Stock Code:5234

# Daxin Materials Corporation and Subsidiaries

**Consolidated Financial Statements**

**With Independent Auditors' Report**
**For the Years Ended December 31, 2023 and 2022**


Address: No.15, Keyuan 1st Rd., Central Taiwan Science Park,
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

## Representation Letter

The entities that are required to be included in the combined financial statements of Daxin Materials Corporation as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Daxin Materials Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: Daxin Materials Corporation
Chairman: Cheng-Yih Lin
Date: February 27, 2024

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# Independent Auditors' Report

To the Board of Directors of Daxin Materials Corporation:

## Opinion

We have audited the consolidated financial statements of Daxin Materials Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountant and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   Refer to Note 4(13) "Revenue recognition" and Note 6(16) "Operating revenue" to the consolidated financial statements.

Description of the key audit matter:

Revenue generation is a key operating activity of a company, and the Group's major portion of revenue is composed of related party transactions which might have inherently higher risk of fraud. Moreover, revenue recognition is also dependent on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Consequently, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the Group's controls surrounding revenue recognition; understanding the Group's revenue types, its sales terms, related sales agreements and other supporting documents, to assess whether revenue recognition policies are applied appropriately; evaluating the trend of revenue; understanding the nature of related party transactions; performing the circularization of related party transactions; computer-aided testing sales cut off, on a sampling basis, for transactions incurred within a certain period before and after the balance sheet date to evaluate whether the revenue was recorded in proper period; and assessing the adequacy of the Group' s disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Refer to Note 4(8) "Inventories"; Note 5 for uncertainty of accounting estimation and assumptions for inventory valuation, and Note 6(5) "Inventories" to the consolidated financial statements.

Description of the key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to rapid product innovation and keen market competition, the Group's products may no longer meet market demand in short time and lead to the rapid fluctuation in the sales demand, as well as the selling price, which may result in product obsolescence and the cost of inventories to be higher than the net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included evaluating whether valuation of inventories was accounted by the nature of inventories (the storage life of chemicals); performing sampling tests to verify the accuracy of inventory aging; understanding and testing the Group's controls surrounding inventories obsolescence management; inspecting the calculation mode of net realizable value; sampling the related tickets and supporting documents; evaluating whether valuation of inventories was accounted by in accordance with the Group' s accounting policies, as well as the reasonableness of inventory provision policy; and assessing the adequacy of the Group's disclosures of its inventory valuation policy and other related disclosures.

**Other Matter**

Daxin Materials Corporation has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chien-Hui Lu and Chun-Yuan Wu.

KPMG

Taipei, Taiwan (Republic of China)
February 27, 2024

**Notes to Readers**

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

# Daxin Materials Corporation and subsidiaries

## Consolidated Balance Sheets

## December 31, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (note 6(1)) | $ 243,803 | 5 | 210,906 | 5 |
| 1110 | Financial assets at fair value through profit or loss－current (note 6(2)) | 7,800 | - | 2,738 | - |
| 1136 | Financial assets measured at amortized cost－current (note 6(3)) | 1,160,628 | 25 | 1,051,873 | 23 |
| 1170 | Accounts receivable, net (note 6(4)) | 370,984 | 8 | 347,097 | 8 |
| 1180 | Accounts receivable due from related parties, net (notes 6(4) and 7) | 698,305 | 15 | 666,528 | 15 |
| 130X | Inventories (note 6(5)) | 338,185 | 7 | 364,331 | 8 |
| 1476 | Other financial assets－current (note 6(4)) | 52,714 | 2 | 21,244 | - |
| 1479 | Other current assets | 29,203 | 1 | 25,140 | 1 |
| | | 2,901,622 | 63 | 2,689,857 | 60 |
| | **Noncurrent assets:** | | | | |
| 1535 | Financial assets measured at amortized cost－noncurrent (notes 6(3) and 8) | 8,800 | - | 10,350 | - |
| 1600 | Property, plant and equipment (notes 6(6), 7 and 9) | 1,544,647 | 33 | 1,610,314 | 36 |
| 1755 | Right-of-use assets (note 6(7)) | 163,676 | 4 | 173,108 | 4 |
| 1780 | Intangible assets (note 6(8)) | 1,992 | - | 2,314 | - |
| 1840 | Deferred tax assets (note 6(13)) | 18,070 | - | 12,812 | - |
| 1920 | Guarantee deposits paid | 2,577 | - | 177 | - |
| 1990 | Other noncurrent assets | 677 | - | 1,155 | - |
| | | 1,740,439 | 37 | 1,810,230 | 40 |
| | **Total assets** | **$ 4,642,061** | **100** | **4,500,087** | **100** |

| | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|
| | **Liabilities and Equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2120 | Financial liabilities at fair value through profit or loss－current (note 6(2)) | $ - | - | 271 | - |
| 2170 | Accounts payable | 407,295 | 9 | 463,822 | 10 |
| 2180 | Accounts payable to related parties (note 7) | 12,333 | - | 11,730 | - |
| 2201 | Payroll and bonus payable | 299,437 | 6 | 249,179 | 5 |
| 2213 | Payable on machinery and equipment | 36,930 | 1 | 71,515 | 2 |
| 2230 | Current tax liabilities | 90,782 | 2 | 80,567 | 2 |
| 2280 | Lease liabilities－current (note 6(11)) | 8,617 | - | 8,489 | - |
| 2322 | Long-term borrowings, current portion (note 6(10)) | 95,999 | 2 | 98,942 | 2 |
| 2399 | Other current liabilities (note 6(16)) | 136,181 | 3 | 123,706 | 3 |
| | | 1,087,574 | 23 | 1,108,221 | 24 |
| | **Noncurrent liabilities:** | | | | |
| 2540 | Long-term borrowings (note 6(10)) | 258,893 | 6 | 273,355 | 6 |
| 2580 | Lease liabilities－noncurrent (note 6(11)) | 160,954 | 3 | 169,572 | 4 |
| | | 419,847 | 9 | 442,927 | 10 |
| | **Total liabilities** | 1,507,421 | 32 | 1,551,148 | 34 |
| | **Equity** (note 6(14)): | | | | |
| 3110 | Common stock | 1,027,159 | 22 | 1,027,159 | 23 |
| 3200 | Capital surplus | 41,814 | 1 | 41,814 | 1 |
| | Retained earnings: | | | | |
| 3310 | Legal reserve | 586,250 | 13 | 543,638 | 12 |
| 3320 | Special reserve | 1,310 | - | 1,303 | - |
| 3350 | Unappropriated retained earnings | 1,478,107 | 32 | 1,336,335 | 30 |
| | | 2,065,667 | 45 | 1,881,276 | 42 |
| 3410 | Exchange differences on translation of foreign financial statements | - | - | (1,310) | - |
| | **Total equity** | 3,134,640 | 68 | 2,948,939 | 66 |
| | **Total liabilities and equity** | **$ 4,642,061** | **100** | **4,500,087** | **100** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# Daxin Materials Corporation and subsidiaries

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Operating revenue** (notes 6(16) and 7) | $ 4,264,121 | 100 | 3,889,236 | 100 |
| 5000 | **Operating costs** (notes 6(5), (6), (7), (8), (12), (17) and 7) | 2,785,030 | 65 | 2,643,158 | 68 |
| | **Gross profit from operations** | 1,479,091 | 35 | 1,246,078 | 32 |
| | **Operating expenses** (notes 6(4), (6), (7), (8), (12), (17) and 7)**:** | | | | |
| 6100 | Selling expenses | 185,786 | 5 | 186,184 | 5 |
| 6200 | Administrative expenses | 204,749 | 5 | 176,171 | 5 |
| 6300 | Research and development expenses | 480,768 | 11 | 442,683 | 11 |
| 6450 | Expected credit losses (gains) | (3,000) | - | 3,000 | - |
| | | 868,303 | 21 | 808,038 | 21 |
| | **Operating income** | 610,788 | 14 | 438,040 | 11 |
| | **Non-operating income and expenses** (notes 6(11) and (18))**:** | | | | |
| 7020 | Other gains and losses | (12,943) | - | 45,458 | 1 |
| 7100 | Interest income | 14,758 | - | 6,815 | - |
| 7510 | Interest expense | (7,154) | - | (5,122) | - |
| | | (5,339) | - | 47,151 | 1 |
| | **Profit before income tax** | 605,449 | 14 | 485,191 | 12 |
| 7950 | **Less: Income tax expenses** (note 6(13)) | 82,095 | 2 | 59,071 | 1 |
| | **Net income** | 523,354 | 12 | 426,120 | 11 |
| 8300 | **Other comprehensive income (loss)** | | | | |
| 8360 | **Items that may be reclassified subsequently to profit or loss** | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 1,310 | - | (6) | - |
| | **Total items that may be reclassified subsequently to profit or loss** | 1,310 | - | (6) | - |
| 8300 | **Other comprehensive income (loss)** | 1,310 | - | (6) | - |
| | **Total comprehensive income** | **$ 524,664** | **12** | **426,114** | **11** |
| | **Earnings per share (NT dollars)** (note 6(15)) | | | | |
| | Basic earnings per share | **$** | **5.10** | | **4.15** |
| | Diluted earnings per share | **$** | **5.07** | | **4.12** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

# Daxin Materials Corporation and subsidiaries

## Consolidated Statements of Changes in Equity

## For the years ended December 31, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | Common stock | Capital surplus | Retained earnings: Legal reserve | Retained earnings: Special reserve | Retained earnings: Unappropriated retained earnings | Retained earnings: Total retained earnings | Exchange differences on translation of foreign financial statements | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2022** | $ 1,027,159 | 41,814 | 475,597 | 1,285 | 1,522,668 | 1,999,550 | (1,304) | 3,067,219 |
| Net income | - | - | - | - | 426,120 | 426,120 | - | 426,120 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (6) | (6) |
| Total comprehensive income | - | - | - | - | 426,120 | 426,120 | (6) | 426,114 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 68,041 | - | (68,041) | - | - | - |
| Special reserve appropriated | - | - | - | 18 | (18) | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (544,394) | (544,394) | - | (544,394) |
| **Balance at December 31, 2022** | 1,027,159 | 41,814 | 543,638 | 1,303 | 1,336,335 | 1,881,276 | (1,310) | 2,948,939 |
| Net income | - | - | - | - | 523,354 | 523,354 | - | 523,354 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 1,310 | 1,310 |
| Total comprehensive income | - | - | - | - | 523,354 | 523,354 | 1,310 | 524,664 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | 42,612 | - | (42,612) | - | - | - |
| Special reserve appropriated | - | - | - | 7 | (7) | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (338,963) | (338,963) | - | (338,963) |
| **Balance at December 31, 2023** | **$ 1,027,159** | **41,814** | **586,250** | **1,310** | **1,478,107** | **2,065,667** | **-** | **3,134,640** |

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)

# Daxin Materials Corporation and subsidiaries

## Consolidated Statements of Cash Flows

## For the years ended December 31, 2023 and 2022

## (Expressed in Thousands of New Taiwan Dollars)

| | | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| **Profit before income tax** | $ | 605,449 | 485,191 |
| **Adjustments:** | | | |
| **Adjustments to reconcile profit (loss):** | | | |
| Depreciation | | 256,996 | 218,182 |
| Amortization | | 2,927 | 3,240 |
| Expected credit losses (gains) | | (3,000) | 3,000 |
| Net gain on financial instruments at fair value through profit or loss | | (5,333) | (1,052) |
| Interest expense | | 7,154 | 5,122 |
| Interest income | | (14,758) | (6,815) |
| Gain on disposal of property, plant and equipment | | (285) | - |
| Provisions for inventory obsolescence and devaluation loss | | 15,121 | 16,999 |
| Others | | 999 | 555 |
| **Changes in operating assets and liabilities:** | | | |
| Accounts receivable | | (20,887) | 102,688 |
| Accounts receivable due from related parties | | (31,777) | 202,293 |
| Inventories | | 11,025 | (25,103) |
| Other current assets | | (4,063) | 11,277 |
| Other financial assets－current | | (31,470) | (21,244) |
| Financial assets measured at amortized cost－current | | 127 | (159) |
| Accounts payable | | (56,527) | (121,594) |
| Accounts payable to related parties | | 603 | (6,397) |
| Other current liabilities | | 62,712 | (43,753) |
| Cash generated from operations | | 795,013 | 822,430 |
| Interest received | | 14,471 | 6,686 |
| Interest paid | | (7,133) | (5,020) |
| Income taxes paid | | (77,138) | (91,722) |
| **Net cash provided by operating activities** | | 725,213 | 732,374 |
| **Cash flows from investing activities:** | | | |
| Acquisition of financial assets at amortized cost－current | | (108,595) | (110,250) |
| Disposal of financial assets at amortized cost－noncurrent | | 1,550 | - |
| Acquisition of property, plant and equipment | | (217,542) | (228,969) |
| Disposal of property, plant and equipment | | 346 | - |
| Decrease (increase) in refundable deposits | | (2,400) | 1 |
| Acquisition of intangible assets | | (2,605) | (2,762) |
| Decrease (increase) in other noncurrent assets | | 478 | (185) |
| **Net cash used in investing activities** | | (328,768) | (342,165) |
| **Cash flows from financing activities:** | | | |
| Proceeds from short-term borrowings | | 195,000 | 120,000 |
| Repayments of short-term borrowings | | (195,000) | (120,000) |
| Proceeds from long-term borrowings | | 60,000 | 181,500 |
| Repayments of long-term borrowings | | (77,405) | (22,703) |
| Decrease in guarantee deposits received | | - | (132) |
| Repayment of the principal portion of lease liabilities | | (8,490) | (8,366) |
| Cash dividends paid | | (338,963) | (544,394) |
| **Net cash used in financing activities** | | (364,858) | (394,095) |
| **Effect of exchange rate changes on cash and cash equivalents** | | 1,310 | (6) |
| **Net increase (decrease) in cash and cash equivalents** | | 32,897 | (3,892) |
| **Cash and cash equivalents at beginning of period** | | 210,906 | 214,798 |
| **Cash and cash equivalents at end of period** | $ | **243,803** | **210,906** |

See accompanying notes to consolidated financial statements.

**Daxin Materials Corporation and subsidiaries**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

## 1. Company history

Daxin Materials Corporation ("the Company") was incorporated in accordance with the Company Act of the Republic of China in July 12, 2006. The address of its registered office and principle place of business is No.15, Keyuan 1st Rd., Central Taiwan Science Park, Taichung City, Taiwan, R.O.C. The Company's common shares were listed and traded on the Taipei Exchange ("TPEx") since May 12, 2011; officially listed on Taiwan Stock Exchange ("TWSE") since July 16, 2011, and delisted from the TPEx at the same date.

The Company and its subsidiaries (together referred to as the "Group"), are mainly engaged in the research, development, production, and sale of display semiconductor related fine chemicals.

## 2. The authorization of the consolidated financial statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 27, 2024.

## 3. Application of new standards, amendments and interpretations

(1) Impact of adoption of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(2) Impact of the IFRSs endorsed by the FSC but not yet in effect

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent"

- Amendments to IAS 1 “Noncurrent Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

## 4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, the International Accounting Standards, the International Financial Reporting Interpretation Committee Interpretations, and the Standing Interpretations Committee Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the “IFRSs endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

Expect for financial assets at fair value through profit or loss are measured at fair value, the consolidated financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars (“NTD”), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Total profit and loss in a subsidiary is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements was as follows:

| | | | Percentage of Ownership | |
|---|---|---|---|---|
| **Name of Investor** | **Name of Subsidiary** | **Business** | **December 31, 2023** | **December 31, 2022** |
| Daxin | LS Materials Corporation (LS) (Note 1) | R&D, manufacturing and sales company of fine chemicals | - | 100 % |
| Daxin | Frontier Materials (Samoa) Corporation (FMSA) | Investment and shareholding | (Note 2) | (Note 2) |

Note 1: The liquidation process was completed in November 2023.

Note 2: The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the individual entities of the Group at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

B. Foreign operations

The assets and liabilities of foreign operations are translated into the individual entities of the Group at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the individual entities of the Group at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(5) Classification of current and noncurrent assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent:

A. It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period;

D. Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent:

A. It is expected to settled in the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is due to be settled within twelve months after the reporting period;

D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(6) Cash and cash equivalent

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis.

On initial recognition, a financial asset is classified as measured at amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

All financial assets not classified as measured at amortized cost mentioned above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend or interest income, are recognized in profit or loss.

(c) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, guarantee deposits paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment as well as forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

ECL are a probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost is credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower' s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial restructuring; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

(d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets to another entity, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Buildings and improvements: 5~25 years

(b) Machinery and equipment: 5 years

(c) R&D equipment: 5 years

(d) Office and other equipment: 3~5 years

Buildings constitute mainly building, mechanical and electrical power equipment, and air-conditioning system and fire protection engineering, etc. Each such part is depreciated based on its useful life of 25 years, 10 years, and 10 years, correspondingly.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(10) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group' s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

A. Fixed payments, including in-substance fixed payments;

B. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

C. Amounts expected to be payable under a residual value guarantee; and

D. Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

A. There is a change in future lease payments arising from the change in an index or a rate; or

B. There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

C. There is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

D. There is a change of its assessment on whether it will exercise an extension or termination option; or

E. There are any lease modifications.

When the lease liability is remeasured, other than lease, modifications a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the balance sheets.

The Group has elected not to recognize right of use assets and lease liabilities for short-term leases of dormitory, office, and transportation equipment that have a lease term of 12 months or less, and low value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(11) Intangible assets

A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

C. Amortization

Amortization is calculated and recognized in profit or loss on a straight-line basis over 1 to 5 years for computer software, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For non-financial assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below:

A. Sale of goods

The Group engages mainly in the research, development, production, design, and sales of display and semiconductor related fine chemicals. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

B. Government grants

When the Group has reasonable assurance that they will comply with the conditions attaching to the grant, and a government grant that becomes receivable as compensation for expenses already incurred is recongnized in profit or loss on a systematic basis in the period in which they are incurred.

C. Financing components

The Group expects that the length of time when the Group transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

(14) Employee Benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

B. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which the employees service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(15) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (a) the same taxable entity; or

   (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

   Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(16) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of common shares outstanding. Diluted earnings per share is calculated as the profit attributable to the shareholders of the Company divided by the weighted average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares, such as employee stock option and employee remuneration that has not been resolved by the shareholders' meeting and could be issued in the form of stock.

(17) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

## 5. Critical accounting judgments and key sources of estimation and uncertainty

In preparing the consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about critical judgments, estimates and assumptions in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements is valuation of inventories. Inventories are measured at the lower of cost or net realizable value. The product/ technology renovation may lead to significant changes in the product demand so that existing products may no longer meet market expectations. Therefore, there would be violent fluctuations in the demand and selling price of those products, and result in the risk incurred to the cost of inventories higher than net realizable value. For the uncertainties of assumptions and estimates, please refer to note 6(5) for related significant risk disclosures that will cause a significant adjustment within 12 months.

## 6. Description of significant accounts

(1) Cash and cash equivalents

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cash on hand, demand deposits | $ 243,803 | 210,906 |

Please refer to Note 6(19) for the disclosure of currency risk and sensitivity analysis of the financial instruments of the Group.

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Financial assets mandatorily measured at FVTPL:** | | |
| Forward exchange contracts | $ 7,800 | 2,738 |
| **Financial liabilities mandatorily measured at FVTPL:** | | |
| Forward exchange contracts | $ - | 271 |

The Group uses derivative instruments to hedge certain currency risk arising from the Group’s operating activities. The Group held the following derivative instruments, which were not qualified for hedging accounting and accounted them as financial assets mandatorily measured at fair value through profit or loss and held for trading financial liabilities.

As of December 31, 2023 and 2022, the Group's outstanding foreign currency forward contracts were as follows:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Contract amount (in thousands) | Currency | Maturity date | Book value |
| **Derivative financial assets:** | | | | |
| Forward exchange contracts sold | $ 7,633 | USD to NTD | January 2024 ~ March 2024 | $ 7,800 |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Contract amount (in thousands) | Currency | Maturity date | Book value |
| **Derivative financial assets:** | | | | |
| Forward exchange contracts sold | $ 4,559 | USD to NTD | January 2023 ~ March 2023 | $ 2,738 |
| **Derivative financial liabilities:** | | | | |
| Forward exchange contracts sold | $ 3,037 | USD to NTD | March 2023 ~ April 2023 | $ (271) |

(3) Financial assets measured at amortized cost－current and noncurrent

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Time Deposits | $ 1,168,795 | 1,061,750 |
| Others | 633 | 473 |
| Less: Loss allowance | - | - |
| | $ 1,169,428 | 1,062,223 |
| Current | $ 1,160,628 | 1,051,873 |
| Noncurrent | $ 8,800 | 10,350 |

The Group has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

A. As of December 31, 2023 and 2022, time deposits held by the Group with annual interest rates ranging from 1.25% to 3.45% and 0.22% to 1.55%, respectively; and will be matured during Feb 1, 2024~ Dec 1, 2024 and Jan 12, 2023~ Dec 1, 2023.

B. For the disclosure of credit risk, please refer to note 6(19).

C. For details of the financial assets mentioned above as performance guarantee and collateral, please refer to note 8.

(4) Accounts receivable, net (including related parties)

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Accounts receivable | $ 1,100,289 | 1,047,625 |
| Less: Loss allowance | (31,000) | (34,000) |
| | **$ 1,069,289** | **1,013,625** |

The Group applied the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on credit risk characteristics and insurance coverage, as well as incorporated forward looking information.

The loss allowance provisions were determined as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| | **Gross amount of accounts receivable** | **Weighted-average loss rate** | **Loss allowance** |
| Current | $ 1,096,753 | 2%~5% | 30,823 |
| 1 to 30 days past due | 3,536 | 2%~5% | 177 |
| | **$ 1,100,289** | | **31,000** |

| | December 31, 2022 | | |
|---|---|---|---|
| | **Gross amount of accounts receivable** | **Weighted-average loss rate** | **Loss allowance** |
| Current | $ 1,011,802 | 2%~5% | 32,937 |
| 1 to 30 days past due | 33,374 | 2%~5% | 849 |
| 31 to 60 days past due | 1,829 | 2%~5% | 90 |
| 61 to 90 days past due | 620 | 5%~20% | 124 |
| | **$ 1,047,625** | | **34,000** |

The movements of the loss allowance for accounts receivable was as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance on January 1 | $ 34,000 | 31,107 |
| Loss allowance | - | 3,000 |
| Allowance reversal | (3,000) | - |
| Amounts written off | - | (107) |
| Balance on December 31 | **$ 31,000** | **34,000** |

Except for those that have been individually identified for impairment losses, the Group has accrued the impairment losses according to credit ratings, the historical default rate and forward-looking information.

Loss allowance for accounts receivable is used to record the bad debt losses. However, if the Group is convinced that the relevant receivable may not be recoverable, the loss allowance and financial assets shall be offset directly when it believes that it cannot be recovered.

None of the Group's accounts receivable mentioned above was pledged as collateral.

The Group entered into a non-recourse factoring agreement with the financial institution to sell its accounts receivable. Under the agreement, except those necessary agreed expenses, the Group is not required to bear the default risk of the transferred accounts receivable. The Group's accounts receivables, which were sold, as well as derecognized, and have been transferred to other receivables (recognized as other financial assets－current), were as follows:

(Unit: USD in Thousands)

**December 31, 2023**

| Underwriting bank | Factoring limit | Amount sold and derecognized | Amount advanced | Range of handling fees rate (%) | Principal terms |
|---|---|---|---|---|---|
| Taipei Fubon Commercial Bank | USD 3,000 | USD 1,717 | - | 0.3% | Notes 1~3 |

**December 31, 2022**

| Underwriting bank | Factoring limit | Amount sold and derecognized | Amount advanced | Range of handling fees rate (%) | Principal terms |
|---|---|---|---|---|---|
| Taipei Fubon Commercial Bank | USD 3,000 | USD 690 | - | 0.3% | Notes 1~3 |

Note 1: The above amount has been reclassified to other receivables. Under the facility, the Group transferred its accounts receivable to the underwriting bank, without recourse and subject to underwriting consent.

Note 2: Risks of non-collection or potential payment default by customers in the event of insolvency are borne by the bank. The Group is not responsible for the collection of receivables and subject to the facility, or for any legal proceedings and costs thereof in collecting these receivables.

Note 3: The Group informed its customers to make payment directly to the Group's reserve account with the underwriting bank.

As of December 31, 2023 and 2022, the total outstanding receivables, after deducting the net of fees charged by the underwriting bank, amounted to $52,714 thousand and $21,244 thousand, respectively, recognized as other financial assets－current.

(5) Inventories

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Raw materials and supplies | $ 171,303 | 179,122 |
| Work in progress and semi-finished products | 77,283 | 64,219 |
| Finished goods and merchandise | 89,599 | 120,990 |
| | **$ 338,185** | **364,331** |

The net of provisions for inventories written down to the net realizable value, which were included in cost of sales, amounted to $15,121 thousand and $16,999 thousand for the years ended December 31, 2023 and 2022, respectively.

The amounts recognized in cost of sales in relation to gain on physical inventory were $21 thousand and $8 thousand for the years ended December 31, 2023 and 2022, respectively.

None of the Group's inventories mentioned above was pledged as collateral.

(6) Property, plant and equipment

| | Buildings | Machinery and equipment | R&D equipment | Office and other equipment | Construction in progress and equipment awaiting inspection | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance at January 1, 2023 | $ 2,106,003 | 788,571 | 289,185 | 151,266 | 74,199 | 3,409,224 |
| Additions | 14,657 | 127,529 | 16,546 | 10,501 | 13,724 | 182,957 |
| Disposals | - | (4,941) | (59) | (4,281) | - | (9,281) |
| Reclassification | 34,965 | 25,640 | 2,517 | 2,052 | (66,173) | (999) |
| Balance at December 31, 2023 | **$ 2,155,625** | **936,799** | **308,189** | **159,538** | **21,750** | **3,581,901** |
| Balance at January 1, 2022 | $ 1,688,993 | 701,805 | 266,902 | 130,177 | 390,656 | 3,178,533 |
| Additions | 60,677 | 85,007 | 17,971 | 15,421 | 65,700 | 244,776 |
| Disposals | (3,423) | (9,485) | (622) | - | - | (13,530) |
| Reclassification | 359,756 | 11,244 | 4,934 | 5,668 | (382,157) | (555) |
| Balance at December 31, 2022 | **$ 2,106,003** | **788,571** | **289,185** | **151,266** | **74,199** | **3,409,224** |

| | Buildings | Machinery and equipment | R&D equipment | Office and other equipment | Construction in progress and equipment awaiting inspection | Total |
|---|---|---|---|---|---|---|
| Accumulated depreciation: | | | | | | |
| Balance at January 1, 2023 | $ 890,422 | 565,476 | 226,107 | 116,905 | - | 1,798,910 |
| Depreciation | 119,574 | 93,669 | 21,635 | 12,686 | - | 247,564 |
| Disposals | - | (4,880) | (59) | (4,281) | - | (9,220) |
| Balance at December 31, 2023 | **$ 1,009,996** | **654,265** | **247,683** | **125,310** | **-** | **2,037,254** |
| Balance at January 1, 2022 | $ 800,021 | 495,683 | 205,686 | 102,301 | - | 1,603,691 |
| Depreciation | 93,824 | 79,278 | 21,043 | 14,604 | - | 208,749 |
| Disposals | (3,423) | (9,485) | (622) | - | - | (13,530) |
| Balance at December 31, 2022 | **$ 890,422** | **565,476** | **226,107** | **116,905** | **-** | **1,798,910** |
| Carrying amounts: | | | | | | |
| Balance at December 31, 2023 | **$ 1,145,629** | **282,534** | **60,506** | **34,228** | **21,750** | **1,544,647** |
| Balance at January 1, 2022 | **$ 888,972** | **206,122** | **61,216** | **27,876** | **390,656** | **1,574,842** |
| Balance at December 31, 2022 | **$ 1,215,581** | **223,095** | **63,078** | **34,361** | **74,199** | **1,610,314** |

A. Collateral

None of the Group's property, plant and equipment mentioned above was pledged as collateral.

B. Construction in progress and equipment awaiting inspection

The Group has carried out equipment augmentation in headquarters and Chungkang branch, and new plant construction projects in Chungkang branch. The incurred but not yet paid amount of construction still in progress and equipment awaiting inspection amounted to $563 thousand and $35,476 thousand, respectively, as of December 31, 2023 and 2022.

(7) Right-of-use assets

| | Land | Machinery and equipment | Total |
|---|---|---|---|
| Cost: | | | |
| Balance at December 31, 2023 (as the balance at January 1, 2023) | **$ 209,180** | **704** | **209,884** |
| Balance at January 1, 2022 | $ 207,493 | 780 | 208,273 |
| Additions | 1,687 | 704 | 2,391 |
| Decrease | - | (780) | (780) |
| Balance at December 31, 2022 | **$ 209,180** | **704** | **209,884** |

| | Land | Machinery and equipment | Total |
|---|---|---|---|
| Accumulated depreciation: | | | |
| Balance at January 1, 2023 | $ 36,620 | 156 | 36,776 |
| Depreciation | 9,198 | 234 | 9,432 |
| Balance at December 31, 2023 | **$ 45,818** | **390** | **46,208** |
| Balance at January 1, 2022 | $ 27,421 | 702 | 28,123 |
| Depreciation | 9,199 | 234 | 9,433 |
| Decrease | - | (780) | (780) |
| Balance at December 31, 2022 | **$ 36,620** | **156** | **36,776** |
| Carrying amount: | | | |
| Balance at December 31, 2023 | **$ 163,362** | **314** | **163,676** |
| Balance at January 1, 2022 | **$ 180,072** | **78** | **180,150** |
| Balance at December 31, 2022 | **$ 172,560** | **548** | **173,108** |

(8) Intangible assets

| | Computer software |
|---|---|
| Cost: | |
| Balance at January 1, 2023 | $ 23,759 |
| Additions | 2,605 |
| Balance at December 31, 2023 | **$ 26,364** |
| Balance at January 1, 2022 | 23,279 |
| Additions | 2,762 |
| Decrease | (2,282) |
| Balance at December 31, 2022 | **$ 23,759** |
| Accumulated amortization: | |
| Balance at January 1, 2023 | 21,445 |
| Amortization | 2,927 |
| Balance at December 31, 2023 | **$ 24,372** |
| Balance at January 1, 2022 | 20,487 |
| Amortization | 3,240 |
| Decrease | (2,282) |
| Balance at December 31, 2022 | **$ 21,445** |
| Carrying amounts: | |
| Balance at December 31, 2023 | **$ 1,992** |
| Balance at January 1, 2022 | **$ 2,792** |
| Balance at December 31, 2022 | **$ 2,314** |

None of the Group's intangible assets mentioned above was pledged as collateral.

(9) Short-term borrowings

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Unused credit line | $ | **637,410** | **614,074** |

Please refer to note 6(22) for information of drawdown and repayment of short-term borrowings, and note 6(18) for information of interest expenses for the years ended December 31, 2023 and 2022.

(10) Long-term borrowings

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Unsecured bank loans | $ | 354,892 | 372,297 |
| Less: Current portion | | (95,999) | (98,942) |
| Total | $ | **258,893** | **273,355** |
| Unused credit lines | $ | **585,000** | **645,000** |
| Range of interest rates | | **1.25%** | **1.125%** |

Please refer to note 6(22) for information of drawdown and repayment of long-term borrowings, and note 6(18) for information of interest expenses for the years ended December 31, 2023 and 2022.

(11) Lease liabilities

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Carrying amounts: | | | |
| Current | $ | **8,617** | **8,489** |
| Noncurrent | $ | **160,954** | **169,572** |

The Group repaid $8,490 thousand and $8,366 thousand for the principal of lease liabilities for the years ended December 31, 2023 and 2022.

| | | 2023 | 2022 |
|---|---|---|---|
| Items that affected current profit or loss: | | | |
| Interest expenses relating to lease liabilities | $ | **2,613** | **2,735** |
| Expenses relating to short-term leases | $ | **3,639** | **3,961** |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | $ | **338** | **294** |

The amounts recognized in the statement of cash flows were as follows:

| | 2023 | 2022 |
|---|---|---|
| Total cash outflow for leases | $ **15,139** | **15,401** |

A. Land leases

The Group leases lands for its facility and office space. The leases typically run for a period of 10 and 13 years with an option to renew the lease for an additional period after the end of the contract term.

Rent payments of land leases that are based on changes in officially announced land prices and the public facilities construction costs periodically in each park will be adjusted after being assessed.

B. Other leases

The Group leases the machinery and equipment with lease terms of 3 years.

In addition, the Group has elected not to recognize the right-of-use assets and lease liabilities for its dormitories, offices and carrier vehicles with the lease term of 1 to 2 years, which qualifies as short-term leases and leases of low-value asset.

(12) Employee benefits – Defined contribution plans

The Group contributes at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligations to pay additional amounts after contributing to the Bureau of Labor Insurance.

The Group's pension costs incurred from contributions to the defined contribution plan were $19,544 thousand and $18,106 thousand for the years ended December 31, 2023 and 2022, respectively.

(13) Income tax

A. The components of income tax expenses were as follows:

| | 2023 | 2022 |
|---|---|---|
| Current tax expense | | |
| Current period | $ 89,162 | 73,896 |
| Adjustment to prior years | (1,809) | (10,491) |
| | 87,353 | 63,405 |
| Deferred tax benefit | | |
| Temporary differences | (5,258) | (4,334) |
| Income tax expense | $ **82,095** | **59,071** |

Reconciliations of income tax and income before income tax are as follows:

| | 2023 | 2022 |
|---|---|---|
| Profit before income tax | $ 605,449 | 485,191 |
| Income tax expense at statutory tax rate | 121,090 | 97,038 |
| Tax effect of permanent differences | (669) | 1,229 |
| Investment tax credits | (38,212) | (31,670) |
| Additional tax on undistributed earnings, net | 2,227 | 3,398 |
| Others | (2,341) | (10,924) |
| Income tax expense | **$ 82,095** | **59,071** |

B. Deferred tax assets

(a) Unrecognized deferred tax assets

| | 2023 | 2022 |
|---|---|---|
| Investment tax credits | **$ 8,605** | **23,207** |

The Group did not recognize the deferred tax assets arising from investment tax credit, which is awaiting to be examined and approved, in relation to “Regulations Governing the Application of Tax Credits for Corporate or Limited Partnership R&D Expenditures” for the year of 2023 and 2022.

(b) Movement of deferred tax assets

| | January 1, 2022 | Recognized in profit or loss | December 31, 2022 | Recognized in profit or loss | December 31, 2023 |
|---|---|---|---|---|---|
| Loss allowance for accounts receivable | $ 3,516 | (1,189) | 4,705 | 705 | 4,000 |
| Allowance for inventory valuation | 1,539 | (432) | 1,971 | 50 | 1,921 |
| Other temporary differences | 3,423 | (2,713) | 6,136 | (6,013) | 12,149 |
| | **$ 8,478** | **(4,334)** | **12,812** | **(5,258)** | **18,070** |

C. The Company’ s income tax returns for the years through 2021 have been examined and approved by the R.O.C. income tax authorities.

(14) Capital and other equity

As of December 31, 2023 and 2022, the authorized common stock of the Company amounted to $1,500,000 thousand, which was divided into 150,000 thousand shares, with a par value of $10 per share, of which $100,000 thousand was reserved for employee stock options. The issued and outstanding shares of common stock both amounted to $102,716 thousand.

A. Capital surplus

| | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Additional paid in capital | $ | 29,826 | 29,826 |
| Employee stock options | | 10,666 | 10,666 |
| Compensation cost arising from seasoned equity offering reserved for employees' purchase | | 1,322 | 1,322 |
| | $ | **41,814** | **41,814** |

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of share of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital. Capital surplus derived from the issuance of share of stock in excess of par value could not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital reserve.

B. Retained earnings

According to the Company's Articles of Incorporation, if the Company has a profit at the end of each fiscal year, the profit shall be used for paying tax, offsetting the accumulated losses, and setting aside 10% of the remaining earnings as legal reserve unless and until the accumulated legal reserve has reached the amount of the paid in capital of the Company; then any remainder shall be appropriated as, or used to reverse the special reserve in accordance with the Company' s operation or relevant laws and regulations. The balance (if any), together with the accumulated unappropriated retained earnings, can be distributed after the distribution plan proposed and approved. Dividend distribution can be distributed in whole or in part. If the dividend is distributed the form of shares, it has to be approved during the shareholders' meeting; and if it is in the form of cash, it shall first be approved by the Board, and reported during the shareholders' meeting thereafter.

The Company adopts the residual dividend policy, by considering factors such as the Company' s current and future investment environment, cash requirements, domestic and overseas competitive conditions, capital budget, etc., while taking into account the shareholders' interests, maintenance of a balance dividend and the Company's long term financial plan. When the dividends are distributed, at least 30% of the current year's retained earnings available for distribution of the current year shall be appropriated as dividends, which may be distributed by way of cash, at a minimum of 10% of total earnings, and/or stock.

(a) Legal reserve

When the Company incurs no accumulated losses, the Company may distribute the portion of legal reserve which exceeds 25% of the Company's paid-in capital and the capital reserves permitted for distribution under the Company Act, in whole or in part, in the form of cash, to the shareholders in proportion to their shareholdings, after being approved during the Board meeting and reported at the shareholders' meeting thereafter.

(b) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current and prior years' unappropriated earnings. This special reserve shall be reversed to retained earnings and be made available for distribution when the items that are accounted for as deduction from stockholders' equity are reversed in subsequent periods.

C. Earnings distribution

The Company's appropriation of earnings for 2022 by way of cash dividends has been approved in the Board of Directors' meeting held on February 22, 2023. The appropriation of 2022 earnings by other ways has been approved in the annual shareholders' meeting held on June 15, 2023. Details of distribution were as follows:

| | Appropriation of earnings | Dividends per share (NT$) |
|---|---|---|
| Legal reserve | $ 42,612 | |
| Special reserve | 7 | |
| Cash dividends to shareholders | 338,963 | 3.3 |
| | **$ 381,582** | |

The aforementioned appropriation of earnings for 2022 was consistent with the resolutions of the Board of Directors' meeting held on February 22, 2023.

The Company's appropriation of earnings for 2021 has been approved in the annual shareholders' meeting held on June 15, 2022. Details of distribution were as follows:

| | Appropriation of earnings | Dividends per share (NT$) |
|---|---|---|
| Legal reserve | $ 68,041 | |
| Special reserve | 18 | |
| Cash dividends to shareholders | 544,394 | 5.3 |
| | **$ 612,453** | |

The aforementioned appropriation of earnings for 2021 was consistent with the resolutions of the Board of Directors' meeting held on February 23, 2022.

The Company's appropriation of earnings for 2023 by way of cash dividends, which has a par value of $4.1 per share, had been approved by the Board of Directors' meeting held on February 27, 2024.

Information for the Company's appropriation of earnings are available at the Market Observation Post System website.

D. Other equity — exchange differences on translation of foreign financial statements

| | 2023 | 2022 |
|---|---|---|
| Balance at January 1 | $ (1,310) | (1,304) |
| Net change | 1,310 | (6) |
| Balance at December 31 | **$ -** | **(1,310)** |

(15) Earnings per Share

| | 2023 | 2022 |
|---|---|---|
| Basic earnings per share | | |
| Net income attributable to the shareholders of the Company | **$ 523,354** | **426,120** |
| Weighted average number of common shares outstanding (in thousands of shares) | **102,716** | **102,716** |
| Basic earnings per share (in NTD) | **$ 5.10** | **4.15** |
| Diluted earnings per share: | | |
| Net income attributable to the shareholders of the Company | **$ 523,354** | **426,120** |
| Weighted average number of common shares outstanding (basic) (in thousands of shares) | 102,716 | 102,716 |
| Dilutive potential common shares employee remuneration in stock (in thousands of shares) | 575 | 690 |
| Weighted average number of common shares outstanding (diluted) (in thousands of shares) | **103,291** | **103,406** |
| Diluted earnings per share (in NTD) | **$ 5.07** | **4.12** |

(16) Operating revenue

A. Disaggregation of revenue from contracts with customers

| | 2023 | 2022 |
|---|---|---|
| Primary geographical markets: | | |
| Taiwan | $ 2,419,439 | 2,258,151 |
| China | 1,777,902 | 1,566,756 |
| Japan | 49,850 | 58,826 |
| Other areas | 16,930 | 5,503 |
| | **$ 4,264,121** | **3,889,236** |

| | | 2023 | 2022 |
|---|---|---|---|
| Major product categories: | | | |
| Display materials | $ | 3,967,875 | 3,675,292 |
| Semiconductor materials and key raw materials | | 296,246 | 213,944 |
| | $ | **4,264,121** | **3,889,236** |

B. Contract balances

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|---|---|---|---|
| Contract liabilities (recognized in other current liabilities) | $ **-** | **9,890** | **12,045** |

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2023 and 2022, which was included in the contract liability balance at the beginning of the period, was 9,890 thousand and 12,045 thousand, respectively.

(17) Remuneration to employees and directors

According to the Company's Articles of Incorporation, if the Company has a profit (profit before income tax, excluding remuneration to employees and directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining balance in accordance with the ratio as follows:

A. No less than 3% as employee remuneration;

B. No more than 1% as director's remuneration.

Employees remuneration may be distributed in the form of shares or cash, to qualified full-time employees, including those of the subsidiaries of the Company.

The Company accrued and recognized its employees' remuneration amounting to $49,492 thousand and $39,661 thousand and directors' remuneration amounting to $4,949 thousand and $3,966 thousand (excluding the fixed directors' remuneration amounting to $11,558 thousand and $12,000 thousand, respectively) for the years ended December 31, 2023 and 2022, respectively. These amounts were calculated using the Company's profit before income tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The aforementioned amounts accrued in the 2023 and 2022 financial statements were consistent with those approved in the Board of Directors' meetings. The relevant information is available at the Market Observation Post System website.

(18) Non-operating income and expenses

A. Other gains and losses

| | 2023 | 2022 |
|---|---|---|
| Foreign exchange gains, net | $ 4,198 | 56,405 |
| Gains on disposals of property, plant and equipment | 285 | - |
| Losses on financial assets (liabilities) measured at fair value through profit or loss, net | (16,909) | (28,946) |
| Government grants | 13 | 17,072 |
| Others | (530) | 927 |
| | **$ (12,943)** | **45,458** |

B. Interest income

| | 2023 | 2022 |
|---|---|---|
| Interest income on bank deposits | **$ 14,758** | **6,815** |

C. Interest expense

| | 2023 | 2022 |
|---|---|---|
| Interest expense on bank loans | $ 4,541 | 2,387 |
| Interest expense on lease liabilities | 2,613 | 2,735 |
| | **$ 7,154** | **5,122** |

(19) Financial instruments

A. Credit risk

(a) Credit risk exposure

Credit risk is the risk of financial loss to the Group if a counterparty of a financial instrument transaction fails to meet its contractual obligations, and derived primarily from cash and cash equivalents, accounts receivable (including related parties), financial assets measured at amortized cost, and guarantee deposits paid. The maximum exposure to credit risk is equal to the carrying amount of the Group’s financial assets.

(b) Concentration of credit risk

As of December 31, 2023 and 2022, the Group’ s accounts receivable (including related parties) from the top 4 customers were 80% and 81%, respectively. There is no other significant concentration of credit risk from the remaining accounts receivable.

(c) Credit risks of receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(4). For the details of financial assets at amortized cost, including time deposits, please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to note 4(7) regarding how the Group determines whether the financial instruments are considered to be low credit risk).

B. Liquidity risk

The following, except for accounts payable (including related parties), payroll and bonus payable, and payable on machinery and equipment are the contractual maturities of other financial liabilities and the amounts include estimated interest payments but exclude the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 6 months | 6-12 months | 1-2 years | 2-5 years or more | Over 5 years |
|---|---|---|---|---|---|---|---|
| **December 31, 2023** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Lease liabilities (current and noncurrent) | $ 169,571 | (193,387) | (5,551) | (5,551) | (10,942) | (32,586) | (138,757) |
| Long-term borrowings (including current portion) | 354,892 | (363,277) | (50,092) | (49,793) | (98,685) | (164,707) | - |
| | **$ 524,463** | **(556,664)** | **(55,643)** | **(55,344)** | **(109,627)** | **(197,293)** | **(138,757)** |
| **December 31, 2022** | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Lease liabilities (current and noncurrent) | $ 178,061 | (204,489) | (5,551) | (5,551) | (11,102) | (32,666) | (149,619) |
| Long term borrowings (including current portion) | 372,297 | (378,838) | (36,069) | (66,667) | (162,856) | (113,246) | - |
| Derivative financial liabilities | | | | | | | |
| Forward exchange contracts: | | | | | | | |
| Inflows | - | 92,283 | 92,283 | - | - | - | - |
| Outflows | 271 | (92,554) | (92,554) | - | - | - | - |
| | **$ 550,629** | **(583,598)** | **(41,891)** | **(72,218)** | **(173,958)** | **(145,912)** | **(149,619)** |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to foreign currency risk

The Group's financial assets and liabilities exposed to significant foreign currency risk were as follows:

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **NTD** | **Foreign currency** | **Exchange rate** | **NTD** |
| Financial assets | | | | | | |
| Monetary Items | | | | | | |
| USD | $ 16,460 | 30.705 | 505,412 | 13,921 | 30.725 | 427,728 |
| JPY | 48,462 | 0.2182 | 10,574 | 64,798 | 0.2297 | 14,884 |
| Non-monetary Items | | | | | | |
| USD | 7,633 | 30.705 | Note | 4,559 | 30.725 | Note |
| Financial liabilities | | | | | | |
| Monetary Items | | | | | | |
| USD | 194 | 30.705 | 5,959 | 572 | 30.725 | 17,584 |
| JPY | 9,715 | 0.2182 | 2,120 | 23,535 | 0.2297 | 5,406 |
| Non-monetary Items | | | | | | |
| USD | - | - | Note | 3,037 | 30.725 | Note |

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payables that are denominated in foreign currency. As of December 31, 2023 and 2022, an appreciating (depreciating) of 0.1% of the NTD against the USD and JPY would have increased or decreased the profit before income tax by $508 thousand and $420 thousand, respectively while all other variables were remained constant. The analysis was performed on the same basis for comparative periods.

(c) Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Group, the Group disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains for the years ended December 31, 2023 and 2022 were $4,198 thousand and $56,405 thousand, respectively.

D. Interest rate risk

The following sensitivity analysis is based on the exposure to the interest rate risk of bank loans on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.1%, the Group's profit before income tax would have increased or decreased by $355 thousand and $372 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant.

E. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The Group strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

(ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Group recognized the transfer on the reporting date.

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| **Financial assets measured at fair value through profit or loss－current－derivative financial assets** | $ 7,800 | - | 7,800 | - | 7,800 |

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | $ 243,803 | - | - | - | - |
| Financial assets measured at amortized cost－current | 1,160,628 | - | - | - | - |
| Accounts receivable (including related parties) | 1,069,289 | - | - | - | - |
| Oher financial assets－current | 52,714 | - | - | - | - |
| Financial assets measured at amortized cost－noncurrent | 8,800 | - | - | - | - |
| Guarantee deposits paid | 2,577 | - | - | - | - |
| | **$ 2,537,811** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | |
| **Financial liabilities measured at amortized cost** | | | | | |
| Accounts payable (including related parties) | $ 419,628 | - | - | - | - |
| Payroll and bonus payable | 299,437 | - | - | - | - |
| Payable on machinery and equipment | 36,930 | - | - | - | - |
| Long-term borrowings (including currrent portion) | 354,892 | - | - | - | - |
| Lease liabilities－current and noncurrent | 169,571 | - | - | - | - |
| | **$ 1,280,458** | **-** | **-** | **-** | **-** |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| **Financial assets measured at fair value through profit or loss－current－derivative financial assets** | **$ 2,738** | **-** | **2,738** | **-** | **2,738** |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying | Fair value | | | |
| | amount | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets measured at amortized cost** | | | | | |
| Cash and cash equivalents | $ 210,906 | - | - | - | - |
| Financial assets measured at amortized cost－current | 1,051,873 | - | - | - | - |
| Accounts receivable (including related parties) | 1,013,625 | - | - | - | - |
| Oher financial assets－current | 21,244 | - | - | - | - |
| Financial assets measured at amortized cost－noncurrent | 10,350 | - | - | - | - |
| Guarantee deposits paid | 177 | - | - | - | - |
| | **$ 2,308,175** | **-** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | |
| **Financial liabilities measured at fair value through profit or loss －current－derivative financial liabilities** | **$ 271** | **-** | **271** | **-** | **271** |
| **Financial liabilities measured at amortized cost** | | | | | |
| Accounts payable (including related parties) | $ 475,552 | - | - | - | - |
| Payroll and bonus payable | 249,179 | - | - | - | - |
| Payable on machinery and equipment | 71,515 | - | - | - | - |
| Long-term borrowings (including current partion) | 372,297 | - | - | - | - |
| Lease liabilities－current and noncurrent | 178,061 | - | - | - | - |
| | **$ 1,346,604** | **-** | **-** | **-** | **-** |

(b) Valuation technique for financial instruments not measured at fair value

The Group estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial assets and financial liabilities measured at amortized cost will be based on the latest quoted price and concluded price if the quotation provided by market makers or concluded price is available in active markets. When market value is unavailable, the fair value of financial assets and financial liabilities is evaluated based on the discounted cash flow of the financial liabilities.

(c) Valuation technique of financial instruments measured at fair value－derivative financial instruments.

Forward exchange contracts are typically evaluated based on the exchange rates provided by the counterparty banks.

(d) Transfer of fair value level

There is no transfer between the levels for the years ended December 31, 2023 and 2022.

(20) Financial risk management

A. Overview

The Group has exposures to the following risks from its financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

In order to reduce and manage related financial risks, the Group is committed to analyzing, identifying and assessing the potential adverse effects of those financial risk factors on the Group's financial performance, and then proposing and implementing corresponding countermeasures to avoid unfavorable factors caused by financial risks.

The following likewise discusses the Group’s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The Group’s major financial activities are reviewed by the Board of Directors and the Audit Committee in accordance with relevant regulations and internal control systems. During the execution of the financial projects, the Group must strictly abide by the related financial operation procedures in relation to the overall financial risk management and the division of authority and responsibility. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

C. Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from operating activities, financial assets measured at amortized cost, and cash and cash equivalents. Operation-related credit risk and financial credit risk are managed separately.

(a) Operation-related credit risk

The Group has established a credit policy under which each customer is analyzed individually to maintain the quality of accounts receivable.

The risk assessment of individual customer is based on a number of factors that may affect the customer's ability to make payments, including the customer's financial condition, ratings by credit rating agencies, the Group’s internal credit ratings, historical transaction records, and current economic situations. The Group also utilizes certain credit enhancement tools, such as advance receipts and credit insurance, when appropriate, to reduce the credit risk of specific customers.

(b) Financial credit risk

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Group’s finance department. As the Group deals with banks and financial institutions, and corporate organization with good credit standing which are graded above par level, the Group believes that does not have performance capability issues and no significant credit risk.

D. Liquidity risk

Liquidity risk is the risk that the Group has no sufficient cash and other financial assets to meet its obligations associated with matured financial liabilities. There is no liquidity risk of being unable to raise capital to settle contract obligations since the Group has sufficient capital and working capital to fulfill contract obligations. Please refer to note 6(19).

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, which will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Board of Directors and the Audit Committee’s guide.

(a) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in currencies other than the functional currencies of the Group’s entities. These transactions are primarily denominated in NTD, USD, and JPY.

In respect of net positions of accounts receivable and payables denominated in foreign currencies, the Group undertakes forward exchange contacts appropriately. If necessary, the Group can rollover forward exchange contacts when contracts are mature.

(b) Interest rate risk

Please refer to note 6(19).

(21) Capital management

The Group's capital management is to ensure it has necessary and reasonable financial resources to support the future development, and takes the decent debt ratio into account contemporarily so that investors, creditors and the market can rest assured. The management may achieve the purpose of maintaining or adjusting the Group's capital structure by adjusting dividends paid to shareholders, returning capital to shareholders, and issuing new shares. The debt ratio as of December 31, 2023 and 2022 both 32% and 34%, respectively. There were no changes in the Group's approach to capital management as of December 31, 2023.

(22) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow were as follows:

| | Short-term borrowings | Long-term borrowings (including current portion) | Lease liabilities (current and noncurrent) | Liabilities arising from financing activities |
|---|---|---|---|---|
| Balance at January 1, 2023 | $ - | 372,297 | 178,061 | 550,358 |
| Cash flow | | | | |
| Proceeds from borrowings | 195,000 | 60,000 | - | 255,000 |
| Repayments of borrowings | (195,000) | (77,405) | - | (272,405) |
| Payment of lease liabilities | - | - | (8,490) | (8,490) |
| Interest paid | - | - | (2,613) | Note |
| Non-cash changes | | | | |
| Interest expenses | - | - | 2,613 | Note |
| Balance at December 31, 2023 | **$ -** | **354,892** | **169,571** | **524,463** |

| | Short-term borrowings | Long-term borrowings (including current portion) | Lease liabilities (current and noncurrent) | Guarantee deposits received | Liabilities arising from financing activities |
|---|---|---|---|---|---|
| Balance at January 1, 2022 | $ - | 213,500 | 184,036 | 132 | 397,668 |
| Cash flow | | | | | |
| Proceeds from borrowings | 120,000 | 181,500 | - | - | 301,500 |
| Repayments of borrowings | (120,000) | (22,703) | - | - | (142,703) |
| Payment of lease liabilities | - | - | (8,366) | - | (8,366) |
| Interest paid | - | - | (2,735) | - | Note |
| Guarantee deposits refunded | - | - | - | (132) | (132) |
| Non-cash changes | | | | | |
| Interest expenses | - | - | 2,735 | - | Note |
| Additions of right-of-use assets | - | - | 2,391 | - | 2,391 |
| Balance at December 31, 2022 | **$ -** | **372,297** | **178,061** | **-** | **550,358** |

Note: It was categorized as operating activities

## 7. Related party transactions

(1) Names and relationships of related parties

| Names of related parties | Relationship with the Group |
|---|---|
| Eternal Materials Co., Ltd. ("Eternal") | The entity with significant influence over the Group |
| AUO Corporation ("AUO") | The entity with significant influence over the Group |
| AUO Crystal Corp. ("ACTW") | AUO's Subsidiary |
| AUO (Suzhou) Co., Ltd. ("AUOSZ") | AUO's Subsidiary |
| AUO (Xiamen) Co., Ltd. ("AUOXM") | AUO's Subsidiary |
| AUO (Kunshan) Co., Ltd. ("AUOKS") | AUO's Subsidiary |
| Board members, general manager, and vice presidents | The management of the Company |

(2) Compensation to key management personnel

| | 2023 | 2022 |
|---|---|---|
| Short-term employee benefits | $ 79,884 | 77,070 |
| Post-employment benefits | 9,324 | 324 |
| | $ 89,208 | 77,394 |

(3) Significant transactions with related parties

A. Operating revenue

The amounts of operating revenue and the outstanding balance of accounts receivable between the Group and related parties were as follows:

| | Operating revenue | | Accounts receivable from related parties | |
|---|---|---|---|---|
| | 2023 | 2022 | December 31, 2023 | December 31, 2022 |
| The entity with significant influence over the Group－AUO | $ 2,029,711 | 1,886,226 | 693,709 | 661,414 |
| Other related parties | 15,122 | 23,991 | 4,596 | 5,114 |
| | $ 2,044,833 | 1,910,217 | 698,305 | 666,528 |

For the years ended December 31, 2023 and 2022, the credit terms for related parties were both 60 to 120 days from the end of the month while those for third parties were collected in advance to 120 days from the end of the month. The selling price for sales to the related parties was determined by market and adjusted according to the sales volume and product specification. The Group did not implement collateral requirements for receivables from related parties, and did not reserve the loss allowance for related parties' receivables after appraisal.

B. Purchase and process outsourcing

The amounts of purchases and process outsourcing, and the outstanding balance of accounts payable to related parties were as follows:

| | Purchase and process outsourcing | | Accounts payable to related parties | |
|---|---|---|---|---|
| | **2023** | **2022** | **December 31, 2023** | **December 31, 2022** |
| The entity with significant influence over the Group | $ **48,118** | **53,579** | **12,098** | **11,618** |

For the years ended December 31, 2023 and 2022, the payment terms to third parties were both 90 days from the end of the month while those to related parties were prepayment to 120 days from the end of the month. The Group did not procure products with the same specification from third parties, so that purchase price between related parties and third parties cannot be compared. The products outsourced to related parties were different from products outsourced to third parties, so the payment terms and purchase prices can't be benchmarked.

C. Transactions of property, plant and equipment

The disposal of property, plant and equipment to related parties were summarized as follows:

| | Disposal prices | | Accounts receivable from related parties | |
|---|---|---|---|---|
| | **2023** | **2022** | **December 31, 2023** | **December 31, 2022** |
| Other related parties | $ **317** | **-** | **-** | **-** |

The acquisition of property, plant and equipment to related parties were summarized as follows:

| | Acquisition prices | | Accounts payable to related parties | |
|---|---|---|---|---|
| | **2023** | **2022** | **December 31, 2023** | **December 31, 2022** |
| The entity with significant influence over the Group | $ 1,396 | - | - | - |
| Other related parties | - | 308 | - | - |
| | $ **1,396** | **308** | **-** | **-** |

D. Others

The amounts of rental fees and other expenses, and the outstanding balance of other payable due to related parties were as follows:

| | Amount | | Accounts payable to related parties | |
|---|---|---|---|---|
| | **2023** | **2022** | **December 31, 2023** | **December 31, 2022** |
| The entity with significant influence over the Group | $ 1,319 | 1,346 | 235 | 112 |
| Other related parties | 12 | 12 | - | - |
| | **$ 1,331** | **1,358** | **235** | **112** |

## 8. Pledged assets

The carrying values of pledged assets were as follows:

| Pledged assets | Object | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| Time deposits (recognized in financial assets measured at amortized cost－noncurrent) | Guarantee for the lease contract with the Central Taiwan Science Park Bureau | $ 6,200 | 6,200 |
| Time deposits (recognized in financial assets measured at amortized cost－noncurrent) | Guarantee for the lease and investment with the Chungkang Branch, Export Processing Zone Administration MOEA | 2,600 | 4,150 |
| | | **$ 8,800** | **10,350** |

## 9. Significant contingent liabilities and unrecognized commitments

The significant commitments and contingencies of the Group as of December 31, 2023 and 2022 were as follows:

(1) A guarantee letter for import tariffs and VAT which the Group requested a bank to issue to the Taipei Customs Administration, Ministry of Finance amounting to both $4,000 thousand.

(2) The total amount of promissory notes deposited by the Group at the bank for acquiring borrowings limit, credit line of forward exchange trading and accounts receivable factoring was $1,742,935 thousand and $1,727,161 thousand, respectively.

(3) The significant outstanding commitments for construction and purchase of property, plant and equipment amounted to $101,722 thousand and $113,507 thousand, respectively.

(4) As of December 31, 2022, a promissory note and a guarantee letter issued by a bank to Taiwan Small & Medium Enterprise Counselling Foundation as a guarantee of government subsidies for the research and development project amounted $30,876 thousand and $18,376 thousand, respectively. The research and development project had closed in March 2023.

## 10. Significant disaster losses: None

## 11. Subsequent Events: None

## 12. Other

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

| By function / By item | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Operating costs | Operating Expenses | Total | Operating costs | Operating Expenses | Total |
| Employee benefits | | | | | | |
| Salary | 189,377 | 512,329 | 701,706 | 157,750 | 441,852 | 599,602 |
| Labor and health insurance | 15,118 | 26,799 | 41,917 | 13,340 | 24,741 | 38,081 |
| Pension | 7,184 | 12,360 | 19,544 | 6,445 | 11,661 | 18,106 |
| Others | 6,596 | 12,989 | 19,585 | 6,915 | 14,666 | 21,581 |
| Depreciation | 201,102 | 55,894 | 256,996 | 157,729 | 60,453 | 218,182 |
| Amortization | 351 | 2,576 | 2,927 | 371 | 2,869 | 3,240 |

## 13. Additional disclosures

(1) Information on significant transactions:

Following are the additional disclosures required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2023:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

| | | | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company name | Related party | Relationship | Purchase /Sale | Amount | % of total purchases/ sales | Payment terms | Unit price | Payment terms | Ending balance | % of total notes/accounts receivable (payable) | Note |
| The Company | AUO | The company who evaluated the Company by the equity method | Sales | 2,029,711 | 48 % | 120 days from the end of the month | Note 7 | Note 7 | 693,709 | 65% | |

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

| Company name | Related party | Relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| The Company | AUO | The company who evaluated the Company by the equity method | 693,709 | 3.00 | - | - | 186,634 | - |

Note: The status of receivables collection in subsequent period was as of January 31, 2024.

I. Trading in derivative instruments: Please refer to notes 6(2).

J. Business relationships and significant intercompany transactions: None.

(2) Information on investees:

The following is the information on investees for the years ended December 31, 2023:

(Unit: NTD (JPY) thousand/share)

| Investor Company | Investee Company | Location | Main businesses and products | Original investment amount | | Balance as of December 31, 2023 | | | Highest % of ownership | Net income (losses) of investee | Share of profits/losses of investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Shares (thousands) | % of ownership | Carrying value | | | | |
| The Company | LS | Japan | R&D, Manufacturing and sales company of fine chemicals | - | 5,617 (JPY15,000) | - | - % | - | 100 % | - | - | Note (1) |
| The Company | FMSA | Samoa | Investing and shareholding | - | - | - | - % | - | - | - | - | Note (2) |

Note (1): The liquidation process was completed in November 2023.

Note (2): The registration process was completed on August 9, 2017. As of December 31, 2023, the capital was not injected.

(3) Information on investment in mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None.

B. Limitation on investment in Mainland China: None.

C. Significant transactions: None.

(4) Major shareholders:

| Major Shareholder | Shares | |
|---|---|---|
| | **Total Shares Owned** | **Ownership Percentage** |
| Eternal Materials Co., Ltd. | 23,423,812 | 22.80 % |
| Konly Venture Corp. | 19,113,730 | 18.61 % |
| Ronly Venture Corp. | 6,312,075 | 6.15 % |

Note：(1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statements due to the use of different calculation basis.

(2) In the case of the above information, if a shareholder delivers shares to the trust, the shares will be individually disclosed by the trustee who opened the trust account. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding include their own shareholding, plus the shares delivered to the trust, and the right to use the trust property. For further information on relevant insider shares, please refer to the Market Observation Post System website.

## 14. Segment information

(1) Segment information

The segment financial information is consistently to the consolidated financial statements. For revenue from external customers and profit before income tax, please refer to the consolidated statements of comprehensive income. For assets, please refer to the consolidated balance sheets.

(2) Products information

| | | 2023 | 2022 |
|---|---|---|---|
| Display materials | $ | 3,967,875 | 3,675,292 |
| Semiconductor materials and key raw materials | | 296,246 | 213,944 |
| | **$** | **4,264,121** | **3,889,236** |

(3) Geographical information

The Group' s geographical information was as follow, of which segment revenue is based on the geographical location of customers, and noncurrent assets are based on the geographical location of the assets.

| **Geographical information** | | **2023** | **2022** |
|---|---|---|---|
| Revenue from external customers | | | |
| Taiwan | $ | 2,419,439 | 2,258,151 |
| China | | 1,777,902 | 1,566,756 |
| Japan | | 49,850 | 58,826 |
| Other countries | | 16,930 | 5,503 |
| | **$** | **4,264,121** | **3,889,236** |
| Noncurrent assets | | | |
| Taiwan | **$** | **1,710,992** | **1,786,891** |

(4) Major customers' information

Major customers greater than 10% of operating revenue of the Group were as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Customer A | **$** | **2,029,711** | **1,886,226** |