528,680</u>

The consolidated company signed a secured loan agreement with Mega Bank on May 24, 2021, with a total limit of NT\$105,000,000. Disbursements were made on July 27, 2021, September 29, 2021, and October 29, 2021, amounting to NT\$60,000,000, NT\$10,000,000, and NT\$30,000,000 respectively. The loan term is 5 years, with monthly repayments calculated using the fixed installment method. The loan interest rate is based on Mega Bank's fixed deposit rate index plus 0.81%.

The consolidated company signed a secured loan agreement with Shin Kong Bank on January 26, 2022, for a total limit of NT\$440,000,000. On March 7, 2022, NT\$440,000,000 was disbursed. The loan maturity date is January 26, 2034, with each period being 12 months from the first drawdown date, during which NT\$5,000,000 is repaid, and the remaining balance is due at maturity. The loan interest rate is based on a 2.50% markup over the three-month weighted average interest rate for interbank call loans in the financial industry (negotiable on a case-by-case basis).

On March 9, 2022, the consolidated company signed a loan agreement with Jiangsu Kunshan Rural Commercial Bank for a total limit of USD 3,000,000, and disbursed USD 1,000,000. The loan term is 5 years, with semi-annual repayments of USD 125,000 starting from September 2022. The loan interest rate is based on a 1.55% markup over the one-year London Interbank Offered Rate (LIBOR). The consolidated company fully repaid the loan ahead of schedule in March 2023.

The consolidated company signed a secured loan agreement with First Bank on April 25, 2022, for a total limit of NT\$10,200,000. On May 25, 2022, NT\$10,200,000 was disbursed. The loan term is 5 years, with monthly repayments calculated using the fixed installment method. The loan interest rate is based on a 0.73% markup over First Bank's fixed deposit rate index.

As of December 31, 2023, the effective annual interest rates were 2.42% to 2.70% and 1.90% to 3.90% for 2023 and 2022 respectively.

Please refer to Note XXIX for details on bank loan guarantees.

XVIII. Corporate bonds payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The third unsecured corporate bond issuance in the fiscal year 2021	\$ 56,759	\$ 193,912
Deduct: Classified as current portion due within 1 year	(<u>56,759</u>)	<u>-</u>
	<u>\$ -</u>	<u>\$ 193,912</u>

Our company was approved by the Financial Supervisory Commission to issue the third unsecured convertible corporate bond domestically on April 21, 2021. The total amount issued was NT\$200,000,000, with a face value of NT\$100,000 per bond and a coupon rate of 0%. The issuance period was 3 years, and as of December 31, 2023, no conversions had occurred. The methods for redemption or conversion are as follows:

1. Upon maturity, our company will redeem the bonds at face value.
2. If certain conditions are met, our company may, from 3 months after the issuance of the corporate bonds up to 40 days before maturity, request redemption of the bonds from bondholders in cash at face value.
3. From 3 months after the issuance of the corporate bonds until maturity, unless suspended for statutory transfer suspension periods, bondholders may request conversion into ordinary shares of our company at the prevailing conversion price. The original conversion price, as stipulated in the issuance and conversion regulations of our company's bonds, was NT\$21. From October 5, 2021, the cash capital increase reference date, the conversion price was adjusted to NT\$19.8.
4. The bondholders may sell back the convertible corporate bonds to the company on the date when 2 years have elapsed after issuance as the redemption reference date. Within 30 days before the redemption reference date, bondholders may request compensation from the company in cash for the bonds held, including interest, at face value.

The convertible corporate bonds consist of both liability and equity components. The equity component is recognized under the capital surplus - subscription rights. The original effective interest rate for the liability component was 2.68%, and the put option is measured at fair value through profit or loss. The information for the liability and equity components is as follows:

Issuance proceeds (less transaction costs of NT\$4,634 thousand)	\$ 195,366
Equity components	(8,556)
Repurchase option	(1,140)
Liability component on issuance date (excluding transaction costs of \$4,456 thousand amortized to liability)	185,670
	(139,943)
Interest calculated at an effective rate of 2.68%	<u>11,032</u>
Liability components as of December 31, 2023	<u>\$ 56,759</u>

In May of 2023, holders of the domestic second unsecured convertible corporate bonds issued by the company sold back a nominal value of 142.7 billion yuan (plus interest compensation of 714 thousand yuan), resulting in a bond redemption loss of 431 thousand yuan (included in other income and losses). A portion of the capital surplus - the equity portion of the convertible corporate bonds issued - was reclassified as capital surplus, with expired subscription rights totaling 6.104 billion yuan.

As of December 31st of 2023, domestic second unsecured convertible corporate bonds with a nominal value of 142.7 billion yuan have been repurchased.

XIX. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries and bonuses payable	\$ 37,869	\$ 21,471
Service charge payable	6,471	6,223
Utilities payable	4,709	4,020
Processing fees payable	5,428	3,436
Equipment payables	2,789	792
Others	<u>46,332</u>	<u>53,023</u>
	<u>\$ 103,598</u>	<u>\$ 88,965</u>

XX. Post-retirement Benefit Plan

(I) Defined contribution plans - Taiwan

The Group adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

The amount to be appropriated by the Group in accordance with the defined contribution plan for 2023 and 2022 has been recognized in the consolidated

statements of income as expenses totaling NT\$5,460 thousand and NT\$5,958 thousand, respectively.

(II) Defined contribution plans - Mainland China

Employees of the Group's subsidiaries in Mainland China are required to contribute a certain percentage of their monthly salaries to the pension insurance fund (recorded as employee insurance expense) in accordance with the pension insurance system stipulated by the government of the People's Republic of China, and the contribution rate is 18%, which is deposited in a separate account for each employee. The government manages and coordinates the monthly pension arrangements for employees, and the subsidiaries in Mainland China have no obligation other than to make monthly contributions.

The amount to be appropriated by the subsidiaries in Mainland China in accordance with the defined contribution plan for 2023 and 2022 has been recognized in the consolidated statements of income as expenses totaling NT\$5,614 thousand and NT\$6,036 thousand, respectively.

(III) Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company allocates 2% of employees' monthly salaries respectively to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. If the estimated balance of the special account before the end of the year is not enough to pay for the workers who are expected to reach retirement in the following year, the difference shall be withdrawn in one lump sum by the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amount included in the consolidated balance sheet for obligations arising from the Group's defined benefit plans are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation contributed	(\$ 42,373)	(\$ 36,640)
Fair value of plan assets	<u>24,520</u>	<u>24,430</u>

Balance of contribution	(<u>17,853</u>)	(<u>12,210</u>)
Pension payable (recognized as other non-current liabilities)	(<u>\$ 17,853</u>)	(<u>\$ 12,210</u>)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
January 1, 2022	<u>(\$ 29,708)</u>	<u>\$ 21,826</u>	<u>(\$ 7,882)</u>
Service costs for the current period	(2,254)	-	(2,254)
Interest (expenses) income	(<u>276</u>)	<u>203</u>	(<u>73</u>)
Recognized in profit or loss	(<u>2,530</u>)	<u>203</u>	(<u>2,327</u>)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	1,578	1,578
Actuarial losses - changes in demographic assumptions	(9,390)	-	(9,390)
Actuarial gains - experience adjustment	<u>4,988</u>	<u>-</u>	<u>4,988</u>
Recognized in other comprehensive income	(<u>4,402</u>)	<u>1,578</u>	(<u>2,824</u>)
Contribution by the employer	<u>-</u>	<u>823</u>	<u>823</u>
December 31, 2022	<u>(\$ 36,640)</u>	<u>\$ 24,430</u>	<u>(\$ 12,210)</u>
January 1, 2023	<u>(\$ 36,640)</u>	<u>\$ 24,430</u>	<u>(\$ 12,210)</u>
Service costs for the current period	(3,077)	-	(3,077)
Interest (expenses) income	(<u>549</u>)	<u>366</u>	(<u>183</u>)
Recognized in profit or loss	(<u>3,626</u>)	<u>366</u>	(<u>3,260</u>)

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	\$ -	\$ 41	\$ 41
Actuarial losses - changes in demographic assumptions	(1,479)	-	(1,479)
Actuarial losses - changes in financial assumptions	(8,160)	-	(8,160)
Actuarial gains - experience adjustment	<u>6,438</u>	<u>-</u>	<u>6,438</u>
Recognized in other comprehensive income	(<u>3,201</u>)	<u>41</u>	(<u>3,160</u>)
Contribution by the employer	-	777	777
Benefit paid	<u>1,094</u>	(<u>1,094</u>)	<u>-</u>
December 31, 2023	<u>(\$ 42,373)</u>	<u>\$ 24,520</u>	<u>(\$ 17,853)</u>

The Company has the following risks owing to the implementation of the pension system under the Labor Standards Act:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.
2. Interest rate risk: The decrease in the interest rate will increase the present value of defined benefit obligations, but the yield on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.
3. Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.46%	1.50%
Expected salary increase rate	4.00%	3.00%

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.5%	(\$ 4,383)	(\$ 3,769)
Decrease by 0.5%	<u>\$ 4,995</u>	<u>\$ 4,281</u>
Expected salary increase rate		
Increase by 0.5%	<u>\$ 4,840</u>	<u>\$ 4,193</u>
Decrease by 0.5%	(\$ 4,302)	(\$ 3,734)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected amount of contribution within 1 year	<u>\$ 776</u>	<u>\$ 822</u>
Average duration of defined benefit obligations	22年	22年

The Group's defined contribution plan and defined benefit plan related pension expense for 2023 and 2022 are recognized in each of the following single lines:

	<u>2023</u>	<u>2022</u>
Operating costs	<u>\$ 9,031</u>	<u>\$ 10,134</u>
Selling and marketing expenses	<u>\$ 968</u>	<u>\$ 837</u>
General and administrative expenses	<u>\$ 4,114</u>	<u>\$ 3,168</u>
Research and development expenses	<u>\$ 211</u>	<u>\$ 183</u>
XXI. <u>Equity</u>		
(I) Capital stock		
<u>Common stock</u>		

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Share capital authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Share capital issued	<u>\$ 1,923,135</u>	<u>\$ 1,899,283</u>
Number of Shares (in thousands)	<u>192,313</u>	<u>189,928</u>
Common stock issued publicly	\$ 1,749,783	\$ 1,734,493
Common stock of private placement	<u>173,352</u>	<u>164,790</u>
Share capital issued	<u>\$ 1,923,135</u>	<u>\$ 1,899,283</u>

The common stock issued has a par value of \$10 per share and each share is entitled to one vote and the right to receive dividends.

The company executed employee stock options totaling NT\$176,000 in November 2021, resulting in the issuance of 15,000 ordinary shares at a subscription price of NT\$11.7 per share. The registration change was completed on March 28, 2022. Additionally, in June 2023, employees exercised stock options totaling NT\$2,340,000, resulting in the issuance of 200,000 ordinary shares at a subscription price of NT\$11.7 per share. The registration change for this was completed on October 25, 2023.

The company held its shareholder meeting on June 16, 2023, and resolved to approve a capital increase through bonus issue of 2,185 thousand new shares from retained earnings. The aforementioned issuance of bonus shares was approved by the Financial Supervisory Commission's Securities and Futures Bureau on August 1st, 2023, and became effective. The record date for the capital increase was September 18, 2023.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset deficits, appropriated as cash dividends or transferred to capital</u> (Note)		
Stock issuance premium	\$ 65,212	\$ 64,872
Expired employee stock options	559	559
expired convertible corporate bond warrants	6,104	-
<u>May not be used for any purpose</u>		
Employees stock option	6,152	6,152
Stock options	<u>2,452</u>	<u>8,556</u>
	<u>\$ 80,479</u>	<u>\$ 80,139</u>

Note: This type of capital surplus may be used to cover loss or issue cash or replenish capital when there is no loss, but capital replenishment is restricted to the ratio of actual capital stock each year.

(III) Retained earnings and dividend policy

In accordance with the provisions of the Company's earnings distribution policy, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends. For the Company's policy on employee and director remuneration distribution in the Articles of Incorporation, please refer to Note XXII.

Since the Company's business is growing, the dividend distribution policy is based on the Company's current and future investment environment, capital requirements, domestic and international competition and capital budget, taking into account shareholders' rights and interests, balanced dividends and the Company's long-term financial planning, etc. The Board of Directors prepares the distribution plan annually in accordance with the law and submits it to the shareholders' meeting. For the current year's stock dividends, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

The legal reserve shall be appropriated until the remaining balance reaches the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The Company appropriates or reserves special reserve in accordance with the Official Letter No. 1010012865, Official Letter No. 1010047490, Official Letter No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The company held shareholder meetings on June 16, 2023, and June 22, 2022, respectively, resolving to distribute the earnings for the fiscal years 2022 and 2021 as follows:

	<u>Distribution of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Legal reserve	\$ 745	\$ 3,538		
Special reserve	(34,141)	34,141		
Cash dividends	18,993	-	\$ 0.100	\$ -
Stock dividends	21,852	-	0.115	-

On March 8, 2024, the Board of Directors proposed the distribution of earnings for the year ended December 31, 2022 as follows:

	<u>Distribution of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
	Legal reserve	\$ 149
Special reserve	1,344	
Cash dividends	-	\$ -
Stock Dividends	-	-

The distribution of earnings for the year ended December 31, 2023 is subject to the resolution in the annual shareholders' meeting on June 21, 2024.

(IV) Special reserve

Upon the initial adoption of IFRS accounting standards, the company transferred an amount of NT\$158,644,000 from the accumulated translation adjustments to retained earnings, and a special earnings reserve of the same amount was established.

The special earnings reserve allocated due to the exchange differences from the translation of financial statements of foreign operations (including subsidiaries) is reversed proportionally based on the disposal ratio of the consolidated company. When the consolidated company loses significant influence, the entire amount is reversed. When distributing earnings, the company must additionally allocate the difference between the net amount deducted from other equity items as of the reporting period end date and the special earnings reserve established upon the initial adoption of IFRS to the special earnings reserve. Subsequently, when there is a reversal of the remaining balance of other equity deductions, the earnings may be distributed from the reversed portion.

(V) Other equity items

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

2023

2022

Beginning balance	<u>(\$ 90,493)</u>	<u>(\$ 109,332)</u>
Incurring this year		
Exchange differences on translation of financial statements of foreign operations	(30,395)	23,549
Income taxes related to exchange differences on translation of financial statements of foreign operations	<u>6,079</u>	<u>(4,710)</u>
Ending balance	<u>(\$ 114,809)</u>	<u>(\$ 90,493)</u>

2. Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Beginning balance	(\$ 17,099)	(\$ 113,549)
Incurring this year		
Unrealized gain or loss - equity instruments	(42,889)	103,510
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	<u>7,831</u>	<u>(7,060)</u>
Ending balance	<u>(\$ 52,157)</u>	<u>(\$ 17,099)</u>

XXII. Net income of continuing operations

Net income of continuing operations includes the following items:

- (I) Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 424	\$ 122
Dividend income	<u>1,342</u>	<u>2,256</u>
	<u>\$ 1,766</u>	<u>\$ 2,378</u>

(II) Other gains and losses

	<u>2023</u>	<u>2022</u>
Net gain or loss on financial instruments at fair value through profit or loss	\$ 5,904	(\$ 20,202)
Gain from expropriation of land use rights	514,185	72,678
Gain (loss) from disposal of real estate, plants, and equipment	(12,960)	53,674
Impairment loss on real estate, plants, and equipment	(86,423)	-
Impairment loss on equipment held for sale	(44,333)	-
Net foreign exchange gain	8,474	33,442
Others	(<u>1,462</u>)	<u>3,949</u>
	<u>\$ 383,385</u>	<u>\$ 143,541</u>

(III) Finance costs

	<u>2023</u>	<u>2022</u>
Interest on bank loans	\$ 27,760	\$ 25,770
Finance costs of corporate bonds payable	2,791	5,056
Interest on lease liabilities	<u>745</u>	<u>1,007</u>
	<u>\$ 31,296</u>	<u>\$ 31,833</u>

(IV) Employee benefits and depreciation and amortization expenses

	<u>2023</u>			<u>2022</u>		
	Operation costs	Operation expenses	Total	Operation costs	Operation expenses	Total
Employee benefits						
Salary expenses	\$ 158,984	\$ 47,258	\$ 206,242	\$ 182,154	\$ 45,229	\$ 227,383
Employee insurance expenses	18,400	3,942	22,342	20,289	3,846	24,135
Pension expenses	4,341	4,379	8,720	5,020	3,265	8,285
Other employee benefits	6,632	572	7,204	3,318	458	3,776
Depreciation expenses	143,996	3,647	147,643	160,887	7,734	168,621
Amortization expenses	2,366	4,492	6,858	1,470	3,749	5,219

(V) Employee compensation and director remuneration

In accordance with the Company's Articles of Incorporation, the Company sets aside 1% to 10% and not more than 1% of the pre-tax benefit before employee and director remuneration distributions for the year, respectively, for employee compensation and director remuneration.

The estimated employee compensation and director remuneration for 2023 and 2022 were resolved by the Board of Directors on March 8, 2024 and February 24, 2023, respectively, as follows:

Estimated percentage

	<u>2023</u>	<u>2022</u>
Employee compensation	1.00%	1.00%
Director remuneration	-	-

Amount

	<u>2023</u>		<u>2022</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee compensation	\$ 195	\$ -	\$ 10	\$ -
Director remuneration	-	-	-	-

If there is still any change in the amount after the annual consolidated financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

The amounts of employee compensation distributed for the years ended December 31, 2022 and 2021 and those recognized in the consolidated financial statements are consistent.

On May 6, 2022, the company's board of directors held a meeting and resolved to distribute NT\$0 thousand as remuneration for directors for the year 2021. This amount differs from the NT\$333 thousand recognized in the consolidated financial report for the year 2021, and the difference will be adjusted in the profit and loss for the year 2022.

For information regarding the board of directors' resolutions on employee and director remuneration, please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

XXIII. Income tax on continuing operations

(I) Major components of income tax expenses are as follows:

<u>2023</u>	<u>202</u>
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Current income tax		
Incurred this year	\$ 46,833	\$ 82,938
Adjustments from previous years	<u>231</u>	(<u>565</u>)
	47,064	82,373
Deferred income tax		
Incurred this year	\$ 96,389	(\$ 61,692)
Adjustments from previous years	<u>229</u>	(<u>4,154</u>)
Income tax expense recognized in profit or loss	<u>\$ 143,682</u>	<u>\$ 16,527</u>

Reconciliation between accounting income and current income tax expenses is as follows:

	<u>2023</u>	<u>2022</u>
Net income of continuing operations before tax	<u>\$ 148,621</u>	<u>\$ 19,693</u>
Income tax expenses calculated at the statutory rate	\$ 45,969	(\$ 23,215)
Fees that cannot be deducted from taxes	13,942	42,766
Tax-exempt income	(2,951)	-
Unrecognized loss carryforward	8,631	1,694
Unrecognized deductible temporary differences	77,631	-
Adjustment of current income tax expense from previous years in the current year	<u>460</u>	(<u>4,718</u>)
Income tax expense recognized in profit or loss	<u>\$ 143,862</u>	<u>\$ 16,527</u>

(II) Income tax recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Incurred this year		
Exchange differences on translation of financial statements of foreign operations	\$ 6,079	(\$ 4,710)
Gains (losses) on re-measurements of defined benefit plans	<u>632</u>	<u>565</u>
Income tax gain (expense) recognized in other	<u>\$ 6,711</u>	(<u>\$ 4,145</u>)

comprehensive income

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Exchange Differences	Ending balance
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for losses	\$ 65,726	(\$ 63,906)	\$ -	(\$ 28)	\$ 1,792
Loss carryforward	17,188	1,582	-	(128)	18,642
Asset impairment	-	26,389	-	(130)	26,259
Inventory write-down	3,670	9,569	-	(204)	13,035
Inventory write-down	4,365	17,370	632	(2)	22,365
	<u>\$ 90,949</u>	<u>(\$ 8,996)</u>	<u>\$ 632</u>	<u>(\$ 492)</u>	<u>\$ 82,093</u>
<u>Deferred income tax assets</u>					
Temporary differences					
Exchange differences on translation of foreign operations	(\$ 9,870)	\$ -	\$ 6,079	\$ -	(\$ 3,791)
Relocation gains	(18,118)	(87,622)	-	1,873	(103,867)
Others	(14,238)	-	-	240	(13,998)
	<u>(\$ 42,226)</u>	<u>(\$ 87,622)</u>	<u>\$ 6,079</u>	<u>\$ 2,113</u>	<u>(\$ 121,656)</u>

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Exchange Differences	Ending balance
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for losses	\$ 63,826	\$ 1,479	\$ -	\$ 421	\$ 65,726
Loss carryforward	4,266	12,950	-	(28)	17,188
Inventory write-down	2,723	918	-	29	3,670
Others	2,309	1,490	565	1	4,365
	<u>\$ 73,124</u>	<u>\$ 16,837</u>	<u>\$ 565</u>	<u>\$ 423</u>	<u>\$ 90,949</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Exchange differences on translation of foreign operations	(\$ 5,160)	\$ -	(\$ 4,710)	\$ -	(\$ 9,870)
Relocation gains	(79,973)	63,288	-	(1,433)	(18,118)
Others	-	(14,279)	-	41	(14,238)
	<u>(\$ 85,133)</u>	<u>\$ 49,009</u>	<u>(\$ 4,710)</u>	<u>(\$ 1,392)</u>	<u>(\$ 42,226)</u>

(IV) Deductible temporary differences and unused loss carryforwards not recognized as deferred tax assets in the consolidated balance sheet

	December 31, 2023	December 31, 2022
Loss carryforward		
Expires in 2031	\$ 13,253	\$ 7,553
Expires in 2032	6,290	-
	<u>\$ 19,543</u>	<u>\$ 7,553</u>
Deductible temporary differences		
Allowance for losses	\$162,685	\$ -
Others	2,766	2,766
	<u>\$165,451</u>	<u>\$ 2,766</u>

(V) Income tax assessment

The Company's income tax returns for the year ended 2021 have been approved by the tax authorities. The income tax returns of the subsidiaries Key De Precise Industries Co., Ltd. and Jia Chi Co., Ltd. for the year ended 2021 have been approved by the tax authorities.

XXIV. Earnings per Share

	Unit: NT\$ Per Share	
	2023	2022
Basic earnings per share		
From continuing operations	<u>\$ 0.06</u>	<u>\$ 0.01</u>
Diluted earnings per share		
From continuing operations	<u>\$ 0.06</u>	<u>\$ 0.01</u>

When calculating earnings per share, the effect of the stock dividend has been retroactively adjusted. The record date for the stock dividend is set on September 18, 2023. Due to the retroactive adjustment, the changes in basic and diluted earnings per share for the year 2022 are as follows:

	Before retroactive adjustment	After retroactive adjustment
Basic earnings per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

Net Income for the period

	2023	2022
Net income used for calculation of basic earnings per share	<u>\$ 11,852</u>	<u>\$ 2,648</u>
Net income used for calculation of diluted earnings per share	<u>\$ 11,852</u>	<u>\$ 2,648</u>

Number of shares

Unit: Thousand shares

	2023	2022
Weighted average number of common shares used for calculation of basic earnings per share	192,214	192,114
Effect of potentially dilutive common shares:		
Employees stock option	-	-
Employee compensation	<u>19</u>	<u>334</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>192,233</u>	<u>192,448</u>

If the consolidated company chooses to distribute employee compensation in the form of stocks or cash, when calculating diluted earnings per share, it is assumed that employee compensation will be distributed in the form of stocks. The weighted average number of shares outstanding will be adjusted to include the potential common shares that have a dilutive effect. When calculating diluted earnings per share before the decision to distribute employee compensation shares in the following year, the dilutive effect of such potential common shares will also be considered.

As the conversion price of the company's outstanding convertible bonds for the year 2023 and the employee stock options are higher than the average market price of the shares from January 1 to December 31 of 2023 and 2022, they have an anti-dilutive effect. Therefore, they are not included in the calculation of diluted earnings per share.

XXV. Share-based payment arrangements

The company did not issue any new employee stock options in the fiscal years 2023 and 2022. Below are the details of the employee stock options already issued:

	2023		2022	
	Unit (Thousand)	Weighted average exercise price (NT\$)	Unit (Thousand)	Weighted average exercise price (NT\$)
Employees stock option				
Outstanding at the beginning of the year	2,535	\$13.18	2,685	\$13.09
Granted during the year	-	-	-	-
Exercised during the year	(200)	11.70	(150)	11.70
Outstanding at the end of the year	<u>2,335</u>	13.30	<u>2,535</u>	13.18
Exercisable at the end of the year	<u>1,843</u>		<u>700</u>	

The company recognized labor costs of NT\$0 thousand and NT\$896 thousand for the fiscal years 2023 and 2022, respectively.

XXVI. Capital Risk Management

The Group manages capital management under the precondition for sustainable development to ensure that the Group's businesses are able to maximize the benefit for its shareholders by optimizing debt and equity. The capital structure of the Group consists of the Group's equity attributable to the owners of the Company (i.e., capital stock, capital surplus, retained earnings and other equity items).

Key management of the Group reviews the capital structure of the Group on a quarterly basis, which includes consideration of the cost of various types of capital and the associated risks. According to the management's opinions, the Group balances its overall capital structure through dividend payments, issuance of new shares, repurchase of shares and issuance of new debt or repayment of old debt.

XXVII. Financial instruments

(I) Information on fair value - financial instruments not measured at fair value

In addition to the items listed in the table below, the management of the company believes that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Carrying Amount</u>	<u>Level 3 Fair Value</u>	<u>Carrying Amount</u>	<u>Level 3 Fair Value</u>
<u>Financial Liabilities</u>				
Accounts Payable				
Bonds	\$ 56,759	\$ 56,910	\$ 193,912	\$ 193,140

The fair value measurement of the Level 3 financial instruments mentioned above is determined using a binary tree convertible bond pricing model. This model takes into account factors such as the remaining term of the bond, the price and volatility of the underlying stock of the convertible bond, the conversion price, the risk-free interest rate, the risk discount rate, and the liquidity risk of the convertible bond.

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

1. Fair value level

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Non-derivative financial assets				
– Domestic emerging stocks	\$ -	\$ -	\$ 12,954	\$ 12,954
– Domestic listed stocks	20,095	-	-	20,095
– Foreign listed stocks	10,022	-	-	10,022
– Renminbi financial products	-	-	67,195	67,195
Total	<u>\$ 30,117</u>	<u>\$ -</u>	<u>\$ 80,149</u>	<u>\$ 110,266</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
– Listed stocks in domestic over-the-counter market	\$ 282,220	\$ -	\$ -	\$ 282,220
– Unlisted (OTC)	-	-	40,409	40,409

stocks domestically and abroad				
Total	<u>\$ 282,220</u>	<u>\$ -</u>	<u>\$ 40,409</u>	<u>\$ 322,629</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Non-derivative financial assets				
– Domestic emerging stocks	\$ -	\$ -	\$ 12,308	\$ 12,308
– Foreign listed stocks	41,160	-	-	41,160
– Renminbi financial products	-	-	22,048	22,048
Total	<u>\$ 41,160</u>	<u>\$ -</u>	<u>\$ 34,356</u>	<u>\$ 75,516</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Investments in equity instruments				
– Domestic OTC stocks	\$ 354,046	\$ -	\$ -	\$ 354,046
– Domestic and foreign unlisted (OTC) stocks	-	-	52,765	52,765
Total	<u>\$ 354,046</u>	<u>\$ -</u>	<u>\$ 52,765</u>	<u>\$ 406,811</u>
<u>Financial liabilities at fair value through profit or loss</u>				
– Repurchase option for convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,380</u>	<u>\$ 4,380</u>

In 2023 and 2022, there was no transfer between Level 1 and Level 2 fair value measurement.

2. Reconciliation of financial instruments measured at fair value in Level 3

Financial Instruments at Fair Value through Profit or Loss

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 29,976	\$ 45,798
Recognized in profit or loss (other gains and losses)	2,745	(1,591)
Purchase	147,397	290,507
Disposal/Settlement	(99,583)	(305,473)
Issuance of corporate bonds as part of the repurchase options	-	-
Effect of exchange rate changes	(386)	735
Ending balance	<u>\$ 80,149</u>	<u>\$ 29,976</u>

Financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 52,765	\$ 40,144
Purchase	-	15,180
Settlement	(8,000)	-
Recognized in other comprehensive income	(4,356)	(2,559)
Ending balance	<u>\$ 40,409</u>	<u>\$ 52,765</u>

3. Valuation techniques and inputs of Level 3 fair value measurement

<u>Category of Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
Renminbi financial products	The financial instruments purchased by the Group use counter-party quotes as a valuation technique and significant unobservable inputs to calculate the expected return on the investment.
Domestic and foreign unlisted (OTC) and emerging stocks	The total value of the individual assets and individual liabilities covered by the valuation targets is evaluated on a balance sheet basis, and the market approach is appropriately applied to the nature of the individual valuation targets, taking into account the liquidity discount and the control discount, to reflect the overall value of the enterprise or business.
Repurchase option for convertible corporate bonds	Binary tree convertible bond valuation model: The Group considers the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

Multiplier and Liquidity Discount for Level 3 Fair Value Measurement of Financial Instruments are as follows:

	<u>Multiplier</u>	<u>Liquidity Discount</u>
December 31, 2023	6.24	20%
December 31, 2022	4.38 ~ 18.11	20%

If the valuation parameters of the consolidated company decrease by 5%, the changes in other comprehensive income for the fiscal years 2023 and 2022, due to the reclassification of fair value changes in equity investments classified as Level 3, will decrease by NT\$1,347 thousand and NT\$1,596 thousand, respectively.

(III) Category of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 110,266	\$ 75,516
Financial assets at fair value through other comprehensive income	322,629	406,811
Financial assets at amortized cost (Note 1)	887,848	1,133,222
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	-	4,380
Measured at amortized cost (Note 2)	1,279,905	1,762,368

Note 1: The balance includes cash and bank deposits, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, certain other current assets, refundable deposits and other financial assets at amortized cost.

Note 2: The balance includes financial liabilities at amortized cost such as short-term borrowings, short-term notes payable, notes and accounts payable, accounts payable - related parties, certain other payables, other accounts payable - related parties, certain other current liabilities, corporate bonds payable and long-term borrowings.

(IV) Financial risk management objectives and policies

The financial risk management objective of the Group is to manage the exchange rate risk, credit risk and liquidity risk associated with operating activities. To reduce the related financial risks, the Group is committed to identifying, evaluating and hedging market uncertainties in order to reduce the potential adverse effects of market changes on the Company's financial performance.

The significant financial activities of the Group are reviewed by the Board of Directors in accordance with the relevant regulations and internal control system. During the implementation of the financial plan, the Group must comply with the relevant financial operating procedures regarding the overall financial risk management and allocation of authority and responsibility.

1. Market risk

The main financial risk the Group is exposed in the business activities are foreign exchange risk.

(1) Foreign exchange risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements) are shown in Note XXX.

The Group is mainly affected by the fluctuation of the exchange rate between the USD and the JPY and has significant amounts of assets and liabilities due to foreign currency transactions. Although the gains and losses on foreign currency assets and liabilities are offset by changes in market exchange rates, the amount of foreign currency assets and foreign currency liabilities of the Group are significantly different and therefore subject to foreign exchange risk. If the U.S. dollar depreciates 3% against the New Taiwan dollar, pre-tax income would decrease by NT\$4,870 thousand and increase by NT\$47 thousand in 2022 and 2021, respectively; if the U.S. dollar strengthens 3% against the New Taiwan dollar, pre-tax income would decrease by NT\$2,202 thousand and NT\$2,148 thousand in 2022 and 2021, respectively.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market conditions.

The carrying amounts of financial liabilities of the Group exposed to interest rate risk on the balance sheet date are as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash flow interest rate risk		
– Financial liabilities	\$ 178,546	\$ 480,422
Cash flow interest rate risk		
– Financial liabilities	967,983	1,186,397

The following sensitivity analysis is based on the calculation of interest rate risk on floating rate liabilities as of the balance sheet date, assuming

that the amount of liabilities outstanding at the balance sheet date is outstanding at the reporting date.

If interest rates increase by 1%, with all other variables held constant, the Group's net income before income taxes would decrease by NT\$9,680 thousand and NT\$11,864 thousand in 2023 and 2022, respectively.

(3) Equity securities price risk

Market risk of equity securities includes individual risk arising from changes in the market price of individual equity securities and general market risk arising from changes in the overall market price.

If the Group's equity price decreases by 10%, the net income before income tax for 2023 and 2022 would decrease by NT\$3,305 thousand and NT\$4,116 thousand, respectively, due to the change in fair value of financial assets measured at fair value through profit or loss. Other comprehensive income in 2023 and 2022 would decrease by NT\$32,263 thousand and NT\$40,681 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Group due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Group's maximum exposure to credit risk (without considering collaterals or other credit enhancement instruments and the maximum amount of irrevocable exposure) that could result in financial loss due to the counter-parties' failure to perform their obligations and the Group's provision of financial guarantees was mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

The Group's policy is to transact only with creditworthy counterparties and to obtain adequate guarantees, if necessary, to mitigate the risk of financial losses arising from defaults.

To minimize credit risk, the Group reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the Company's management concludes that the credit risk has been significantly reduced.

The counter-parties to the liquidity and derivative financial instruments are banks with high credit ratings from international credit rating agencies, so the credit risk is not significant.

Accounts receivable are due from a wide range of customers in various geographic locations. The Group continuously evaluates its accounts receivable customers' financial condition, credit rating agencies, the Group's internal credit rating, historical transaction history, and other factors that may affect customers' ability to pay. The Group also carries trade credit insurance to reduce the credit risk of specific customers. As of December 31, 2023 and 2022, the credit enhancement of accounts receivable against certain Mainland China amounted to NT\$65,506 thousand and NT\$129,163 thousand, respectively.

As of December 31, 2023 and 2022, the percentages of accounts receivable from the top ten customers to the Group's accounts receivable balances were 56% and 60%, respectively. The credit concentration risk of the remaining accounts receivable was relatively insignificant.

3. Liquidity risk

The Group supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and bank deposit. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Bank loans are an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group had unused short-term banking facilities of NT\$627,628 thousand and NT\$583,125 thousand, respectively.

Liquidity and interest rate risk tables

The following table details the analysis of the remaining contractual maturities of the Group's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Group could be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity analysis of the Group's non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2023

<u>Less than 1</u>	<u>1 to 5 year(s)</u>	<u>6 to 10 years</u>
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	<u>year</u>		
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 552,950	\$ -	\$ -
Short-term notes and bills payable	25,000	-	-
Notes and accounts payables	116,242	-	-
Accounts payable - related parties	22,721	-	-
Other payables	103,598	-	-
Other payables - related parties	165	-	-
Lease liabilities	20,093	32,238	960
Other current liabilities	7,084	-	-
Long-term loans	16,274	463,787	-
Corporate bonds payable	57,300	-	-

December 31, 2022

	<u>Less than 1 year</u>	<u>1 to 5 year(s)</u>	<u>6 to 10 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 724,855	\$ -	\$ -
Short-term notes and bills payable	45,000	-	-
Notes and accounts payables	134,251	-	-
Accounts payable - related parties	28,507	-	-
Other payables	88,965	-	-
Other payables - related parties	171	-	-
Lease liabilities	20,975	18,540	2,442
Other current liabilities	8,160	-	-
Long-term loans	25,460	528,680	-
Corporate bonds payable	-	200,000	-

(V) Information on financial asset transfers

The Group transferred some of its banker's acceptances receivable in Mainland China to suppliers for payment of accounts payable. Since almost all risks and rewards of these instruments were transferred, the Group excluded the transferred bank's acceptance bill receivable and the corresponding accounts payable. However, if the derecognized bank's acceptance bills are not redeemed at maturity, the suppliers still

have the right to demand the Group for settlement, so the Group continues to participate in these bills.

The Group's maximum exposure to loss on continuing participation in the derecognized bank's acceptance bills is the face amount of the transferred outstanding bankers' acceptances of NT\$8,618 thousand and NT\$8,390 thousand as of December 31, 2023 and 2022, respectively, which will mature within one to ten months after the balance sheet date. Considering the credit risk of the excluded bank's acceptance bills, the Group's assessment of the fair value of its continuing participation was not material.

XXVIII. Related Party Transactions

All transactions between the Company and its subsidiaries (related parties of the) , account balances, income, and expenses are eliminated upon consolidation and therefore are not shown in the note. The transactions between the Group and other related parties are as follows.

(I) Names and relations of related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Wen Shung Industrial Corp.	Substantial related party
Belize Quan Ke Co., Ltd.	Substantial related party
Belize New Decision Co., Ltd.	Substantial related party
Dongguan Jiacun Trading Co., Ltd.	Substantial related party
Ching Pu Technology Inc.	Substantial related party
Shanghai Wenwei International Trading Co.,Ltd.	Substantial related party

(II) Operating revenue

<u>Accounting Subject</u>	<u>Type/Name of Related Party</u>	<u>2023</u>	<u>2022</u>
Sales revenue	Substantial related party	<u>\$ 377</u>	<u>\$ 445</u>

(III) Purchase of goods

<u>Type/Name of Related Party</u>	<u>2023</u>	<u>2022</u>
Substantial related party		
Wen Shung Industrial Corp.	\$ 78,390	\$ 164,712
Others	<u>2,948</u>	<u>1,529</u>
	<u>\$ 81,338</u>	<u>\$ 166,241</u>

The purchase and sale of goods to related parties are based on cost, and both parties negotiate prices with reference to market conditions.

(IV) Receivables from related parties

<u>Accounting Subject</u>	<u>Type/Name of Related</u>	<u>December 31,</u>	<u>December 31,</u>
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	Party	2023	2022
Accounts receivable	Substantial related party	<u>\$ 72</u>	<u>\$ 65</u>

The outstanding amount of receivables from related parties is not collateralized and the terms of the transactions are monthly for 60 days, which are not materially different from those of general accounts.

(V) Lease agreements

Accounting Subject	Type/Name of Related Party	December 31, 2023	December 31, 2022
Lease liabilities	Substantial related party	<u>\$ 8,464</u>	<u>\$ 1,494</u>

Type/Name of Related Party	2023	2022
<u>Interest expenses (Recognized as finance costs)</u>		
Substantial related party	<u>\$ 134</u>	<u>\$ 70</u>
<u>Cash outflow from leasing</u>		
Substantial related party	<u>\$ 3,600</u>	<u>\$ 3,600</u>

Under the lease agreements between the Group and the substantial related parties, the rent is paid monthly in accordance with the size of the premise leased with reference to the market in the vicinity.

(VI) Payables to related parties

Accounting Subject	Type/Name of Related Party	December 31, 2023	December 31, 2022
Accounts payable	Substantial related party		
	Wen Shung Industrial Corp.	\$ 22,189	\$ 27,184
	Others	<u>532</u>	<u>1,323</u>
		<u>\$ 22,721</u>	<u>\$ 28,507</u>
Other payables	Substantial related party		
	Wen Shung Industrial Corp.	<u>\$ 165</u>	<u>\$ 171</u>

The terms of the Group's purchase of copper foil substrates from the substantial related party are 120 days monthly, which is not yet materially different from those of the general suppliers.

(VII) Remuneration to the management

2023	2022
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Short-term employee benefits	\$ 8,071	\$ 7,811
Retirement benefits	107	36
	<u>\$ 8,178</u>	<u>\$ 7,847</u>

XXIX. Pledged Assets

The following assets were provided as collateral for the Group's bank loans and performance guarantees:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant, and equipment		
Land	\$ 113,167	\$ 113,167
Housing and Construction	115,035	121,622
Equipment	162,024	221,899
Financial assets at fair value through other comprehensive income - current		
Domestic OTC stocks	180,723	130,835

XXX. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following summary is presented in foreign currencies other than the functional currency. The exchange rate disclosed in the summary refers to the exchange rate of a foreign currency to the functional currency. The significant impact on assets and liabilities recognized in foreign currencies is as follows:

	Unit: Foreign currency/NT\$ thousand					
	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
<u>Monetary items of financial assets</u>						
USD	\$ 29,563	30.71	\$ 907,732	\$ 6,286	30.71	\$ 193,043
JPY	114,346	0.2183	24,959	338,459	0.2324	78,658
 <u>Non-monetary items of financial assets</u>						
USD	682	30.71	20,941	1,718	30.71	52,764
<u>Monetary items of</u>						

<u>financial liabilities</u>						
USD	20	30.71	614	1,000	30.71	30,710
JPY	214,228	0.2183	46,761	654,280	0.2324	152,055

Please refer to Note XXI for the Group's foreign currency exchange gains and losses (realized and unrealized) for the years 2023 and 2022. Due to the large number of foreign currency transactions, it is not possible to disclose the exchange gains and losses by foreign currency for each material effect.

XXXI. Supplementary Disclosures

(I) Information on Significant Transactions:

1. Loans provided for others. (Table 1)
2. Endorsements/Guarantees Provided for Others. (Table 2)
3. Securities held at end of period (excluding investments in subsidiaries, associates, and joint ventures). (Table 3)
4. Accumulated Purchase or Sale of the Same Securities Amounting to NT\$300 Million or 20% of Paid-in Capital or More. (None)
5. Acquisition of Real Estate Amounting to NT\$300 Million or 20% of the Paid-in Capital or More. (None)
6. Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more. (None)
7. Purchases or Sales with Related Parties Amounting to NT\$100 Million or 20% of Paid-up Capital or More. (Table 4)
8. Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more. (None)
9. Derivatives transactions. (None)
10. Others: Intercompany Relationships and Significant Intercompany Transactions. (Table 7)

(II) Information on invested companies (Table 5)

(III) Information on Investments in Mainland China:

1. Information on any investee company in mainland China (name, main business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of investment at end of period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 6)

2. Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information: (Table 8)
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (3) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)
- (IV) Information on Major Shareholders: Name, amount and percentage of shareholding of shareholders with 5% or more of the shares. (Table 9)

XXXII. Operating Segment Financial Information

(I) Segment Financial Information

The information provided by the Group to its key operating decision makers for the purpose of allocating resources and evaluating divisional performance focuses on the type of product or service to be delivered or provided. In accordance with IFRS 8, "Operating Segments," the Group's reportable segments (products or labor for drill bits, drilling foundry and copper foil substrates) are as follows:

1. Taiwan Business Division: Includes sales and segment operating expenses resulting from shipments from Key Ware Electronics, Key De Precise, Jia Chi, Hui Peng and Laserware Laser .
2. Mainland China Business Division: Includes sales and segment operating expenses arising from shipments of Kunshan Key Ware Electronics , Kunshan Weixing, Kunshan Laserware Laser , King Ware(Chongqing) , Wuhan Laserware Laser , Shenzhen Laserware Laser, Key ware, Advisor and Module.

Financial information regarding the operating segments of the Group for 2022 and 2021 is as follows:

Item	2023		
	Taiwan Region	Mainland China Region	Amount after adjustment
Segment revenue			
External revenue	<u>\$ 570,092</u>	<u>\$ 498,178</u>	<u>\$ 1,068,270</u>
Segment profit or loss	<u>(\$ 99,601)</u>	<u>(\$ 84,442)</u>	<u>(\$ 184,043)</u>
Non-operating income and expenses			<u>332,664</u>
Net income before tax			<u>\$ 148,621</u>
Segment assets	<u>\$ 1,594,967</u>	<u>\$ 2,066,117</u>	<u>\$ 3,661,084</u>
Item	2022		
	Taiwan Region	Mainland China Region	Amount after adjustment
Segment revenue			
External revenue	<u>\$ 832,042</u>	<u>\$ 621,950</u>	<u>\$ 1,453,993</u>
Segment profit or loss	<u>(\$ 28,435)</u>	<u>(\$ 69,445)</u>	<u>(\$ 97,875)</u>
Non-operating income and expenses			<u>117,568</u>
Net income before tax			<u>\$ 19,693</u>
Segment assets	<u>\$ 2,110,729</u>	<u>\$ 1,982,499</u>	<u>\$ 4,093,228</u>

Segment profit refers to the profit earned by each segment, excluding investment income or loss, interest income, gain or loss on disposal of property, plant and equipment,

gain or loss on disposal of investments, exchange gain or loss, gain or loss on valuation of financial instruments, interest expense and income tax expense recognized under the equity method. The measurement amount is provided to the chief operating decision maker to allocate resources to the segment and to measure its performance.

(II) Revenue from Main Products

The analysis of revenue from the main products of the continuing operations of the consolidated company is as follows:

	<u>2023</u>	<u>2022</u>
Diamond Heads	\$ 695,204	\$ 954,155
Copper Foil Substrates	256,448	221,170
Drilling Services	<u>116,618</u>	<u>278,668</u>
	<u>\$ 1,068,270</u>	<u>\$ 1,453,993</u>

(III) Major Customer Information

Out of the sales revenues of \$1,068,270 thousand and \$1,453,993 thousand for the years 2023 and 2022 respectively, \$155,174 thousand and \$189,223 thousand respectively were derived from the largest customer of the Group. There were no other revenues from a single customer in the years 2023 and 2022 that exceeded 10% of the total revenue of the consolidated company.

Key Ware Electronics Co., Ltd. and its investee companies

Loans provided for others

2023

Table 1

Unit: NT\$/RMB thousand

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending balance	Actual Amount Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	The Company	4 Companies including Kunshan Key Ware Electronics Co., Ltd (Note 2)	Other receivables - related parties	Yes	\$ 100,000	\$ 100,000	\$ -	-	Short-term Financing	\$ -	Operations turnover of investee companies	\$ -	-	\$ -	\$ 202,190	\$ 808,761
0	The Company	Jia Chi Co., Ltd (Note 3)	Other receivables - related parties	Yes	30,000	30,000	11,976	-	Short-term Financing	-	Operations turnover of investee companies	-	-	-	203,953	808,761
1	Kunshan Key Ware Electronics Co., Ltd	Wuhan Laserware Laser Technology Co., Ltd (Note 4)	Other receivables - related parties	Yes	18,069	-	-	-	Short-term Financing	-	Operations turnover of investee companies	-	-	-	169,896 RMB 39,190	679,584 RMB 156,759

Note 1: In accordance with the "Regulations Governing the Loaning of Funds to Others", the total amount of funds loaned to others shall not exceed 40% of the Group's most recent audited or reviewed financial statements. The amount of individual loans shall not exceed 10% of the net value of the company to which the funds are lent if necessary for financial assistance.

Note 2: The loan of 100% of the Company's capital to an investee company was approved by the Board of Directors on May 5, 2023. The Company intends to lend funds to 100% of its investees (including Key Ware International Limited, Advisor Move Investments Limited, Module System International Limited, and Kunshan Key Ware Electronics Co., Ltd.). The total amount of the loan is limited to NT\$100 million (or its equivalent in foreign currency), and the chairman is authorized to allocate or recycle the funds in installments within one year after the resolution of the board of directors.

Note 3: On November 3, 2023, the Board of Directors approved the short-term financing provided by the Company to its subsidiary, Jia Chi Co., Ltd with an investment of 83.63%. The total amount of the financing is capped at 30 million (or its equivalent in foreign currency), and the Chairman is authorized to disburse the funds in installments or on a revolving basis within one year after the Board resolution.

Note 4: On November 4, 2022, the Board of Directors of Key Ware approved the loan of funds to Wuhan Laserware Laser. The capital was loaned to Wuhan Laserware Laser Technology Co., Ltd, a direct or indirect 100% voting stock investee company, to support the operational development needs.

Key Ware Electronics Co., Ltd. and its investee companies
Endorsements/Guarantees Provided for Others
2023

Table 2

Unit: NT\$ thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity (Note 1)	Maximum Endorsement/ Guarantee Balance	Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement/ Guarantee Ceiling (Note 1)	Endorsements/ Guarantees Provided by Parent for Subsidiary	Endorsements/ Guarantees Provided by Subsidiary for Parent	Endorsements/ Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	The Company	Key De Precise Industries Co., Ltd	Investee (subsidiaries) accounted for using the equity method	\$ 404,481	\$ 200,000	\$ 200,000	\$ 6,000	\$ -	9.89%	\$ 1,213,142	Y	N	N
0	The Company	Jia Chi Co., Ltd	Investee (subsidiaries) accounted for using the equity method	404,481	30,000	30,000	30,000	-	1.48%	1,213,142	Y	N	N
1	Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	Investee (subsidiaries) accounted for using the equity method	339,792	43,366 RMB 9,600	-	-	-	-	1,019,376	N	N	Y

Note 1: In accordance with the Company's endorsement and guarantee procedures, the aggregate amount of the endorsement and guarantee shall not exceed 60% of the Company's latest audited or reviewed financial statements, and the amount of endorsement and guarantee for a single enterprise shall not exceed 20% of the aforementioned net value.

Key Ware Electronics Co., Ltd. and its investee companies

Securities Held at End of Period

December 31, 2023

Table 3

Unit: NT\$ thousand

Securities Holding Company	Marketable Securities and Name	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Number of Shares (in Thousands)	Carrying amount	Shareholding Ratio (%)	Market Value/Net Equity Value	
The Company	<u>Domestic listed (OTC) stocks</u> Savior Lifetec Corporation	—	Financial assets at fair value through other comprehensive income - current	12,571	\$ 282,220	3.96	\$ 282,220	Note 1
	Phihong Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	30	1,767	0.00	1,767	
	Inventec Co., Ltd.	—	Financial assets at fair value through profit or loss - current	240	12,672	0.00	12,672	
	Compeq Manufacturing Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	80	5,656	0.00	5,656	
	Qbic Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	417	12,954	2.22	12,954	
	<u>Foreign unlisted (OTC) stocks</u> Han Yu Venture Capital Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	3,200	19,469	8.89	19,469	
	<u>Foreign unlisted (OTC) stocks</u> Concord Venture Capital Group Limited	—	Financial assets at fair value through other comprehensive income - non-current	-	10,972	13.57	10,972	
	Kirana Inc.	—	Financial assets at fair value through other comprehensive income - non-current	1,809	9,968	2.07	9,968	
	<u>Foreign listed (OTC) stocks</u> Sana Biotechnology, Inc.	—	Financial assets at fair value through profit or loss - current	80	10,022	0.04	10,022	
	Kunshan Key Ware Electronics Co., Ltd	<u>Renminbi financial products</u> China CITIC Bank - Win-Win Stable Daily Profit	—	Financial assets at fair value through profit or loss - current	-	67,195 RMB 15,500	-	67,195 RMB 15,500

Note 1: The Company provided 8,050 thousand shares of Savior Lifetec Corporation to financial institutions as a collateral for financing.

Key Ware Electronics Co., Ltd. and its investee companies
Name of investee company, location and other related information
2023

Table 4

Unit: NTD/USD/RMB thousand

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment Income (Loss) Recognized for the Period	Remark
				Ending Balance for the Current Period	Ending Balance for the Previous Period	Number of Shares (in Thousands)	Shareholding (%)	Carrying amount			
Key Ware Electronics Co., Ltd.	Key Ware International Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	\$ 728,230 USD 23,717	\$ 728,230 USD 23,717	23,717	100	\$ 1,715,264	\$ 205,288 RMB 46,506	\$ 205,768 RMB 45,779	Note 1, Note 3
	Key De Precise Industries Co., Ltd	No. 31, Keji 2nd Rd., Guishan Dist., Taoyuan City	Wholesale and processing of electronic parts and components	30,600	30,600	612	51	23,765	2,654	(361)	Note 1, Note 4
	Laserware Laser Technology Co., Ltd	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	Electronic components, machinery and equipment	1,000	1,000	100	99.99	965	(5)	(5)	Note 2
	Rong Pei Wisdom Co., Ltd.	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	General investment	187	18,667	1,867	22.73	13,138	101,871	23,153	Note 1
	Jia Chi Co., Ltd	No. 8-5, Nangong Ln., Sec. 1, Nangong Rd., Luzhu Dist., Taoyuan City	Wholesale and processing of electronic parts and components	49,500	49,500	2,972	83.63	(4,871)	(40,192)	(33,568)	Note 1, Note 5
	Hui Peng Technology Co., Ltd	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	Electronic components, machinery and equipment	600	600	60	60.00	604	5	3	Note 2
Key Ware International Limited	Advisor Move Investments Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	305,822 USD 9,960	305,822 USD 9,960	9,960	100	1,289,270 RMB 297,395	205,661 RMB 46,591	205,661 RMB 46,591	Note 1
	Module System International Limited	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	General investment	397,845 USD 12,957	397,845 USD 12,957	12,957	100	421,413 RMB 97,207	(252) (RMB 57)	(252) (RMB 57)	Note 1

Note 1: The calculation is based on the investee's audited financial statements for 2023.

Note 2: The calculation is based on the investee's unaudited financial statements for 2023.

Note 3: The difference is due to the unrealized gross profit of the parent company to the associates and the unrealized gain on asset transactions.

Note 4: The difference is due to amortization expense of intangible assets arising from investments.

Note 5: The difference is due to unrealized gain from asset transactions between associates.

Note 6: For information on Mainland China investee, please refer to Table 5.

Key Ware Electronics Co., Ltd. and its investee companies
Information on Investments in Mainland China
2023

Table 5

Unit: NT\$/USD/RMB thousand

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Company's Direct or Indirect Ownership	Investment Profit (Loss) Recognized for the Period (Note 1)	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Kunshan Key Ware Electronics Co., Ltd	Drilling tools, hand tools	\$ 337,755 USD 11,000	Investment in Mainland China through companies registered in a third region	\$ 259,150 USD 8,440	\$ -	\$ -	\$ 259,150 USD 8,440	\$ 205,665 RMB 46,592	100%	\$ 205,665 RMB 46,592	\$ 1,278,978 RMB295,021	\$ 56,563 RMB 13,000
Kunshan Weixing Electronics Co., Ltd.	Drilling tools, hand tools	404,293 USD 13,167	Investment in Mainland China through companies registered in a third region	404,293 USD 13,167	-	-	404,293 USD 13,167	- RMB -	100%	- RMB -	419,987 RMB 96,878	-
Kunshan Laserware Laser Technology Co., Ltd	Drilling foundry	30,346 CNY 7,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(34,325) (RMB 7,776)	100%	(34,325) (RMB 7,776)	5,530 RMB 1,276	-
King Ware(Chongqing) Electronics Co., Ltd.	Drilling tools, hand tools	4,335 CNY 1,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	742 RMB 168	100%	742 RMB 168	6,218 RMB 1,434	-
Wuhan Laserware Laser Technology Co., Ltd	Drilling foundry	169,073 CNY 39,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(2,048) (RMB 464)	100%	(2,048) (RMB 464)	165,046 RMB 38,071	-
Shenzhen Laserware Laser Technology Co., Ltd.	Drilling foundry	19,769 CNY 4,560	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(9,199) (RMB 2,084)	100%	(9,199) (RMB 2,084)	6,184 RMB 1,426	-

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
\$ 680,331 (USD 22,157)	\$ 743,890 (USD 24,227)	\$ 1,223,719 (Note 2)

Note 1: Recognized based on the audited financial statements of the investee company for the fiscal year 2023.

Note 2: According to the "Principles for Examination of Investment or Technical Cooperation in Mainland China", the accumulated amount of the investor's investment in Mainland China shall not exceed 60% of the net value or the combined net value, whichever is higher.

Key Ware Electronics Co., Ltd. and its investee companies
Intercompany Relationships and Significant Intercompany Transactions

2023

Table 6

Unit: NT\$ thousand

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Description of Transactions			
				Ledger Account	Amount (Note 7)	Transaction Term	Percentage of Consolidated Total Revenue or Total Assets (Note 8)
0	Key Ware Electronics Co., Ltd.	Key De Precise Industries Co., Ltd	1	Other Receivables	\$ 6	—	-
		Key De Precise Industries Co., Ltd	1	Cost of Goods Sold	98	Note 5	0.01
		Jia Chi Co., Ltd	1	Accounts Receivable	32,258	Note 3	0.88
		Jia Chi Co., Ltd	1	Other Receivables	11,976	—	0.33
		Jia Chi Co., Ltd	1	Rental Income	5,910	Note 5	0.55
		Jia Chi Co., Ltd	1	Processing Revenue	35,443	Note 3	
		Jia Chi Co., Ltd	1	Miscellaneous Expenses	13,873	—	1.30
		Jia Chi Co., Ltd	1	Other Payables	1,105	—	0.02
		Kunshan Key Ware Electronics Co., Ltd	1	Accounts Receivable	12,963	Note 4	0.38
		Kunshan Key Ware Electronics Co., Ltd	1	Other Receivables	901	—	0.02
		Kunshan Key Ware Electronics Co., Ltd	1	Accounts Payable	21,899	Note 3	0.60
		Kunshan Key Ware Electronics Co., Ltd	1	Sales Revenue	37,564	Note 4	3.52
		Kunshan Key Ware Electronics Co., Ltd	1	Cost of Goods Sold	38,029	Note 3	3.56
		Kunshan Key Ware Electronics Co., Ltd	1	Unrealized Gross Profit on Sales	636	—	0.06
		Kunshan Key Ware Electronics Co., Ltd	1	Realized Gross Profit on Sales	639	—	0.06
		Kunshan Key Ware Electronics Co., Ltd	1	Long-term Deferred Revenue	79,330	—	2.17
		Kunshan Key Ware Electronics Co., Ltd	1	Gain on Disposal of Property, Plant, and Equipment	385		0.01
Wuhan Laserware Laser Technology Co., Ltd	1	Long-term Deferred Revenue	8,187	—	0.22		
Wuhan Laserware Laser Technology Co., Ltd	1	Gain on Disposal of Property, Plant, and Equipment	1,655	—	0.19		
1	Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	3	Accounts Receivable	7,720	Note 3	0.21
		Kunshan Laserware Laser Technology Co., Ltd	3	Other Receivables	72,374	—	1.98
		Kunshan Laserware Laser Technology Co., Ltd	3	Sales Revenue	8,925	Note 3	0.84
		Kunshan Laserware Laser Technology Co., Ltd	3	Rental Income	12,446	—	1.17
		Kunshan Laserware Laser Technology Co., Ltd	3	Miscellaneous Income	724	—	0.23
		Kunshan Laserware Laser Technology	3	Miscellaneous Expenses	12,006	—	1.12

2	Wuhan Laserware Laser Technology Co., Ltd	Co., Ltd	3	Accounts Receivable	27,327	Note 3	0.75
		Wuhan Laserware Laser Technology Co., Ltd	3	Other Receivables	27	—	0.00
		Wuhan Laserware Laser Technology Co., Ltd	3	Sales Revenue	7,606	Note 3	0.71
		Wuhan Laserware Laser Technology Co., Ltd	3	Miscellaneous Income	644	—	0.06
		Shenzhen Laserware Laser Technology Co., Ltd.	3	Cost of Goods Sold	918	Note 3	0.09

Note 1: The information on business dealings between the parent company and subsidiaries should be numbered according to the following method:

1. For the parent company, fill in 0.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationships with counterparties can be any one of the following three types:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 180 days.

Note 4: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 120 days.

Note 5: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 65 days.

Note 6: Transaction price are based on cost. The trading terms are advance receipts.

Note 7: In preparing the consolidated financial statements, inter-parent-subsidiary transactions are written-off.

Note 8: The ratio of transaction amount to total consolidated revenue or total assets is calculated as the ending balance to total consolidated assets if it is an asset or liability account; For profit and loss accounts, the calculation is based on the accumulated amount as a percentage of consolidated total revenue.

Key Ware Electronics Co., Ltd. and its investee companies
Major Transactions with Any Investee Company in mainland China Directly or Indirectly through a Third Region, and Their Prices, Payment terms,
Unrealized Gains (Losses), and Other Information
2023

Table 7

Unit: NT\$ thousand

Investee Company	Type of Transaction	Purchases (Sales)		Price	Transaction Term		Notes and Accounts Receivable (Payable)		Unrealized gains (losses)	Remark
		Amount	Percentage (%)		Payment Terms	Difference with General Transactions	Amount	Percentage (%)		
Kunshan Key Ware Electronics Co., Ltd	Sales	\$ 37,564	8%	No material difference from the general account	Net 120 to 180 days	No material difference from the general transaction	\$ 13,768	7%	\$ 3	—
	Purchase of goods	54,560	8%	No material difference from the general account	Net 180 days	No material difference from the general transaction	(57,439)	53%	-	—
	Machinery and Equipment Disposal	129,741	-	No material difference from the general account	Net 120 days	No material difference from the general transaction	-	-	79,330	—
Kunshan Laserware Laser Technology Co., Ltd	Sales	8,925	3%	No material difference from the general account	Net 180 days	No material difference from the general transaction	7,720	3%	-	—
Wuhan Laserware Laser Technology Co., Ltd	Sales	8,524	3%	No material difference from the general account	Net 180 days	No material difference from the general transaction	27,327	11%	-	—

Note: The unrealized gain or loss on transactions with the investees in Mainland China has been fully written off in the preparation of the consolidated financial statements.

Key Ware Electronics Co., Ltd.
Information on Major Shareholders
December 31, 2023

Table 8

Name of Major Shareholders	Shareholding	
	Number of shares held (shares)	Shareholding ratio (%)
Qing Yu Investment Co., Ltd.	14,486,709	7.53
Jia Ju Investment Co., Ltd.	11,169,353	5.80
Sheng Ding Enterprise Co., Ltd.	9,683,448	5.03

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common shares that have completed delivery without physical registration on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

V.Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs

Independent Auditors' Report

To the Board of Directors of Key Ware Electronics Co., Ltd.:

Opinions

We have audited the parent company only Balance Sheets of Key Ware Electronics Co., Ltd. (Hereinafter referred to as “Key Ware”) as of December 31, 2023, and 2022, the Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes to Parent Company Only Financial Statements (including Summary of Significant Accounting Policies) for the annual periods from January 1 to December 31, 2023, and 2022.

In our opinion, the aforementioned Parent Company Only Financial Statements present fairly, in all material respects, the financial position of Key Ware Electronics Co., Ltd. as of December 31, 2023, and 2022, and its financial performance and cash flows for the annual periods ended December 31, 2023, and 2022, in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Key Ware Electronics Co., Ltd. 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. 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 key matters refer to those most material key matters for the audit on the Parent Company Only Financial Statements of the year 2023 of Key Ware Electronics Co., Ltd., based on the professional judgment of the accountant. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our judgment, key audit matters for the Company's Parent Company Only Financial Statements for the year ended December 31, 2023 are stated as follows:

Truthfulness of Sales Revenue

The proportion of Key Ware Electronics' sales revenue from the sale of drill bits is 59%. We believe that because of the competition in the industry and the possible pressure on management to meet projected operating targets, the truthfulness of sales revenue is the key audit matter for 2023. Refer to Note 4 for the accounting policy on revenue recognition.

The major audit procedures performed by us for revenue recognition are as follows:

1. We understood and tested the effectiveness of the design and implementation of internal controls in the recognition of sales revenue.
2. We obtained detailed information on sales revenue, examined the relevant supporting documents for shipment and the status of collection of payment, and verified the consistency of the sales counterparties and the recipients to confirm the truthfulness of sales transactions.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

To ensure that the Parent Company Only Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Parent Company Only Financial Statements.

In preparing the Parent Company Only Financial Statements, the management is responsible for assessing Key Ware Electronics' ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate Key Ware Electronics or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing Key Ware Electronics' financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 financial statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit 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 controls 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 controls of Key Ware Electronics.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 Key Ware Electronics' ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Key Ware Electronics to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Parent Company Only Financial Statements (including relevant Notes), and whether the Parent Company Only Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Electronics to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Parent Company Only Financial Statements of Key Ware Electronics.

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 the key audit matters of Key Ware Electronics' Parent Company Only Financial Statements for the year ended December 31, 2023. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
CPA, Li, Kuan-Hao

CPA, Lin, Wang-Sheng

Financial Supervisory Commission Approval
Document No.:
FSC Approval Document No. 1100372936

Financial Supervisory Commission Approval
Document No.:
FSC Approval Document No. 1060023872

March 26, 2024

Notices to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Key Ware Electronics Co., Ltd.
Parent Company Only Balance Sheets
As of December 31, 2023 and 2022

Unit: NT\$ thousand

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Current Assets					
1100	Cash and cash equivalents (Notes IV and VI)	\$ 51,648	2	\$ 123,888	3
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	43,071	1	53,468	2
1120	Financial assets at fair value through other comprehensive income - current (Notes IV, VII and XXVII)	282,220	9	354,046	10
1150	Notes receivable (Notes IV and IX)	2,791	-	3,624	-
1170	Accounts receivable (Notes IV and IX)	138,748	4	228,947	6
1180	Accounts receivable - related parties (Notes IV and XXVI)	45,221	1	58,210	2
1200	Other receivables (Notes IV and IX)	12,733	-	7,712	-
1210	Other receivable - related parties (Notes IV and XXVI)	12,883	1	7,462	-
130X	Inventories - Net (Notes IV and X)	216,676	7	210,017	6
1460	Non-current assets held for sale (Notes IV and XI)	33,975	1	-	-
1470	Other current assets	36,857	1	34,896	1
11XX	Total current assets	<u>876,823</u>	<u>27</u>	<u>1,082,270</u>	<u>30</u>
Non-current assets					
1510	Financial assets at fair value through other comprehensive income - current (Notes IV and VIII)	40,409	1	52,765	1
1550	Investments accounted for using the equity method (Notes IV and XII)	1,748,865	53	1,674,722	46
1600	Property, plant, and equipment (Notes IV, XIII and XXVII)	566,950	17	777,377	21
1755	Right-of-use assets (Notes IV and XIV)	13,112	1	19,998	1
1840	Deferred tax assets (Notes IV and XXI)	41,955	1	39,076	1
1915	Prepayment - non-current (Note XIII)	-	-	12,339	-
1920	Refundable deposits (Note IV)	1,530	-	1,539	-
1990	Other non-current assets	1,493	-	2,569	-
15XX	Total non-current assets	<u>2,414,314</u>	<u>73</u>	<u>2,580,385</u>	<u>70</u>
1XXX	Total assets	<u>\$ 3,291,137</u>	<u>100</u>	<u>\$ 3,662,655</u>	<u>100</u>
Liabilities and Equity					
Current Liabilities					
2100	Short-term loans (Note XV and XXVII)	\$ 451,922	14	\$ 599,257	17
2110	Short-term notes and bills payable (Note XV)	24,979	1	44,965	1
2120	Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XVI)	-	-	4,380	-
2150	Notes and accounts payables	53,265	2	66,292	2
2180	Accounts payable - related parties (Note XXVI)	21,899	1	27,190	1
2219	Other payables (Note XVII)	40,210	1	34,557	1
2220	Other payables - related parties (Note XXVI)	1,105	-	12,725	-
2230	Current tax liabilities (Notes IV)	9,716	-	-	-
2280	Lease liabilities - current (Notes IV and XIV)	6,591	-	6,871	-
2190	Short-term notes payable due within one year (Notes IV and XVI)	56,759	2	-	-
2320	Long-term loans with a maturity of less than one year (Note XV and XXVII)	16,274	-	21,621	1
2399	Other current liabilities	6,700	-	7,262	-
21XX	Total current liabilities	<u>689,420</u>	<u>21</u>	<u>825,120</u>	<u>23</u>
Non-current liabilities					
2530	Corporate bonds payable (Notes IV and XVI)	-	-	193,912	5
2540	Long-term loans (Note XV and XXVII)	463,787	14	501,808	14
2570	Deferred income tax liabilities (Notes IV and XXI)	3,791	-	9,870	-
2580	Lease liabilities - non-current (Notes IV and XIV)	6,866	-	13,457	1
2630	Long-term deferred revenue (Note XIII)	87,517	3	9,841	-
2670	Net defined benefit liabilities (Notes IV and XVIII)	17,853	1	12,210	-
25XX	Total non-current liabilities	<u>579,814</u>	<u>18</u>	<u>741,098</u>	<u>20</u>
2XXX	Total liabilities	<u>1,269,234</u>	<u>39</u>	<u>1,566,218</u>	<u>43</u>
Equity					
3100	Share capital	1,923,135	58	1,899,283	52
3200	Capital surplus	80,479	2	80,139	2
3300	Retained earnings	185,255	6	224,607	6
3400	Other equity	(166,966)	(5)	(107,592)	(3)
3XXX	Total equity	<u>2,021,903</u>	<u>61</u>	<u>2,096,437</u>	<u>57</u>
Total liabilities and equity		<u>\$ 3,291,137</u>	<u>100</u>	<u>\$ 3,662,655</u>	<u>100</u>

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi

President: Chu, Tsung-Wei

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Comprehensive Income

From January 1 to December 31, 2023 and 2022

Unit: NT\$ Thousands, except for
Earnings per share (in Dollars)

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes IV and XXVI)	\$ 488,347	100	\$ 699,454	100
5000	Operating costs (Notes X, XVIII, XX and XXVI)	<u>483,393</u>	<u>99</u>	<u>693,313</u>	<u>99</u>
5900	Gross profit	4,954	1	6,141	1
5920	Realized (Unrealized) gains from sales	<u>3</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
5950	Realized gross profit	<u>4,957</u>	<u>1</u>	<u>6,133</u>	<u>1</u>
	Operating expenses (Notes IX, XVIII, and XX)				
6100	Selling and marketing expenses	28,358	6	28,562	4
6200	General and administrative expenses	35,032	7	31,022	5
6300	Research and development expenses	3,456	1	2,287	-
6450	Expected credit losses (gains)	<u>(94)</u>	<u>-</u>	<u>(140)</u>	<u>-</u>
6000	Total operating expenses	<u>66,752</u>	<u>14</u>	<u>61,731</u>	<u>9</u>
6900	Net operating loss	<u>(61,795)</u>	<u>(13)</u>	<u>(55,598)</u>	<u>(8)</u>
	Non-operating income and expenses (Notes XII, XX and XXVI)				
7100	Interest income	761	-	303	-
7010	Other income	7,252	2	26,786	4
7020	Other gains and losses	<u>(94,339)</u>	<u>(19)</u>	<u>5,430</u>	<u>1</u>
7050	Finance costs	<u>(27,494)</u>	<u>(6)</u>	<u>(25,383)</u>	<u>(4)</u>
7070	Shares of profits or loss of subsidiaries and associates accounted for using equity method	<u>194,990</u>	<u>40</u>	<u>49,409</u>	<u>7</u>
7000	Total non-operating income and expenses	<u>81,170</u>	<u>17</u>	<u>56,545</u>	<u>8</u>

(Continued on the next page)

(Continued from the previous page)

Code		2023		2022	
		Amount	%	Amount	%
7900	Net income before tax	\$ 19,375	4	\$ 947	-
7950	Income tax expense (profit) (Notes IV and XXI)	<u>7,523</u>	<u>2</u>	<u>(1,701)</u>	<u>(1)</u>
8200	Net income	<u>11,852</u>	<u>2</u>	<u>2,648</u>	<u>1</u>
	Other comprehensive income				
8310	Components that will not be reclassified to profit or loss				
8311	Gains (losses) on re-measurements of defined benefit plans (Notes IV and XVIII)	(3,160)	-	(2,824)	(1)
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Notes IV and XIX)	(42,889)	(9)	103,510	15
8349	Income tax related to components that will not be reclassified to profit or loss (Note IV and XXI)	632	-	565	-
8360	Components that may be reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations (Notes IV and XIX)	(30,395)	(6)	23,549	4
8399	Income tax related to components that may be reclassified to profit or loss (Notes IV, XIX and XXI)	<u>6,079</u>	<u>1</u>	<u>(4,710)</u>	<u>(1)</u>
8300	Other comprehensive income	<u>(69,733)</u>	<u>(14)</u>	<u>120,090</u>	<u>17</u>
8500	Total comprehensive income	<u>(\$ 57,881)</u>	<u>(12)</u>	<u>\$ 122,738</u>	<u>18</u>
	Earnings per share (Note XXII)				
9750	Basic	<u>\$ 0.06</u>		<u>\$ 0.01</u>	
9850	Diluted	<u>\$ 0.06</u>		<u>\$ 0.01</u>	

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman:
Chow, Pong-Chi

President:
Chu, Tsung-Wei

Accounting Manager:
Lee, Yun-Ting

Key Ware Electronics Co., Ltd.
Parent Company Only Statements of Changes in Equity
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Code		Share capital			Retained earnings			Other equity		Total Equity
		Capital stock - common shares	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2022	\$ 1,899,133	\$ 176	\$ 79,217	\$ 20,835	\$ 158,644	\$ 37,679	(\$ 109,332)	(\$ 113,549)	\$ 1,972,803
D1	Net income in 2022	-	-	-	-	-	2,648	-	-	2,648
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	(2,259)	18,839	103,510	120,090
D5	Total comprehensive income in 2022	-	-	-	-	-	389	18,839	103,510	122,738
	Appropriation and distribution of earnings for 2021									
B1	Legal reserve	-	-	-	3,538	-	(3,538)	-	-	-
B3	Reversal of special reserve	-	-	-	-	34,141	(34,141)	-	-	-
N1	Share-based payment - Employee stock option exercise (Note XXIII)	150	(176)	26	-	-	-	-	-	-
N1	Share-based payment - employee stock option compensation cost (Note XXIII)	-	-	896	-	-	-	-	-	896
O1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	7,060	-	(7,060)	-
Z1	Balance as of December 31, 2022	1,899,283	-	80,139	24,373	192,785	7,449	(90,493)	(17,099)	2,096,437
D1	Net income in 2023	-	-	-	-	-	11,852	-	-	11,852
D3	Other comprehensive income after tax in 2023	-	-	-	-	-	(2,528)	(24,316)	(42,889)	(69,733)
D5	Total comprehensive income in 2023	-	-	-	-	-	9,324	(24,316)	(42,889)	(57,881)
	Appropriation and distribution of earnings for 2022									
B1	Appropriation of legal surplus reserves	-	-	-	745	-	(745)	-	-	-
B3	Reversal of special surplus reserves	-	-	-	-	(34,141)	34,141	-	-	-
B5	Cash dividends for common stock	-	-	-	-	-	(18,993)	-	-	(18,993)
B9	Stock dividends for common stock	21,852	-	-	-	-	(21,852)	-	-	-
N1	Share-based payment - employee stock option exercise (Note XXIII)	2,000	-	340	-	-	-	-	-	2,340
Q1	Disposal of equity instruments through other comprehensive income	-	-	-	-	-	(7,831)	-	7,831	-
Z1	Balance as of December 31, 2023	\$ 1,923,135	\$ -	\$ 80,479	\$ 25,118	\$ 158,644	\$ 1,493	(\$ 114,809)	(\$ 52,157)	\$ 2,021,903

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Key Ware Electronics Co., Ltd.
Parent Company Only Statements of Cash Flows
From January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Net income before tax	\$ 19,375	\$ 947
A20010	Adjustments to reconcile income (loss):		
A20100	Depreciation expenses	56,535	68,690
A20200	Amortization expenses	1,750	1,842
A20300	Expected credit reversal gains	(94)	(140)
A20400	Measurement of financial instruments at fair value through profit or loss (gains) or losses	(5,145)	20,853
A20900	Finance costs	27,494	25,383
A21200	Interest income	(761)	(303)
A21300	Dividend income	(1,342)	(2,256)
A21900	Share-based compensation cost	-	896
A22300	Shares of profits or loss of subsidiaries and associates accounted for using equity method	(194,990)	(49,409)
A22500	Gains on property, plant, and equipment	(2,038)	(1,655)
A22900	Impairment loss on non-current assets held for sale	18,000	-
A23700	Impairment loss on property, plant, and equipment	77,009	-
A29900	Realized (unrealized) gains from sales	(3)	8
A23900	Inventory write-down and obsolescence loss	4,709	-
A24100	Unrealized foreign exchange losses (gains)	(303)	944
A24200	Redemption loss on convertible corporate bonds	431	-
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	833	4,091
A31150	Accounts receivable	83,351	(65,388)
A31160	Accounts receivable - related parties	14,276	2,311
A31180	Other receivables	(5,021)	1,059
A31190	Other receivables - related parties	(5,440)	188,714
A31200	Inventories	(11,368)	(22,260)
A31230	Prepayments	260	(8,885)
A31240	Other current assets	(2,891)	(1,977)
A32130	Notes and accounts payables	(13,027)	789
A32160	Accounts payable - related parties	(3,600)	(11,880)
A32190	Other payables - related parties	(12,144)	11,760
A32180	Other payables	5,847	414
A32230	Other current liabilities	(562)	1,142
A32240	Other non-current assets	2,483	1,503

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Code		2023	2022
A33000	Cash inflows generated from operations	\$ 53,624	\$ 167,193
A33300	Interest paid	(24,897)	(19,364)
A33100	Interest received	761	303
A33200	Dividends received	1,342	2,256
A33500	Income tax paid	(54)	(114)
AAAA	Cash inflow (outflow) from operating activities	<u>30,776</u>	<u>150,274</u>
	Cash flow from investment activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(15,178)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	41,293	91,793
B00100	Acquisition of financial assets at fair value through profit or loss	(167,583)	(89,278)
B00200	Disposal of financial assets at fair value through profit or loss	181,785	24,275
B01800	Reduction of capital and return of capital from associates	18,480	-
B02600	Proceeds from disposal of property, plant, and equipment	128,195	-
B02700	Acquisition of property, plant, and equipment	(4,352)	(7,882)
B07100	Decrease in equipment payable	-	(262,924)
B03800	Decrease in refundable deposits	9	2,248
B07600	Receipt of dividends from subsidiaries and associates	<u>71,975</u>	<u>10,224</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>269,802</u>	(<u>246,722</u>)
	Cash flows from financing activities		
C00200	Repayments of short-term loans	(142,526)	(26,624)
C00500	Increase in short-term notes and bills payable	(19,986)	9,974
C01300	Repayment of corporate bonds	(143,414)	-
C01600	Proceeds from long-term loans	-	450,199
C01700	Repayments of long-term loans	(43,368)	(420,511)
C04020	Repayment of the lease principal	(6,871)	(8,962)
C04500	Cash dividends paid	(18,993)	-
C04800	Employees stock option exercised	<u>2,340</u>	<u>-</u>
CCCC	Net cash outflow used in financing activities	(<u>372,818</u>)	<u>4,076</u>
EEEE	Decrease in cash and bank deposits for the year	(72,240)	(92,372)
E00100	Cash and bank deposits at the beginning of the year	<u>123,888</u>	<u>216,260</u>
E00200	Cash and bank deposits at the end of the year	<u>\$ 51,648</u>	<u>\$ 123,888</u>

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman:
Chow, Pong-Chi

President:
Chu, Tsung-Wei

Accounting Manager:
Lee, Yun-Ting

Key Ware Electronics Co., Ltd.
Notes to Parent Company Only Financial Statements
From January 1 to December 31, 2023 and 2022
(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

Key Ware Electronics Co., Ltd. (the "Company") was incorporated on February 27, 1997, and is mainly engaged in the design, manufacture and processing of printed circuit board materials such as electroplating solution, dry film, drill bits and copper foil substrates.

The common stock issued by the Company has been listed and traded on the Taipei Exchange since March 29, 2001.

The Parent Company Only Financial Statements are presented in the New Taiwan dollar, the Company's functional currency.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Parent Company Only Financial Statements have been approved by the Board of Directors on March 8, 2024.

III. Application of New and Amended Standards and Interpretations

- (I) Initial application of the latest Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "IFRS accounting standards").

The application of revised and approved IFRS accounting standards by the Financial Supervisory Commission, upon their effective publication, does not result in significant changes to the Company's accounting policies.

- (II) FSC-endorsed IFRSs that are applicable from 2024 onward

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date of Issuance by the IASB (Note 1)</u>
The amendment to IFRS 16 "Leases" regarding "Lease liabilities in sale and leaseback transactions"	January 1, 2024 (Note 2)
The amendment to IAS 1 "Presentation of Financial Statements" regarding "Classification of liabilities as current or non-current"	January 1, 2024
The amendment to IAS 1 "Presentation of Financial Statements" regarding "Non-current liabilities with contractually payable amounts"	January 1, 2024

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date of Issuance by the IASB (Note 1)</u>
The amendment to IAS 7 and IFRS 7 regarding "Supplier finance arrangements"	January 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new issuances/amendments/revisions of standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: Seller-lessees should retrospectively apply the amendment to IFRS 16 to sale and leaseback transactions entered into on or after the date of initial application of IFRS 16.

Note 3: Upon initial application of this amendment, certain disclosure requirements are exempted.

As of the date of issuance of these individual financial statements, the Company continues to assess that the aforementioned standards and amendments thereto will not have a significant impact on the financial position and performance.

(III) Standards issued by the IASB but not yet endorsed and issued into effect by the IFRS

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

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

Note 2: Applicable for annual reporting periods beginning on or after January 1, 2025. Upon initial application of this amendment, the impact will be recognized in retained earnings as of the date of initial application. When the Company uses a non-functional currency as its presentation currency, the impact will adjust the translation differences of foreign operations under equity as of the date of initial application.

As of the date of authorization of the Parent Company Only Financial Statements, the Company has continued to assess the effects of amendments to above standards and interpretations on its financial conditions and performance. Related impacts will be disclosed upon completion of the assessment.

IV. Summary of Significant Accounting Policies

(I) Compliance declaration

These individual financial statements are prepared in accordance with the financial reporting standards for securities issuers and relevant laws.

(II) Preparation basis

The Parent Company Only Financial Statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and importance of related input:

1. Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. deduced from).
3. Level 3: Inputs are unobservable inputs for the asset or liability.

When preparing parent company only financial statements, the Company adopts the equity method for investments in subsidiaries, associates, or joint ventures. In order to align profit or loss, other comprehensive income, and equity from the current year in the Parent Company Only Financial Statements with those attributable to the Company's owners, the differences in accounting treatment with individual and consolidated basis have led to adjustments in "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method", "share of other comprehensive income of subsidiary, associates, and joint ventures accounted for using the equity method" and related equity items.

(III) Standards for assets and liabilities classified as current and non-current

Current assets include:

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

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities expected to be settled when due within 12 months after the balance sheet date (even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue); and
3. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the publication of the balance sheet. 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 assets or liabilities that are not specified above are classified as non-current.

(IV) Foreign currencies

In the preparation of financial statements, transactions denominated in a currency other than the Company's functional currency (i.e., foreign currency) are translated into the Company's functional currency by using the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations including subsidiaries, associates, joint ventures or branches that operate in a country or currency different from the Company) are translated into the

New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the period. The exchange differences arising are recognized in other comprehensive income.

On the disposal of entire interests in foreign operators, or on the disposal of partial interests in subsidiary of foreign operation with loss of control, or when the retained interests upon the disposal of foreign operation's joint agreement or associate are financial assets and accounted for under the accounting policy for using the accounting policies for financial instruments, all of the accumulated exchange differences and associated with the foreign operation are reclassified to profit or loss.

If the partial disposal of a subsidiary with foreign operations does not result in loss of control, the cumulative translation differences are proportionally included in equity transactions and not recognized in profit or loss. In any other partial disposal of subsidiaries with foreign operations, the cumulative translation differences are reclassified to profit or loss in proportion to the disposal.

(V) Inventories

Inventories comprise raw materials, finished goods and work in process. Inventories are measured at the lower of cost and net realizable value. The comparison between costs and net realizable values is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventory costs are calculated using the weighted average method.

(VI) Investments in subsidiaries

The Company has adopted the equity method for investments in subsidiaries.

Subsidiaries refer to entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, changes in the Company's share of subsidiaries' other equity are recognized in proportion to its shareholding ratio.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

The recognition of further losses ceases when the Company's share of losses in subsidiaries equals or exceeds its interest in the subsidiaries (including the carrying amount of its investment in the subsidiaries under the equity method and other long-term interests that are in substance a component of the Company's net investment in the subsidiaries).

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, and liabilities of subsidiaries recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When the Company assesses impairment, the test shall be performed on the basis of cash generating units within the financial statements. The recoverable amount and the carrying amount of cash generating units shall be compared. Subsequently, if the recoverable amount of an asset increases, the recovery of the impairment loss shall be recognized as an advantage, provided that the carrying amount of the asset recovered from the impairment loss shall not exceed the carrying amount of the asset to be amortized if the impairment loss is not recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, the Company measures its remaining investment in the former subsidiary at fair value at the date of loss of control. The difference between the fair value of the remaining investment and the carrying amount of the investment at the date of loss of control, if any, is recognized in profit or loss for the period. In addition, the Company shall account for all amounts recognized in other comprehensive income or loss related to the subsidiary on the same basis as the Company is required to follow for the direct disposal of the related assets or liabilities. The unrealized profit or loss in downstream transactions between the Company and the subsidiary shall be eliminated in the parent company only financial statements. The gains and losses arising from the countercurrent and side current transactions between the Company and its subsidiaries shall be recognized in the parent company only financial statements only to the extent not related to the Company's equity in the subsidiaries.

(VII) Investments in associates

An associate is an entity over which the Company has significant influence other than a subsidiary or a joint venture.

The Company accounts for investments in associates using the equity method.

Under the equity method, investments are initially treated at cost and adjusted thereafter for the post-acquisition change in the Company's interest in profit or loss, share in other comprehensive income, and profits of associates. In addition, changes in the Company's equity in associates are recognized on a pro rata basis.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, and liabilities of associates recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When associates and joint ventures issue new shares and the Company does not subscribe to such shares to the extent that its original shareholding ratio can be changed, the difference is recorded as an adjustment to capital surplus - changes in the net value of shares in associates and joint ventures accounted for using the equity method and other investments accounted for using the equity method. If the amount of ownership interests in associates is not subscribed for or obtained in proportion to the shareholding ratio, the amount of the related assets or liabilities shall be recognized in other comprehensive income. The basis of the accounting treatment is the same as that of the associates. The difference in the balance of the capital reserve accounted for using the equity method shall be recognized in retained earnings.

The recognition of further losses ceases when the Company's share of losses in associates equals or exceeds its interest in the associates (including the carrying amount of its investment in the associates under the equity method and other long-term interests that are in substance a component of the Company's net investment in the associates). The Company recognizes additional losses and liabilities only to the extent that legal obligations, constructive obligations or payments on behalf of associates have been incurred.

To assess impairment, the Company has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts. The cost of impairment identified is to be deemed as part of the

carrying amount of the investment. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

The Company shall cease the use of equity method from the date when its investment is no longer a joint venture. Its retained interest in the associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment and the carrying amount of the investment at the date of acquisition of the equity method is included in profit or loss for the current period. In addition, the Company shall account for all the amounts recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to use the equity method without remeasuring the retained interest.

Profits and losses in upstream, downstream and side-stream transactions between the Company and associates are recognized in the parent only financial statements only when the profits and losses are irrelevant to the Company's interests in the associates.

(VIII) Property, plant, and equipment

Property, plant, and equipment shall be recognized at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses.

Except for self-owned land, which is not depreciated, all other property, plant, and equipment are depreciated on a straight-line basis over their useful lives, with significant components separately depreciated. The Company reviews the estimated useful lives, residual values, and depreciation methods at least at the end of each annual period and defers the impact of changes in accounting estimates.

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

(IX) Impairment of property, plant and equipment, right-of-use asset, intangible assets (other than goodwill) and assets related to contract costs

The Company assesses at each balance sheet date whether there are any indications that property, plant, and equipment, right-of-use assets, and intangible assets (excluding goodwill) may be impaired. If any impairment indicators exist, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable

amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest group of cash-generating units on a rational and consistent basis.

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

When an impairment loss is reversed subsequently, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized in prior periods (adjusted for amortization or depreciation). Reversal of impairment losses is recognized in profit or loss.

(X) Assets held for sale

Non-current assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale must be available for immediate sale in their present condition, and the sale must be highly probable. When appropriate levels of management commit to a plan to sell the asset, and the sale is expected to be completed within one year from the date of classification, it is considered highly probable.

(XI) Financial instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheet when the Company becomes a party of the financial instrument contract.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Types of measurement

Financial assets held by the Company are classified as financial assets at fair value through profit or loss, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include equity instrument investments not designated to be measured at fair value through other comprehensive income, and debt instrument investments.

Financial assets at fair value through profit or loss are measured at fair value. Dividends and interest generated are recognized in other income, and gains or losses arising from remeasurement are recognized in other gains and losses. Please refer to Note XXV for the methods for determining fair values.

B. Financial assets at amortized cost

When the Company's investments in financial assets match the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

After initial recognition, financial assets (including cash and bank deposits, notes receivable measured at amortized cost, accounts receivable, accounts receivable - related parties and other receivables and other receivables - related parties) measured at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective rate method less any impairment loss.

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

The Company may, at initial recognition, make an irrevocable decision to designate an equity instrument that is neither held for trading nor contingent consideration arising from a business acquisition to be measured at fair value through other comprehensive income.

Investments in equity instruments at fair value through other comprehensive income are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

Dividends of investments in equity instruments at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive payment is confirmed unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The impairment loss of financial assets (including note and account receivable) at amortized cost is measured by the Company on the balance sheet date based on the expected credit losses.

Allowances shall be appropriated for notes and accounts receivable for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the expected credit losses during the lifetime represent the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

For the purpose of internal credit risk management, under the premise that the collateral held is not under consideration, the Company determines that

there is internal or external information indicating that the debtor cannot settle the debt, which represents that the financial assets have breached the contract.

The impairment loss of all financial assets is reduced based on the allowance account.

(3) Derecognition of financial assets

The Company derecognizes the financial assets when the contractual rights to the cash flow from the said financial assets expire or when the Company transfers almost all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. Through the full derecognition of the investments in equity instruments at fair value through other comprehensive income, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

4. Convertible bonds

The compound financial instruments (convertible bonds) issued by the Company are classified as financial liabilities and equity in accordance with the substance of the contractual agreements and the definitions of financial liabilities and equity instruments, respectively, at the time of initial recognition. On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument and is measured at amortized cost using the effective interest method until the effective conversion or maturity date. The components of liabilities that are embedded in non-equity derivatives are measured at fair value.

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

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

(XII) Revenue recognition

After the Company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

1. Sales revenue of commodities

Sales revenue of commodities comes from the sales of drill bits. The Company recognizes revenue and accounts receivable when the customer has the right to fix the price and use the goods and has the primary responsibility for re-selling the goods, and bears the risk of obsolescence.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2. Service revenue

Service revenue is derived from mechanical drilling service. With the electrical testing of mechanical drilling provided by the Company, customers can obtain and consume performance benefits at the same time, and the related revenue is recognized when the services are provided.

(XIII) Leases

The Company assesses whether the contract is (or includes) a lease on the date of its establishment.

1. Where the Company is a lessor:

A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

Under operating leases, lease payments after deducting lease incentives are recognized as revenue on a straight-line basis over the relevant lease term. The initial direct costs arising from acquisition of operating leases is added to the carrying amount of the underlying assets; and an expense is recognized for the lease on a straight line basis over the lease term.

2. Where the Company is a lessee:

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. A right-of-use asset is separately presented on the parent company only balance sheets.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the end of the useful life or the end of the lease term.

Lease liabilities are measured initially at the present value of the lease payments (including the present value of fixed payments). If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used.

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. If the assessments on lease terms, amounts expected to be paid under residual value guarantees or changes in the index or rate which determines the lease payments result in changes in future lease payments, the Company would remeasure the lease liabilities with a corresponding adjustment on the right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are expressed separately in the parent company only balance sheets.

(XIV) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the rereasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current periods) and the net interest of the net defined benefit liabilities (assets) are recognized as employee benefit expenses. The rereasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It shall not be reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (residual) of the contribution made according to the defined benefit pension plan. Net defined benefit assets shall not exceed the present value of refunds of contributions from the plan or reductions in future contributions.

(XV) Share-based payment arrangements

Shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus - employee stock options. If the acquisition is made immediately on the date of grant, the full cost is recognized on the date of grant.

The Company revises the estimated number of employee stock options expected to be vested at each balance sheet date. If the original estimate is revised, the effect is recognized in profit or loss so that the accrued expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee stock options.

(XVI) Income Tax

Income tax expenses are the sum of the tax in the current period and deferred income tax.

1. Current income tax

The Company determines the income (loss) of the current period in accordance with the laws and regulations in each income tax declaration jurisdiction, and calculates the income tax payable (recoverable) accordingly.

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act of the Republic of China and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to prior year income taxes are shown in the taxes of the current period.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized for deductible temporary differences or unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences related to investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets related to such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits available to utilize the temporary differences and within the foreseeable future when reversal is expected.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Deferred income tax assets that were not initially recognized as such are

reviewed at each balance sheet date and the carrying amount is increased to the extent that it is probable that future taxable income will be available to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income taxes for the year

Current income tax and deferred income tax are recognized in profit or loss or directly recognized in equity except for those related to items recognized in other comprehensive income that shall be recognized in other comprehensive income or directly recognized in equity.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the Company adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from these estimates.

The management shall continue to review the estimates and basic assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the period in which the accounting estimate is revised. If an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

VI. Cash and bank deposits

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 309	\$ 284
Checks and demand deposits in banks	<u>51,339</u>	<u>123,604</u>
	<u>\$ 51,648</u>	<u>\$ 123,888</u>

The interest rate interval of bank deposits as of the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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Bank deposits	0.00%~1.45%	0.00%~1.05%
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VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Mandatorily measured at fair value through profit or loss</u>		
Domestic listed (exchange-traded) and OTC stocks	\$ 33,049	\$ 12,308
Foreign listed (exchange-traded) stocks	<u>10,022</u>	<u>41,160</u>
	<u>\$ 43,071</u>	<u>\$ 53,468</u>

Financial liabilities - Current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities held for trading</u>		
Repurchase option (Note XVI)	<u>\$ -</u>	<u>\$ 4,380</u>

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic listed (exchange-traded) stocks	<u>\$ 282,220</u>	<u>\$ 354,046</u>
<u>Non-current</u>		
Domestic unlisted (unlisted) stocks	\$ 19,469	\$ 27,325
Foreign unlisted (unlisted) stocks	<u>20,940</u>	<u>25,440</u>
	<u>\$ 40,409</u>	<u>\$ 52,765</u>

The Company invested in equity instruments for medium- and long-term strategic purposes. The management chose to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In 2023 and 2022, the Company adjusted its investment portfolio to diversify risks, selling a portion of equity instrument investments at fair values of 33,293 thousand and 91,793 thousand respectively. The related other equity - financial assets at fair value through other comprehensive income unrealized gains were recognized as losses of 7,831 thousand and gains of 7,060 thousand, respectively, transferred to retained earnings.

For information on pledges of investments in equity instruments measured at fair value through other comprehensive income or loss, see Note XXVII.

IX. Notes Receivables, Accounts Receivables, and Other Receivables - Net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Due to operation	\$ 2,791	\$ 3,624
Less: Loss allowances	<u>-</u>	<u>-</u>
	<u>\$ 2,791</u>	<u>\$ 3,624</u>
 <u>Accounts receivable</u>		
Due to operation	\$ 139,949	\$ 230,242
Less: Loss allowances	<u>(1,201)</u>	<u>(1,295)</u>
	<u>\$ 138,748</u>	<u>\$ 228,947</u>
 <u>Other receivables</u>		
Receivable from disposal of investments	\$ 12,559	\$ 7,569
Others	<u>174</u>	<u>143</u>
	<u>\$ 12,733</u>	<u>\$ 7,712</u>

To minimize credit risk the management of the Company has delegated operational personnel to follow up on amounts past due to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the management concludes that the credit risk of the Company is significantly reduced.

The Company's credit period for commodity sales averages 120~150 days, and no interest was charged on accounts receivable.

The Company applies the simplified approach of IFRS 9 to recognize expected credit losses on accounts receivable based on lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix, which references historical average recovery rates for different customer groups across various age intervals, as well as customers' past default records, current financial conditions, industry economic conditions, and considers GDP forecasts and industry outlooks. A provision for expected losses is recognized based on a certain percentage of possible loss rates.

If evidence indicates that the counterparty is experiencing severe financial difficulties and the Company cannot reasonably expect to recover the amount due, the related accounts receivable are written off directly. However, the Company continues its collection efforts, and any amounts subsequently recovered are recognized in profit or loss.

Loss allowances for notes and accounts receivable based on the provision matrix are as follows:

December 31, 2023

	<u>0 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 360 Days</u>	<u>over 360 Days</u>	<u>Total</u>
Expected credit loss rate	0.01%	0.01%	0.13%	11.47%	100%	
Total carrying amount	\$ 83,785	\$ 53,732	\$ 3,955	\$ 92	\$ 1,176	\$ 142,740
Allowance for loss (expected credit losses during the period)	(4)	(5)	(5)	(11)	(1,176)	(1,201)
Amortized cost	<u>\$ 83,781</u>	<u>\$ 53,727</u>	<u>\$ 3,950</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 141,539</u>

December 31, 2022

	<u>0 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 270 Days</u>	<u>271 to 360 Days</u>	<u>over 360 Days</u>	<u>Total</u>
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	100%	
Total carrying amount	\$ 136,953	\$ 90,583	\$ 5,023	\$ 12	\$ 1,295	\$ 233,866
Allowance for loss (expected credit losses during the period)	-	-	-	-	(1,295)	(1,295)
Amortized cost	<u>\$ 136,953</u>	<u>\$ 90,583</u>	<u>\$ 5,023</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 232,571</u>

Changes in loss allowances for accounts receivable are as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 1,295	\$ 1,435
Impairment loss reversal during the year	(94)	(140)
Ending balance	<u>\$ 1,201</u>	<u>\$ 1,295</u>

The Company's accounts receivable as of December 31, 2023 and 2022 are significantly concentrated in major customers and are subject to credit risk as described in Note XXV.

X. Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw material	\$ 11,003	\$ 11,346
Work in process	27,717	22,573
Finished products	<u>177,956</u>	<u>176,098</u>
	<u>\$ 216,676</u>	<u>\$ 210,017</u>

As of December 31, 2023 and 2022, the Company had an allowance for inventory valuation losses of 8,893 thousand and 4,184 thousand, respectively.

The costs of goods sold related to inventories for the years ended December 31, 2023 and 2022 were 397,476 thousand and 567,544 thousand respectively, including inventory write-down and obsolescence losses of 4,709 thousand and 0 thousand respectively.

XI. Assets held for sale

Machinery and equipment held for sale

December 31, 2023

\$ 33,975

The Company plans to dispose of a portion of its machinery and equipment within the next year and is actively seeking buyers. As a result, the machinery and equipment have been reclassified as assets held for sale.

The expected selling price of these assets held for sale is lower than their carrying amount, resulting in an impairment loss of \$18,000, which is recognized in other income and expenses. The fair value measurement is based on the appraisal results of an independent valuation expert, using both the cost approach and market approach estimations, falling under Level 3 fair value hierarchy.

XII. Investments Accounted for Using the Equity Method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investments in subsidiaries	\$ 1,735,727	\$ 1,654,064
Investments in associates	<u>13,138</u>	<u>20,658</u>
	<u>\$ 1,748,865</u>	<u>\$ 1,674,722</u>

(I) Investments in subsidiaries

Name of Subsidiary	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	Amount	Equity %	Amount	Equity %
Key Ware International Limited	\$ 1,715,264	100.00	\$ 1,595,508	100.00
Key De Precise Industries Co., Ltd	23,765	51.00	28,288	51.00
Laserware Laser Technology Co., Ltd	965	99.99	970	99.99
Jia Chi Co., Ltd	(4,871)	83.63	28,697	83.63
Hui Peng Technology Co., Ltd	<u>604</u>	60.00	<u>601</u>	60.00
	<u>\$ 1,735,727</u>		<u>\$ 1,654,064</u>	

(II) Investments in associates

Name of Investee	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Amount	Equity %	Amount	Equity %
Non-significant associates				
Rong Pei Wisdom Co., Ltd.	<u>\$ 13,138</u>	22.73	<u>\$ 20,658</u>	22.73

Aggregated financial information about the Company's associates is as follows:

	<u>2023</u>	<u>2022</u>
The Company's share of:		
Net income of continuing operations for the year	<u>\$ 23,153</u>	<u>\$ 1,103</u>
Other comprehensive income	<u>\$ -</u>	<u>\$ -</u>

In July, 2023, Rong Pei Wisdom Co., Ltd. carried out a reduction of capital and returned capital of 18,480 thousand. The Company's ownership percentage remained unchanged.

XIII. Property, plant, and equipment

	Self-owned Land	Housing and Construction	Machinery	Office Equipment	Other Equipment	Lease Improvements	Total
<u>Cost</u>							
Balance as of January 1, 2022	\$ 113,167	\$ 169,021	\$ 1,209,381	\$ 14,625	\$ 15,924	\$ 140,868	\$ 1,662,986
Addition	-	-	6,876	87	428	491	7,882
Reclassifications	-	-	31,889	-	-	169	32,058
Balance as of December 31, 2022	<u>\$ 113,167</u>	<u>\$ 169,021</u>	<u>\$ 1,248,146</u>	<u>\$ 14,712</u>	<u>\$ 16,352</u>	<u>\$ 141,528</u>	<u>\$ 1,702,926</u>
<u>Accumulated depreciation and impairment</u>							
Balance as of January 1, 2022	\$ -	\$ 47,399	\$ 791,596	\$ 12,070	\$ 8,740	\$ 5,672	\$ 865,477
Depreciation expenses	-	3,343	40,484	384	870	14,991	60,072
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 50,742</u>	<u>\$ 832,080</u>	<u>\$ 12,454</u>	<u>\$ 9,610</u>	<u>\$ 20,663</u>	<u>\$ 925,549</u>
Net as of December 31, 2022	<u>\$ 113,167</u>	<u>\$ 118,279</u>	<u>\$ 416,066</u>	<u>\$ 2,258</u>	<u>\$ 6,742</u>	<u>\$ 120,865</u>	<u>\$ 777,377</u>
<u>Cost</u>							
Balance as of January 1, 2022	\$ 113,167	\$ 169,021	\$ 1,248,146	\$ 14,712	\$ 16,352	\$ 141,528	\$ 1,702,926
Addition	-	100	2,008	69	2,175	-	4,352
Disposals	-	-	(60,233)	(9)	-	-	(60,242)
Reclassified as held for sale	-	-	(77,985)	-	-	-	(77,985)
Reclassifications	-	-	56,473	-	675	(44,813)	12,335
Balance as of December 31, 2023	<u>\$ 113,167</u>	<u>\$ 169,121</u>	<u>\$ 1,168,409</u>	<u>\$ 14,772</u>	<u>\$ 19,202</u>	<u>\$ 96,715</u>	<u>\$ 1,581,386</u>
<u>Accumulated depreciation and impairment</u>							
Balance as of January 1, 2023	\$ -	\$ 50,742	\$ 832,080	\$ 12,454	\$ 9,610	\$ 20,663	\$ 925,549
Disposals	-	-	(11,754)	(7)	-	-	(11,761)
Reclassified as held for sale	-	-	(26,010)	-	-	-	(26,010)
Reclassifications	-	-	5,953	-	9	(5,962)	-
Recognition of impairment losses	-	-	19,297	448	-	57,264	77,009
Depreciation expenses	-	3,344	40,470	147	1,061	4,627	49,649
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 54,086</u>	<u>\$ 860,036</u>	<u>\$ 13,042</u>	<u>\$ 10,680</u>	<u>\$ 76,592</u>	<u>\$ 1,014,436</u>
Net as of December 31, 2023	<u>\$ 113,167</u>	<u>\$ 115,035</u>	<u>\$ 308,373</u>	<u>\$ 1,730</u>	<u>\$ 8,522</u>	<u>\$ 20,123</u>	<u>\$ 566,950</u>

- (I) The Company assessed that certain machinery and leasehold improvements were idle due to reduced market demand, with expected recoverable amounts less than their carrying values. Consequently, an impairment loss of 77,009 thousand was recognized from January 1 to December 31, 2023, and recorded in other income and expenses.
- (II) Depreciation of property, plant and equipment is calculated on a straight-line basis according to the following durable years:

Housing and Construction	50 years
Machinery	2 to 13 years
Transportation Equipment	3 years
Office Equipment	3 to 8 years

Other Equipment	3 to 20 years
Lease Improvements	3 to 10 years

- (III) In 2018, the Company sold machinery and equipment to its wholly-owned subsidiary, Wuhan Laserware Laser Technology Co., Ltd., at which the Group holds 100% ownership. The difference between the net disposal proceeds and the carrying amount of the asset has been deferred (recognized as long-term deferred income). In year , a gain on disposal of assets of 1,655 thousand was recognized based on the asset's useful life (recorded in other income and expenses). An unrealized gain of 8,187 thousand remains.
- (IV) In year 2023, the Company sold machinery and equipment to its wholly-owned subsidiary, Kunshan Key Ware Electronics Co., Ltd., at which the Group holds 100% ownership. The difference between the net disposal proceeds and the carrying amount of the asset has been deferred (recognized as long-term deferred income). In year 2023, a gain on disposal of assets of 385 thousand was recognized based on the asset's useful life (recorded in other income and expenses). An unrealized gain of 79,330 thousand remains.
- (V) For the amount of property, plant, and equipment pledged as collateral, please refer to Note XXVII.

XIV. Lease Agreements

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Buildings	\$ 12,346	\$ 18,145
Transportation Equipment	<u>766</u>	<u>1,853</u>
	<u>\$ 13,112</u>	<u>\$ 19,998</u>
	<u>2023</u>	<u>2022</u>
Addition of Right-of-Use Assets	<u>\$ -</u>	<u>\$ 2,862</u>
Depreciation of Right-of-Use Assets		
Buildings	\$ 5,799	\$ 5,798
Transportation Equipment	<u>1,087</u>	<u>2,820</u>
	<u>\$ 6,886</u>	<u>\$ 8,618</u>

(II) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 6,591</u>	<u>\$ 6,871</u>
Non-current	<u>\$ 6,866</u>	<u>\$ 13,457</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.89%	1.89%
Transportation Equipment	1.56% ~ 1.61%	1.56% ~ 1.61%

(III) Major lease activities and terms

The Company leases certain plants and vehicles for business use for a period of 3 to 5 years. At the end of the lease term, the lease agreements do not contain renewal or off-take provisions.

(IV) Other lease information

	<u>2023</u>	<u>2022</u>
Short-term lease expenses	<u>\$ 323</u>	<u>\$ 169</u>
Low-value asset lease expense	<u>\$ 19</u>	<u>\$ 209</u>
Total cash flows on lease	<u>(\$ 7,523)</u>	<u>(\$ 9,340)</u>

XV. Loans

(I) Short-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured loans</u>		
Credit line loans	\$ 380,922	\$ 539,257
<u>Secured loans</u>		
Bank loans	<u>71,000</u>	<u>60,000</u>
	<u>\$ 451,922</u>	<u>\$ 599,257</u>

The interest rates on revolving bank loans as of December 31, 2023 and 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
NTD	2.08% ~ 2.78%	2.00% ~ 2.49%
JPY	1.16% ~ 1.49%	1.10% ~ 1.44%

(II) Short-term notes and bills payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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Commercial paper payable	\$ 25,000	\$ 45,000
Less: Discount on short-term notes and bills payable	<u>21</u>	<u>35</u>
	<u>\$ 24,979</u>	<u>\$ 44,965</u>

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2023

<u>Guarantor/Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying amount</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying amount of collaterals</u>
<u>Commercial paper payable</u>						
Mega Bills	<u>\$ 25,000</u>	<u>\$ 21</u>	<u>\$ 24,979</u>	1.81%	-	<u>\$ -</u>

December 31, 2022

<u>Guarantor/Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying amount</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying amount of collaterals</u>
<u>Commercial paper payable</u>						
Mega Bills	<u>\$ 45,000</u>	<u>\$ 35</u>	<u>\$ 44,965</u>	1.75%	-	<u>\$ -</u>

(III) Long-term loans

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured loans</u>		
Bank loans	\$ 480,061	\$ 523,429
Less: Classified as due within 1 year	<u>16,274</u>	<u>21,621</u>
	<u>\$ 463,787</u>	<u>\$ 501,808</u>

On May 24, 2021, the Company entered into a secured loan agreement with the Bank of Panhsin for a total amount of NT\$105,000 thousand and allocated NT\$60,000 thousand, NT\$10,000 thousand and NT\$30,000 thousand on July 27, 2021, September 29, 2021 and October 29, 2021, respectively, for a period of five years, with monthly repayments based on the fixed annuity method. The interest rate is based on the fixed rate index plus floating rate.

On January 26, 2022, the Company entered into a guarantee loan agreement with Shin Kong Bank for a total amount of NT\$440,000 thousand. The loan matures on January 26, 2025, with each period being 12 months from the first drawdown date. Repayments are 5,000 thousand per period, with the balance due at maturity. The loan interest rate is determined by adding 2.50% to the weighted average interest rate of the

financial industry's overnight interbank borrowing rate for three months (subject to negotiation for each transaction).

On April 25, 2022, the Company entered into a secured loan agreement with the First Commercial Bank for a total amount of NT\$10,200 thousand and allocated NT\$10,200 thousand on May 25, 2022 for a period of five years, with monthly repayments based on the fixed annuity method. The interest rate is based on the fixed rate index plus floating rate.

The effective interest rates were 2.42% to 2.7% and 1.90% to 2.38% per annum for the years ended December 31, 2022 and 2021, respectively.

Please refer to Note XXVII for the secured bank loans.

XVI. Corporate bonds payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Convertible Bonds without Collateral, 3rd issuance in the fiscal year 2021	\$ 56,759	\$ 193,912
Less: Classified as current portion due within 1 year	(<u>56,759</u>)	<u>-</u>
	<u>\$ -</u>	<u>\$ 193,912</u>

On April 21, 2021, the FSC approved the issuance of the third domestic unsecured convertible bonds of NT\$200,000 thousand, with a face value of NT\$100 thousand each and a coupon rate of 0%, with a maturity of 3 years, all of which have not been converted as of December 31, 2023. The repayment or conversion method is as follows:

- (I) Upon maturity, the Company shall redeem the bonds at par value.
- (II) If the conditions are fulfilled, the Company may redeem the bonds in cash at the face value of the bonds from 3 months after the issuance date to 40 days before the issuance date.
- (III) After three months from the date of issuance to the maturity date of the bonds, except for the period when the transfer is suspended by law, the bondholders may request the Company to convert the bonds into shares of the Company's common stock at the then prevailing conversion price at any time. According to the issuance and conversion rules of the Company's bonds, the original conversion price was NT\$21. The conversion price is adjusted to NT\$19.8 as of October 5, 2021, which is the base date of the cash capital increase.
- (IV) The date on which the convertible bonds expire 2 years after issuance is the base date for bondholders to redeem the bonds. The bondholders can request the Company to

redeem the bonds held by the bondholders at face value plus interest compensation within 30 days prior to the redemption date.

The above convertible bonds consist of liability and equity components. The equity component is recorded as capital surplus - stock options, and the liability component is originally recognized with an effective interest rate of 2.68%. The repurchase option is measured at fair value through profit or loss. Information on the components of liabilities and equity are as follows:

Issuance proceeds (less transaction costs of NT\$4,634 thousand)	\$ 195,366
Equity components	(8,556)
Repurchase option	(<u>1,140</u>)
Included in liabilities on issuance date (excluding transaction costs amortized to liabilities of 4,456 thousand)	185,670
Redemption rights on corporate bonds payable	(139,943)
Interest calculated at an effective rate of 2.68%	<u>11,032</u>
Liability components as of December 31, 2023	<u>\$ 56,759</u>

In May of 2023, holders of the Company's domestic second unsecured convertible corporate bonds redeemed a face value of NT142,700 thousand (plus a compensation interest of \$714 thousand), resulting in a bond redemption loss of \$431 thousand (included in other gains and losses). Additionally, the equity component of convertible bond issuance in the capital surplus was reclassified to capital surplus - expired warrants, totaling \$6,104 thousand.

As of December 31 2023, domestic second unsecured convertible corporate bonds with a face value of \$142,700 thousand have been redeemed.

XVII. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries Payable	\$ 12,298	\$ 9,642
Labor Insurance, Health Insurance, and Pension Payable	2,579	2,684
Service Fees Payable	4,886	4,134
Equipment Payable	2,789	2
Taxes Payable	1,176	104
Utilities Payable	2,453	2,129
Interest Payable	1,122	1,316
Others	<u>12,907</u>	<u>14,545</u>
	<u>\$ 40,210</u>	<u>\$ 34,556</u>

XVIII. Post-retirement Benefit Plan

- (I) Defined contribution plans

The Company adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

The amount to be appropriated by the Company in accordance with the defined contribution plan for 2023 and 2022 has been recognized in the parent company only statements of income as expenses totaling NT\$4,514 thousand and NT\$4,993 thousand, respectively.

(II) Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company allocates 2% of employees' monthly salaries respectively to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. If the estimated balance of the special account before the end of the year is not enough to pay for the workers who are expected to reach retirement in the following year, the difference shall be withdrawn in one lump sum by the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amount included in the parent company only balance sheet for obligations arising from the Company's defined benefit plans are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation contributed	(\$ 42,373)	(\$ 36,640)
Fair value of plan assets	<u>24,520</u>	<u>24,430</u>
Balance of contribution	(<u>17,853</u>)	(<u>12,210</u>)
Pension payable (recognized as other non-current liabilities)	(<u>\$ 17,853</u>)	(<u>\$ 12,210</u>)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit (liabilities) assets
January 1, 2022	<u>(\$ 29,708)</u>	<u>\$ 21,826</u>	<u>(\$ 7,882)</u>

Service costs for the current period	(2,254)	-	(2,254)
Interest (expenses) income	(276)	203	(73)
Recognized in profit or loss	(2,530)	203	(2,327)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	1,578	1,578
Actuarial losses - changes in demographic assumptions	-	-	-
Actuarial losses - changes in financial assumptions	(9,390)	-	(9,390)
Actuarial gains - experience adjustment	4,988	-	4,988
Recognized in other comprehensive income	(4,402)	1,578	(2,824)
Contribution by the employer	-	823	823
Benefit paid	-	-	-
December 31, 2022	(\$ 36,640)	\$ 24,430	(\$ 12,210)
January 1, 2023	(\$ 36,640)	\$ 24,430	(\$ 12,210)
Service costs for the current period	(3,077)	-	(3,077)
Interest (expenses) income	(549)	366	(183)
Recognized in profit or loss	(3,626)	366	(3,260)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	41	41
Actuarial losses - changes in demographic assumptions	(1,479)	-	(1,479)
Actuarial losses - changes in financial assumptions	(8,160)	-	(8,160)
Actuarial gains - experience adjustment	6,438	-	6,438
Recognized in other comprehensive income	(3,201)	41	(3,160)
Contribution by the employer	-	777	777
Benefit paid	1,094	(1,094)	-
December 31, 2023	(\$ 42,373)	\$ 24,520	(\$ 17,853)

The Company has the following risks owing to the implementation of the pension system under the Labor Standards Act:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned

operations. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.

2. Interest rate risk: The decrease in the interest rate will increase the present value of defined benefit obligations, but the yield on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.

3. Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.46%	1.50%
Expected salary increase rate	4.00%	3.00%

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.5%	(\$ 4,383)	(\$ 3,769)
Decrease by 0.5%	<u>\$ 4,995</u>	<u>\$ 4,281</u>
Expected salary increase rate		
Increase by 0.5%	<u>\$ 4,840</u>	<u>\$ 4,193</u>
Decrease by 0.5%	(<u>\$ 4,302</u>)	(<u>\$ 3,734</u>)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected amount of contribution within 1 year	<u>\$ 776</u>	<u>\$ 822</u>
Average duration of defined	22 years	22 years

benefit obligations

The Company's defined contribution plan and defined benefit plan related pension expense for 2023 and 2022 are recognized in each of the following single lines:

	<u>2023</u>	<u>2022</u>
Operating costs	<u>\$ 3,872</u>	<u>\$ 4,476</u>
Selling and marketing expenses	<u>\$ 369</u>	<u>\$ 278</u>
General and administrative expenses	<u>\$ 3,360</u>	<u>\$ 2,424</u>
Research and development expenses	<u>\$ 173</u>	<u>\$ 142</u>

XIX. Equity

(I) Capital stock

Common stock

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Share capital authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Share capital issued	<u>\$ 1,923,135</u>	<u>\$ 1,899,283</u>
Number of Shares (in thousands)	<u>192,313</u>	<u>189,928</u>
Common stock issued publicly	\$ 1,749,783	\$ 1,734,493
Common stock of private placement	<u>173,352</u>	<u>164,790</u>
Share capital issued	<u>\$ 1,923,135</u>	<u>\$ 1,899,283</u>

Each issued common share has a par value of 10 NTD, enjoys one voting right per share, and has the right to receive dividends.

In November 2021, employees exercised stock options amounting to 176 thousand NTD, resulting in the issuance of 15 thousand common shares at a subscription price of 11.7 NTD per share. The registration change was completed on March 28, 2022. Additionally, in June 2023, employees exercised stock options amounting to 2,340 thousand NTD, resulting in the issuance of 200 thousand common shares at a subscription price of 11.7 NTD per share. The registration change was completed on October 25, 2023.

The company held an annual shareholders' meeting on June 16, 2023, and resolved to issue 2,185 thousand new shares by capitalizing retained earnings. The aforementioned

issuance of new shares without consideration was approved and became effective on August 1, 2023, by the Financial Supervisory Commission's Securities and Futures Bureau. The record date for the capital increase was set for September 18, 2023.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset deficits, appropriated as cash dividends or transferred to capital (Note)</u>		
Stock Issuance Premium	\$ 65,212	\$ 64,872
Expired Employee Stock Options	559	559
Expired Convertible Bond Stock Options	6,104	-
<u>Not to be Used for Any Purpose</u>		
Employee Stock Options	6,152	6,152
Convertible Bond Stock Options	<u>2,452</u>	<u>8,556</u>
	<u>\$ 80,479</u>	<u>\$ 80,139</u>

Note: This type of capital reserve can be used to offset losses. Additionally, if the company has no losses, it can be used to distribute cash or convert to share capital. However, when converting to share capital, it is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

In accordance with the provisions of the Company's earnings distribution policy, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends. For the Company's policy on employee and director remuneration distribution in the Articles of Incorporation, please refer to Note XX.

Since the Company's business is growing, the dividend distribution policy is based on the Company's current and future investment environment, capital requirements, domestic and international competition and capital budget, taking into account shareholders' rights and interests, balanced dividends and the Company's long-term financial planning, etc. The Board of Directors prepares the distribution plan annually in accordance with the law and submits it to the shareholders' meeting. For the current

year's stock dividends, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

The legal reserve shall be appropriated until the remaining balance reaches the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The Company appropriates or reserves special reserve in accordance with the Official Letter No. 1010012865, Official Letter No. 1010047490, Official Letter No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

Our company held annual shareholders' meetings on June 16, 2023, and June 22, 2022, where the following profit distribution plans for the years 2022 and 2021 were respectively approved:

	Distribution of Earnings		Dividends Per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 745	\$ 3,538		
Special reserve	(34,141)	34,141		
Cash dividends	18,993	-	\$ 0.100	\$ -
Stock Dividends	21,852	-	0.115	-

On March 8, 2024, the Board of Directors proposed the distribution of earnings for the year ended December 31, 2023 as follows:

	Distribution of	Dividends Per
	Earnings	Share (NT\$)
Legal reserve	\$ 149	
Special reserve	1,344	
Cash dividends	-	\$ -
Stock Dividends	-	-

(IV) Special reserve

When IFRSs were first adopted, the Company recorded accumulated translation adjustments to retained earnings of NT\$158,644 thousand, and a special reserve of the same amount was provided.

The special reserve resulting from the translation of the financial statements of foreign operating companies is reversed in proportion to the disposal of the Company's shares and shall be reversed in full when the Company loses significant influence over the Company. Upon the distribution of earnings, a special reserve should be provided for

the difference between the net decrease in other shareholders' equity recorded at the end of the reporting period and the special reserve provided for the first time using IFRSs. If there is a subsequent reversal of the balance of the other shareholders' equity reduction, the reversed portion of the surplus shall be distributed.
distributed.

(V) Other equity items

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

	<u>2023</u>	<u>2022</u>
Beginning balance	(\$ 90,493)	(\$ 109,332)
Incurred this year		
Exchange differences on translation of financial statements of foreign operations	(30,395)	23,549
Income taxes related to exchange differences on translation of financial statements of foreign operations	<u>6,079</u>	<u>(4,710)</u>
Ending balance	<u>(\$ 114,809)</u>	<u>(\$ 90,493)</u>

2. Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Beginning balance	(\$ 17,099)	(\$ 113,549)
Incurred this year		
Unrealized gain or loss - equity instruments	(42,889)	103,510
Accumulated gains (losses) on disposal of equity instruments transferred to retained earnings	<u>7,831</u>	<u>(7,060)</u>
Ending balance	<u>(\$ 52,157)</u>	<u>(\$ 17,099)</u>

XX. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 5,910	\$ 24,530
Dividend income	<u>1,342</u>	<u>2,256</u>
	<u>\$ 7,252</u>	<u>\$ 26,786</u>

(II) Other gains and losses

	<u>2023</u>	<u>2022</u>
Net gain or loss on financial instruments at fair value through profit or loss	\$ 5,145	(\$ 20,853)
Gains on property, plant, and equipment	2,038	1,655
Net foreign exchange gains	8,014	37,264
Depreciation expense on rental equipment	(13,729)	(12,080)
Impairment Loss on Property, Plant, and Equipment	(77,009)	-
Impairment Loss on Non-Current Assets Held for Sale	(18,000)	-
Others	(<u>798</u>)	(<u>556</u>)
	<u>(\$ 94,339)</u>	<u>\$ 5,430</u>

(III) Finance costs

	<u>2023</u>	<u>2022</u>
Interest on bank loans	\$ 24,393	\$ 19,880
Interest on corporate bonds	2,791	5,056
Interest on lease liabilities	<u>310</u>	<u>447</u>
	<u>\$ 27,494</u>	<u>\$ 25,383</u>

(IV) Employee benefits and depreciation and amortization expenses

	2023			2022		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	\$ 76,520	\$ 31,037	\$ 107,557	\$ 87,791	\$ 25,707	\$ 113,498
Employee insurance expenses	8,765	2,369	11,134	9,952	2,134	12,086
Pension expenses	3,872	3,902	7,774	4,476	2,844	7,320
Remuneration						
Paid to Directors	-	960	960	-	626	626
Other employee benefits	2,754	372	3,126	935	147	1,082
Depreciation expenses	41,191	1,615	42,806	53,068	3,542	56,610
Amortization expenses	1,457	293	1,750	1,457	385	1,842

Depreciation expense on equipment leased to others (recorded as machinery and equipment) amounted to NT\$13,729 thousand and NT\$12,080 thousand in 2023 and 2022, respectively (recognized as other gains and losses).

For 2023 and 2022, the average number of employees of the Company is 158 and 178, respectively, of which the average number of directors who are not also employees is 8.

1. The average employee benefits expense for the current year is NT\$864 thousand ("Total employee benefit expenses for the current year - Total Directors' remuneration" / "Number of employees for the current year - Number of Directors who do not concurrently serve as employees") The average employee benefits expense for the previous year is NT\$788 thousand ((Total employee benefit expenses for the previous year - Total Directors' remuneration) / (Number of employees for the previous year - Number of Directors who do not concurrently serve as employees))
2. The average employee salary expense for the current year is NT\$717 thousand (Total employee salary expenses for the current year / (Number of employees for the current year - Number of Directors who do not concurrently serve as employees)) The average employee salary expense for the previous year was NT\$668 thousand (Total salary expense for the previous year / (Number of employees in the previous year - Number of Directors who do not concurrently serve as employees)).

3. Change in average employee salary expense is (7.30)% ((Average employee salary expense of the current year - Average employee salary expense of the previous year) / Average employee salary expense of the previous year).

4. Salary and remuneration policy

The remuneration to directors is based on the results of the operation of the Company and the performance evaluation of the Board of Directors, and is reasonable; The remuneration to the managers is in accordance with the Company's current policies, systems, standards and structure for salary and compensation, and the performance evaluation and evaluation of the reasonableness of the remuneration are submitted to the Salary and Compensation Committee and the Board of Directors for review and approval; The performance evaluation and salary compensation of employees are based on the salary payment standards, and the performance of individuals is evaluated by considering their time, responsibilities, and achievement of goals. The Company has established the Audit Committee to replace supervisors.

(V) Employee compensation and director remuneration

In accordance with the Company's Articles of Incorporation, the Company sets aside 1% to 10% and not more than 1% of the pre-tax benefit before employee and director remuneration distributions for the year, respectively, for employee compensation and director remuneration. The estimated employee compensation and director remuneration for 2023 and 2022 were resolved by the Board of Directors on March 8, 2024 and February 24, 2023, respectively, as follows:

Estimated percentage

	<u>2023</u>	<u>2022</u>
Employee compensation	1.00%	1.00%
Director remuneration	-	-

Amount

	<u>2023</u>		<u>2022</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee compensation	\$ 195	\$ -	\$ 10	\$ -
Director remuneration	-	-	-	-

If there is still any change in the amount after the annual parent company only financial statements are authorized for issue, the differences shall be treated as a change in accounting estimates in the following year.

The amounts of employee compensation distributed for the years ended December 31, 2022 and 2021 and those recognized in the parent company only financial statements are consistent.

At the board of directors' meeting held on May 6, 2022, the Company resolved to allocate NT\$0 thousand for directors' remuneration for 2021, which is different from the amount of NT\$333 thousand recognized in the parent company only financial statements for 2021, and the difference was adjusted to the profit or loss for 2022. Information on employee compensation and director remuneration resolved by the Board of Directors is available on the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

XXI. Income tax on continuing operations

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

	<u>2023</u>	<u>2022</u>
Current income tax		
Incurred this year	\$ 9,770	\$ -
Adjustments from previous years	<u>-</u>	(<u>372</u>)
	<u>9,770</u>	(<u>372</u>)
Deferred income tax		
Incurred this year	(2,247)	(1,329)
Adjustments from previous years	<u>-</u>	<u>-</u>
	(<u>2,247</u>)	(<u>1,329</u>)
Income tax (benefit) expense recognized in profit or loss	<u>\$ 7,523</u>	(<u>\$ 1,701</u>)

Reconciliation between accounting income and current income tax (benefit) expenses is as follows:

	<u>2023</u>	<u>2022</u>
Net income of continuing operations before tax	<u>\$ 19,375</u>	<u>\$ 947</u>
Income tax expense on net income before tax at statutory rate (20%)	\$ 3,875	\$ 189
Fees that cannot be deducted from taxes	2,743	4,309
Tax-exempted income	(31,201)	(5,712)
Unrecognized Deductible Temporary Differences and Loss Carryforwards	32,106	(115)

Adjustment of Prior Years' Current Income Tax in the Current Year	_____ -	(_____ 372)
Income Tax Expense (Benefit) Recognized in Profit or Loss	<u>\$ 7,523</u>	(<u>\$ 1,701</u>)

(II) Income tax recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Incurred this year		
Exchange differences on translation of financial statements of foreign operations	\$ 6,079	(\$ 4,710)
Gains (losses) on re-measurements of defined benefit plans	<u>632</u>	<u>565</u>
Income tax gain recognized in other comprehensive income	<u>\$ 6,711</u>	(<u>\$ 4,145</u>)

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensiv e income</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
Temporary differences				
Allowance for bad debts	\$ 32,537	(\$ 32,374)	\$ -	\$ 163
Inventory write-down	711	942	-	1,653
Defined benefit obligation	2,515	497	632	3,644
Unrealized disposal gain of equipment	1,968	15,535	-	17,503
Fixed Asset Impairment	-	14,221	-	14,221
Impairment of Non-Current Assets Held for Sale	-	3,600	-	3,600
Others	<u>1,345</u>	<u>(174)</u>	<u>-</u>	<u>1,171</u>
	<u>\$ 39,076</u>	<u>\$ 2,247</u>	<u>\$ 632</u>	<u>\$ 41,955</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Exchange differences on translation of	(<u>\$ 9,870</u>)	<u>\$ -</u>	<u>\$ 6,079</u>	(<u>\$ 3,791</u>)

foreign operations

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Ending balance
<u>Deferred income tax assets</u>				
Temporary differences				
Allowance for bad				
debits	\$ 32,696	(\$ 159)	\$ -	\$ 32,537
Inventory write-down	711	-	-	711
Defined benefit				
obligation	1,655	295	565	2,515
Unrealized disposal				
gain of equipment	2,299	(331)	-	1,968
Others	(<u>179</u>)	<u>1,524</u>	<u>-</u>	<u>1,345</u>
	<u>\$ 37,182</u>	<u>\$ 1,329</u>	<u>\$ 565</u>	<u>\$ 39,076</u>
<u>Deferred income tax liabilities</u>				
Temporary differences				
Exchange differences				
on translation of				
foreign operations	(<u>\$ 5,160</u>)	<u>\$ -</u>	(<u>\$ 4,710</u>)	(<u>\$ 9,870</u>)

(IV) Items not recognized as deferred income tax assets

As of December 31, 2023, and 2022, the total amount of deductible temporary differences not recognized as deferred tax assets was 2,766 thousand NTD.

(V) Income tax assessment

The Company's income tax returns for 2021 have been examined and audited by the tax authorities.

XXII. Earnings per Share

Unit: NT\$ Per Share

	<u>2023</u>	<u>2022</u>
Basic earnings per share		
From continuing operations	<u>\$ 0.06</u>	<u>\$ 0.01</u>
Diluted earnings per share		
From continuing operations	<u>\$ 0.06</u>	<u>\$ 0.01</u>

When calculating earnings per share, the impact of the stock dividend issuance has been retroactively adjusted. The record date for the stock dividend issuance was set for September 18, 2023. Due to the retroactive adjustment, the basic and diluted earnings per share for the year 2022 have changed as follows:

	<u>Before Retroactive Adjustment</u>	<u>After Retroactive Adjustment</u>
Basic Earnings Per Share	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Diluted Earnings Per Share	<u>\$ 0.01</u>	<u>\$ 0.01</u>

The earnings and weighted average number of ordinary shares used to calculate earnings per share are as follows:

Net Income for the period

	<u>2023</u>	<u>2022</u>
Net income used for calculation of basic earnings per share	<u>\$ 11,852</u>	<u>\$ 2,648</u>
Net income used for calculation of diluted earnings per share	<u>\$ 11,852</u>	<u>\$ 2,648</u>

Number of shares

Unit: Thousand shares

	<u>2023</u>	<u>2022</u>
Weighted average number of common shares used for calculation of basic earnings per share	190,644	192,114
Effect of potentially dilutive common shares:		
Employee compensation	<u>18</u>	<u>334</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>190,662</u>	<u>192,448</u>

If the company chooses to compensate employees with either stock or cash, diluted earnings per share calculation assumes that employee compensation will be in the form of stock, and the weighted average number of outstanding shares will include the potential common shares that have a dilutive effect. When calculating diluted earnings per share before the decision to issue employee compensation shares in the following year, the dilutive effect of such potential common shares continues to be considered.

Employee stock options of the company are excluded from the calculation of diluted earnings per share because their exercise price exceeds the average market price of the company's shares for the years 2023 and 2022, which has an antidilutive effect.

Convertible bonds outstanding for the year 2023 are also excluded from the calculation of diluted earnings per share because their conversion has an antidilutive effect.

XXIII. Share-based payment arrangements

The company did not issue any new employee stock options in the years 2023 and 2022. Here is the relevant information regarding the issued employee stock options:

	2023		2022	
	Unit	Weighted average exercise price	Unit	Weighted average exercise price
<u>Employees stock option</u>	<u>(Thousand)</u>	<u>(NT\$)</u>	<u>(Thousand)</u>	<u>(NT\$)</u>
Outstanding at the beginning of the year	2,535	\$13.18	2,685	\$13.09
Granted during the year	-	-	-	-
Exercised during the year	(200)	11.70	(150)	11.70
Outstanding at the end of the year	<u>2,335</u>	13.30	<u>2,535</u>	13.18
Exercisable at the end of the year	<u>1,843</u>		<u>700</u>	

The company recognized employee compensation expenses of 0 thousand NTD and 896 thousand NTD for the years 2023 and 2022, respectively.

XXIV. Capital Risk Management

The Company manages capital management under the precondition for sustainable development to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity. The capital structure of the Company consists of the Company's equity attributable to the owners of the Company (i.e., capital stock, capital surplus, retained earnings and other equity items).

The Company reviews the capital structure of the Company on a quarterly basis, which includes consideration of the cost of various types of capital and the associated risks. According to the management's opinions, the Company balances its overall capital structure through dividend payments, issuance of new shares, repurchase of shares and issuance of new debt or repayment of old debt.

XXV. Financial instruments

(I) Information on fair value - financial instruments not measured at fair value

Apart from the items listed in the table below, the management of the company believes that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Carrying amount</u>	<u>Level 3 Fair value</u>	<u>Carrying amount</u>	<u>Level 3 Fair value</u>
<u>Financial liabilities</u>				
Accounts Payable -				
Corporate Bonds	\$ 56,759	\$ 56,910	\$ 193,912	\$ 193,140

The fair value measurement of Level 3 is based on the binary tree convertible bond valuation model, taking into consideration the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

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

1. Fair value level

	<u>December 31, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Non-derivative financial assets				
– Domestic Over-the-Counter Stocks	\$ -	\$ -	\$ 12,954	\$ 12,954
– Domestic Listed Stocks	20,095			20,095
– Foreign Listed Stocks	10,022	-	-	10,022
Total	<u>\$ 30,117</u>	<u>\$ -</u>	<u>\$ 12,954</u>	<u>\$ 43,071</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
– Domestic OTC stocks	\$ 282,220	\$ -	\$ -	\$ 282,220
– Domestic and foreign unlisted (OTC) stocks	-	-	40,409	40,409
Total	<u>\$ 282,220</u>	<u>\$ -</u>	<u>\$ 40,409</u>	<u>\$ 322,629</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Non-derivative financial assets				
– Domestic OTC stocks	\$ -	\$ -	\$ 12,308	\$ 12,308
– Foreign Listed Stocks	<u>41,160</u>	<u>-</u>	<u>-</u>	<u>41,160</u>
Total	<u>\$ 41,160</u>	<u>\$ -</u>	<u>\$ 12,308</u>	<u>\$ 53,468</u>
 <u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
– Domestic OTC stocks	\$ 354,046	\$ -	\$ -	\$ 354,046
– Domestic and foreign unlisted (OTC) stocks	<u>-</u>	<u>-</u>	<u>52,765</u>	<u>52,765</u>
Total	<u>\$ 354,046</u>	<u>\$ -</u>	<u>\$ 52,765</u>	<u>\$ 406,811</u>
 <u>Financial liabilities at fair value through profit or loss</u>				
– Repurchase option for convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,380</u>	<u>\$ 4,380</u>

In 2021 and 2020, there was no transfer between Level 1 and Level 2 fair value measurement.

2. Reconciliation of financial instruments measured at fair value in Level 3

Financial Instruments at Fair Value through Profit or Loss

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 7,928	(\$ 1,220)
Purchase	-	11,389
Recognized in profit or loss (other gains and losses)	1,986	(2,241)
Disposal/Settlement	<u>3,040</u>	<u>-</u>
Ending balance	<u>\$ 12,954</u>	<u>\$ 7,928</u>

Financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 52,765	\$ 40,144
Purchase	-	15,180
Capital Reduction and Refund of Capital	(8,000)	-
Recognized in other comprehensive income	(4,356)	(2,559)
Ending balance	<u>\$ 40,409</u>	<u>\$ 52,765</u>

3. Valuation techniques and inputs of Level 3 fair value measurement

<u>Category of Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
Domestic and foreign unlisted (OTC) and emerging stocks	The total value of the individual assets and individual liabilities covered by the valuation targets is evaluated on a balance sheet basis, and the market approach is appropriately applied to the nature of the individual valuation targets, taking into account the liquidity discount and the control discount, to reflect the overall value of the enterprise or business.
Domestic Over-the-Counter Stocks	The evaluation is performed using the Comparable Company Method and the Over-the-Counter Price Adjustment Method. The Comparable Company Method primarily relies on the assumption that multiples based on market quotations, per-share net worth, and sales value of comparable listed (OTC) companies are referenced. These values already incorporate liquidity discounts.
Repurchase option for convertible corporate bonds	Binary tree convertible bond valuation model: The Company considers the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

The multipliers and liquidity discounts for Level 3 fair value measurements of financial instruments are as follows:

	<u>Multiplier</u>	<u>Liquidity Discount</u>
December 31, 2023	6.24	20%
December 31, 2022	4.38 ~ 18.11	20%

If the valuation parameters of the company decrease by 5%, the change in other comprehensive income for the years 2023 and 2022, attributable to the fair value fluctuations of equity instrument investments classified as Level 3, will decrease by 1,347 thousand NTD and 1,596 thousand NTD, respectively.

(III) Category of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 43,071	\$ 53,468
Financial assets at fair value through other comprehensive income	322,629	406,811
Financial assets at amortized cost (Note 1)	265,554	431,382
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss	-	4,380
Measured at amortized cost (Note 2)	1,129,043	1,501,539

Note 1: The balance includes cash and bank deposits, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, other receivables - related parties, certain other current assets and refundable deposits, which are measured at amortized cost.

Note 2: The balance includes financial liabilities at amortized cost such as short-term borrowings, short-term notes payable, notes and accounts payable, accounts payable - related parties, certain other payables, other payable - related parties, certain other current liabilities, corporate bonds payable and long-term borrowings.

(IV) Financial risk management objectives and policies

The financial risk management objective of the Company is to manage the exchange rate risk, credit risk and liquidity risk associated with operating activities. To reduce the related financial risks, the Company is committed to identifying, evaluating and hedging market uncertainties in order to reduce the potential adverse effects of market changes on the Company's financial performance.

The significant financial activities of the Company are reviewed by the Board of Directors in accordance with the relevant regulations and internal control system. During the implementation of the financial plan, the Company must comply with the relevant financial operating procedures regarding the overall financial risk management and allocation of authority and responsibility.

1. Market risk

The main financial risk the Company is exposed in the business activities are foreign exchange risk.

(1) Foreign exchange risk

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the parent company only financial statements) are shown in Note XXVIII.

The company is primarily affected by fluctuations in the USD and JPY exchange rates, resulting in significant amounts of assets and liabilities denominated in foreign currencies. Although gains and losses from foreign currency transactions offset each other due to market exchange rate fluctuations, there is a notable difference between the amounts of foreign currency assets and liabilities, exposing the company to foreign exchange risk. When the USD depreciates by 3% against the TWD, the pre-tax net profit for the years 2023 and 2022 will decrease by 3,449 thousand NTD and 5,507 thousand NTD, respectively. Similarly, when the JPY appreciates by 3% against the TWD, the pre-tax net profit for the years 2023 and 2022 will decrease by 519 thousand NTD and 1,433 thousand NTD, respectively.

(2) Interest rate risk

Interest rate risk arises because entities within the Company engage in borrowing at both fixed and floating rates. The Company manages interest rate risk by maintaining an appropriate mix of fixed and floating rates.

The carrying amounts of financial liabilities of the Company exposed to interest rate risk on the balance sheet date are as follows :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subject to Fair Value		
Interest Rate Risk	\$ 56,759	\$ 193,912
Subject to Cash Flow		
Interest Rate Risk	956,962	1,167,651

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates at balance sheet date. For

floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the balance sheet date is outstanding at the reporting date. If interest rates increase by 1%, with all other variables held constant, the Company's net income before income taxes would decrease by NT\$9,570 thousand and NT\$11,677 thousand in 2023 and 2022, respectively.

(3) Equity securities price risk

Market risk of equity securities includes individual risk arising from changes in the market price of individual equity securities and general market risk arising from changes in the overall market price.

If the Company's equity price decreases by 10%, the net income before income tax for 2023 and 2022 would decrease by NT\$4,307 thousand and NT\$5,346 thousand, respectively, due to the change in fair value of financial assets measured at fair value through profit or loss. Other comprehensive income in 2023 and 2022 would decrease by NT\$32,263 thousand and NT\$40,681 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Group due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Company's maximum exposure to credit risk (without considering collaterals or other credit enhancement instruments and the maximum amount of irrevocable exposure) that could result in financial loss due to the counter-parties' failure to perform their obligations and the Company's provision of financial guarantees was mainly from the carrying amount of financial assets recognized in the parent company only balance sheet.

The Company's policy is to transact only with creditworthy counterparties and to obtain adequate guarantees, if necessary, to mitigate the risk of financial losses arising from defaults.

To minimize credit risk, the Company reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the

management concludes that the credit risk of the Company is significantly reduced.

The counter-parties to the liquidity and derivative financial instruments are banks with high credit ratings from international credit rating agencies, so the credit risk is not significant.

Accounts receivable are due from a wide range of customers in various geographic locations. The Company continuously evaluates its accounts receivable customers' financial condition, credit rating agencies, the Company's internal credit rating, historical transaction history, and other factors that may affect customers' ability to pay. The Company also uses measures such as sales on a prepayment basis to reduce the credit risk of specific customers.

As of December 31, 2023 and 2022, the percentages of accounts receivable from the top ten customers to the Company's accounts receivable balances were 86% and 94%, respectively. The credit concentration risk of the remaining accounts receivable was relatively insignificant.

3. Liquidity risk

The Company supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and bank deposit. The management of the Company supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Bank loans are an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company had unused short-term banking facilities of NT\$391,982 thousand and NT\$325,015 thousand, respectively, and the Company had unused long-term banking facilities of NT\$70,139 thousand and NT\$31,771 thousand, respectively.

Liquidity and interest rate risk tables

The following table details the analysis of the remaining contractual maturities of the Company's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Company could be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity analysis of the Company's non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2023

	<u>Less than 1 year</u>	<u>1 to 5 year(s)</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 451,922	\$ -	\$ 451,922
Short-term notes and bills payable	25,000	-	25,000
Notes and accounts payables	53,265	-	53,265
Accounts payable - related parties	22,423	-	22,423
Other payables	40,210	-	40,210
Other payables - related parties	581	-	581
Lease liabilities	6,776	6,935	13,711
Other current liabilities	6,677	-	6,677
Long-term loans	16,274	463,787	480,061
Corporate bonds payable	57,300	-	57,300

December 31, 2022

	<u>Less than 1 year</u>	<u>1 to 5 year(s)</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 599,257	\$ -	\$ 599,257
Short-term notes and bills payable	45,000	-	45,000
Notes and accounts payables	66,292	-	66,292
Accounts payable - related parties	27,190	-	27,190
Other payables	26,577	-	26,577
Other payables - related parties	12,725	-	12,725
Lease liabilities	7,181	13,711	20,892
Other current liabilities	7,192	-	7,192
Long-term loans	21,621	501,808	523,429
Corporate bonds payable	-	200,000	200,000

XXVI. Related Party Transactions

In addition to those disclosed in other notes, the transactions between the Company and related parties are as follows:

(I) Names and relations of related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Jia Chi Co., Ltd (hereinafter referred to as "Jia Chi")	Subsidiaries
Key De Precise Industries Co., Ltd (hereinafter referred to as "Key De Precise")	Subsidiaries
Kunshan Key Ware Electronics Co., Ltd (hereinafter referred to as "Kunshan Key Ware")	Subsidiaries
Wuhan Laserware Laser Technology Co., Ltd (hereinafter referred to as "Wuhan Laserware Laser")	Subsidiaries
Kunshan Laserware Laser Technology Co., Ltd (hereinafter referred to as "Kunshan Laserware Laser")	Subsidiaries

(II) Operating revenue

<u>Type of Related Party</u>	<u>2023</u>	<u>2022</u>
Subsidiaries		
Kunshan Key Ware	\$ 37,564	\$ 133,395
Jia Chi	<u>35,443</u>	<u>67,793</u>
	<u>\$ 73,007</u>	<u>\$ 201,188</u>

(III) Purchase of goods

<u>Type of Related Party</u>	<u>2023</u>	<u>2022</u>
Subsidiaries		
Kunshan Key Ware	\$ 38,029	\$ 69,482
Others	<u>98</u>	<u>5</u>
	<u>\$ 38,127</u>	<u>\$ 69,487</u>

The purchase and sale of goods to related parties are based on cost, and both parties negotiate prices with reference to market conditions.

(IV) Accounts payable

<u>Type of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
Kunshan Key Ware	\$ 12,963	\$ 16,680
Jia Chi	<u>32,258</u>	<u>41,530</u>
	<u>\$ 45,221</u>	<u>\$ 58,210</u>

The trading terms for the sale of semi-finished drill bits to Kunshan Key Ware and the drilling foundry with Jia Chi are net 180 days, net 90 to 150 days for domestic general customers and net 60 to 165 days for foreign general customers.

(V) Other receivables- Related Party

<u>Type of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
Kunshan Laserware Laser	\$ 901	\$ 1,234
Kunshan Key Ware	11,976	6,224
Jia Chi	<u>6</u>	<u>4</u>
	<u>\$ 12,883</u>	<u>\$ 7,462</u>

The amount represents the lease of equipment to Jia Chi and the purchase of equipment on behalf of Kunshan Laserware Laser and Kunshan Key Ware.

(VI) Accounts payable

<u>Type of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
Kunshan Key Ware	\$ 21,899	\$ 27,190

The trading terms for the purchase of drill bits and slotting tools from subsidiaries are net 120 days and net 90 to 120 days for general non-related parties.

(VII) Other payables

<u>Type of Related Party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
Kunshan Key Ware	\$ -	\$ 11,660
Jia Chi	<u>1,105</u>	<u>1,065</u>
	<u>\$ 1,105</u>	<u>\$ 12,725</u>

The amount represents the purchase of machinery and equipment from Kunshan Key Ware and the maintenance of the machinery and equipment by Jia Chi on behalf of the Company.

(VIII) Lease agreements

Operating lease

The Company leases the use of machinery and equipment to Jia Chi under an operating lease for a period of three years. As of December 31, 2023, operating lease receivables amounted to NT\$6,205 thousand and total lease payments to be received in the future amounted to NT\$24,000 thousand. The lease income (recognized as other income) amounted to NT\$5,910 thousand and NT\$24,480 thousand in 2023 and 2022, respectively.

(IX) Endorsements/Guarantees

As of December 31, 2023 and 2022, the Company's endorsement/ guarantees for related parties is as follows:

Type of Related Party	December 31, 2023		December 31, 2022	
	Total Credits	Credit in Force	Total Credits	Credit in Force
Subsidiaries	<u>\$ 230,000</u>	<u>\$ 36,000</u>	<u>\$ 230,000</u>	<u>\$ 33,000</u>

(X) Remuneration to the management

	2023	2022
Short-term employee benefits	\$ 8,071	\$ 7,811
Retirement benefits	107	36
	<u>\$ 8,178</u>	<u>\$ 7,847</u>

XXVII. Pledged Assets

The following assets were provided as collateral for the Company's bank loans and performance guarantees:

	December 31, 2023	December 31, 2022
Property, plant, and equipment		
Land	\$ 113,167	\$ 113,167
Housing and Construction	115,035	118,279
Machinery	162,024	221,899
Financial assets at fair value through other comprehensive income - current		
Domestic OTC stocks	180,723	130,835

XXVIII. Information on Foreign Currency Assets and Liabilities with Significant Impact

The following information is expressed in aggregate foreign currencies other than the functional currency of the company. The disclosed exchange rates refer to the rates at which these foreign currencies are translated into the functional currency. Here are the foreign currency assets and liabilities with significant impact:

單位：各外幣 / 新台幣仟元

	December 31, 2023			December 31, 2022		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Monetary items of financial assets						
USD	\$ 3,745	30.71	\$ 114,990	\$ 5,977	30.71	\$ 183,554
JPY	104,147	0.2183	22,733	328,260	0.2324	76,288
Non-monetary items of financial assets						
USD	56,545	30.71	1,736,214	53,672	30.71	1,648,267
Monetary items of financial liabilities						

USD	-	30.71	-	-	30.71	-
JPY	183,381	0.2183	40,028	533,810	0.2324	124,057

Please refer to Note XX for the Company's foreign currency exchange gains and losses (realized and unrealized) for the years 2023 and 2022. Due to the large number of foreign currency transactions, it is not possible to disclose the exchange gains and losses by foreign currency for each material effect.

XXIX. Supplementary Disclosures

(I) Information on Significant Transactions:

1. Loans provided for others. (Table 1)
2. Endorsements/Guarantees Provided for Others. (Table 2)
3. Securities held at end of period (excluding investments in subsidiaries, associates, and joint ventures). (Table 3)
4. Accumulated Purchase or Sale of the Same Securities Amounting to NT\$300 Million or 20% of Paid-in Capital or More. (None)
5. Acquisition of Real Estate Amounting to NT\$300 Million or 20% of the Paid-in Capital or More. (None)
6. Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more. (None)
7. Purchases or Sales with Related Parties Amounting to NT\$100 Million or 20% of Paid-up Capital or More. (Table 4)
8. Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more. (None)
9. Derivatives transactions. (None)

(II) Information on investee companies (Table 4)

(III) Information on Investments in Mainland China:

1. Information on any investee company in mainland China (name, main business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of investment at end of period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 5)
2. Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information:

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 6)
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 6)
 - (3) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)
- (IV) Information on Major Shareholders: Name, amount and percentage of shareholding of shareholders with 5% or more of the shares. (Table 8)

XXX. Segment Information

The Company's segment information is disclosed in the 2023 consolidated financial statements.

Key Ware Electronics Co., Ltd. and its investee companies

Loans provided for others

2023

Table 1

Unit: NT\$ thousand

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending balance	Actual Amount Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	The Company	4 Companies including Kunshan Key Ware Electronics Co., Ltd (Note 2)	Other receivables - related parties	Yes	\$ 100,000	\$ 100,000	\$ -	-	Short-term Financing	\$ -	Operations turnover	\$ -	-	\$ -	\$ 202,190	\$ 808,761
0	The Company	Jia Chi Co., Ltd (Note 3)	Other receivables - related parties	Yes	30,000	30,000	11,976	-	Short-term Financing	-	Operations turnover	-	-	-	\$ 202,190	\$ 808,761
1	Kunshan Key Ware Electronics Co., Ltd	Wuhan Laserware Laser Technology Co., Ltd (Note 4)	Other receivables - related parties	Yes	18,069	-	-	-	Short-term Financing	-	Operations turnover	-	-	-	169,896 RMB 39,190	679,584 RMB 156,759

Note 1: According to the "Regulations Governing the Loaning of Funds to Others" of the Company, the total amount of funds loaned to others shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements as certified by the accountant. In cases where there is a need for financial assistance, the individual loan amount shall not exceed 10% of the net value of the lending company.

Note 2: On May 5, 2023, the Board of Directors approved the loaning of funds by the Company to investee companies at 100%. The Company intends to provide short-term financing to 100% investee companies (including KEY WARE INTERNATIONAL LIMITED, ADVISOR MOVE INVESTMENTS LIMITED, MODULE SYSTEM INTERNATIONAL LIMITED, and Kunshan Key Ware Electronics Co., Ltd.) The total amount of funds loaned is limited to NT\$100 million (or its equivalent in foreign currency), and the chairman is authorized to allocate the funds in installments or to recycle them within one year after the resolution of the board of directors.

Note 3: On November 3, 2023, the Board of Directors approved the short-term financing by the Company to an 83.63% investee company (Jia Chi Co., Ltd.). The total amount of funds loaned is limited to NT\$30,000 thousand (or its equivalent in foreign currency), and the chairman is authorized to allocate the funds in installments or to recycle them within one year after the resolution of the board of directors.

Note 4: On November 4, 2022, the Board of Directors of Kunshan Key Ware Electronics Co., Ltd. approved the loaning of funds to Wuhan Laserware Laser Technology Co., Ltd. The capital was loaned to Wuhan Laserware Laser Technology Co., Ltd., a direct or indirect holder of 100% voting shares, to support operational development needs.

Key Ware Electronics Co., Ltd. and its investee companies
Endorsements/Guarantees Provided for Others
2023

Table 2

Unit: NT\$ thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity (Note 1)	Maximum Endorsement/ Guarantee Balance	Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement/ Guarantee Ceiling (Note 1)	Endorsements/G uarantees Provided by Parent for Subsidiary	Endorsements/G uarantees Provided by Subsidiary for Parent	Endorsements/G uarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	The Company	Key De Precise Industries Co., Ltd	Investee (subsidiaries) accounted for using the equity method	\$ 404,381	\$ 200,000	\$ 200,000	\$ 6,000	-	9.89%	\$ 1,213,142	Y	N	N
0	The Company	Jia Chi Co., Ltd	Investee (subsidiaries) accounted for using the equity method	404,481	30,000	30,000	30,000	-	1.48%	1,213,142	Y	N	N
1	Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	Investee (subsidiaries) accounted for using the equity method	339,792	43,366 RMB 9,600	-	-	-	-	1,019,376	N	N	Y

Note 1: In accordance with the Company's endorsement and guarantee procedures, the aggregate amount of the endorsement and guarantee shall not exceed 60% of the Company's latest audited or reviewed financial statements, and the amount of endorsement and guarantee for a single enterprise shall not exceed 20% of the aforementioned net value.

Key Ware Electronics Co., Ltd. and its investee companies
Securities Held at End of Period
December 31, 2023

Table 3

Unit: NT\$ thousand

Securities Holding Company	Marketable Securities and Name	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Number of Shares (in Thousands)	Carrying amount	Shareholding Ratio (%)	Market Value/Net Equity Value	
The Company	<u>Domestic listed and emerging stocks</u> Songrui Pharmaceutical Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	12,571	\$ 282,220	3.96	\$ 282,220	Note 1
	Feihong Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	30	1,767	0.00	1,767	
	Yingyeda Co., Ltd.	—	Financial assets at fair value through profit or loss - current	240	12,672	0.00	12,672	
	Huatong Computer Co., Ltd.	—	Financial assets at fair value through profit or loss - current	80	5,656	0.00	5,656	
	Hechang Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	417	12,954	2.22	\$ 12,954	
	<u>Domestic unlisted (OTC) stocks</u> Han Yu Venture Capital Co., Ltd.	—	Financial assets at fair value through other comprehensive income - current	3,200	19,469	8.89	19,469	
	<u>Foreign unlisted (OTC) stocks</u> Concord Venture Capital Group Limited	—	Financial assets at fair value through other comprehensive income - current	-	10,972	13.57	10,972	
	Kirana Inc.	—	Financial assets at fair value through other comprehensive income - current	1,809	9,968	2.07	9,968	
	<u>Foreign listed (OTC) stocks</u> Sana Biotechnology, Inc.	—	Financial assets at fair value through profit or loss - current	80	10,022	0.04	10,022	
	Kunshan Key Ware Electronics Co., Ltd	<u>Renminbi financial products</u> China CITIC Bank - Win-Win Stable Daily Profit	—	Financial assets at fair value through profit or loss - current	-	67,195 RMB 15,500	-	

Note 1: The Company provided 8,050 thousand shares of Savior Lifetec Corporation to financial institutions as a collateral for financing.

Key Ware Electronics Co., Ltd. and its investee companies
Name of investee company, location and other related information
2023

Table 4

Unit: NTD/USD

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment Income (Loss) Recognized for the Period	Remark
				Ending Balance for the Current Period	Ending Balance for the Previous Period	Number of Shares (in Thousands)	Shareholding (%)	Carrying amount			
Key Ware Electronics Co., Ltd.	Key Ware International Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	\$ 728,230 USD 23,717	\$ 728,230 USD 23,717	23,717	100	\$ 1,715,264	\$ 205,288 RMB 46,506	\$ 205,768 RMB 45,779	Note 1, Note 3
	Key De Precise Industries Co., Ltd	No. 31, Keji 2nd Rd., Guishan Dist., Taoyuan City	Wholesale and processing of electronic parts and components	30,600	30,600	612	51	23,765	2,654	(361)	Note 1, Note 4
	Laserware Laser Technology Co., Ltd	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	Electronic components, machinery and equipment	1,000	1,000	100	99.99	965	(5)	(5)	Note 2
	Rong Pei Wisdom Co., Ltd.	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	General investment	18,667	18,667	1,867	22.73	13,138	101,871	23,153	Note 1
	Jia Chi Co., Ltd	4F., No. 8-5, Nangong Ln., Sec. 1, Nangong Rd., Luzhu Dist., Taoyuan City	Wholesale and processing of electronic parts and components	49,500	49,500	2,972	83.63	(4,871)	(40,192)	(33,568)	Note 1, Note 5
	Hui Peng Technology Co., Ltd	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	Electronic components, machinery and equipment	600	600	60	60.00	604	5	3	Note 2
Key Ware International Limited	Advisor Move Investments Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	305,822 USD 9,960	305,822 USD 9,960	9,960	100	1,289,270 RMB 297,395	205,661 RMB 46,591	205,661 RMB 46,591	Note 1
	Module System International Limited	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	General investment	397,845 USD 12,957	397,845 USD 12,957	12,957	100	421,413 RMB 97,207	(252) (RMB 57)	(252) (RMB 57)	Note 1

Note 1: The calculation is based on the investee's audited financial statements for 2023.

Note 2: The calculation is based on the investee's unaudited financial statements for 2023.

Note 3: The difference is due to the unrealized gross profit of the parent company to the associates and the unrealized gain on asset transactions.

Note 4: The difference is due to amortization expense of intangible assets arising from investments.

Note 5: The difference is due to unrealized gain from asset transactions between associates.

Note 6: For information on Mainland China investee, please refer to Table 5.

Key Ware Electronics Co., Ltd. and its investee companies
Information on Investments in Mainland China
2023

Table 5

Unit: NTD/USD/RMB thousand

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Company's Direct or Indirect Ownership	Investment Profit (Loss) Recognized for the Period (Note 1)	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Kunshan Key Ware Electronics Co., Ltd	Drilling tools, hand tools	\$ 337,755 USD 11,000	Investment in Mainland China through companies registered in a third region	\$ 259,150 USD 8,440	\$ -	\$ -	\$ 259,150 USD 8,440	\$ 205,665 RMB 46,592	100%	\$ 205,665 RMB 46,592	\$ 1,278,978 RMB295,021	\$ 56,563 RMB 13,000
Kunshan Weixing Electronics Co., Ltd.	Drilling tools, hand tools	404,293 USD 13,167	Investment in Mainland China through companies registered in a third region	404,293 USD 13,167	-	-	404,293 USD 13,167	- RMB -	100%	- RMB -	419,987 RMB 96,878	-
Kunshan Laserware Laser Technology Co., Ltd	Drilling foundry	30,346 CNY 7,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(34,325) (RMB 7,776)	100%	(34,325) (RMB 7,776)	5,530 RMB 1,276	-
King Ware(Chongqing) Electronics Co., Ltd.	Drilling tools, hand tools	4,335 CNY 1,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	742 RMB 168	100%	742 RMB 168	6,218 RMB 1,434	-
Wuhan Laserware Laser Technology Co., Ltd	Drilling foundry	169.073 CNY 39,000	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(2,048) (RMB 464)	100%	(2,048) (RMB 464)	165,046 RMB 38,071	-
Shenzhen Laserware Laser Technology Co., Ltd.	Drilling foundry	19,769 CNY 4,560	Investment in Mainland China through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(9,199) (RMB 2,084)	100%	(9,199) (RMB 2,084)	6,184 RMB 1,426	-

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
\$ 680,331 (USD 22,157)	\$ 743,890 (USD 24,227)	\$ 1,223,719 (Note 2)

Note 1: The Company's financial statements were recognized on the basis of the investee's audited financial statements for 2023.

Note 2: According to the "Principles for Examination of Investment or Technical Cooperation in Mainland China", the accumulated amount of the investor's investment in Mainland China shall not exceed 60% of the net value or the combined net value, whichever is higher.

Key Ware Electronics Co., Ltd. and its investee companies

Major Transactions with Any Investee Company in mainland China Directly or Indirectly through a Third Region, and Their Prices, Payment terms, Unrealized Gains (Losses), and Other Information

2023

Table 6

Unit: NT\$ thousand

Investee Company	Type of Transaction	Purchases (Sales)		Price	Transaction Term		Notes and Accounts Receivable (Payable)		Unrealized gains (losses)	Remark
		Amount	Percentage (%)		Payment Terms	Difference with General Transactions	Amount	Percentage (%)		
Kunshan Key Ware Electronics Co., Ltd	Sales	\$ 37,564	8%	No material difference from the general account	Net 120 to 180 days	No material difference from the general transaction	\$ 13,768	7%	\$ 3	—
	Purchase of goods	54,560	8%	No material difference from the general account	Net 180 days	No material difference from the general transaction	(57,439)	53%	-	—
	Disposal of Machinery and Equipment	129,741	-				-	-	79,331	—
Kunshan Laserware Laser Technology Co., Ltd				No material difference from the general account	Net 180 days	No material difference from the general transaction				
	Sales	8,925	3%				7,720	3%	-	—
Wuhan Laserware Laser Technology Co., Ltd				No material difference from the general account	Net 180 days	No material difference from the general transaction				
Kunshan Key Ware Electronics Co., Ltd	Sales	8,524	3%	No material difference from the general account	Net 180 days	No material difference from the general transaction	27,327	11%	-	—

Key Ware Electronics Co., Ltd.
Information on Major Shareholders
December 31, 2023

Table 7

Name of Major Shareholders	Shareholding	
	Number of shares held (shares)	Shareholding ratio (%)
Qing Yu Investment Co., Ltd.	14,486,709	7.53
Jia Ju Investment Co., Ltd.	11,169,353	5.80
Sheng Ding Enterprise Co., Ltd.	9,683,448	5.03

Note 1: The major shareholders in this table are shareholders holding more than 5% of the common shares that have completed delivery without physical registration on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

VI. Effect on the Financial Position of Any Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position:

- (I) The Major Reasons for Significant Changes in Assets, Liabilities and Equity in the Last Two Years and Their Effects, and Future Plans if Significant:

Unit: NT\$ thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Current Assets	2,092,078	1,836,791	(255,287)	(12.20)
Property, plant, and equipment	1,636,419	1,321,591	(314,828)	(19.24)
Intangible Assets	28,850	25,366	(3,484)	(12.08)
Other Assets (Note 1)	335,881	477,336	141,455	42.11
Total Assets	4,093,228	3,661,084	(432,144)	(10.56)
Current Liabilities	1,170,983	988,196	(182,787)	(15.61)
Non-current liabilities	797,267	633,357	(163,910)	(20.56)
Total Liabilities	1,968,250	1,621,553	(346,697)	(17.61)
Share capital	1,899,283	1,923,135	23,852	1.26
Capital surplus	80,139	80,479	340	0.42
Retained earnings	224,607	185,255	(39,352)	(17.52)
Other equity adjustments	(107,592)	(166,966)	(59,374)	55.18
Total Equity	2,124,978	2,039,531	(85,447)	(4.02)
<p>1. Reasons for and effects of significant changes (changes of 20% or more in the prior and subsequent periods):</p> <p>(1) Non-current liabilities decreased: This is mainly due to the reclassification of bonds payable, which will mature within one year, to current liabilities.</p> <p>(2) Other equity adjustment items: This is primarily due to an increase in unrealized valuation losses on equity instruments measured at fair value through other comprehensive income.</p> <p>(3) Other assets: This is mainly due to an increase in prepaid equipment payments.</p> <p>2. Future plans: The above changes have no significant impact on the Company and its subsidiaries.</p>				

Note 1: Other assets are non-current assets, net of property, plant and equipment and intangible assets.

II. Financial Performance:

- (I) The Main Reasons for Significant Changes in Operating Income, Net Operating Income and Net Income before Taxes for the Last Two Years:

Unit: NT\$ thousand

Item \ Year	2022	2023	Difference	
			Amount	%
Operating revenue	1,453,993	1,068,270	(385,723)	(26.53)
Operating costs	1,402,438	1,108,390	(294,048)	(20.97)
Gross profit	51,555	(40,120)	(91,675)	(177.82)
Operating Expenses	146,271	143,923	(2,348)	(1.61)
Net operating income	(94,716)	(184,043)	(89,327)	(94.31)
Non-operating income and expenses	114,409	332,664	218,255	190.77
Net income before tax	19,693	148,621	128,928	654.69
Income Tax Expense	16,527	143,682	127,155	769.38
Net Income for the period	3,166	4,939	1,773	56.00
Other comprehensive income	120,090	(69,733)	(189,823)	(158.07)
Total Comprehensive Income	123,256	(64,794)	(188,050)	(152.57)
Analysis of the reasons for changes of 20% or more in the percentage of increase or decrease:				
<ol style="list-style-type: none"> The decrease in operating revenue, costs, gross profit, and net profit was primarily due to the destocking effect among customers in 2023, leading to a decrease in utilization rates in the outsourcing business. The increase in non-operating net income was mainly attributed to the subsidiary in Mainland China relocating its factory in compliance with local policies, thereby obtaining compensation benefits. However, this also resulted in an increase in income tax expenses. The decrease in other comprehensive income and total comprehensive income for the period was primarily caused by unrealized losses on equity instruments measured at fair value through other comprehensive income in 2022 and exchange differences from the translation of financial statements of foreign operating entities. 				

- (II) The expected sales volume and its basis, the possible impact on the Company's future financial operations and the corresponding plans:

Benefiting from the demand for AI servers and the applications of high-performance computing and high-bandwidth mobile devices, our company optimistically forecasts global sales of needle cutters to exceed 150 million units in 2024. The revenue contribution from outsourcing services is expected to grow by 50%, and sales of various types of substrates are estimated to reach over 1 million pieces.

III. Cash Flows:

(I) Analysis of Changes in Cash Flow for the Current Year:

Unit: NT\$ thousand

Item \ Year	2022	2023	Increase (Decrease)	Increase (Decrease) %
Operating activities	50,207	161,045	110,838	220.76
Investment activities	(200,169)	230,191	430,360	(215.00)
Financing activities	64,043	(447,831)	(511,874)	(799.27)
Analysis of the reasons for changes of 20% or more in the percentage of increase or decrease:				
(1) The increase in net cash inflow from operating activities was mainly due to the collection of accounts receivable and notes.				
(2) The increase in net cash inflow from investing activities was primarily due to the receipt of compensation for land relocation.				
(3) The decrease in net cash inflow from financing activities was mainly attributed to the repayment of borrowings.				

(II) Improvement plan for liquidity deficiency: No liquidity deficiency is expected.

(III) Liquidity Analysis for the Coming Year:

Unit: NT\$ thousand

Cash at Beginning of Year a	Expected Net Cash Flows from Operating Activities b	Expected Cash Flows Used c	Expected Cash Surplus (Inadequacy) a+b-c	Expected Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
137,913	150,000	120,000	167,913	-	-
(1) Analysis of Changes in Cash Flow for the Coming Year:					
A. Expected Net Cash Flows from Operating Activities:					
Expected Net Cash Inflow from Operating Profit and Amortization and Depreciation.					
B. Expected Annual Cash Outflow: Monthly normal operating expenses and distribution of cash dividends.					
(2) Remedial Measures for Cash Inadequacy: N/A.					

IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year: None.

V. Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for the Coming Year:

(I) The current reinvestment policy has been included in the consolidated financial statements, and the supervision and management of the subsidiaries have been established in the internal control system to ensure the monitoring of the subsidiaries' operations.

(II) No new investment plans are expected in the coming year.

VI. Risk Analysis and Assessment for the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report:

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Response Measures to Be Taken in the Future:

Unit: NT\$ thousand; %

Item	2022	2023
Interest expense	31,833	31,296
Net foreign exchange gains (losses)	33,442	8,474
Operating revenue	1,453,993	1,068,270
Net income before tax	19,693	148,621
Ratio of net interest expense to net revenue	2.19%	2.93%
Ratio of net interest expense to net (loss) income before taxes	161.65%	21.06%
Ratio of net exchange gain to net revenue	2.30%	0.79%
Ratio of net exchange gain to net (loss) income before taxes	169.82%	5.70%

1. Change in Interest Rate

The Company maintains good relationships with banks and is able to seek lower interest rate funding channels to reduce interest costs. The Company will continue to monitor global economic trends and take necessary measures to hedge the risk of rising interest rates at the appropriate time, so the impact of interest rate changes on the Company's revenue and earnings is not yet significant.

2. Change in Exchange Rate

The Company's exchange rate impact is derived from U.S. dollar-denominated accounts receivable and Japanese yen-denominated purchase loans from imports. The Company is closely informed of current and future exchange rate trends and makes timely adjustments for hedges.

3. Inflation

The Company has closely monitored price fluctuations and implemented policies to address them. There is no risk of serious inflationary impact. Therefore, there is no significant impact on the Company's profit or loss.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

1. Policy regarding High-risk Investments and Highly Leveraged Investments, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

The Company focuses on its business and has not engaged in any high-risk, highly leveraged investments in the most recent year or as of the date of the annual report.

2. Policy regarding Loans to Other Parties, Endorsements/Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Response Measures to Be Taken in the Future:

The Company has established the "Procedures for Lending of Funds to Others", "Procedures for Endorsement and Guarantee", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Derivative Transactions", which have been approved by the shareholders' meeting, and the relevant regulations are followed when the Company engages in related operations.

(III) R&D Work to Be Carried Out in the Future and Further Expenditures Expected for R&D Work:

In 2024, our company plans to invest approximately NT\$1.7 million in research and development expenditures. However, we will adjust and plan accordingly based on the global market conditions and our actual operational situation. The summary of our company's future main research and development projects is as follows:

Project Name	Project Description	Project Purpose	Expenditures Expected for R&D Work:
Constructing Generative AI Product Line	<ol style="list-style-type: none"> High aspect ratio (25x or more) coated drill bits Back drilling (blind drilling) (deep control) needles 	In response to the future generative AI market, preparations are being made for corresponding products to increase selling price and drilling efficiency, thus enhancing product competitiveness.	1 million
Evaluation of wear-resistant tungsten carbide materials	Discuss and test the wear-resistant tungsten carbide with existing tungsten carbide suppliers or find other suppliers.	In response to the future AI and ABF market, we will prepare corresponding products to increase the price and drilling efficiency to enhance the competitiveness of our products.	200,000
Constructing ABF product lines	<ol style="list-style-type: none"> φ0.10x2.0 φ0.15x3.0 φ0.15x3.5 φ0.20x3.8 	In response to the future ABF market, we will prepare corresponding products to increase the price and drilling efficiency to enhance the competitiveness of our products.	300,000
Evaluation of wear-resistant coatings	Discuss and test the wear-resistant coatings with existing coatings suppliers or find other suppliers.	In response to the future AI and ABF market, we will prepare corresponding products to increase the price and drilling efficiency to enhance the competitiveness of our products.	200,000

(IV) Effect on the Financial Operations of Important Policies Adopted and Changes in the Legal Environment at Home and Abroad, and Measures to Be Taken in Response:

The Company's daily operations are conducted in accordance with the relevant domestic and foreign regulations, and it pays close attention to the changes in important domestic and foreign policies and regulations. The Company's financial operations have not been

materially affected by significant domestic and foreign policy and legal changes in recent years.

- (V) Effect on the Financial Operations of Developments in Science and Technology and Industrial Change, and Measures to Be Taken in Response: None.
- (VI) Effect on the Crisis Management of Changes in the Corporate Image, and Measures to Be Taken in Response: None.
- (VII) Expected Benefits and Possible Risks Associated with Any Mergers and Acquisitions, and Measures to Be Taken in Response: None.
- (VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response: None.
- (IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response:
 - 1. Centralized purchasing: We have three or more qualified suppliers for our main raw materials, effectively dispersing our supply sources.
 - 2. Centralized sales: The Company's customer base is dispersed and there is no centralized sales.
- (X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director or Shareholder Holding Greater than a 10% Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures to Be Taken in Response: None.
- (XI) Effect on and Risk to the Company Associated with Any Change in Governance Personnel or Top Management, and Measures to Be Taken in Response: None.
- (XII) Litigation or non-litigation litigation or non-litigation litigation should include the major litigation, non-litigation or administrative dispute that has been determined or is still pending between the company and its directors, general manager, persons in charge of the company, major shareholders holding more than 10% of the shares, and affiliated companies, the outcome of which may have a significant impact on shareholders' equity or securities prices, and shall disclose the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, and the main parties involved in the litigation. The Company shall disclose the facts of the dispute, the amount of the subject matter, the commencement date of the litigation, the main parties involved in the litigation and the status as of the date of the annual report: None.
- (XIII) Other important risks and response measures:
 - Information Security Risk Assessment and Measures to Be Taken in Response:
The Company has established "Information Security Practice Management Regulations", and information security-related control matters are supervised by the Company's information professionals.

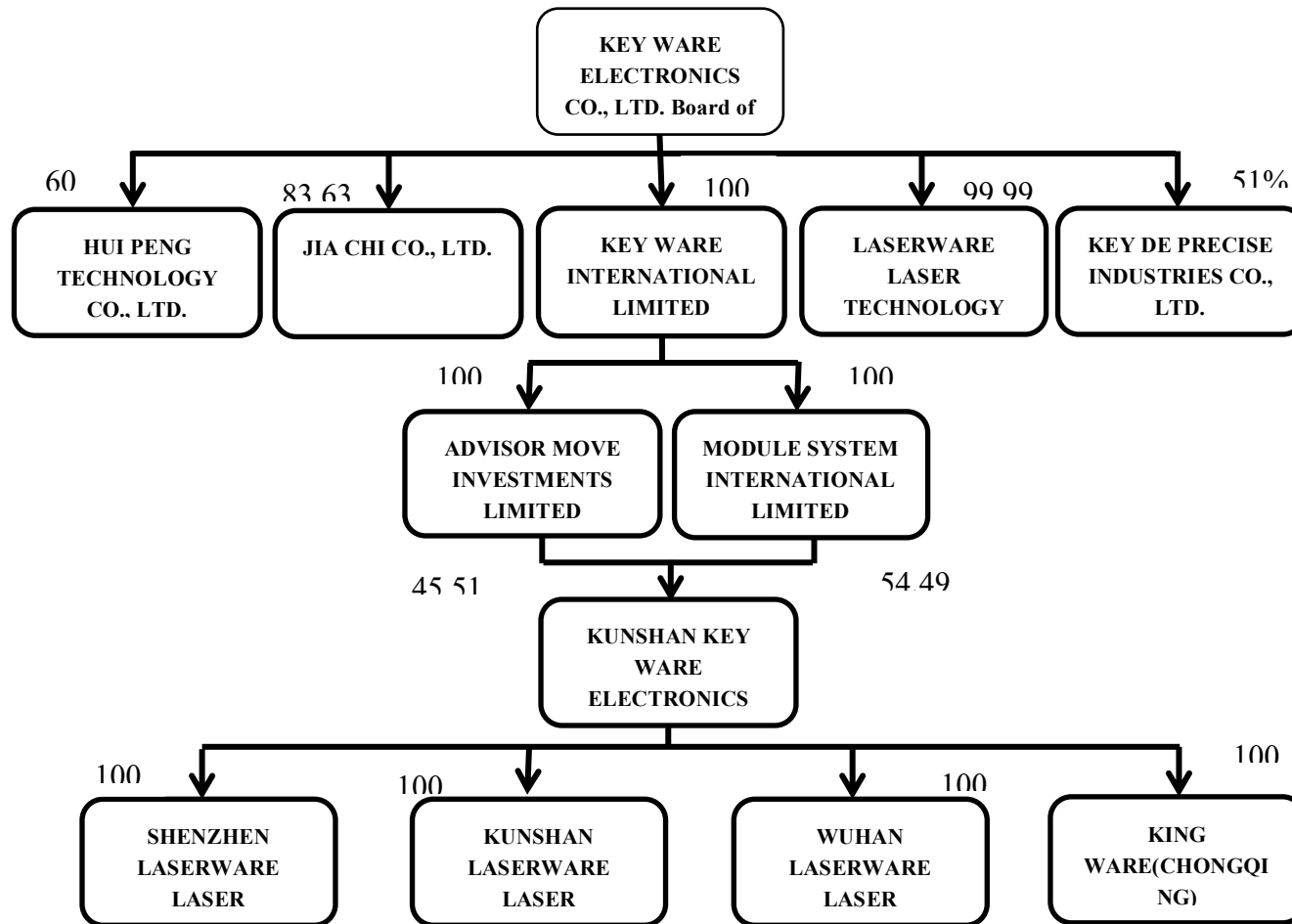
VII. Other Important Matters: None.

Chapter 8 Special Disclosure

I. Information on Affiliates:

(I) Consolidated Business Report of Affiliates

1. Organization Chart of Affiliates (as of December 31, 2023)



2. Basic information of affiliates

December 31, 2023

(Unit: NT\$/US\$/RMB thousand)

Name of Affiliate	Date of Incorporation	Address	Paid-in Capital	Major Lines of Business or Products
Key Ware International Limited	2001.03	TRUSTNET CHAMBERS,P.O. BOX 3444 ROAD TOWN, TORTOLA BVI	USD 23,717	General investment
Key De Precise Industries Co., Ltd.	2008.11	No. 31, Keji 2nd Rd., Guishan Dist., Taoyuan City	NTD 30,600	Wholesale and processing of electronic parts and components
Jia Chi Co., Ltd.	1997.04	4F., No. 8-5, Nangong Ln., Sec. 1, Nangong Rd., Luzhu Dist., Taoyuan City	NTD 49,500	Laser drilling foundry, electro-metering
Laserware Laser Technology Co., Ltd.	2014.12	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	NTD 1,000	Electronic components, machinery and equipment
Hui Peng Technology Co., Ltd	2020.06	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	NTD 600	Electronic components, machinery and equipment
Advisor Move Investments Limited	2001.08	TRUSTNET CHAMBERS,P.O. BOX 3444 ROAD TOWN, TORTOLA BVI	USD 9,960	General investment
Module System International Limited	2002.10	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	USD 12,957	General investment
Kunshan Key Ware Electronics Co., Ltd.	2001.08	No. 69, Lisheng Road, Huaqiao Town, Kunshan City, Jiangsu Province, China	USD 11,000	Drilling tools, hand tools
Kunshan Laserware Laser Technology Co., Ltd	2015.06	No. 69, Lisheng Road, Huaqiao Town, Kunshan City, Jiangsu Province, China	RMB 7,000	Laser drilling foundry
King Ware (Chongqing) Electronics Co., Ltd.	2017.11	Block 3, No. 2177 Xinglong Avenue, Yongchuan District, Chongqing	RMB 1,000	Drilling tools, hand tools
Wuhan Laserware Laser Technology Co., Ltd	2018.03	Factory 1-4, No. 266, Taizihu Road, Wuhan Economic and Technological Development Zone	RMB 39,000	Drilling Foundry
Shenzhen Laserware Laser Technology Co., Ltd.	2020.11	Block A1, No. 2099, Jincheng Road, Democracy Community, Shajing Street, Baoan District, Shenzhen	RMB 4,560	Drilling Foundry

3. Where there is considered to be a controlled and subordinate relation, information of the same shareholders: None.

4. Industries covered by the overall business of the affiliates

- (1) Design, manufacture, processing and sale of drill bits, plating solution, dry film, and other printed circuit board materials.
- (2) Design, manufacture and trading of printed circuit board special purpose machines.
- (3) Agency, distribution, quotation and bidding of the previous products.

(4) Laser and mechanical drilling foundry business.

5. Information on directors, supervisors, and presidents of affiliates

December 31, 2023

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Shares	Percentage of Ownership
Key Ware International Limited	Chairman	Huang, Chih-Han	-	-
Key De Precise Industries Co., Ltd.	Chairman	Chen, Po-Ying	-	-
	Director	Chow, Chia-Chu	-	-
	Director	Chu, Tsung-Wei	60,000 shares	5%
	Director	Tsai, Chuan-Chuan	120,000 shares	10%
	Director	Wang, Yu-Jen	-	-
	Supervisor President	Chen, Chih-Chun Chen, Po-Ying	- -	- -
Jia Chi Co., Ltd.	Chairman	Chow, Pong-Chi	-	-
	Director	Chen, Po-Ying	-	-
	Director	Chen, Chih-Chun	-	-
	Director	Shen, Yen-Chao	145,408 shares	4.09%
	Director	Liao, Su-Chen	145,408 shares	4.09%
	Supervisor President	Chu, Tsung-Wei Yang, Chun-Nan	- -	- -
Laserware Laser Technology Co., Ltd.	Chairman	Chow, Pong-Chi	1 share	0.01%
	Director	Chow, Chia-Chu	-	-
	Director	Chen, Po-Ying	-	-
	Director	Hsu, Wei-Chieh	-	-
	Director	Chu, Tsung-Wei	-	-
	Supervisor	Chen, Chih-Chun	-	-
Hui Peng Technology Co., Ltd	Chairman	Chow, Pong-Chi	-	-
	Director	Chen, Chih-Chun	-	-
	Director	Huang, Jung-Hui	400,000 shares	40%
	Supervisor	Chu, Tsung-Wei	-	-
Advisor Move Investments Limited	Chairman	Huang, Chih-Han	-	-
Module System International Limited	Chairman	Chu, Tsung-Wei	-	-
Kunshan Key Ware Electronics Co., Ltd.	Chairman	Chu, Tsung-Wei	-	-
	Director	Chiang, Chi-Chen	-	-
	Director	Chen, Po-Ying	-	-
	Supervisor President	Li, Hsiang-Yun Chen, Po-Ying	- -	- -
Kunshan Laserware Laser Technology Co., Ltd	Chairman	Chiang, Chi-Chen	-	-
	Director	Chu, Tsung-Wei	-	-
	Director	Hsu, Wei-Chieh	-	-
	Supervisor President	Shen, Liang-Ping Hsu, Wei-Chieh	- -	- -
King Ware (Chongqing) Electronics Co., Ltd.	Chairman	Chiang, Chi-Chen	-	-
	Director	Chu, Tsung-Wei	-	-
	Director	Chen, Po-Ying	-	-
	Supervisor President	Shen, Liang-Ping Chen, Po-Ying	- -	- -
Wuhan Laserware Laser Technology Co., Ltd	Chairman	Chiang, Chi-Chen	-	-
	Director	Hsu, Wei-Chieh	-	-
	Director	Chen, Po-Ying	-	-
	Supervisor President	Chu, Tsung-Wei Hsu, Wei-Chieh	- -	- -
Shenzhen Laserware Laser Technology Co., Ltd.	Chairman	Chiang, Chi-Chen	-	-
	Director	Chu, Tsung-Wei	-	-
	Director	Hsu, Wei-Chieh	-	-
	Supervisor President	Shen, Liang-Ping Hsu, Wei-Chieh	- -	- -

6. Operating status of affiliates

December 31, 2023

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating revenue	Operating profit (loss)	Net income (loss)	Earnings per share (NT\$)
Key Ware International Limited (Unit: RMB thousand)	189,976	361,984	-	361,984	-	(21)	12,918	-
Key De Precise Industries Co., Ltd. (Unit: NT\$ thousand;)	12,000	71,127	41,890	29,237	211,585	10,510	9,115	-
Jia Chi Co., Ltd. (Unit: NT\$ thousand;)	37,714	117,785	82,756	35,029	54,338	(17,405)	(13,352)	-
Laserware Laser Technology Co., Ltd. (Unit: NT\$ thousand;)	1,000	970	-	970	-	-	1	-
Hui Peng Technology Co., Ltd (Unit: NT\$ thousand;)	1,000	1,002	-	1,002	-	-	1	-
Advisor Move Investments Limited (Unit: RMB thousand)	79,845	256,719	-	256,719	-	(22)	13,680	-
Module System International Limited (Unit: RMB thousand)	102,607	104,138	6	104,132	-	(49)	(52)	-
Kunshan Key Ware Electronics Co., Ltd. (Unit: RMB thousand)	194,131	426,295	67,989	358,306	105,288	(2,987)	13,573	-
Kunshan Laserware Laser Technology Co., Ltd (Unit: RMB thousand)	7,000	37,017	27,966	9,051	29,438	(6,204)	(4,412)	-
King Ware (Chongqing) Electronics Co., Ltd. (Unit: RMB thousand)	1,000	1,721	455	1,266	2,167	(10)	(12)	-
Wuhan Laserware Laser Technology Co., Ltd (Unit: RMB thousand)	39,000	50,483	11,948	38,535	15,699	240	(284)	-
Shenzhen Laserware Laser Technology Co., Ltd. (Unit: RMB thousand)	5,260	6,783	3,272	3,511	6,002	(1,470)	(1,470)	-

(II) Consolidated Financial Statements of Affiliates: Please refer to pp. 70-144.

(III) Reports on Affiliations: N/A.

II. Private Placement of Securities during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

IV. Other Supplementary Information: None.

V. Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which Might Materially Affect Shareholders' Equity or the Price of the Securities, Occurring during the Most Recent Fiscal Year and during the Current Fiscal Year Up to the Date of Publication of the Annual Report (Including the matters in accordance with Article 11, Paragraph 1 of the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEx Listed Securities): None.

Chapter 9 Third Domestic Unsecured Convertible Bond Issuance and Conversion Method

- I. Name of the bond
Key Ware Electronics Co., Ltd (hereinafter referred to as the "Company") Third Domestic Unsecured Convertible Bond (hereinafter referred to as the "Convertible Bond").
- II. Issue date
May 10, 2021 (hereinafter referred to as the "Issue Date").
- III. Total issue amount and par value
Each bond has a par value of NT\$100,000 and is issued in full at par value. The total number of bonds issued is 20,000 and the total amount of bonds issued is NT\$200 million.
- IV. Issuance period
The issue period is three years from May 10, 2021 to May 10, 2024 (hereinafter referred to as the "Maturity Date").
- V. Bond coupon rate
The coupon rate of the convertible bonds is 0% per annum.
- VI. Repayment date and method
Except for the conversion of the bonds into the Company's common stock in accordance with Article 10 of this Regulation, the exercise of the right of sale in accordance with Article 19 of this Regulation, the early redemption by the Company in accordance with Article 18 of this Regulation, or the purchase and cancellation by the Company from the securities dealer's office, the Company shall repay the bonds at maturity in cash at the face value of the bonds.
- VII. Security situation
The convertible bonds are unsecured bonds. However, if the Company issues or private places other secured warrants or secured convertible bonds after the issuance, the convertible bonds will have the same ranking as the secured warrants or secured convertible bonds, or the same ranking of security rights.
- VIII. Converting subjects
The conversion obligation will be fulfilled by issuing new shares of the Company's common stock. The new shares to be exchanged will be delivered by book transfer and will not be printed in physical form.
- IX. Conversion period
From the day following the third month after the issuance of this convertible bond (August 11, 2022) to the maturity date (May 10, 2024), except for (1) the period during which the transfer of common stocks is suspended in accordance with the law; (2) the period from the fifteen business days prior to the date of cessation of transfer of the Company's uncompensated allotment of shares, the date of cessation of transfer of cash dividends or the date of cessation of transfer of cash incremental stock options to the base date of distribution of rights; (3) the period from the base date for processing (3) the base date of capital reduction for capital reduction to the day before the commencement of trading day for capital reduction and stock exchange; (4) the commencement date of the cessation of conversion (subscription) for the change of stock denomination to the day before the commencement of trading day for the new stock exchange; except for the request for conversion, the Company may at any time request the Company's stock agent to convert the bonds in accordance with the Act through the original trading broker and notify Taiwan Depository & Clearing Corporation (hereinafter referred to as "TDCC"). The conversion of the Bonds into the Company's common stock shall be carried out in accordance with Articles 10, 11, 13 and 15 of these Regulations.

X. Request conversion procedure

- (I) The bondholder shall apply to TDCC by filling out the "Application for Conversion/Redemption/Sale of Convertible Bonds" (marked as conversion) at the original trading broker, and TDCC shall notify the Company's stock agent electronically upon acceptance of the application, and the conversion shall become effective upon delivery to the Company's stock agent and shall not be revoked. The conversion procedure will be completed within five business days of delivery and the shares of the Company's common stock will be directly transferred to the bondholders' collective insurance accounts.
- (II) When overseas ROC and non-ROC nationals apply for the conversion of the bonds held by the Company into common stocks, all applications will be made by the Company through a book-entry process.

XI. Conversion price and its adjustment

(I) Conversion price setting method

The conversion price is determined by taking April 29, 2022 as the base date for setting the conversion price and taking the simple arithmetic average of the closing prices of the Company's common stocks for the one business day, the three business days and the five business days before the base date as the base price and multiplying it by the conversion premium rate of 102% to 111% as the basis for calculating the conversion price (calculated to the nearest NT\$ ten cents, rounded up or down for NT\$ cents). If there is an ex-rights or ex-dividend date, the closing price used to calculate the conversion price shall be set as the ex-rights or ex-dividend price; if there is an ex-rights or ex-dividend date after the conversion price is determined and before the actual issuance date, the conversion price shall be adjusted according to the conversion price adjustment formula. Based on the above, the conversion price is NT\$21.00 per share if the conversion premium rate of 102.89% is multiplied by the base price of NT\$20.41 at the time of bond issuance.

(II) Conversion price adjustment

1. After the issuance of the convertible bonds, except for the issuance or private placement of various securities with common stock conversion rights or stock options in exchange for common stocks or the issuance of new shares for employee compensation, in the event of an increase in the number of common stocks issued or private placed by the Company (including but not limited to the issuance or private placement of additional cash, capitalization of earnings, capitalization of capital surplus, merger or transfer of shares of other companies), the conversion price shall be adjusted according to the following formula (including but not limited to issuance of new shares, stock split and cash capital increase for issuance of overseas depository receipts, etc.), the Company shall adjust the conversion price of the bonds in accordance with the following formula (adjusted downward, but not upward, calculated to the nearest NT\$ ten cents, rounded up or down for NT\$ cents), and request the OTC to announce the adjustment on the ex-rights basis date of the new shares (Note 1). If the increase is due to the change in the par value of the shares, the adjustment will be made on the basis date of the new share exchange, but the adjustment will be made on the date of full payment if there is actual payment.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares (Note 2)} + \frac{\text{Amount paid per share (Note 3)} \times \text{Number of new shares issued or private placement}}{\text{Current price per share (Note 4)}}}{\text{Number of issued shares} + \text{number of new shares issued or private placement}}$$

When the share denomination is changed:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of common stocks issued before the change in stock par value (Note 2)}}{\text{Number of common stocks issued after the change in stock par value}}$$

Note 1: In the case of a stock split, the adjustment is made on the basis date of the split. In the case of a cash capital increase or a cash capital increase to participate in the issuance of overseas depository receipts (ODRs) by means of a bid-rigged purchase, the adjustment shall be made on the date the shares are fully paid up because there is no ex-rights basis date. In the case of a merger or transfer of shares of another company, the adjustment is made at the base date of the merger or transfer. In the case of a cash capital increase by private placement or an increase in shares of private placement securities, the adjustment will be made on the date of delivery of the private placement securities because there is no ex-rights basis date. If the conversion price is changed after the ex-rights date of the new shares issued by cash capital increase, the new issue price will be readjusted according to the updated new

issue price. If the conversion price is lower than the conversion price adjusted by the announcement before the original ex-rights date, a new announcement will be sent to the Taipei Exchange for adjustment.

- Note 2: The number of shares outstanding refers to the total number of shares of common stock issued (including offerings and private placements) less the number of shares of treasury stock purchased by the Company but not yet cancelled or transferred.
- Note 3: The amount paid per share is zero if it is a no-cost stock allotment or stock split. In the case of a merger to issue new shares, the paid-in amount per share shall be the net value per share calculated on the basis of the most recent audited or reviewed financial statements of the extinguished company prior to the date of the merger multiplied by the conversion ratio. In the case of a transfer of shares of another company for the issuance of new shares, the amount paid per share shall be the net value per share of the shares of the other company transferred, calculated on the basis of the most recent financial statements audited or reviewed by an accountant, multiplied by its conversion ratio.
- Note 4: The hourly price per share shall be determined based on the simple arithmetic average of the closing prices of the common stocks calculated on the ex-rights date, the pricing date, the stock consolidation and stock split date, or one, three, or five business days prior to the delivery date of the private placement of marketable securities.

2. After the issuance of the convertible bonds, if the Company pays cash dividends on common stocks, the conversion price shall be reduced on the ex-dividend date in accordance with the following formula (adjusted downward, but not upward, calculated to the nearest NT\$ ten cents, rounded up or down for NT\$ cents), and the Company shall request the Taipei Exchange to announce the adjusted conversion price. This provision does not apply to those who have requested conversion before the ex-dividend date (excluding). Its adjustment formula is as follows:

Conversion price after reduction = Conversion price before reduction × (1 - ratio of cash dividends paid on common stocks to the current price per share (Note))

Note: The hourly price per share is based on the simple arithmetic average of the closing prices of the common stocks for the one, three and five business days prior to the announcement date of the cash dividend cessation and ex-dividend.

3. If, after the issuance of this convertible bond, the Company raises another issue (or private placement) of various marketable securities with common stock conversion rights or stock options at a conversion or stock option price lower than the current price per share (Note 1), the Company shall adjust the conversion price of this convertible bond according to the following formula (adjusted downward, but not upward, calculated to the nearest NT\$ ten cents, rounded up or down for NT\$ cents), and shall request the Taipei Exchange to announce the adjustment on the date of issuance of the aforementioned marketable securities or stock options or the delivery date of the private placement of marketable securities:

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \left(\frac{\text{Number of issued shares (Note 2)} + \frac{\text{Conversion or stock option price of newly issued (or private placement) securities or stock options} \times \text{Number of newly issued (or private placement) marketable securities or stock options convertible or subscribed}}{\text{Current price per share (Note 1)}} \right)}{\text{Number of shares issued} + \text{number of newly issued or private placement shares with conversion rights or options to convert or subscribe for common stock}}$$

Note 1: The hourly price per share is calculated as the simple arithmetic average of the closing prices of the Company's common stock for the one, three or five business days prior to the base date of the reissue (or private placement) of each type of marketable securities with common stock conversion rights or stock options or the delivery date of the marketable securities in the private placement. If there is an ex-rights or ex-dividend date, the closing price used to calculate the conversion price shall be calculated as the ex-rights or ex-dividend price.

Note 2: The number of shares issued shall be defined as the number of shares of common stock offered for issuance or private placement, less the number of shares of treasury stock purchased by the Company but not yet cancelled or transferred. If the reissuance (or private placement) of various securities with conversion rights or stock options of common stock is supported by treasury stock, the number of shares issued in the adjustment formula shall be reduced by the number of shares of newly issued (or private placement) securities that are convertible or subscribable.

4. After the issuance of the convertible bonds, if the Company's common stocks are reduced due to a capital reduction other than the cancellation of treasury shares, the conversion price shall be calculated according to the following formula (calculated to the nearest NT\$ ten cents, rounded up or down for NT\$ cents) and announced by the Taipei Exchange in a notice and adjusted on the capital reduction date, and if the reduction of common stocks is due to a change in stock denomination, the adjustment shall be made on the conversion date.

In the event of a capital reduction to offset a loss:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of common stocks outstanding before capital reduction (Note)}}{\text{Number of common stocks outstanding after capital reduction}}$$

In case of cash reduction:

$$\text{Conversion price after adjustment} = \frac{(\text{Conversion price before adjustment} - \text{cash refund per share})}{\text{Number of common stocks outstanding after capital reduction}} \times \frac{\text{Number of common stocks outstanding before capital reduction (Note)}}{\text{Number of common stocks outstanding after capital reduction}}$$

When the share denomination is changed:

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of common stocks issued before the change in stock par value (Note)}}{\text{Number of common stocks issued after the change in stock par value}}$$

Note: The number of common stocks outstanding includes the total number of common stocks and private placement shares issued by the Company, less the number of common stocks of treasury stock that have been repurchased by the Company but not yet cancelled or transferred.

XII. Listing and termination of listing of the convertible bonds

The convertible bonds shall be listed and traded on the OTC before the issuance date and shall cease to be listed when they are fully converted to common stocks or fully repurchased or repaid by the Company. The above announcement shall be made after the Company has obtained the consent of the Taipei Exchange.

XIII. Listing of new shares after conversion

If the convertible bonds are converted into the Company's common stocks, the converted common stocks shall be listed and traded on the Taipei Exchange from the date of delivery, and the Company shall announce the above after obtaining the consent of the Taipei Exchange. The Company's common stock is issued in a disregarded form and the converted common stock is listed and traded on the Taipei Exchange from the date of delivery in a disregarded form.

XIV. Change of share capital registration

Within 15 days after the end of each quarter, the Company shall announce the amount of shares delivered upon the exercise of conversion of this convertible bond in the previous quarter, and shall apply to the competent authority for registration of capital changes at least once each quarter.

XV. Handling of the amount of less than one share upon conversion

Upon conversion into common stocks, if there is less than one share, the convertible bondholders shall not pool their shares into one whole share, and shall be reimbursed by the Company in cash (calculated to the nearest NT\$ ten cents, rounded up or down for NT\$ cents), in addition to offsetting the transfer fee.

XVI. Vesting of cash dividends and stock dividends in the year of conversion

(I) Cash dividend

1. If the bondholders request for conversion before January 1 of the current year and 15 business days prior (exclusive) to the date of cessation of transfer of the current year's cash dividends, the converted common stocks may participate in the cash dividends for the previous year resolved by the shareholders' meeting of the current year.
2. The conversion of this convertible bond shall cease from 15 business days (inclusive) before the date of cessation of transfer of the Company's cash dividend for the current year to the ex-dividend base date of the cash dividend (inclusive).

3. Bondholders who request conversion from the day after the ex-dividend date of the current year to December 31 (inclusive) are not entitled to the cash dividends for the year before the current year's shareholders' meeting, but may participate in the current year's cash dividends resolved at the following year's shareholders' meeting.

(II) Stock dividends

1. If the bondholders request for conversion before January 1 of the current year and 15 business days (exclusive) prior to the date of the cessation of transfer of the Company's gratis allotment, the converted common stock may participate in the stock dividends for the previous year resolved by the shareholders' meeting of the current year.
2. The conversion of this convertible bond shall cease from fifteen business days prior to the date of cessation of transfer of the Company's gratis allotment of shares in the current year (inclusive) to the ex-rights basis date of the gratis allotment of shares (inclusive).
3. Bondholders requesting conversion from the day after the ex-dividend date of the current year's gratis allotment to and including December 31 (inclusive) of the current year shall not be entitled to the stock dividends for the year prior to the resolution of the current year's shareholders' meeting, but may participate in the stock dividends for the current year as resolved by the shareholders' meeting of the following year.

XVII. Rights and obligations after conversion

The rights and obligations of the bondholders to acquire shares of common stock after the effective date of the requested conversion are the same as the shares of common stock originally issued by the Company.

XVIII. The Company's right to redeem the convertible bonds

- (I) If the closing price of the Company's common stock exceeds 30% of the then prevailing conversion price for 30 consecutive business days from the day after three months after the issuance of the Bonds (August 11, 2022) to 40 days prior to the expiration of the issuance period (March 31, 2024), the Company may, within 30 business days thereafter, send a "Notice of Bond Call" by registered mail. If the closing price of the Company's common stocks exceeds 30% of the then prevailing conversion price for 30 consecutive business days (including the closing price of the Company's common stocks), the Company may, within 30 business days thereafter, send to the holders of the Bonds, by registered mail, a "Notice of Call" expiring on the 30th day (the aforementioned period shall be counted from the date of the Company's letter, and the expiration date of such period shall be the date of call, and the aforementioned period shall not be the cessation of conversion period as described in Article 9), whichever is stated in the register of the holders of the Bonds on the fifth business day prior to the date of the mailing of the "Notice of Call". The redemption price shall be set at the face value of the Bonds, and the Bonds shall be redeemed in cash, and the announcement shall be made by notice to the Taipei Exchange. The Company shall redeem the outstanding convertible bonds at their face value in cash within five business days after the collection date of the bonds by executing the collection request.
- (II) If the outstanding balance of the convertible bonds is less than 10% of the original issue amount from the day after three months after the issuance of the bonds (August 11, 2022) to 40 days before the expiration of the issuance period (March 31, 2024), the Company may, at any time thereafter, send by registered mail a "Notice of Bond Call" expiring on the 30th day of the issuance period (the expiration date of the aforementioned period shall be the base date of bond call). If the outstanding balance of the Bonds is less than 10% of the original issue amount, the Company may, at any time thereafter, send to the Bondholders by registered mail a "Notice of Bond Collection" expiring on the 30th day (the aforesaid period shall be counted from the date of issuance of the letter by the Company and the expiration date of such period shall be the Bond Call Date, and the aforesaid period shall not be the cessation of conversion period under Article 9), whichever is stated in the Bondholders' register as of the fifth business day prior to the date of mailing of the "Bond Call Notice", and if the Bonds are subsequently acquired for trading or other reasons, the Company may send to the Bondholders a "Bond Call Notice". The redemption price shall be set at the face value of the Bonds, and the Bonds shall be redeemed in cash, and the announcement shall be made by notice to the Taipei Exchange. The Company shall redeem the outstanding convertible bonds at their face value in cash within five business days after the collection date of the bonds by executing the collection request.
- (III) If the creditor does not reply to the Company's stock agent in writing (effective upon delivery, postmarked by the date of mailing) before the date of the "Notice of Bond Collection", the Company will redeem the convertible bonds in cash at the face value of the bonds within five business days after the date of the Notice of Bond Collection.

XIX. Repurchase rights of bondholders

The Company shall send a "Notice of Exercise of Right of Sale" to the bondholders by registered mail 30 days prior to the base date of sale (the notice of exercise of the right of sale shall be as stated in the register of creditors on the fifth business day prior to the date of mailing of the "Notice of Exercise of Right of Sale", and for investors who subsequently acquire the bonds for trading or other reasons, the notice shall be made by public announcement). For investors who subsequently acquire the Bonds for trading or other reasons, the notice shall be announced. The Company may request the Company to redeem the convertible bonds held by the Company at the face value of the bonds plus interest compensation (100.50% of the face value of the bonds (0.25% real rate of return) for two years) within 30 days prior to the redemption date. The Company shall redeem the convertible bonds in cash within five business days from the date of the repurchase request. If the aforementioned date falls on a day when the TWSE is closed, it shall be postponed to the next business day.

XX. All bonds collected (including those bought back by securities dealers), repaid or converted by the Company shall be cancelled, not sold or issued, and the conversion rights attached thereto shall be extinguished.

XXI. The convertible bonds and the converted common stock are in registered form, and the transfer, registration of changes, pledge and loss of the bonds are in accordance with the " Regulations Governing the Administration of Shareholder Services of Public Companies" and the Company Act, and the taxation matters are in accordance with the then current tax regulations.

XXII. Taiwan Shin Kong Commercial Bank Co., Ltd. is the trustee of the bondholders to exercise the right and responsibility to check and supervise the Company's performance of the issuance of this convertible bond on behalf of the interests of the bondholders. All bondholders of the convertible bonds, regardless of whether they subscribe for the bonds at the time of issuance or purchase them in the interim, agree to and grant to the Trustee full power of attorney with respect to the provisions of the Trust Deed between the Company and the Trustee, the Trustee's rights and obligations, and the Issuance and Conversion Agreement, and this authorization shall not be revoked in the interim. As to the contents of the Trust Deed, the Bondholders may visit the Company or the Trustee's business office at any time during business hours.

XXIII. The convertible bonds are assigned to the Company's stock affairs agent for repayment of principal and interest and conversion.

XXIV. The convertible bonds are delivered by book-entry in accordance with Article 8 of the Securities and Exchange Act, and no physical bonds are printed.

XXV. If there are any matters that are not covered by the issuance and conversion rules of the convertible bonds, they shall be handled in accordance with the relevant laws and regulations.

Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi