Stock Code：5498

Key Ware Electronics Co., Ltd.
and Subsidiaries

Consolidated Financial Statements
and Independent Auditors' Report
For 2023 and 2022

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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 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:

<u>Truthfulness of Sales Revenue</u>

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

<u>*Notices to Readers*</u>

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 Amount	%	December 31, 2022 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 XXVIII)	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 (Notes IV and XI)	49,227	1	-	-
1470	Other current assets	50,355	1	40,377	1
11XX	Total current assets	1,836,791	50	2,092,078	51
	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 XXIX)	1,321,591	36	1,636,419	40
1755	Right-of-use assets (Notes IV, XV 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 XIV)	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	1,824,293	50	2,001,150	49
1XXX	Total assets	$ 3,661,084	100	$ 4,093,228	100

Code	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current Liabilities				
2100	Short-term loans (Note XVII and XXIX)	$ 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	988,196	27	1,170,983	29
	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	633,357	17	797,267	19
2XXX	Total liabilities	1,621,553	44	1,968,250	48
	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	2,021,903	55	2,096,437	51
36XX	Non-controlling Interests	17,628	1	28,541	1
3XXX	Total equity	2,039,531	56	2,124,978	52
	Total liabilities and equity	$ 3,661,084	100	$ 4,093,228	100

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

Chairman:	President:	Accounting Manager:
Chow, Pong-Chi	Chu, Tsung-Wei	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)

		2023		2022	
Code		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)	1,108,390	104	1,402,438	97
5900	Gross Profit (Loss) from Operations	(40,120)	(4)	51,555	3
	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	5,978	1	3,807	-
6000	Total Operating Expenses	143,923	13	146,271	10
6900	Operating Loss	(184,043)	(17)	(94,716)	(7)
	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	23,153	2	1,103	-
7000	Total Non-operating Income and Expenses	332,664	31	114,409	8
7900	Profit Before Tax	148,621	14	19,693	1
7950	Income Tax Expenses (Notes IV and XXIII)	143,682	14	16,527	1
8200	Net Profit for the Year	4,939	-	3,166	-

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Code		2023 amount	2023 %	2022 amount	2022 %
	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

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	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	$ 0.06		$ 0.01	
9850	Diluted	$ 0.06		$ 0.01	

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: NT$ thousand

Code		Equity attributable to owners of the parent (Note IV, VIII and XIX)										
								Other 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	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 2021											
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	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	Losses (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	Prepayments for Goods	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	2,483	1,504
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	161,045	50,207
	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	230,191	(200,169)
	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	(447,831)	64,043
DDDD	Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4,237)	5,417

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Code		2023	2022
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	198,745	279,247
E00200	Cash and Bank Balances at the End of the Year	$ 137,913	$ 198,745

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 incorpoarted 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

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
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

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
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 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) Non-current 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) 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

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

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

	December 31, 2023	December 31, 2022
Bank deposits	0.00% ~ 1.45%	0.00% ~ 1.05%

VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss		
Domestic listed and emerging stocks	$ 33,049	$ 12,308
Foreign listed stocks	10,022	41,160
Renminbi financial products	67,195	22,048
	$ 110,266	$ 75,516

Financial liabilities - Current

	December 31, 2023	December 31, 2022
Financial liabilities held for trading		
Repurchase option (Note XV)	$ -	$ 4,380

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

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

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

	December 31, 2023	December 31, 2022
Notes receivable		
Due to operation	$ 62,863	$ 159,807
Less: Loss allowances	(1,247)	(1,138)

	$ 61,616	$ 158,669

Accounts receivable		
Due to operation	$ 507,167	$677,459
Less: Loss allowances	(10,712)	(5,827)
	$ 496,455	$ 671,632

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	December 31, 2023	December 31, 2022
Other receivables		
Receivables from land expropriation (Note XIV)	$ 195,601	$ 72,470
Receivables from disposal of equipment (Note XIV)	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	(39,680)	(3,150)
	$ 188,387	$ 100,684
Other receivables - Non-current		
Receivables from land expropriation (Note XIV)	$ 238,599	$ -
Receivables from disposal of equipment (Note XIV)	32,264	43,189
Deduct: Allowance for losses	(28,117)	-
	$ 242,746	$ 43,189

(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

	0 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	over 360 Days	Total
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)	(1,428)	(1,643)	(971)	(2,079)	(5,838)	(11,959)
Amortized cost	$ 370,666	$ 164,260	$ 14,103	$ 7,174	$ 1,868	$ 558,071

December 31, 2022

	0 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	over 360 Days	Total
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)	(489)	(1,005)	(380)	(1,087)	(4,004)	(6,965)
Amortized cost	$ 493,077	$ 299,069	$ 29,438	$ 8,320	$ 397	$ 830,301

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

	2023	2022
Beginning balance	$ 6,965	$ 3,140
Add: Impairment loss recognized for the current year	5,978	3,807
Less: Actual write-offs for the current year	(800)	-
Foreign currency translation difference	(184)	18
Ending balance	$ 11,959	$ 6,965

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:

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

X. Inventories

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

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. Non-current Assets Held For Sale

	December 31, 2023
Machinery and Equipment held for sale	$ 49,227

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:

			Shareholding %	
Name of Investor	Name of Subsidiary	Business Nature	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	Shenzhen Laserware Laser	Drilling foundry	100%	100%

Co., Ltd Technology Co., Ltd.

XIII. Investments Accounted for Using the Equity Method

The Group's associates are as follows:

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

Rong Pei Wisdom Co., Ltd. reduced its capital and returned capital of 18,480 thousand dollars in July, 2023. 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	$ 23,153	$ 1,103
Other comprehensive income	$ -	$ -

XIV. Property, plant, and equipment

	Self-owned Land	Housing and Construction	Machinery	Transportation Equipment	Office Equipment	Lease Improvements	Other Equipment	Total
Cost								
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 obsolescence	-	(55,325)	(83,516)	(1,295)	(2,346)	-	(8,253)	(150,735)
Effect of Foreign Currency Exchange Differences	-	4,176	17,962	21	93	-	849	23,101
Reclassifications	-	105,948	120,887	-	-	168	-	227,003
Balance as of December 31, 2022	$ 113,167	$ 510,533	$ 2,510,800	$ 1,380	$ 18,249	$ 141,528	$ 72,576	$ 3,368,233
Accumulated depreciation and impairment								
Balance as of January 1, 2022	$ -	$ 71,882	$ 1,550,863	$ 1,959	$ 16,387	$ 5,672	$ 35,298	$ 1,682,061
Disposal and obsolescence	-	(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	$ -	$ 65,571	$ 1,589,782	$ 1,267	$ 15,152	$ 20,663	$ 39,379	$ 1,731,814
Net balance as of December 31, 2022	$ 113,167	$ 444,962	$ 921,018	$ 113	$ 3,097	$ 120,865	$ 33,197	$ 1,636,419

Cost								
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 obsolescence	-	(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	-	-	43,717	-	(11)	(44,814)	4,687	3,579
Cost	$ 113,167	$ 494,418	$ 2,395,057	$ 1,374	$ 18,189	$ 96,714	$ 78,278	$ 3,197,197
Accumulated depreciation and impairment								
Balance as of January 1, 2023	$ -	$ 65,571	$ 1,589,782	$ 1,267	$ 15,152	$ 20,663	$ 39,379	$ 1,731,814
Disposal and obsolescence	-	(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	$ -	$ 73,178	$ 1,658,186	$ 1,257	$ 15,553	$ 76,593	$ 50,839	$ 1,875,606
Net balance as of December 31, 2023	$ 113,167	$ 421,240	$ 736,871	$ 117	$ 2,636	$ 20,121	$ 27,439	$ 1,321,591

(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 to10 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, 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 CNY 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 CNY50,000 thousand (received) in the first year, CNY70,000 thousand (received) in the second year and CNY32,206 thousand (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 2022 fiscal 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 CNY 158,856 thousand;

(2) Kunshan Huaqiao Weimin House Demolition Limited Company shall pay the first installment of compensation of CNY47,000 thousand by June 2023; the second installment of compensation of CNY47,000 thousand by June 2024; the third installment of compensation of CNY31,000 thousand by June 2025; and the remaining compensation of CNY33,857 thousand 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 CNY 117,081 thousand (recorded under other income and expenses) and considered the expected credit losses of CNY 14,242 thousand for the remaining period of the payment. As of December 31, 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 CNY 97,996 thousand (recorded under other receivables).

Additionally, the relocation agreement included incentive clauses for facility relocation. Kunshan Key Ware recognized subsidy incentives of CNY 16,435 thousand for completed facility relocations in December 2022 (recorded under other income and expenses) and considered expected credit losses of CNY 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 Jinzexin Technology Co., Ltd. The main terms of the contract are described as follows:

1. The total amount of machinery and equipment sold was CNY14,500 thousand.
2. Chongqing Jinzexin Technology Co., Ltd. shall pay the first installment of CNY2,900 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 CNY12,916 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 Jinzexin Technology Co., Ltd. suspended equipment payments in December 2023 due to the functionality of some aforementioned equipment not meeting expectations. As of December 31, 2023, both parties were still in discussions regarding the matter. Kunshan Key Ware recognized expected credit impairment losses of CNY 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

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use assets		
Land	$ 33,395	$ 68,978
Buildings	32,683	31,411
Machinery	14,195	5,852
Transportation Equipment	903	2,193
	$ 81,176	$ 108,434
Addition of Right-of-Use Assets	$ 32,367	$ 3,149
Depreciation Expense of Right-of-Use Assets		
Land	$ 829	$ 2,139
Buildings	14,821	15,181
Machinery	7,471	8,435

	December 31, 2023	December 31, 2022
Transportation Equipment	1,291	3,024
	$ 24,412	$ 28,779

(II) Lease liabilities

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

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
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

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

XVI. Other intangible assets

	December 31, 2023	December 31, 2022
Customer Relationships	$ 18,211	$ 21,573

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$3,362 thousand and NT$3,363 thousand (recorded as amortization expense) in 2023 and 2022, respectively.

XVII. Loans

(I) Short-term loans

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

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

	December 31, 2023	December 31, 2022
NTD	2.00% ~ 2.91%	1.25% ~ 2.65%
CNY	3.30% ~ 3.65%	3.85% ~ 4.00%
JPY	1.16% ~ 1.49%	1.10% ~ 1.44%

(II) Short-term notes and bills payable

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

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

December 31, 2023

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

December 31, 2022

Guarantor/ Accepting	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying amount of

Institution						collaterals
Commercial paper payable						
Mega Bills	$ 45,000	$ 35	$ 44,965	1.75%	-	$ -

(III) Long-term loans

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

The consolidated company signed a secured loan agreement with Mega Bank on May 24, 2021, with a total limit of NT$105,000 thousand. Disbursements were made on July 27, 2021, September 29, 2021, and October 29, 2021, amounting to NT$60,000 thousand, NT$10,000 thousand, and NT$30,000 thousand 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 thousand. On March 7, 2022, NT$440,000 thousand 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 thousand 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 thousand, and disbursed USD 1,000 thousand. The loan term is 5 years, with semi-annual repayments of USD 125 thousand 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 thousand. On May 25, 2022, NT$10,200 thousand 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

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

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 thousand, with a face value of NT$100 thousand 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%	11,032
Liability components as of December 31, 2023	$ 56,759

In May of 2023, holders of the domestic second unsecured convertible corporate bonds issued by the company sold back a nominal value of 142,700 thousand (plus interest compensation of 714 thousand), resulting in a bond redemption loss of NT$ 431 thousand (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 NT$ 6,104 thousand.

As of December 31, 2023, domestic second unsecured convertible corporate bonds with a nominal value of NT$ 142,700 thousand have been repurchased.

XIX. Other payables

	December 31, 2023	December 31, 2022
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	46,332	53,023
	$ 103,598	$ 88,965

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:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation contributed	($ 42,373)	($ 36,640)
Fair value of plan assets	24,520	24,430
Balance of contribution	(17,853)	(12,210)
Pension payable (recognized as other non-current liabilities)	($ 17,853)	($ 12,210)

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	($ 29,708)	$ 21,826	($ 7,882)
Service costs for the current	(2,254)	-	(2,254)

period			
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	(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
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)

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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	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:

	December 31, 2023	December 31, 2022
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:

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.5%	($ 4,383)	($ 3,769)
Decrease by 0.5%	$ 4,995	$ 4,281
Expected salary increase rate		
Increase by 0.5%	$ 4,840	$ 4,193
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.

	December 31, 2023	December 31, 2022
Expected amount of contribution within 1 year	$ 776	$ 822
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:

	2023	2022
Operating costs	$ 9,031	$ 10,134
Selling and marketing expenses	$ 968	$ 837
General and administrative expenses	$ 4,114	$ 3,168
Research and development expenses	$ 211	$ 183

XXI. Equity

(I) Capital stock

Common stock

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

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 thousand 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 thousand, 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 1, 2023, and became effective. The record date for the capital increase was September 18, 2023.

(II) Capital surplus

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

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:

	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, 2022 as follows:

	Distribution of Earnings	Dividends Per Share (NT$)
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 thousand 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	($ 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	6,079	(4,710)
Ending balance	($ 114,809)	($ 90,493)

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

	2023	2022
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	7,831	(7,060)
Ending balance	($ 52,157)	($ 17,099)

XXII. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Other income

	2023	2022
Rental income	$ 424	$ 122
Dividend income	1,342	2,256
	$ 1,766	$ 2,378

(II) Other gains and losses

	2023	2022
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	(1,462)	3,949
	$ 383,385	$ 143,541

(III) Finance costs

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

(IV) Employee benefits and depreciation and amortization expenses

	2023			2022		
	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

	2023	2022
Employee compensation	1.00%	1.00%
Director remuneration	-	-

Amount

	2023		2022	
	Cash	Stock	Cash	Stock
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:

	2023	2022
Current income tax		
Incurred this year	$ 46,833	$ 82,938
Adjustments from previous years	231	(565)
	47,064	82,373
Deferred income tax		
Incurred this year	$ 96,389	($ 61,692)
Adjustments from previous years	229	(4,154)
Income tax expense recognized in profit or loss	$ 143,682	$ 16,527

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

	2023	2022
Net income of continuing operations before tax	$ 148,621	$ 19,693
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	460	(4,718)
Income tax expense recognized in profit or loss	$ 143,862	$ 16,527

(II) Income tax recognized in other comprehensive income

	2023	2022
Deferred income tax		
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	632	565
Income tax gain (expense) recognized in other comprehensive income	$ 6,711	($ 4,145)

(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 comprehensive income	Exchange Differences	Ending balance
Deferred income tax assets					
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
	$ 90,949	($ 8,996)	$ 632	($ 492)	$ 82,093
Deferred income tax assets					
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)
	($ 42,226)	($ 87,622)	$ 6,079	$ 2,113	($ 121,656)

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
Deferred income tax assets					
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
	$ 73,124	$ 16,837	$ 565	$ 423	$ 90,949
Deferred income tax liabilities					
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)
	($ 85,133)	$ 49,009	($ 4,710)	($ 1,392)	($ 42,226)

(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	-
	$ 19,543	$ 7,553
Deductible temporary differences		
Allowance for losses	$162,685	$ -
Others	2,766	2,766
	$165,451	$ 2,766

(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	$ 0.06	$ 0.01
Diluted earnings per share		
From continuing operations	$ 0.06	$ 0.01

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	$ 0.01	$ 0.01
Diluted earnings per share	$ 0.01	$ 0.01

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	$ 11,852	$ 2,648
Net income used for calculation of diluted earnings per share	$ 11,852	$ 2,648

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	19	334
Weighted average number of common shares used for calculation of diluted earnings per share	192,233	192,448

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	
Employees stock option	Unit (Thousand)	Weighted average exercise price (NT$)	Unit (Thousand)	Weighted average exercise price (NT$)
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	2,335	13.30	2,535	13.18
Exercisable at the end of the year	1,843		700	

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:

	December 31, 2023		December 31, 2022	
	Carrying Amount	Level 3 Fair Value	Carrying Amount	Level 3 Fair Value
Financial Liabilities				
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

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
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	$ 30,117	$ -	$ 80,149	$ 110,266
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments				
- Listed stocks in domestic over-the-counter market	$ 282,220	$ -	$ -	$ 282,220
- Unlisted (OTC) stocks domestically and abroad	-	-	40,409	40,409
Total	$ 282,220	$ -	$ 40,409	$ 322,629

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
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	$ 41,160	$ -	$ 34,356	$ 75,516
Financial assets measured at fair value through other comprehensive income				

Investments in equity instruments				
- Domestic OTC stocks	$ 354,046	$ -	$ -	$ 354,046
- Domestic and foreign unlisted (OTC) stocks	-	-	52,765	52,765
Total	$ 354,046	$ -	$ 52,765	$ 406,811
Financial liabilities at fair value through profit or loss				
- Repurchase option for convertible bonds	$ -	$ -	$ 4,380	$ 4,380

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

	2023	2022
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	$ 80,149	$ 29,976

Financial assets at fair value through other comprehensive income

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

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

Category of Financial Instruments	Valuation Technique and Inputs
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:

	Multiplier	Liquidity Discount
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

	December 31, 2023	December 31, 2022
<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
Financial liabilities		
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, the pre-tax net profit for the years 2023 and 2022 will decrease by NT$27,214 thousand and NT$4,870 thousand, respectively. When the Japanese Yen appreciates by 3% against the New Taiwan Dollar, the pre-tax net profit for the years 2023 and 2022 will decrease by NT$654 thousand and NT$2,202 thousand, 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：

	December 31, 2023	December 31, 2022
Cash flow interest rate risk		
- Financial	$ 178,546	$ 480,422

liabilities		
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

	Less than 1 year	1 to 5 year(s)	6 to10 years
Non-derivative financial liabilities			
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

	Less than 1 year	1 to 5 year(s)	6 to10 years
Non-derivative			

financial liabilities			
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

Related Party	Relationship with the Group
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

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

(III)Purchase of goods

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

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

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

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	$ 8,464	$ 1,494

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

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	532	1,323
		$ 22,721	$ 28,507
Other payables	Substantial related party		
	Wen Shung Industrial Corp.	$ 165	$ 171

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
Short-term employee benefits	$ 8,071	$ 7,811
Retirement benefits	107	36
	$ 8,178	$ 7,847

XXIX. Pledged Assets

The following assets were provided as collateral for the Group'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	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

	December 31, 2023			December 31, 2022		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Monetary items of financial assets						
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
Non-monetary items of financial assets						
USD	682	30.71	20,941	1,718	30.71	52,764
Monetary items						

of financial liabilities						
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 2023 and 2022 is as follows:

	2023		
Item	Taiwan Region	Mainland China Region	Amount after adjustment
Segment revenue			
External revenue	$ 570,092	$ 498,178	$ 1,068,270
Segment profit or loss	($ 99,601)	($ 84,442)	($ 184,043)
Non-operating income and expenses			332,664
Net income before tax			$ 148,621
Segment assets	$ 1,594,967	$ 2,066,117	$ 3,661,084

	2022		
Item	Taiwan Region	Mainland China Region	Amount after adjustment
Segment revenue			
External revenue	$ 832,042	$ 621,950	$ 1,453,993
Segment profit or loss	($ 28,435)	($ 69,445)	($ 97,875)
Non-operating income and expenses			117,568
Net income before tax			$ 19,693
Segment assets	$ 2,110,729	$ 1,982,499	$ 4,093,228

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:

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

(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$/CNY 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 CNY 39,190	679,584 CNY 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 CNY 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	Domestic listed (OTC) stocks							
	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	
	Foreign unlisted (OTC) stocks							
	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	
	Foreign unlisted (OTC) stocks							
	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	
	Foreign listed (OTC) stocks							
	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	Renminbi financial products China CITIC Bank - Win-Win Stable Daily Profit	-	Financial assets at fair value through profit or loss - current	-	67,195 CNY 15,500	-	67,195 CNY 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/CNY 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 CNY 46,506	$ 205,768 CNY 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 CNY 297,395	205,661 CNY 46,591	205,661 CNY 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 CNY 97,207	(252) (CNY 57)	(252) (CNY 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/CNY 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 CNY 46,592	100%	$ 205,665 CNY 46,592	$ 1,278,978 CNY295,021	$ 56,563 CNY 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	- CNY -	100%	- CNY -	419,987 CNY 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) (CNY 7,776)	100%	(34,325) (CNY 7,776)	5,530 CNY 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 CNY 168	100%	742 CNY 168	6,218 CNY 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) (CNY 464)	100%	(2,048) (CNY 464)	165,046 CNY 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) (CNY 2,084)	100%	(9,199) (CNY 2,084)	6,184 CNY 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 Co., Ltd	3	Miscellaneous Expenses	12,006	-	1.12
		Wuhan Laserware Laser Technology 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
2	Wuhan Laserware Laser Technology Co., Ltd	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.