Stock Code: 5498

Key Ware Electronics Co., Ltd.

Parent Company Only Financial Statements and Independent Auditors' Report
For 2023 and 2022

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<u>Notice to Reader</u>

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

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Independent Auditors' Report

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

Opinions

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

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

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Key Ware Electronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China ("The Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to those most material key matters for the audit on the Parent Company Only Financial Statements of the year 2023 of Key Ware Electronics Co., Ltd., based on the professional judgment of the accountant. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Truthfulness of Sales Revenue

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

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

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

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

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

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

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

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

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

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Key Ware Electronics.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Key Ware Electronics' ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Key Ware Electronics to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Parent Company Only Financial Statements (including relevant Notes), and whether the Parent Company Only Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Key Ware Electronics to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Parent Company Only Financial Statements of Key Ware Electronics.

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

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

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

Deloitte & Touche

CPA, Li, Kuan-Hao	CPA, Lin, Wang-Sheng
Financial Supervisory Commission Approval Document No.: FSC Approval Document No. 1100372936	Financial Supervisory Commission Approval Document No.: FSC Approval Document No. 1060023872

March 26, 2024

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

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

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

Key Ware Electronics Co., Ltd.

Parent Company Only Balance Sheets

As of December 31, 2023 and 2022

Unit: NT$ thousand

Code	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes IV and VI)	$ 51,648	2	$ 123,888	3
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	43,071	1	53,468	2
1120	Financial assets at fair value through other comprehensive income - current (Notes IV, VII and XXVII)	282,220	9	354,046	10
1150	Notes receivable (Notes IV and IX)	2,791	-	3,624	-
1170	Accounts receivable (Notes IV and IX)	138,748	4	228,947	6
1180	Accounts receivable - related parties (Notes IV and XXVI)	45,221	1	58,210	2
1200	Other receivables (Notes IV and IX)	12,733	-	7,712	-
1210	Other receivable - related parties (Notes IV and XXVI)	12,883	1	7,462	-
130X	Inventories - Net (Notes IV and X)	216,676	7	210,017	6
1460	Non-current assets held for sale (Notes IV and XI)	33,975	1	-	-
1470	Other current assets	36,857	1	34,896	1
11XX	Total current assets	876,823	27	1,082,270	30
	Non-current assets				
1510	Financial assets at fair value through other comprehensive income - current (Notes IV and VIII)	40,409	1	52,765	1
1550	Investments accounted for using the equity method (Notes IV and XII)	1,748,865	53	1,674,722	46
1600	Property, plant, and equipment (Notes IV, XIII and XXVII)	566,950	17	777,377	21
1755	Right-of-use assets (Notes IV and XIV)	13,112	1	19,998	1
1840	Deferred tax assets (Notes IV and XXI)	41,955	1	39,076	1
1915	Prepayment - non-current (Note XIII)	-	-	12,339	-
1920	Refundable deposits (Note IV)	1,530	-	1,539	-
1990	Other non-current assets	1,493	-	2,569	-
15XX	Total non-current assets	2,414,314	73	2,580,385	70
1XXX	Total assets	$ 3,291,137	100	$ 3,662,655	100

Code	Liabilities and Equity	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current Liabilities				
2100	Short-term loans (Notes XV and XXVII)	$ 451,922	14	$ 599,257	17
2110	Short-term notes and bills payable (Note XV)	24,979	1	44,965	1
2120	Financial liabilities at fair value through profit or loss - current (Notes IV, VII and XVI)	-	-	4,380	-
2150	Notes and accounts payables	53,265	2	66,292	2
2180	Accounts payable - related parties (Note XXVI)	21,899	1	27,190	1
2219	Other payables (Note XVII)	40,210	1	34,557	1
2220	Other payables - related parties (Note XXVI)	1,105	-	12,725	-
2230	Current tax liabilities (Note IV)	9,716	-	-	-
2280	Lease liabilities - current (Notes IV and XIV)	6,591	-	6,871	-
2190	Short-term notes payable due within one year (Notes IV and XVI)	56,759	2	-	-
2320	Long-term loans with a maturity of less than one year (Notes XV and XXVII)	16,274	-	21,621	1
2399	Other current liabilities	6,700	-	7,262	-
21XX	Total current liabilities	689,420	21	825,120	23
	Non-current liabilities				
2530	Corporate bonds payable (Notes IV and XVI)	-	-	193,912	5
2540	Long-term loans (Notes XV and XXVII)	463,787	14	501,808	14
2570	Deferred income tax liabilities (Notes IV and XXI)	3,791	-	9,870	-
2580	Lease liabilities - non-current (Notes IV and XIV)	6,866	-	13,457	1
2630	Long-term deferred revenue (Note XIII)	87,517	3	9,841	-
2670	Net defined benefit liabilities (Notes IV and XVIII)	17,853	1	12,210	-
25XX	Total non-current liabilities	579,814	18	741,098	20
2XXX	Total liabilities	1,269,234	39	1,566,218	43
	Equity				
3100	Share capital	1,923,135	58	1,899,283	52
3200	Capital surplus	80,479	2	80,139	2
3300	Retained earnings	185,255	6	224,607	6
3400	Other equity	(166,966)	(5)	(107,592)	(3)
3XXX	Total equity	2,021,903	61	2,096,437	57
	Total liabilities and equity	$ 3,291,137	100	$ 3,662,655	100

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi　　President: Chu, Tsung-Wei　　Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Comprehensive Income

From January 1 to December 31, 2023 and 2022

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

Code		2023 Amount	2023 %	2022 Amount	2022 %
4000	Operating revenue (Notes IV and XXVI)	$ 488,347	100	$ 699,454	100
5000	Operating costs (Notes X, XVIII, XX and XXVI)	483,393	99	693,313	99
5900	Gross profit	4,954	1	6,141	1
5920	Realized (Unrealized) gains from sales	3	-	(8)	-
5950	Realized gross profit	4,957	1	6,133	1
	Operating expenses (Notes IX, XVIII, and XX)				
6100	Selling and marketing expenses	28,358	6	28,562	4
6200	General and administrative expenses	35,032	7	31,022	5
6300	Research and development expenses	3,456	1	2,287	-
6450	Expected credit losses (gains)	(94)	-	(140)	-
6000	Total operating expenses	66,752	14	61,731	9
6900	Net operating loss	(61,795)	(13)	(55,598)	(8)
	Non-operating income and expenses (Notes XII, XX and XXVI)				
7100	Interest income	761	-	303	-
7010	Other income	7,252	2	26,786	4
7020	Other gains and losses	(94,339)	(19)	5,430	1
7050	Finance costs	(27,494)	(6)	(25,383)	(4)
7070	Shares of profits or loss of subsidiaries and associates accounted for using equity method	194,990	40	49,409	7
7000	Total non-operating income and expenses	81,170	17	56,545	8

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Code		2023 Amount	2023 %	2022 Amount	2022 %
7900	Net income before tax	$ 19,375	4	$ 947	-
7950	Income tax expense (profit) (Notes IV and XXI)	7,523	2	(1,701)	(1)
8200	Net income	11,852	2	2,648	1
	Other comprehensive income				
8310	Components that will not be reclassified to profit or loss				
8311	Gains (losses) on re-measurements of defined benefit plans (Notes IV and XVIII)	(3,160)	-	(2,824)	(1)
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income (Notes IV and XIX)	(42,889)	(9)	103,510	15
8349	Income tax related to components that will not be reclassified to profit or loss (Note IV and XXI)	632	-	565	-
8360	Components that may be reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations (Notes IV and XIX)	(30,395)	(6)	23,549	4
8399	Income tax related to components that may be reclassified to profit or loss (Notes IV, XIX and XXI)	6,079	1	(4,710)	(1)
8300	Other comprehensive income	(69,733)	(14)	120,090	17
8500	Total comprehensive income	($ 57,881)	(12)	$ 122,738	18
	Earnings per share (Note XXII)				
9750	Basic	$ 0.06		$ 0.01	
9850	Diluted	$ 0.06		$ 0.01	

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi

President: Chu, Tsung-Wei

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Changes in Equity

From January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code		Share capital			Retained earnings			Other equity		
		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 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
D1	Net income in 2022	-	-	-	-	-	2,648	-	-	2,648
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	(2,259)	18,839	103,510	120,090
D5	Total comprehensive income in 2022	-	-	-	-	-	389	18,839	103,510	122,738
	Appropriation and distribution of earnings for 2021									
B1	Legal reserve	-	-	-	3,538	-	(3,538)	-	-	-
B3	Reversal of special reserve	-	-	-	-	34,141	(34,141)	-	-	-
N1	Share-based payment - Employee stock option exercise (Note XXIII)	150	(176)	26	-	-	-	-	-	-
N1	Share-based payment - employee stock option compensation cost (Note XXIII)	-	-	896	-	-	-	-	-	896
O1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	7,060	-	(7,060)	-
Z1	Balance as of December 31, 2022	1,899,283	-	80,139	24,373	192,785	7,449	(90,493)	(17,099)	2,096,437
D1	Net income in 2023	-	-	-	-	-	11,852	-	-	11,852
D3	Other comprehensive income after tax in 2023	-	-	-	-	-	(2,528)	(24,316)	(42,889)	(69,733)
D5	Total comprehensive income in 2023	-	-	-	-	-	9,324	(24,316)	(42,889)	(57,881)
	Appropriation and distribution of earnings for 2022									
B1	Appropriation of legal surplus reserves	-	-	-	745	-	(745)	-	-	-
B3	Reversal of special surplus reserves	-	-	-	-	(34,141)	34,141	-	-	-
B5	Cash dividends for common stock	-	-	-	-	-	(18,993)	-	-	(18,993)
B9	Stock dividends for common stock	21,852	-	-	-	-	(21,852)	-	-	-
N1	Share-based payment - employee stock option exercise (Note XXIII)	2,000	-	340	-	-	-	-	-	2,340
Q1	Disposal of equity instruments through other comprehensive income	-	-	-	-	-	(7,831)	-	7,831	-
Z1	Balance as of December 31, 2023	$ 1,923,135	$ -	$ 80,479	$ 25,118	$ 158,644	$ 1,493	($ 114,809)	($ 52,157)	$ 2,021,903

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi | President: Chu, Tsung-Wei | Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd.

Parent Company Only Statements of Cash Flows

From January 1 to December 31, 2023 and 2022

Unit: NT$ thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Net income before tax	$ 19,375	$ 947
A20010	Adjustments to reconcile loss (income):		
A20100	Depreciation expenses	56,535	68,690
A20200	Amortization expenses	1,750	1,842
A20300	Expected credit reversal gains	(94)	(140)
A20400	Measurement of financial instruments at fair value through profit or loss (gains) or losses	(5,145)	20,853
A20900	Finance costs	27,494	25,383
A21200	Interest income	(761)	(303)
A21300	Dividend income	(1,342)	(2,256)
A21900	Share-based compensation cost	-	896
A22300	Shares of profits or loss of subsidiaries and associates accounted for using equity method	(194,990)	(49,409)
A22500	Gains on property, plant, and equipment	(2,038)	(1,655)
A22900	Impairment loss on non-current assets held for sale	18,000	-
A23700	Impairment loss on property, plant, and equipment	77,009	-
A29900	Realized (unrealized) gains from sales	(3)	8
A23900	Inventory write-down and obsolescence loss	4,709	-
A24100	Unrealized foreign exchange losses (gains)	(303)	944
A24200	Redemption loss on convertible corporate bonds	431	-
A30000	Changes in operating assets and liabilities, net		
A31130	Notes receivable	833	4,091
A31150	Accounts receivable	83,351	(65,388)
A31160	Accounts receivable - related parties	14,276	2,311
A31180	Other receivables	(5,021)	1,059
A31190	Other receivables - related parties	(5,440)	188,714
A31200	Inventories	(11,368)	(22,260)
A31230	Prepayments	260	(8,885)
A31240	Other current assets	(2,891)	(1,977)
A32130	Notes and accounts payables	(13,027)	789
A32160	Accounts payable - related parties	(3,600)	(11,880)
A32190	Other payables - related parties	(12,144)	11,760
A32180	Other payables	5,847	414
A32230	Other current liabilities	(562)	1,142
A32240	Other non-current assets	2,483	1,503

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Code		2023	2022
A33000	Cash inflows generated from operations	$ 53,624	$ 167,193
A33300	Interest paid	(24,897)	(19,364)
A33100	Interest received	761	303
A33200	Dividends received	1,342	2,256
A33500	Income tax paid	(54)	(114)
AAAA	Cash inflow (outflow) from operating activities	30,776	150,274
	Cash flow from investment activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(15,178)
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	41,293	91,793
B00100	Acquisition of financial assets at fair value through profit or loss	(167,583)	(89,278)
B00200	Disposal of financial assets at fair value through profit or loss	181,785	24,275
B01800	Reduction of capital and return of capital from associates	18,480	-
B02600	Proceeds from disposal of property, plant, and equipment	128,195	-
B02700	Acquisition of property, plant, and equipment	(4,352)	(7,882)
B07100	Decrease in equipment payable	-	(262,924)
B03800	Decrease in refundable deposits	9	2,248
B07600	Receipt of dividends from subsidiaries and associates	71,975	10,224
BBBB	Net cash inflow (outflow) from investing activities	269,802	(246,722)
	Cash flows from financing activities		
C00200	Repayments of short-term loans	(142,526)	(26,624)
C00500	Increase (decrease) in short-term notes and bills payable	(19,986)	9,974
C01300	Repayment of corporate bonds	(143,414)	-
C01600	Proceeds from long-term loans	-	450,199
C01700	Repayments of long-term loans	(43,368)	(420,511)
C04020	Repayment of the lease principal	(6,871)	(8,962)
C04500	Cash dividends paid	(18,993)	-
C04800	Employees stock option exercised	2,340	-
CCCC	Net cash inflow (outflow) used in financing activities	(372,818)	4,076
EEEE	Decrease in cash and bank deposits for the year	(72,240)	(92,372)
E00100	Cash and bank deposits at the beginning of the year	123,888	216,260
E00200	Cash and bank deposits at the end of the year	$ 51,648	$ 123,888

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Chow, Pong-Chi　　President: Chu, Tsung-Wei　　Accounting Manager: Lee, Yun-Ting

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

I. Company History

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

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

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

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

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

III. Application of New and Amended Standards and Interpretations

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

The application of revised and approved IFRS accounting standards by the Financial Supervisory Commission, upon their effective publication, does not result in significant changes to the Company's accounting policies.

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

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
The amendment to IFRS 16 "Leases" regarding "Lease liabilities in sale and leaseback transactions"	January 1, 2024 (Note 2)
The amendment to IAS 1 "Presentation of Financial Statements" regarding "Classification of liabilities as current or non-current"	January 1, 2024
The amendment to IAS 1 "Presentation of Financial	January 1, 2024

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
Statements" regarding "Non-current liabilities with contractually payable amounts"	
The amendment to IAS 7 and IFRS 7 regarding "Supplier finance arrangements"	January 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new issuances/amendments/revisions of standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: Seller-lessees should retrospectively apply the amendment to IFRS 16 to sale and leaseback transactions entered into on or after the date of initial application of IFRS 16.

Note 3: Upon initial application of this amendment, certain disclosure requirements are exempted.

As of the date of issuance of these individual financial statements, the Company continues to assess that the aforementioned standards and amendments thereto will not have a significant impact on the financial position and performance.

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

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
Amendments to IAS 21 " Lack of convertibility "	January 1, 2025 (Note 2)

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

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

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

IV. Summary of Significant Accounting Policies

(I) Compliance declaration

These individual financial statements are prepared in accordance with the financial reporting standards for securities issuers and relevant laws.

(II) Preparation basis

The Parent Company Only Financial Statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

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

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

When preparing parent company only financial statements, the Company adopts the equity method for investments in subsidiaries, associates, or joint ventures. In order to align profit or loss, other comprehensive income, and equity from the current year in the Parent Company Only Financial Statements with those attributable to the Company's owners, the differences in accounting treatment with individual and consolidated basis have led to adjustments in "investments accounted for using the equity method", "share of profit or loss of subsidiaries, associates, and joint ventures accounted for using the equity method", "share of other comprehensive income of subsidiary, associates, and joint ventures accounted for using the equity method" and related equity items.

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

Current assets include:

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

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities expected to be settled when due within 12 months after the balance sheet date (even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for issue); and
3. Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the publication of the balance sheet. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other assets or liabilities that are not specified above are classified as non-current.

(IV) Foreign currencies

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

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

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

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

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

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

If the partial disposal of a subsidiary with foreign operations does not result in loss of control, the cumulative translation differences are proportionally included in equity transactions and not recognized in profit or loss. In any other partial disposal of subsidiaries with foreign operations, the cumulative translation differences are reclassified to profit or loss in proportion to the disposal.

(V) Inventories

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

(VI) Investments in subsidiaries

The Company has adopted the equity method for investments in subsidiaries.

Subsidiaries refer to entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, changes in the Company’s share of subsidiaries' other equity are recognized in proportion to its shareholding ratio.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

The recognition of further losses ceases when the Company's share of losses in subsidiaries equals or exceeds its interest in the subsidiaries (including the carrying amount of its investment in the subsidiaries under the equity method and other long-term interests that are in substance a component of the Company's net investment in the subsidiaries).

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

When the Company assesses impairment, the test shall be performed on the basis of cash generating units within the financial statements. The recoverable amount and the carrying amount of cash generating units shall be compared. Subsequently, if the recoverable amount of an asset increases, the recovery of the impairment loss shall be recognized as an advantage, provided that the carrying amount of the asset recovered from the impairment loss shall not exceed the carrying amount of the asset to be amortized if the impairment loss is not recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, the Company measures its remaining investment in the former subsidiary at fair value at the date of loss of control. The difference between the fair value of the remaining investment and the carrying amount of the investment at the date of loss of control, if any, is recognized in profit or loss for the period. In addition, the Company shall accounts for all amounts recognized in other comprehensive income or loss related to the subsidiary on the same basis as the Company is required to follow for the direct disposal of the related assets or liabilities.

The unrealized profit or loss in downstream transactions between the Company and the subsidiary shall be eliminated in the parent company only financial statements. The gains and losses arising from the countercurrent and side current transactions between the Company and its subsidiaries shall be recognized in the parent company only financial statements only to the extent not related to the Company's equity in the subsidiaries.

(VII) Investments in associates

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

The Company accounts for investments in associates using the equity method.

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

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

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

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

To assess impairment, the Company has to consider the overall carrying amount (including goodwill) of the investment as a single asset to compare the recoverable and carrying amounts. The cost of impairment identified is to be deemed as part of the carrying amount of the investment. Reversal of the impairment loss is recognized to the extent of subsequent increases in the recoverable amount of investment.

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

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

(VIII) Property, plant, and equipment

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

Except for self-owned land, which is not depreciated, all other property, plant, and equipment are depreciated on a straight-line basis over their useful lives, with significant components separately depreciated. The Company reviews the estimated useful lives, residual values, and depreciation methods at least at the end of each annual period and defers the impact of changes in accounting estimates.

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

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

The Company assesses at each balance sheet date whether there are any indications that property, plant, and equipment, right-of-use assets, and intangible assets (excluding goodwill) may be impaired. If any impairment indicators exist, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest group of cash-generating units on a rational and consistent basis.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss.

When an impairment loss is reversed subsequently, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized in prior periods (adjusted for amortization or depreciation). Reversal of impairment losses is recognized in profit or loss.

(X) Non-current assets held for sale

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

(XI) Financial instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheet when the Company becomes a party of the financial instrument contract.

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

1. Financial assets

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

(1) Types of measurement

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

A. Financial assets at fair value through profit or loss

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

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

B. Financial assets at amortized cost

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

a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and

b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

After initial recognition, financial assets (including cash and bank deposits, notes receivable measured at amortized cost, accounts receivable, accounts receivable - related parties and other receivables and other receivables - related parties) measured at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective rate method less any impairment loss.

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

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

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

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

(2) Impairment of financial assets

The impairment loss of financial assets (including note and account receivable) at amortized cost is measured by the Company on the balance sheet date based on the expected credit losses.

Allowances shall be appropriated for notes and accounts receivable for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

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

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

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

(3) Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss. Through the full derecognition of the investments in equity instruments at fair value through other comprehensive income, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

2. Equity instruments

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

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

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

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

4. Convertible bonds

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

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

The conversion right classified as equity is equal to the remaining amount of the fair value of the compound instrument as a whole less the fair value of the separately determined liability component, which is recognized in equity net of the income tax effect and is not subsequently measured. When the conversion right is exercised, the related liability component and the amount in equity will be transferred to equity and capital surplus - issue premium. If the conversion rights of convertible bonds are not exercised on the maturity date, the amount recognized in equity will be transferred to capital surplus - issue premium.

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

(XII) Revenue recognition

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

1. Sales revenue of commodities

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

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

2. Service revenue

   Service revenue is derived from mechanical drilling service. With the electrical testing of mechanical drilling provided by the Company, customers can obtain and consume performance benefits at the same time, and the related revenue is recognized when the services are provided.

(XIII) Leases

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

1. Where the Company is a lessor:

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

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

2. Where the Company is a lessee:

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

   The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. A right-of-use asset is separately presented on the parent company only balance sheets.

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

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

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. If the assessments on lease terms, amounts expected to be paid under residual value guarantees or changes in the index or rate which determines the lease payments result in changes in future lease payments, the Company would remeasure the lease liabilities with a corresponding adjustment on the right-of-use assets. However, if the carrying amount of right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are expressed separately in the parent company only balance sheets.

(XIV) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the 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.

(XV) Share-based payment arrangements

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

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

(XVI) Income Tax

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

1. Current income tax

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

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

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

2. Deferred income tax

   Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

   Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized for deductible temporary differences or unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilized.

   Deferred tax liabilities are recognized for all taxable temporary differences related to investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets related to such investments are recognized only to the extent that it is probable that there will be sufficient taxable profits available to utilize the temporary differences and within the foreseeable future when reversal is expected.

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

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income taxes for the year

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

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

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

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

VI. Cash and bank deposits

	December 31, 2023	December 31, 2022
Cash on hand	$ 309	$ 284
Checks and demand deposits in banks	51,339	123,604
	$ 51,648	$ 123,888

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 (exchange-traded) and OTC stocks	$ 33,049	$ 12,308
Foreign listed (exchange-traded) stocks	10,022	41,160
	$ 43,071	$ 53,468

Financial liabilities - Current

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

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

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

The Company invested in equity instruments for medium- and long-term strategic purposes. The management chose to designate these investments to be measured at fair value through other comprehensive income as they believed that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

In 2023 and 2022, the Company adjusted its investment portfolio to diversify risks, selling a portion of equity instrument investments at fair values of 33,293 thousand and 91,793 thousand respectively. The related other equity - financial assets at fair value through other comprehensive income unrealized gains were recognized as losses of

7,831 thousand and gains of 7,060 thousand, respectively, transferred to retained earnings.

For information on pledges of investments in equity instruments measured at fair value through other comprehensive income or loss (Note XXVII).

IX. Notes Receivables, Accounts Receivables, and Other Receivables - Net

	December 31, 2023	December 31, 2022
Notes receivable		
Due to operation	$ 2,791	$ 3,624
Less: Loss allowances	-	-
	$ 2,791	$ 3,624
Accounts receivable		
Due to operation	$ 139,949	$ 230,242
Less: Loss allowances	(1,201)	(1,295)
	$ 138,748	$ 228,947
Other receivables		
Receivable from disposal of investments	$ 12,559	$ 7,569
Others	174	143
	$ 12,733	$ 7,712

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

The Company's credit period for commodity sales averages 120~150 days, and no interest was charged on accounts receivable.

The Company applies the simplified approach of IFRS 9 to recognize expected credit losses on accounts receivable based on lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix, which references historical average recovery rates for different customer groups across various age intervals, as well as customers' past default records, current financial conditions, industry economic conditions, and considers GDP forecasts and industry outlooks. A provision for expected losses is recognized based on a certain percentage of possible loss rates.

If evidence indicates that the counterparty is experiencing severe financial difficulties and the Company cannot reasonably expect to recover the amount due, the related accounts receivable are written off directly. However, the Company continues its collection efforts, and any amounts subsequently recovered are recognized in profit or loss.

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

December 31, 2023

	0 to 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	over 360 Days	Total
Expected credit loss rate	0.01%	0.01%	0.13%	11.47%	100%	
Total carrying amount	$ 83,785	$ 53,732	$ 3,955	$ 92	$ 1,176	$ 142,740
Allowance for loss (expected credit losses during the period)	(4)	(5)	(5)	(11)	(1,176)	(1,201)
Amortized cost	$ 83,781	$ 53,727	$ 3,950	$ 81	$ -	$ 141,539

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	0.00%	0.00%	0.00%	0.00%	100%	
Total carrying amount	$ 136,953	$ 90,583	$ 5,023	$ 12	$ 1,295	$ 233,866
Allowance for loss (expected credit losses during the period)	-	-	-	-	(1,295)	(1,295)
Amortized cost	$ 136,953	$ 90,583	$ 5,023	$ 12	$ -	$ 232,571

Changes in loss allowances for accounts receivable are as follows:

	2023	2022
Beginning balance	$ 1,295	$ 1,435
Impairment loss reversal during the year	(94)	(140)
Ending balance	$ 1,201	$ 1,295

The Company's accounts receivable as of December 31, 2023 and 2022 are significantly concentrated in major customers and are subject to credit risk as described in Note XXV.

X. Inventories

	December 31, 2023	December 31, 2022
Raw material	$ 11,003	$ 11,346
Work in process	27,717	22,573
Finished products	177,956	176,098
	$ 216,676	$ 210,017

As of December 31, 2023 and 2022, the Company had an allowance for inventory valuation losses of 8,893 thousand and 4,184 thousand, respectively.

The costs of goods sold related to inventories for the years ended December 31, 2023 and 2022 were 397,476 thousand and 567,544 thousand respectively, including inventory write-down and obsolescence losses of 4,709 thousand and 0 thousand respectively.

XI. Non-Current Assets Held for Sale

	December 31, 2023
Machinery and equipment held for sale	$ 33,975

The Company plans to dispose of a portion of its machinery and equipment within the next year and is actively seeking buyers. As a result, the machinery and equipment have been reclassified as assets held for sale.

The expected selling price of these assets held for sale is lower than their carrying amount, resulting in an impairment loss of $18,000 thousand, which is recognized in other income and expenses. The fair value measurement is based on the appraisal results of an independent valuation expert, using both the cost approach and market approach estimations, falling under Level 3 fair value hierarchy.

XII. Investments Accounted for Using the Equity Method

	December 31, 2023	December 31, 2022
Investments in subsidiaries	$ 1,735,727	$ 1,654,064
Investments in associates	13,138	20,658
	$ 1,748,865	$ 1,674,722

(I) Investments in subsidiaries

Name of Subsidiary	December 31, 2023 Amount	December 31, 2023 Equity %	December 31, 2022 Amount	December 31, 2022 Equity %
Key Ware International Limited	$ 1,715,264	100.00	$ 1,595,508	100.00
Key De Precise Industries Co., Ltd	23,765	51.00	28,288	51.00
Laserware Laser Technology Co., Ltd	965	99.99	970	99.99
Jia Chi Co., Ltd	(4,871)	83.63	28,697	83.63
Hui Peng Technology Co., Ltd	604	60.00	601	60.00
	$ 1,735,727		$ 1,654,064	

(II) Investments in associates

Name of Investee	December 31, 2023 Amount	December 31, 2023 Equity %	December 31, 2022 Amount	December 31, 2022 Equity %
Non-significant associates				
Rong Pei Wisdom Co., Ltd.	$ 13,138	22.73	$ 20,658	22.73

Aggregated financial information about the Company's associates is as follows:

	2023	2022
The Company's share of:		
Net income of continuing operations for the year	$ 23,153	$ 1,103
Other comprehensive income	$ -	$ -

In July, 2023, Rong Pei Wisdom Co., Ltd. carried out a reduction of capital and returned capital of 18,480 thousand. The Company's ownership percentage remained unchanged.

XIII.Property, plant, and equipment

	Self-owned Land	Housing and Construction	Machinery	Office Equipment	Other Equipment	Lease Improvements	Total
Cost							
Balance as of January 1, 2022	$ 113,167	$ 169,021	$ 1,209,381	$ 14,625	$ 15,924	$ 140,868	$ 1,662,986
Addition	-	-	6,876	87	428	491	7,882
Reclassifications	-	-	31,889	-	-	169	32,058
Balance as of December 31, 2022	$ 113,167	$ 169,021	$ 1,248,146	$ 14,712	$ 16,352	$ 141,528	$ 1,702,926
Accumulated depreciation and impairment							
Balance as of January 1, 2022	$ -	$ 47,399	$ 791,596	$ 12,070	$ 8,740	$ 5,672	$ 865,477
Depreciation expenses	-	3,343	40,484	384	870	14,991	60,072
Balance as of December 31, 2022	$ -	$ 50,742	$ 832,080	$ 12,454	$ 9,610	$ 20,663	$ 925,549
Net as of December 31, 2022	$ 113,167	$ 118,279	$ 416,066	$ 2,258	$ 6,742	$ 120,865	$ 777,377
Cost							
Balance as of January 1, 2023	$ 113,167	$ 169,021	$ 1,248,146	$ 14,712	$ 16,352	$ 141,528	$ 1,702,926
Addition	-	100	2,008	69	2,175	-	4,352
Disposals	-	-	(60,233)	(9)	-	-	(60,242)
Reclassified as held for sale	-	-	(77,985)	-	-	-	(77,985)
Reclassifications	-	-	56,473	-	675	(44,813)	12,335
Balance as of December 31, 2023	$ 113,167	$ 169,121	$ 1,168,409	$ 14,772	$ 19,202	$ 96,715	$ 1,581,386
Accumulated depreciation and impairment							
Balance as of January 1, 2023	$ -	$ 50,742	$ 832,080	$ 12,454	$ 9,610	$ 20,663	$ 925,549
Disposals	-	-	(11,754)	(7)	-	-	(11,761)
Reclassified as held for sale	-	-	(26,010)	-	-	-	(26,010)
Reclassifications	-		5,953		9	(5,962)	-
Recognition of impairment losses	-	-	19,297	448	-	57,264	77,009
Depreciation expenses	-	3,344	40,470	147	1,061	4,627	49,649
Balance as of December 31, 2023	$ -	$ 54,086	$ 860,036	$ 13,042	$ 10,680	$ 76,592	$ 1,014,436
Net as of December 31, 2023	$ 113,167	$ 115,035	$ 308,373	$ 1,730	$ 8,522	$ 20,123	$ 566,950

(I) The Company assessed that certain machinery and leasehold improvements were idle due to reduced market demand, with expected recoverable amounts less than their carrying values. Consequently, an impairment loss of 77,009 thousand was recognized from January 1 to December 31, 2023, and recorded in other income and expenses.

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

Housing and Construction	50 years
Machinery	2 to 13 years
Transportation Equipment	3 years
Office Equipment	3 to 8 years
Other Equipment	3 to 20 years
Lease Improvements	3 to10 years

(III) In year 2018, the Company sold machinery and equipment to its wholly-owned subsidiary, Wuhan Laserware Laser Technology Co., Ltd., at which the Group holds 100% ownership. The difference between the net disposal proceeds and the carrying amount of the asset has been deferred (recognized as long-term deferred income). In year 2023, a gain on disposal of assets of 1,655 thousand was recognized based on the asset's useful life (recorded in other income and expenses). An unrealized gain of 8,187 thousand remains.

(IV) In year 2023, the Company sold machinery and equipment to its wholly-owned subsidiary, Kunshan Key Ware Electronics Co., Ltd., at which the Group holds 100% ownership. The difference between the net disposal proceeds and the carrying amount of the asset has been deferred (recognized as long-term deferred income). In year 2023, a gain on disposal of assets of 385 thousand was recognized based on the asset's useful life (recorded in other income and expenses). An unrealized gain of 79,330 thousand remains.

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

XIV. Lease Agreements

(I) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use assets		
Buildings	$ 12,346	$ 18,145
Transportation Equipment	766	1,853
	$ 13,112	$ 19,998

	2023	2022
Addition of Right-of-Use Assets	$ -	$ 2,862
Depreciation of Right-of-Use		

	2023	2022
Assets		
Buildings	$ 5,799	$ 5,798
Transportation Equipment	1,087	2,820
	$ 6,886	$ 8,618

(II) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	$ 6,591	$ 6,871
Non-current	$ 6,866	$ 13,457

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Buildings	1.89%	1.89%
Transportation Equipment	1.56% ~ 1.61%	1.56% ~ 1.61%

(III) Major lease activities and terms

The Company leases certain plants and vehicles for business use for a period of 3 to 5 years. At the end of the lease term, the lease agreements do not contain renewal or off-take provisions.

(IV) Other lease information

	2023	2022
Short-term lease expenses	$ 323	$ 169
Low-value asset lease expense	$ 19	$ 209
Total cash flows on lease	($ 7,523)	($ 9,340)

XV. Loans

(I) Short-term loans

	December 31, 2023	December 31, 2022
Unsecured loans		
Credit line loans	$ 380,922	$ 539,257
Secured loans		
Bank loans	71,000	60,000
	$ 451,922	$ 599,257

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

	December 31, 2023	December 31, 2022
NTD	2.08% ~ 2.78%	2.00% ~ 2.49%
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
Less: 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 Institution	Nominal Amount	Discounted Amount	Carrying amount	Interest Rate	Collateral	Carrying amount of 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	$ 523,429
Less: Classified as due within 1 year	16,274	21,621
	$ 463,787	$ 501,808

On May 24, 2021, the Company entered into a secured loan agreement with the Bank of Panhsin for a total amount of NT$105,000 thousand and allocated NT$60,000 thousand, NT$10,000 thousand and NT$30,000 thousand on July 27, 2021, September 29, 2021 and October 29, 2021, respectively, for a period of five years, with monthly repayments based on the fixed annuity method. The loan interest rate is based on Bank of Panhsin's fixed deposit interest rate index plus 0.81%.

On January 26, 2022, the Company entered into a guarantee loan agreement with Shin Kong Bank for a total amount of NT$440,000 thousand. The loan matures on January 26, 2025, with each period being 12 months from the first drawdown date. Repayments are 5,000 thousand per period, with the balance due at maturity. The loan interest rate is determined by adding 2.50% to the weighted average interest rate of the financial industry's overnight interbank borrowing rate for three months (subject to negotiation for each transaction).

On April 25, 2022, the Company entered into a secured loan agreement with the First Commercial Bank for a total amount of NT$10,200 thousand and allocated NT$10,200 thousand on May 25, 2022 for a period of five years, with monthly repayments based on the fixed annuity method. The loan interest rate is based on First Commercial Bank's fixed deposit interest rate index plus 0.73%.

The effective interest rates were 2.42% to 2.7% and 1.90% to 2.38% per annum for the years ended December 31, 2023 and 2022, respectively.

Please refer to Note XXVII for the secured bank loans.

XVI. Corporate bonds payable

	December 31, 2023	December 31, 2022
Convertible Bonds without Collateral, 3rd issuance in the fiscal year 2021	$ 56,759	$ 193,912
Less: Classified as current portion due within 1 year	(56,759)	-
	$ -	$ 193,912

On April 21, 2021, the FSC approved the issuance of the third domestic unsecured convertible bonds of NT$200,000 thousand, with a face value of NT$100 thousand each and a coupon rate of 0%, with a maturity of 3 years, all of which have not been converted as of December 31, 2023. The repayment or conversion method is as follows:

(I) Upon maturity, the Company shall redeem the bonds at par value.

(II) If the conditions are fulfilled, the Company may redeem the bonds in cash at the face value of the bonds from 3 months after the issuance date to 40 days before the issuance date.

(III) After three months from the date of issuance to the maturity date of the bonds, except for the period when the transfer is suspended by law, the bondholders may request the Company to convert the bonds into shares of the Company's common stock at the then prevailing conversion price at any time. According to the issuance and conversion rules of the Company's bonds, the original conversion price was NT$21. The conversion price is adjusted to NT$19.8 as of October 5, 2021, which is the base date of the cash capital increase.

(IV) The date on which the convertible bonds expire 2 years after issuance is the base date for bondholders to redeem the bonds.The bondholders can request the Company to redeem the bonds held by the bondholders at face value plus interest compensation within 30 days prior to the redemption date.

The above convertible bonds consist of liability and equity components. The equity component is recorded as capital surplus - stock options, and the liability component is originally recognized with an effective interest rate of 2.68%. The repurchase option is measured at fair value through profit or loss. Information on the components of liabilities and equity are as follows:

Issuance proceeds (less transaction costs of NT$4,634 thousand)	$ 195,366
Equity components	(8,556)
Repurchase option	(1,140)
Included in liabilities on issuance date (excluding transaction costs amortized to liabilities of 4,456 thousand)	185,670
Redemption rights on corporate bonds payable	(139,943)
Interest calculated at an effective rate of 2.68%	11,032
Liability components as of December 31, 2023	$ 56,759

In May of 2023, holders of the Company's domestic second unsecured convertible corporate bonds redeemed a face value of NT142,700 thousand (plus a compensation interest of $714 thousand), resulting in a bond redemption loss of $431 thousand (included in other gains and losses). Additionally, the equity component of convertible bond issuance in the capital surplus was reclassified to capital surplus - expired warrants, totaling $6,104 thousand.

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

XVII. Other payables

	December 31, 2023	December 31, 2022
Salaries Payable	$ 12,298	$ 9,642
Labor Insurance, Health Insurance, and Pension Payable	2,579	2,684
Service Fees Payable	4,886	4,134
Equipment Payable	2,789	2
Taxes Payable	1,176	104

Utilities Payable	2,453	2,129
Interest Payable	1,122	1,316
Others	12,907	14,545
	$ 40,210	$ 34,556

XVIII. Post-retirement Benefit Plan

(I) Defined contribution plans

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

The amount to be appropriated by the Company in accordance with the defined contribution plan for 2023 and 2022 has been recognized in the parent company only statements of income as expenses totaling NT$4,514 thousand and NT$4,993 thousand, respectively.

(II) Defined benefit plans

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

The amount included in the parent company only balance sheet for obligations arising from the Company's defined benefit plans are as follows:

	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 period	(2,254)	-	(2,254)
Interest (expenses) income	(276)	203	(73)
Recognized in profit or loss	(2,530)	203	(2,327)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	1,578	1,578
Actuarial losses - changes in demographic assumptions	-	-	-
Actuarial losses - changes in financial assumptions	(9,390)	-	(9,390)
Actuarial gains - experience adjustment	4,988	-	4,988
Recognized in other comprehensive income	(4,402)	1,578	(2,824)
Contribution by the employer	-	823	823
Benefit paid	-	-	-
December 31, 2022	($ 36,640)	$ 24,430	($ 12,210)
January 1, 2023	($ 36,640)	$ 24,430	($ 12,210)
Service costs for the current period	(3,077)	-	(3,077)
Interest (expenses) income	(549)	366	(183)
Recognized in profit or loss	(3,626)	366	(3,260)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	41	41
Actuarial losses - changes in demographic assumptions	(1,479)	-	(1,479)
Actuarial losses - changes in financial assumptions	(8,160)	-	(8,160)
Actuarial gains - experience adjustment	6,438	-	6,438
Recognized in other comprehensive income	(3,201)	41	(3,160)

Contribution by the employer	-	777	777
Benefit paid	1,094	(1,094)	-
December 31, 2023	($ 42,373)	$ 24,520	($ 17,853)

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

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

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

	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 years	22 years

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

	2023	2022
Operating costs	$ 3,872	$ 4,476
Selling and marketing expenses	$ 369	$ 278
General and administrative expenses	$ 3,360	$ 2,424
Research and development expenses	$ 173	$ 142

XIX. 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

Each issued common share has a par value of 10 NTD, enjoys one voting right per share, and has the right to receive dividends.

In November 2021, employees exercised stock options amounting to NT$ 176 thousand, resulting in the issuance of 15 thousand common shares at a subscription price of 11.7 NTD per share. The registration change was completed on March 28, 2022. Additionally, in June 2023, employees exercised stock options amounting to $NT 2,340 thousand, resulting in the issuance of 200 thousand common shares at a subscription price of 11.7 NTD per share. The registration change was completed on October 25, 2023.

The company held an annual shareholders' meeting on June 16, 2023, and resolved to issue 2,185 thousand new shares by capitalizing retained earnings. The aforementioned issuance of new shares without consideration was approved and became effective on August 1, 2023, by the Financial Supervisory Commission's Securities and Futures Bureau. The record date for the capital increase was set for September 18, 2023.

(II) Capital surplus

	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 Bond Stock Options	6,104	-
Not to be Used for Any Purpose		
Employee Stock Options	6,152	6,152
Convertible Bond Stock Options	2,452	8,556
	$ 80,479	$ 80,139

Note: This type of capital reserve can be used to offset losses. Additionally, if the company has no losses, it can be used to distribute cash or convert to share capital. However, when converting to share capital, it is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

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

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

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

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

Our company held annual shareholders' meetings on June 16, 2023, and June 22, 2022, where the following profit distribution plans for the years 2022 and 2021 were respectively approved:

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

On March 8, 2024, the Board of Directors proposed the distribution of earnings for the year ended December 31, 2023 as follows:

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

(IV) Special reserve

When IFRSs were first adopted, the Company recorded accumulated translation adjustments to retained earnings of NT$158,644 thousand, and a special reserve of the same amount was provided.

The special reserve resulting from the translation of the financial statements of foreign operating companies is reversed in proportion to the disposal of the Company's shares and shall be reversed in full when the Company loses significant influence over the Company. Upon the distribution of earnings, a special reserve should be provided for the difference between the net decrease in other shareholders' equity recorded at the end of the reporting period and the special reserve provided for the first time using IFRSs. If there is a subsequent reversal of the balance of the other shareholders' equity reduction, the reversed portion of the surplus shall be distributed.

distributed.

(V) Other equity items

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

	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)

XX. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Other income

	2023	2022
Rental income	$ 5,910	$ 24,530
Dividend income	1,342	2,256

	$ 7,252	$ 26,786

(II) Other gains and losses

	2023	2022
Net gain or loss on financial instruments at fair value through profit or loss	$ 5,145	($ 20,853)
Gains on property, plant, and equipment	2,038	1,655
Net foreign exchange gains	8,014	37,264
Depreciation expense on rental equipment	(13,729)	(12,080)
Impairment Loss on Property, Plant, and Equipment	(77,009)	-
Impairment Loss on Non-Current Assets Held for Sale	(18,000)	-
Others	(798)	(556)
	($ 94,339)	$ 5,430

(III) Finance costs

	2023	2022
Interest on bank loans	$ 24,393	$ 19,880
Interest on corporate bonds	2,791	5,056
Interest on lease liabilities	310	447
	$ 27,494	$ 25,383

(IV) Employee benefits and depreciation and amortization expenses

	2023			2022		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	$ 76,520	$ 31,037	$ 107,557	$ 87,791	$ 25,707	$ 113,498
Employee insurance expenses	8,765	2,369	11,134	9,952	2,134	12,086
Pension expenses	3,872	3,902	7,774	4,476	2,844	7,320
Remuneration Paid to Directors	-	960	960	-	626	626
Other employee benefits	2,754	372	3,126	935	147	1,082
Depreciation expenses	41,191	1,615	42,806	53,068	3,542	56,610
Amortization expenses	1,457	293	1,750	1,457	385	1,842

Depreciation expense on equipment leased to others (recorded as machinery and equipment) amounted to NT$13,729 thousand and NT$12,080 thousand in 2023 and 2022, respectively (recognized as other gains and losses).

For 2023 and 2022, the average number of employees of the Company is 158 and 178, respectively, of which the average number of directors who are not also employees is 8.

1. The average employee benefits expense for the current year is NT$864 thousand （"Total employee benefit expenses for the current year - Total Directors' remuneration" / "Number of employees for the current year - Number of Directors who do not concurrently serve as employees"） The average employee benefits expense for the previous year is NT$788 thousand ((Total employee benefit expenses for the previous year - Total Directors' remuneration) / (Number of employees for the previous year - Number of Directors who do not concurrently serve as employees))
2. The average employee salary expense for the current year is NT$717 thousand (Total employee salary expenses for the current year / (Number of employees for the current year - Number of Directors who do not concurrently serve as employees)) The average employee salary expense for the previous year was NT$668 thousand (Total salary expense for the previous year / (Number of employees in the previous year - Number of Directors who do not concurrently serve as employees)).

3. Change in average employee salary expense is 7.30% ((Average employee salary expense of the current year - Average employee salary expense of the previous year) / Average employee salary expense of the previous year).
4. Salary and remuneration policy

   The remuneration to directors is based on the results of the operation of the Company and the performance evaluation of the Board of Directors, and is reasonable; The remuneration to the managers is in accordance with the Company's current policies, systems, standards and structure for salary and compensation, and the performance evaluation and evaluation of the reasonableness of the remuneration are submitted to the Salary and Compensation Committee and the Board of Directors for review and approval; The performance evaluation and salary compensation of employees are based on the salary payment standards, and the performance of individuals is evaluated by considering their time, responsibilities, and achievement of goals. The Company has established the Audit Committee to replace supervisors.

(V) Employee compensation and director remuneration

In accordance with the Company's Articles of Incorporation, the Company sets aside 1% to 10% and not more than 1% of the pre-tax benefit before employee and director remuneration distributions for the year, respectively, for employee compensation and director remuneration. The estimated employee compensation and director remuneration for 2023 and 2022 were resolved by the Board of Directors on March 8, 2024 and February 24, 2023, respectively, as follows:

<u>Estimated percentage</u>

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

<u>Amount</u>

	2023		2022	
	Cash	Stock	Cash	Stock
Employee compensation	$ 195	$ -	$ 10	$ -
Director remuneration	-	-	-	-

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

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

At the board of directors' meeting held on May 6, 2022, the Company resolved to allocate NT$0 thousand for directors' remuneration for 2021, which is different from the amount of NT$333 thousand recognized in the parent company only financial statements for 2021, and the difference was adjusted to the profit or loss for 2022. Information on employee compensation and director remuneration resolved by the Board of Directors is available on the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

XXI. Income tax on continuing operations

(I) Major components of income tax (benefit) expense recognized in profit or loss

	2023	2022
Current income tax		
Incurred this year	$ 9,770	$ -
Adjustments from previous years	-	(372)
	9,770	(372)
Deferred income tax		
Incurred this year	(2,247)	(1,329)
Adjustments from previous years	-	-
	(2,247)	(1,329)
Income tax (benefit) expense recognized in profit or loss	$ 7,523	($ 1,701)

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

	2023	2022
Net income of continuing operations before tax	$ 19,375	$ 947
Income tax expense on net income before tax at statutory rate (20%)	$ 3,875	$ 189
Fees that cannot be deducted from taxes	2,743	4,309
Tax-exempted income	(31,201)	(5,712)
Unrecognized Deductible Temporary Differences and Loss Carryforwards	32,106	(115)

	2023	2022
Adjustment of Prior Years' Current Income Tax in the Current Year	-	(372)
Income Tax Expense (Benefit) Recognized in Profit or Loss	$ 7,523	($ 1,701)

(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 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	Ending balance
Deferred income tax assets				
Temporary differences				
Allowance for bad debts	$ 32,537	($ 32,374)	$ -	$ 163
Inventory write-down	711	942	-	1,653
Defined benefit obligation	2,515	497	632	3,644
Unrealized disposal gain of equipment	1,968	15,535	-	17,503
Fixed Asset Impairment	-	14,221	-	14,221
Impairment of Non-Current Assets Held for Sale	-	3,600	-	3,600
Others	1,345	(174)	-	1,171
	$ 39,076	$ 2,247	$ 632	$ 41,955
Deferred income tax liabilities				
Temporary differences				
Exchange differences on translation of	($ 9,870)	$ -	$ 6,079	($ 3,791)

foreign operations

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Deferred income tax assets				
Temporary differences				
Allowance for bad debts	$ 32,696	($ 159)	$ -	$ 32,537
Inventory write-down	711	-	-	711
Defined benefit obligation	1,655	295	565	2,515
Unrealized disposal gain of equipment	2,299	(331)	-	1,968
Others	(179)	1,524	-	1,345
	$ 37,182	$ 1,329	$ 565	$ 39,076
Deferred income tax liabilities				
Temporary differences				
Exchange differences on translation of foreign operations	($ 5,160)	$ -	($ 4,710)	($ 9,870)

(IV) Items not recognized as deferred income tax assets

As of December 31, 2023, and 2022, the total amount of deductible temporary differences not recognized as deferred tax assets was $NT 2,766 thousand.

(V) Income tax assessment

The Company's income tax returns for 2021 have been examined and audited by the tax authorities.

XXII. Earnings per Share

Unit: NT$ Per Share

	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 impact of the stock dividend issuance has been retroactively adjusted. The record date for the stock dividend issuance was set for September 18, 2023. Due to the retroactive adjustment, the basic and diluted earnings per share for the year 2022 have changed as follows:

	Before Retroactive Adjustment	After Retroactive Adjustment
Basic Earnings Per Share	$ 0.01	$ 0.01
Diluted Earnings Per Share	$ 0.01	$ 0.01

The earnings and weighted average number of ordinary shares used to calculate 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	190,644	192,114
Effect of potentially dilutive common shares:		
Employee compensation	18	334
Weighted average number of common shares used for calculation of diluted earnings per share	190,662	192,448

If the company chooses to compensate employees with either stock or cash, diluted earnings per share calculation assumes that employee compensation will be in the form of stock, and the weighted average number of outstanding shares will include the potential common shares that have a dilutive effect. When calculating diluted earnings per share before the decision to issue employee compensation shares in the following year, the dilutive effect of such potential common shares continues to be considered.

Employee stock options of the company are excluded from the calculation of diluted earnings per share because their exercise price exceeds the average market price of the company's shares for the years 2023 and 2022, which has an antidilutive effect. Convertible bonds outstanding for the year 2023 are also excluded from the calculation of diluted earnings per share because their conversion has an antidilutive effect.

XXIII. Share-based payment arrangements

The company did not issue any new employee stock options in the years 2023 and 2022. Here is the relevant information regarding the issued employee stock options:

	2023		2022	
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 employee compensation expenses of NT$ 0 thousand and NT$ 896 thousand for the years 2023 and 2022, respectively.

XXIV. Capital Risk Management

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

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

XXV. Financial instruments

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

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

	December 31, 2023		December 31, 2022	
	Carrying amount	Level 3 Fair value	Carrying amount	Level 3 Fair value
Financial liabilities				
Accounts Payable - Corporate Bonds	$ 56,759	$ 56,910	$ 193,912	$ 193,140

The fair value measurement of Level 3 is based on the binary tree convertible bond valuation model, taking into consideration the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

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

1. Fair value level

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Non-derivative financial assets				
- Domestic Over-the-Counter Stocks	$ -	$ -	$ 12,954	$ 12,954
- Domestic Listed Stocks	20,095			20,095
- Foreign Listed Stocks	10,022	-	-	10,022
Total	$ 30,117	$ -	$ 12,954	$ 43,071
Financial assets at fair value through other comprehensive income				
Investments in equity instruments				
- Domestic OTC stocks	$ 282,220	$ -	$ -	$ 282,220
- Domestic and foreign unlisted (OTC) stocks	-	-	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 OTC stocks	$ -	$ -	$ 12,308	$ 12,308
- Foreign Listed Stocks	41,160	-	-	41,160
Total	$ 41,160	$ -	$ 12,308	$ 53,468
Financial assets 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	$ 7,928	($ 1,220)
Purchase	-	11,389
Recognized in profit or loss (other gains and losses)	1,986	(2,241)
Disposal/Settlement	3,040	-
Ending balance	$ 12,954	$ 7,928

Financial assets at fair value through other comprehensive income

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

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

Category of Financial Instruments	Valuation Technique and Inputs
Domestic and foreign unlisted (OTC) and emerging stocks	The total value of the individual assets and individual liabilities covered by the valuation targets is evaluated on a balance sheet basis, and the market approach is appropriately applied to the nature of the individual valuation targets, taking into account the liquidity discount and the control discount, to reflect the overall value of the enterprise or business.
Domestic Over-the-Counter Stocks	The evaluation is performed using the Comparable Company Method and the Over-the-Counter Price Adjustment Method. The Comparable Company Method primarily relies on the assumption that multiples based on market quotations, per-share net worth, and sales value of comparable listed (OTC) companies are referenced. These values already incorporate liquidity discounts.
Repurchase option for convertible corporate bonds	Binary tree convertible bond valuation model: The Company considers the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

The multipliers and liquidity discounts for Level 3 fair value measurements of financial instruments are as follows:

	Multiplier	Liquidity Discount
December 31, 2023	6.24	20%
December 31, 2022	4.38 ~ 18.11	20%

If the valuation parameters of the company decrease by 5%, the change in other comprehensive income for the years 2023 and 2022, attributable to the fair value fluctuations of equity instrument investments classified as Level 3, will decrease by $NT 1,347 thousand and $NT 1,596 thousand, respectively.

(III) Category of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at fair value through profit or loss	$ 43,071	$ 53,468
Financial assets at fair value through other comprehensive income	322,629	406,811
Financial assets at amortized cost (Note 1)	265,554	431,382
Financial liabilities		
Financial liabilities at fair value through profit or loss	-	4,380
Measured at amortized cost (Note 2)	1,129,043	1,501,539

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

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

(IV) Financial risk management objectives and policies

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

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

1. Market risk

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

(1) Foreign exchange risk

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

The company is primarily affected by fluctuations in the USD and JPY exchange rates, resulting in significant amounts of assets and liabilities denominated in foreign currencies. Although gains and losses from foreign currency transactions offset each other due to market exchange rate fluctuations, there is a notable difference between the amounts of foreign currency assets and liabilities, exposing the company to foreign exchange risk. When the USD depreciates by 3% against the TWD, the pre-tax net profit for the years 2023 and 2022 will decrease by $NT 3,449 thousand and $NT 5,507 thousand, respectively. Similarly, when the JPY appreciates by 3% against the TWD, the pre-tax net profit for the years 2023 and 2022 will decrease by $NT 519 thousand and $NT 1,433 thousand, respectively.

(2) Interest rate risk

Interest rate risk arises because entities within the Company engage in borrowing at both fixed and floating rates. The Company manages interest rate risk by maintaining an appropriate mix of fixed and floating rates.

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

	December 31, 2023	December 31, 2022
Subject to Fair Value Interest Rate Risk	$ 56,759	$ 193,912
Subject to Cash Flow Interest Rate Risk	956,962	1,167,651

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates at balance sheet date. For floating rate liabilities, the analysis assumes that the amount of the liability outstanding at the balance sheet date is outstanding at the reporting date.

If interest rates increase by 1%, with all other variables held constant, the Company's net income before income taxes would decrease by NT$9,570 thousand and NT$11,677 thousand in 2023 and 2022, respectively.

(3) Equity securities price risk

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

If the Company's equity price decreases by 10%, the net income before income tax for 2023 and 2022 would decrease by NT$4,307 thousand and NT$5,346 thousand, respectively, due to the change in fair value of financial assets measured at fair value through profit or loss. Other comprehensive income in 2023 and 2022 would decrease by NT$32,263 thousand and NT$40,681 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

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

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

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

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

Accounts receivable are due from a wide range of customers in various geographic locations. The Company continuously evaluates its accounts receivable customers' financial condition, credit rating agencies, the Company's internal credit rating, historical transaction history, and other factors that may affect customers' ability to pay. The Company also uses measures such as sales on a prepayment basis to reduce the credit risk of specific customers.

As of December 31, 2023 and 2022, the percentages of accounts receivable from the top ten customers to the Company's accounts receivable balances were 86% and 94%, respectively. The credit concentration risk of the remaining accounts receivable was relatively insignificant.

3. Liquidity risk

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

Bank loans are an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company had unused short-term banking facilities of NT$391,982 thousand and NT$325,015 thousand, respectively, and the Company had unused long-term banking facilities of NT$70,139 thousand and NT$31,771 thousand, respectively.

Liquidity and interest rate risk tables

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

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

December 31, 2023

	Less than 1 year	1 to 5 year(s)	Total
Non-derivative financial liabilities			
Short-term loans	$ 451,922	$ -	$ 451,922
Short-term notes and bills payable	25,000	-	25,000
Notes and accounts payables	53,265	-	53,265
Accounts payable - related parties	22,423	-	22,423
Other payables	40,210	-	40,210
Other payables - related parties	581	-	581
Lease liabilities	6,776	6,935	13,711
Other current liabilities	6,677	-	6,677
Long-term loans	16,274	463,787	480,061
Corporate bonds payable	57,300	-	57,300

December 31, 2022

	Less than 1 year	1 to 5 year(s)	Total
Non-derivative financial liabilities			
Short-term loans	$ 599,257	$ -	$ 599,257
Short-term notes and bills payable	45,000	-	45,000
Notes and accounts payables	66,292	-	66,292
Accounts payable - related parties	27,190	-	27,190
Other payables	26,577	-	26,577
Other payables - related parties	12,725	-	12,725
Lease liabilities	7,181	13,711	20,892
Other current liabilities	7,192	-	7,192
Long-term loans	21,621	501,808	523,429
Corporate bonds payable	-	200,000	200,000

XXVI. Related Party Transactions

In addition to those disclosed in other notes, the transactions between the Company and related parties are as follows:

(I) Names and relations of related parties

Related Party	Relationship with the Company
Jia Chi Co., Ltd (hereinafter referred to as "Jia Chi")	Subsidiaries
Key De Precise Industries Co., Ltd (hereinafter referred to as "Key De Precise")	Subsidiaries
Kunshan Key Ware Electronics Co., Ltd (hereinafter referred to as "Kunshan Key Ware")	Subsidiaries
Wuhan Laserware Laser Technology Co., Ltd (hereinafter referred to as "Wuhan Laserware Laser")	Subsidiaries
Kunshan Laserware Laser Technology Co., Ltd (hereinafter referred to as "Kunshan Laserware Laser")	Subsidiaries

(II) Operating revenue

Type of Related Party	2023	2022
Subsidiaries		
Kunshan Key Ware	$ 37,564	$ 133,395
Jia Chi	35,443	67,793
	$ 73,007	$ 201,188

(III) Purchase of goods

Type of Related Party	2023	2022
Subsidiaries		
Kunshan Key Ware	$ 38,029	$ 69,482
Others	98	5
	$ 38,127	$ 69,487

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

(IV) Accounts payable

Type of Related Party	December 31, 2023	December 31, 2022
Subsidiaries		
Kunshan Key Ware	$ 12,963	$ 16,680
Jia Chi	32,258	41,530
	$ 45,221	$ 58,210

The trading terms for the sale of semi-finished drill bits to Kunshan Key Ware and the drilling foundry with Jia Chi are net 120 days, net 90 to 150 days for domestic general customers and net 60 to 165 days for foreign general customers.

(V) Other receivables- Related Party

Type of Related Party	December 31, 2023	December 31, 2022
Subsidiaries		
Kunshan Key Ware	$ 901	$ 1,234
Jia Chi	11,976	6,224
Other	6	4
	$ 12,883	$ 7,462

The amount represents the lease of equipment to Jia Chi and the purchase of equipment on behalf of Kunshan Key Ware.

(VI) Accounts payable

Type of Related Party	December 31, 2023	December 31, 2022
Subsidiaries		
Kunshan Key Ware	$ 21,899	$ 27,190

The trading terms for the purchase of drill bits and slotting tools from subsidiaries are net 120 days and net 90 to 120 days for general non-related parties.

(VII) Other payables

Type of Related Party	December 31, 2023	December 31, 2022
Subsidiaries		
Kunshan Key Ware	$ -	$ 11,660
Jia Chi	1,105	1,065
	$ 1,105	$ 12,725

The amount represents the purchase of machinery and equipment from Kunshan Key Ware and the maintenance of the machinery and equipment by Jia Chi on behalf of the Company.

(VIII) Lease agreements

Operating lease

The Company leases the use of machinery and equipment to Jia Chi under an operating lease for a period of three years. As of December 31, 2023, operating lease receivables amounted to NT$6,205 thousand and total lease payments to be received in the future amounted to NT$24,000 thousand. The lease income (recognized as other income) amounted to NT$5,910 thousand and NT$24,480 thousand in 2023 and 2022, respectively.

(IX) Endorsements/Guarantees

As of December 31, 2023 and 2022, the Company's endorsement/ guarantees for related parties is as follows:

Type of Related Party	December 31, 2023 Total Credits	December 31, 2023 Credit in Force	December 31, 2022 Total Credits	December 31, 2022 Credit in Force
Subsidiaries	$ 230,000	$ 36,000	$ 230,000	$ 33,000

(X) Remuneration to the management

	2023	2022
Short-term employee benefits	$ 8,071	$ 7,811
Retirement benefits	107	36
	$ 8,178	$ 7,847

XXVII. Pledged Assets

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

	December 31, 2023	December 31, 2022
Property, plant, and equipment		
Land	$ 113,167	$ 113,167
Housing and Construction	115,035	118,279
Machinery	162,024	221,899
Financial assets at fair value through other comprehensive income - current		
Domestic OTC stocks	180,723	130,835

XXVIII. Information on Foreign Currency Assets and Liabilities with Significant Impact

The following information is expressed in aggregate foreign currencies other than the functional currency of the company. The disclosed exchange rates refer to the rates at which these foreign currencies are translated into the functional currency. Here are the foreign currency assets and liabilities with significant impact:

Unit: Various currencies/ NT$ thousand

	December 31, 2023			December 31, 2022		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
Monetary items of financial assets						
USD	$ 3,745	30.71	$ 114,990	$ 5,977	30.71	$ 183,554
JPY	104,147	0.2183	22,733	328,260	0.2324	76,288
Non-monetary items of financial assets						
USD	56,545	30.71	1,736,214	53,672	30.71	1,648,267
Monetary items of financial liabilities						
USD	-	30.71	-	-	30.71	-
JPY	183,381	0.2183	40,028	533,810	0.2324	124,057

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

XXIX. Supplementary Disclosures

(I) Information on Significant Transactions:

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

(II) Information on investee companies (Table 4)

(III) Information on Investments in Mainland China:

1. Information on any investee company in mainland China (name, main business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of investment at end of period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 5)
2. Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information:

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 6)

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 6)

(3) The amount of property transactions and the amount of the resultant gains or losses. (None)

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

(IV) Information on Major Shareholders: Name, amount and percentage of shareholding of shareholders with 5% or more of the shares. (Table 8)

XXX. Segment Information

The Company's segment information is disclosed in the 2023 consolidated financial statements.

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

Loans provided for others

2023

Table 1

Unit: NT$ thousand

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

Note 1: According to the "Regulations Governing the Loaning of Funds to Others" of the Company, the total amount of funds loaned to others shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements as certified by the accountant. In cases where there is a need for financial assistance, the individual loan amount shall not exceed 10% of the net value of the lending company.

Note 2: On May 5, 2023, the Board of Directors approved the loaning of funds by the Company to investee companies at 100%. The Company intends to provide short-term financing to 100% investee companies (including KEY WARE INTERNATIONAL LIMITED, ADVISOR MOVE INVESTMENTS LIMITED, MODULE SYSTEM INTERNATIONAL LIMITED, and Kunshan Key Ware Electronics Co., Ltd.) The total amount of funds loaned is limited to NT$100 million (or its equivalent in foreign currency), and the chairman is authorized to allocate the funds in installments or to recycle them within one year after the resolution of the board of directors.

Note 3: On November 3, 2023, the Board of Directors approved the short-term financing by the Company to an 83.63% investee company (Jia Chi Co., Ltd.). The total amount of funds loaned is limited to NT$30,000 thousand (or its equivalent in foreign currency), and the chairman is authorized to allocate the funds in installments or to recycle them within one year after the resolution of the board of directors.

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

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

Endorsements/Guarantees Provided for Others

2023

Table 2

Unit: NT$ thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity (Note 1)	Maximum Endorsement/ Guarantee Balance	Ending Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Endorsement/ Guarantee Ceiling (Note 1)	Endorsements/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	$ 404,381	$ 200,000	$ 200,000	$ 6,000	-	9.89%	$ 1,213,142	Y	N	N
0	The Company	Jia Chi Co., Ltd	Investee (subsidiaries) accounted for using the equity method	404,481	30,000	30,000	30,000	-	1.48%	1,213,142	Y	N	N
1	Kunshan Key Ware Electronics Co., Ltd	Kunshan Laserware Laser Technology Co., Ltd	Investee (subsidiaries) accounted for using the equity method	339,792	43,366 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 and emerging stocks							
	Songrui Pharmaceutical Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	12,571	$ 282,220	3.96	$ 282,220	Note 1
	Feihong Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	30	1,767	0.00	1,767	
	Yingyeda Co., Ltd.	-	Financial assets at fair value through profit or loss - current	240	12,672	0.00	12,672	
	Huatong Computer Co., Ltd.	-	Financial assets at fair value through profit or loss - current	80	5,656	0.00	5,656	
	Hechang Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	417	12,954	2.22	$ 12,954	
	Domestic 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

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	18,667	18,667	1,867	22.73	13,138	101,871	23,153	Note 1
	Jia Chi Co., Ltd	4F., No. 8-5, Nangong Ln., Sec. 1, Nangong Rd., Luzhu Dist., Taoyuan City	Wholesale and processing of electronic parts and components	49,500	49,500	2,972	83.63	(4,871)	(40,192)	(33,568)	Note 1, Note 5
	Hui Peng Technology Co., Ltd	No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City	Electronic components, machinery and equipment	600	600	60	60.00	604	5	3	Note 2
Key Ware International Limited	Advisor Move Investments Limited	Trustnet Chambers, P.O. Box 3444, Road Town, Tortola, B.V.I.	General investment	305,822 USD 9,960	305,822 USD 9,960	9,960	100	1,289,270 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: NTD/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: The Company's financial statements were recognized on the basis of the investee's audited financial statements for 2023.

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

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

Major Transactions with Any Investee Company in mainland China Directly or Indirectly through a Third Region, and Their Prices, Payment terms, Unrealized Gains (Losses), and Other Information

2023

Table 6

Unit: NT$ thousand

Investee Company	Type of Transaction	Purchases (Sales)		Price	Transaction Term		Notes and Accounts Receivable (Payable)		Unrealized gains (losses)	Remark
		Amount	Percentage (%)		Payment Terms	Difference with General Transactions	Amount	Percentage (%)		
Kunshan Key Ware Electronics Co., Ltd	Sales	$ 37,564	8%	No material difference from the general account	Net 120 to 180 days	No material difference from the general transaction	$ 13,768	7%	$ 3	-
	Purchase of goods	54,560	8%	No material difference from the general account	Net 180 days	No material difference from the general transaction	(57,439)	53%	-	-
	Disposal of Machinery and Equipment	129,741	-	No material difference from the general account	Net 120 days	No material difference from the general transaction	-	-	79,331	-
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%	-	-

Key Ware Electronics Co., Ltd.

Information on Major Shareholders

December 31, 2023

Table 7

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

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.

§ STATEMENTS OF SIGNIFICANT ACCOUNTING SUBJECTS§

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Key Ware Electronics Co., Ltd.

Statement of Notes and Accounts Receivable

December 31, 2023

Statement 1: Unit: NT$ thousand

Name of Customer	Amount
Notes receivable	
Speedy Circuits Co., Ltd.	$ 1,617
Giant Blue Co., Ltd.	481
New Prosperity Microwave Communication Co., Ltd.	212
Changder Technology Co., Ltd.	207
Others (Note)	274
Subtotal	2,791
Accounts receivable	
Gold Circuit Electronics Ltd.	74,715
HANYOUNG CORP.	12,433
King Construction Technology Co., Ltd.	10,796
Others (Note)	42,005
Subtotal	139,949
Less: Loss allowances	1,201
Net amount	$ 141,539

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.

Statements of Financial Assets at Fair Value through Profit or Loss

2023

Statement 2: Unit: NT$ thousand

Item	Beginning balance		Increase in this year		Decrease in this year			Ending balance	
	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Unrealized valuation gains	Number of Shares (in Thousands)	Amount
Current									
Syntronix Corporation	350	$ 12,308	67	$ -	-	-	$ 646	417	12,954
Silicon Motion Technology Corporation	21	41,160	9	18,336	30	59,496	-	-	-
Inventec Corporation	-	-	690	34,627	240	22,668	713	450	12,672
Phihong Technology Co., Ltd.	-	-	30	2,190	-	-	(423)	30	1,767
Compeq Manufacturing Co., Ltd.	-	-	80	5,767	-	-	(111)	80	5,656
Walsin Lihwa Corporation	-	-	990	49,751	990	49,751	-	-	-
Acrosser Technology Co., Ltd.	-	-	280	29,077	280	29,077	-	-	-
TECO Electric & Machinery Co., Ltd.	-	-	100	4,384	100	4,384	-	-	-
Sana Biotechnology Inc	-	-	80	9,461	-	-	561	80	10,022
ASMedia Technology Inc.	-	-	90	8,935	80	8,935	-	10	-
iCatch Technology, Inc.	-	-	82	5,055	82	5,055	-	-	-
Total		$ 53,468		$ 167,583		$ 179,366	$ 1,386		$ 43,071

Key Ware Electronics Co., Ltd.

Statements of Financial Assets at Fair Value through Other Comprehensive Income

From January 1, 2023 to December 31, 2023

Statement 3:

Unit: NT$ thousand

	Beginning balance		Increase in this year		Decrease in this year		Others		Ending balance		
Item	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	Number of Shares (in Thousands)	Amount	(Note 1)	Unrealized valuation gains and losses	Number of Shares (in Thousands)	Percentage of Ownership	Amount
Current											
Savior Lifetec Corporation	14,276	$ 354,046	-	$ -	1,705	$ 41,124	$ 7,831	($ 38,533)	12,571	3.96%	$ 282,220
Non-current											
Han Yu Venture Capital Co., Ltd.	4,000	27,325	-	-	-	8,000	-	144	4,000	8.89%	19,469
Concord Venture Capital Group Limited	-	11,578	-	-	-	-	-	(606)	-	13.57%	10,972
Kinara Inc.	1,809	13,862	-	-	-	-	-	(3,894)	1,809	2.07%	9,968
		52,765		-		8,000	-	(4,356)	-		40,409
Total		$ 406,811		$ -		$ 49,124	$ 7,831	($ 42,889)	-		$ 322,629

Note 1: This represents the reclassification of equity instruments measured at fair value through other comprehensive income to retained earnings.

Key Ware Electronics Co., Ltd.

Statement of Inventories

December 31, 2023

Statement 4: Unit: NT$ thousand

Item	Amount	
	Cost	Market value (Note)
Raw material	$ 11,003	$ 11,003
Work in process	27,717	36,472
Finished products	177,956	242,543
Total	$ 216,676	$ 290,018

Note: Market value is the net realizable value.

Key Ware Electronics Co., Ltd.

Statement of Changes in Investments Accounted for Using the Equity Method

From January 1, 2023 to December 31, 2023

Statement 5: Unit: (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Beginning balance		Increase in this year		Decrease in this year (Note1)					Ending balance					
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Investment income or loss	Others (Note 2)	Exchange differences on translation of financial statements of foreign operations	Number of Shares	Shareholding %	Amount	Net Equity Value	Guarantee provided	Remark
Unlisted companies															
Key Ware International Ltd.	23,717	$ 1,595,508	-	$ -	-	$ -	$ 205,768	($ 55,617)	($ 30,395)	23,717	100.00	$ 1,715,264	$ 1,718,625	-	Note 3
Key De Precise Industries Co., Ltd	612	28,288	-	-	-	-	(361)	(4,162)	-	612	51.00	23,765	12,102	-	Note 4
Rong Pei Wisdom Co., Ltd.	1,866	20,658	-	-	-	18,480	23,153	(12,193)	-	1,866	22.73	13,138	12,437	-	-
Laserware Laser Technology Co., Ltd	100	970	-	-	-	-	(5)	-	-	100	99.99	965	965	-	-
Hui Peng Technology Co., Ltd	60	601	-	-	-	-	3	-	-	60	60.00	604	604	-	-
Jia Chi Co., Ltd	2,972	28,697	-	-	-	-	(33,568)	-	-	2,972	83.63	(4,871)	(4,302)	-	Note 5
		$ 1,674,722		$ -		$ 18,480	$ 194,990	($ 71,972)	($ 30,395)	-		$ 1,748,865	$ 1,740,431		

Note 1: The invested company returned capital of NT$18,480 thousand due to capital reduction.

Note 2: The amount includes NT$3 thousand for the amortization of unrealized gross profit from the parent company and NT$71,975 thousand in cash dividends received from the invested company.

Note 3: The difference between the carrying amount and the equity net value is due to NT$636 thousand in unrealized gross profit from the parent company on transactions with affiliates and NT$2,725 thousand in unrealized profit from asset transactions.

Note 4: The difference between the carrying amount and the equity net value is due to NT$11,663 thousand in intangible assets arising from the investment.

Note 5: The difference between the carrying amount and the equity net value is due to NT$569 thousand in unrealized profit from asset transactions between affiliates.

Key Ware Electronics Co., Ltd.

Statement of Changes in Right-of-use Assets

2023

Statement 6: Unit: NT$ thousand

Item	Beginning balance	Increase in this year	Ending balance	Remark
Cost				
Building and Construction	$ 28,994	$ -	$ 28,994	
Transportation Equipment	9,294	-	9,294	
	38,288	-	38,288	
Accumulated depreciation				
Building and Construction	10,849	5,799	16,648	
Transportation Equipment	7,441	1,087	8,528	
	18,290	6,886	25,176	
Net amount	$ 19,998	($ 6,886)	$ 13,112	

Key Ware Electronics Co., Ltd.

Statement of Other Assets

December 31, 2023

Statement 7: Unit: NT$ thousand

Item	Amount
Current	
Supplies Inventory	$ 20,256
Prepayments for goods	12,296
Tax overpaid retained for offsetting the future tax payable	2,106
Prepaid Salaries	2,199
Others (Note)	$ 36,857
Non-current	818
Other Deferred Expenses	675
	$ 1,493

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.

Statement of Long-term and Short-term Loans

December 31, 2023

Statement 8: Unit: NT$ thousand

Types of Loans and Creditors	Ending balance	Contract Period	Annual Interest Rate (%)	Line of credit	Pledge or Guarantee
Long-term loans (including due within one year)					
Bank of Panhsin	$ 37,961	2021.07.27 ~ 2026.10.29	2.42%	$ 105,00(	Pledge of equipment
Taiwan Shin Kong Commercial Bank	435,000	2022.01.26 ~ 2025.01.26	2.45%~2.70%	435,00(	Pledge of land and equipment
First Commercial Bank	7,100	2022.05.25 ~ 2027.05.25	2.50%	10,20(	Pledge of equipment
	16,274			-	
	463,787			550,20(	
Short-term loans					
Taishin International Bank					
Taishin International Bank	40,000	2022.12.31 ~ 2023.12.31	2.62%	50,00(	-
Taiwan Cooperative Bank	31,000	2022.12.31 ~ 2023.12.31	2.55%	35,00(	Pledge of stocks
Entie Commercial Bank	46,000	2023.09.27 ~ 2024.09.27	2.503%	46,00(	-
Bank of Panhsin	-	2023.12.29 ~ 2024.12.29	-	50,00(	-
Taichung Commercial Bank	10,000	2023.09.30 ~ 2024.09.30	2.784%	50,00(	-
Taiwan Shin Kong Commercial Bank	14,763	2023.08.28 ~ 2024.08.28	1.42%~2.08%	30,00(	-
Yuanta Commercial Bank	84,813	2023.02.08 ~ 2024.03.02	1.25%~2.60%	100,00(	-
Chang Hwa Bank	10,000	2023.12.05 ~ 2024.12.04	2.64%	80,00(	-
Land Bank of Taiwan	20,000	2022.12.31 ~ 2023.12.31	2.46%	100,00(	-
Bank Sinopac	50,000	2023.02.17 ~ 2024.02.17	2.46%	50,00(	-
KGI Bank	50,000	2023.06.02 ~ 2024.06.30	2.4313%	50,00(	-
Cathay United Bank	25,000	2023.11.02 ~ 2024.11.02	2.7814164%	50,00(	-
Mega International Commercial Bank	-	2023.11.30 ~ 2024.11.30	-	42,98⁷	-

Jih Sun International Bank	15,114	2023.08.30 ~ 2024.08.29	1.162791%	39,917	-
First Commercial Bank	15,232	2023.06.29 ~ 2024.06.29	1.49%~2.44%	30,000	-
Sunny Bank	40,000	2023.08.30 ~ 2024.08.30	2.54%	40,000	Pledge of stocks
	451,922			843,904	
Total	$ 915,709			$ 1,394,104	

Key Ware Electronics Co., Ltd.

Statement of Notes and Accounts Payable

December 31, 2023

Statement 9: Unit: NT$ thousand

Manufacturer Name	Amount
Non-related party	
CREATING NANO TECHNOLOGIES INC. STSIP BRANCH	$ 11,641
Tai Yu Sheng Co., Ltd.	8,999
Jing Jian Technology Co., Ltd.	5,040
Others (Note)	27,585
	$ 53,265

Note: The balance of each manufacturer does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.

Statement of Other Current Liabilities

December 31, 2023

Statement 10: Unit: NT$ thousand

Item	Amount
Prepayment	$ 23
Receipts under custody	6,677
	$ 6,700

Key Ware Electronics Co., Ltd.

Statement of Lease liabilities

December 31, 2023

Statement 11: Unit: NT$ thousand

Item	Summary	Lease period	Discount rate	Ending balance	Remark
Building and Construction	Plant	2020.12.01~2025.11.30	1.89%	$ 5,606	
		2021.05.16~2026.05.15	1.89%	7,071	
Transportation Equipment	Vehicle Leasing	2021.08.25~2024.08.24	1.56%	174	
		2022.01.01~2024.12.31	1.56%	339	
		2022.05.30~2025.05.30	1.61%	267	
				13,457	
Less: Due within one year				6,591	
				$ 6,866	

Key Ware Electronics Co., Ltd.

Statement of Operating Revenue

2023

Statement 12: Unit: NT$ thousand

Item	Quantity (thousands units)	Amount
Operating revenue		
Drill Bits	33,510	$ 292,091
End Mills	1,997	22,966
Tungsten Carbide	67,740	149,147
Drilling Foundry	-	36,478
Others (Note)	2,089	2,389
Subtotal		503,071
Less: Sales returns and discounts		(14,724)
Net operating revenue		$ 488,347

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.

Statement of Operating Costs

2023

Statement 13: Unit: NT$ thousand

Item	Amount
Operating costs	
Direct raw materials	
Raw materials at the beginning of the period	$ 11,346
Add: Purchase	179,227
Less: Raw materials at the end of the period	(11,003)
Conversion of raw materials to commodities for sale	(134,445)
Material consumption for the period	45,125
Director labor	43,304
Manufacturing Expenses	182,037
Manufacturing Expenses	270,466
Add: Work in Progress at Beginning	22,573
Add: Work in Progress at Beginning	(27,717)
Cost of Finished Goods	265,322
Add: Finished Goods at Beginning (including goods in transit)	176,098
Purchases of Finished Goods	62,106
Raw Materials Transferred for Sale as Goods	134,445
Less: Finished Goods at End (including goods in transit)	(177,956)
Used by Other Departments and Adjustments	23,378
Total	$ 483,393

Key Ware Electronics Co., Ltd.

Statement of Selling and Marketing Expenses

2023

Statement 14: Unit: NT$ thousand

Item	Amount
Entertainment fee	$ 13,730
Salaries	6,244
Shipping cost	3,801
Others (Note)	4,583
Total	$ 28,358

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.

Statement of General and Administrative Expenses

2023

Statement 15: Unit: NT$ thousand

Item	Amount
Salaries	$ 21,785
Service charge	4,591
Pensions	3,360
Others (Note)	5,296
Total	$ 35,032

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.

Statement of Research and Development Expenses

2023

Statement 16: Unit: NT$ thousand

Item	Amount
Salaries	$ 3,008
Pensions	173
Labor and health insurance	342
Others (Note)	(67)
Total	$ 3,456

Note: The balance of each item does not exceed 5% of the balance of this account.

Key Ware Electronics Co., Ltd.

Statement of Employee Benefits and Depreciation and Amortization Expenses by Function

For 2023 and 2022

Statement 17:

	2023			2022		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	$ 76,520	$ 31,037	$ 107,557	$ 87,791	$ 25,707	$ 113,498
Employee insurance expenses	8,765	2,369	11,134	9,952	2,134	12,086
Pension expenses	3,872	3,902	7,774	4,476	2,844	7,320
Remuneration Paid to Directors	-	960	960	-	626	626
Other employee benefits	2,754	372	3,126	935	147	1,082
Total	$ 91,911	$ 38,640	$ 130,551	$ 103,154	$ 31,458	$ 134,612
Depreciation expenses	$ 41,191	$ 1,615	$ 42,806	$ 53,068	$ 3,542	$ 56,610
Amortization expenses	$ 1,457	$ 293	$ 1,750	$ 1,457	$ 385	$ 1,842

Note 1: For 2023 and 2022, the average number of employees of the Company is 158 and 178, respectively, of which the average number of directors who are not also employees is 8.

Note 2: For companies whose shares are listed on the TPEx, the following information should also be disclosed:

(1) The average employee benefit expenses for the current and prior years were NT$864 thousand and NT$788 thousand, respectively.

(2) The average employee salary expenses for the current and prior years were NT$717 thousand and NT$668 thousand, respectively.

(3) The change in average employee salary cost adjustment is 7.30%.

(4) The Company has established an audit committee and the remuneration to the independent directors has been consolidated and disclosed in the directors' remuneration.

(5) The Company's salary and remuneration policy (including directors, managers and employees)

1. Director: Remuneration is based on the results of the Company's operations and the Board of Directors' performance evaluation, and reasonable remuneration is given.
2. Managerial officers: Remuneration is based on the Company's current salary and remuneration related policies, systems, standards and structures, and the related performance appraisals and salary reasonableness assessments are submitted to the Remuneration Committee and the Board of Directors for review and approval.
3. Employees: Salary performance evaluation and salary compensation are based on salary payment standards, and the performance of individuals is evaluated by taking into account their time, responsibilities, and achievement of goals.
4. 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.