

E&R ENGINEERING CO., LTD.
PARENT COMPANY ONLY STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
AND
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
E&R Engineering Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of E&R Engineering Co., Ltd. (the "Company") as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company 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 for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements for the year ended December 31, 2023 are stated as follows:

Valuation of inventory

Please refer to Note 4(7) to the parent company only financial statements for the accounting policy of inventories, Note 5(2)F for critical accounting judgments, estimates and key sources of assumption uncertainty of inventories, and Note 6(6) for inventory valuation.

Description of key audit matter:

As of December 31, 2023, inventory was \$928,279 thousand and accounted for 24% of the total assets. Due to rapid changes in technology may lead to write-downs of slow-moving inventories to their net realizable values. As uncertainty exists in management's judgment when the determining the loss on inventory, the valuation of inventory has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included the understanding of the feature of the product and the inventory aging to confirm the appropriateness of the inventory evaluation method ; Testing the book value of the inventory to assess the rationality of the change in the impairment loss of the inventory, obtaining the inventory status of the Company and compare the actual write-offs of the past to assess the appropriateness of the valuation for obsolescent and damaged inventories.

Revenue recognition

Please refer to Note 4(18) to the parent company only financial statements for the accounting policy of revenue recognition, Note 5(1) A and Note 5(2) A for critical accounting judgements, estimates and key sources of assumption uncertainty of revenue recognition, and Note 6(27) for the description of revenue recognition.

Description of key audit matter:

The Company's sales revenue is easily influenced by various factors such as the industry boom and market environment, and has a significant impact on the utilization rate of the Company (the levy of idle capacity loss), inventory risk and cash flow. Consequently, this 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, our principal audit procedures included testing the Company's controls surrounding revenue recognition; inspecting customer orders and performing a test of revenue transactions which incurred within a certain period before or after the balance sheet date; analyzing of the trend of product sales and comparing the number of relevant changes or differences with the budget to confirm whether there is a significant exception.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only 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 Company'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 Company'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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 parent company only financial statements for the year ended December 31, 2023 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 Ching Ling Lee and Kuo Ming Lee.

Crowe (TW) CPAs

Crowe (TW) CPAs

Kaohsiung, Taiwan (Republic of China)

March 6, 2024

Notice to Readers

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

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

E&R ENGINEERING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	6.1	\$750,696	19	\$898,626	20
Financial assets at fair value through profit or loss - current	6.2	343,961	9	114,943	3
Notes receivable, net	6.3	-	-	9,525	-
Accounts receivable, net	6.4	332,475	8	617,419	14
Accounts receivable due from related parties, net	6.4,7	57,747	1	102,916	2
Other receivables	6.5	6,651	-	8,405	-
Other receivables due from related parties	6.5,7	142,511	4	37,312	1
Inventories	6.6	928,279	24	1,049,952	23
Prepayments		38,276	1	69,139	2
Other financial assets - current	6.7	322,573	8	582,185	13
Total current assets		2,923,169	74	3,490,422	78
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income or loss - noncurrent	6.8	51,270	1	36,181	1
Investments accounted for using equity method	6.9	384,446	10	445,064	10
Property, plant and equipment	6.10	437,095	12	363,809	8
Right-of-use assets	6.11	93,815	2	101,530	2
Intangible assets	6.12	16,173	-	11,252	-
Deferred income tax assets	6.33	40,334	1	44,984	1
Refundable deposits		1,512	-	1,317	-
Current prepayments for investments		10,000	-	-	-
Other financial assets - noncurrent	8	6,900	-	6,900	-
Total noncurrent assets		1,041,545	26	1,011,037	22
TOTAL ASSETS		\$3,964,714	100	\$4,501,459	100
Liabilities and Equity					
CURRENT LIABILITIES					
Short-term loans	6.13	\$97,000	2	\$-	-
Contract liabilities-current	6.27	23,027	1	36,813	1
Accounts payable		162,353	4	289,318	7
Other payables	6.14	100,237	3	183,746	4
Current income tax liability		22,962	1	86,839	2
Provisions - current	6.15	28,762	1	89,695	2
Lease liabilities - current	6.11	5,009	-	6,141	-
Advance receipts		398	-	398	-
Current portion of long-term loans	6.16	17,172	-	16,799	-
Total current liabilities		456,920	12	709,749	16

Liabilities and Equity	Note	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
NONCURRENT LIABILITIES					
Financial liabilities at fair value through profit or loss - noncurrent	6.2	9,700	-	19,800	-
Bonds payable	6.17	946,295	24	931,470	21
Long-term loans	6.18	72,923	2	89,731	2
Deferred income tax liabilities	6.33	276	-	4,076	-
Lease liabilities - noncurrent	6.11	90,234	2	95,423	2
Long-term deferred revenue	6.20	4,712	-	5,110	-
Net defined benefit liability - noncurrent	6.19	7,401	-	8,480	-
Guarantee deposits	9.6	71,056	2	71,056	2
Total noncurrent liabilities		1,202,597	30	1,225,146	27
TOTAL LIABILITIES		\$1,659,517	42	\$1,934,895	43
EQUITY					
Share capital	6.21				
Common stock		985,954	25	1,007,703	22
Bond conversion entitlement certificates		-	-	3,026	-
Advance receipts for ordinary share		-	-	125	-
Capital surplus	6.22	1,237,824	31	1,271,597	29
Retained earnings	6.24				
Legal reserve		77,177	2	38,028	1
Special reserve		36,409	1	11,185	-
Unappropriated retained earnings		166,014	4	459,625	10
Other equity	6.25	(31,456)	(1)	(36,409)	(1)
Treasury shares	6.26	(166,725)	(4)	(188,316)	(4)
TOTAL EQUITY		2,305,197	58	2,566,564	57
TOTAL LIABILITIES AND EQUITY		\$3,964,714	100	\$4,501,459	100

The accompanying notes are an integral part of the parent company only financial statements.

E&R ENGINEERING CO., LTD
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Item	Note	Year Ended December 31			
		2023		2022	
		Amount	%	Amount	%
OPERATING REVENUE	6.27	\$1,154,330	100	\$2,758,667	100
OPERATING COST	6.6	(568,874)	(49)	(1,696,330)	(62)
GROSS PROFIT (LOSS)		585,456	51	1,062,337	38
UNREALIZED GROSS PROFIT ON SALES		-	-	(3,552)	-
REALIZED GROSS PROFIT ON SALES		2,356	-	1,404	-
OPERATING EXPENSES					
Sales and marketing		(181,562)	(16)	(279,997)	(10)
General and administrative		(112,290)	(10)	(143,331)	(5)
Research and development expense		(206,381)	(17)	(207,510)	(8)
Expected credit losses (reversal)	6.4	5,681	-	(6,927)	-
Total operating expenses		(494,552)	(43)	(637,765)	(23)
INCOME (LOSS) FROM OPERATIONS		93,260	8	422,424	15
NON-OPERATING INCOME AND EXPENSES					
Interest income	6.29	22,364	2	9,792	-
Other income	6.30	3,945	-	5,511	-
Other gains and losses	6.31	11,291	1	76,641	3
Finance cost	6.32	(19,436)	(2)	(10,625)	-
Share of profit (loss) of subsidiaries, associates and joint ventures		(59,748)	(5)	(9,410)	-
Total non-operating income and expenses		(41,584)	(4)	71,909	3
INCOME (LOSS) BEFORE INCOME TAX		51,676	4	494,333	18
INCOME TAX BENEFIT (EXPENSE)	6.33	(20,765)	(2)	(103,544)	(4)
NET INCOME (LOSS)		30,911	2	390,789	14
OTHER COMPREHENSIVE INCOME (LOSS)	6.34				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(1,446)	-	1,080	-
Unrealized gain (loss) on investments in equity instruments at FVTOCI		11,484	1	(27,767)	(1)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		(24)	-	66	-
Income tax benefit (expense) related to items that will not be reclassified subsequently to profit or loss		289	-	(216)	-

Items that may be reclassified subsequently to profit or loss:

Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		(6,745)	(1)	2,625	-
Income tax benefit (expense) related to items that may be reclassified subsequently to profit or loss		214	-	(82)	-
Total other comprehensive income (loss), net of income tax		<u>3,772</u>	<u>-</u>	<u>(24,294)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u><u>\$34,683</u></u>	<u><u>2</u></u>	<u><u>\$366,495</u></u>	<u><u>13</u></u>
EARNINGS (LOSS) PER SHARE					
Basic	6.35	<u><u>\$0.32</u></u>		<u><u>\$3.94</u></u>	
Diluted	6.35	<u><u>\$0.32</u></u>		<u><u>\$3.65</u></u>	

The accompanying notes are an integral part of the parent company only financial statements.

E&R ENGINEERING CO., LTD
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital Stock			Retained Earnings				Other Adjustment Item			
	Common Stock	Certificate of Bond Exchange Rights	Proceeds- New Issued	Capital Surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	treasury stock	Total Equity
BALANCE AT JANUARY 1, 2022	\$1,000,475	\$546	\$-	\$1,164,065	\$16,127	\$11,063	\$248,397	(\$11,477)	\$292	(\$64,707)	\$2,364,781
Allocate and appropriated retained earnings:											
Legal reserve	-	-	-	-	21,901	-	(21,901)	-	-	-	-
Special reserve	-	-	-	-	-	122	(122)	-	-	-	-
Cash dividend of common stock	-	-	-	-	-	-	(158,240)	-	-	-	(158,240)
Due to the issuance of convertible corporate bonds	-	-	-	66,566	-	-	-	-	-	-	66,566
, the equity component items are recognized - stock options											
Net income (loss) in 2022	-	-	-	-	-	-	390,789	-	-	-	390,789
Other comprehensive income (loss) in 2022, net of income tax	-	-	-	-	-	-	930	2,543	(27,767)	-	(24,294)
Total comprehensive income (loss) in 2022	-	-	-	-	-	-	391,719	2,543	(27,767)	-	366,495
Convertible corporate bond conversion	-	4,358	-	13,582	-	-	-	-	-	-	17,940
Bond conversion entitlement certificate	1,878	(1,878)	-	-	-	-	-	-	-	-	-
Buyback treasury stock	-	-	-	-	-	-	-	-	-	(134,241)	(134,241)
The difference between the actual acquisition or disposal of the subsidiary company's equity price and book value	-	-	-	764	-	-	-	-	-	-	764
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	(228)	-	-	-	(228)
Share-based payment transactions	5,350	-	125	26,514	-	-	-	-	-	10,632	42,621
Others- right of entry	-	-	-	106	-	-	-	-	-	-	106
BALANCE AT DECEMBER 31, 2022	1,007,703	3,026	125	1,271,597	38,028	11,185	459,625	(8,934)	(27,475)	(188,316)	2,566,564
Allocate and appropriated retained earnings:											
Legal reserve	-	-	-	-	39,149	-	(39,149)	-	-	-	-
Special reserve	-	-	-	-	-	25,224	(25,224)	-	-	-	-
Cash dividend of common stock	-	-	-	-	-	-	(195,545)	-	-	-	(195,545)
Net income (loss) in 2023	-	-	-	-	-	-	30,911	-	-	-	30,911
Other comprehensive income (loss) in 2023, net of income tax	-	-	-	-	-	-	(1,181)	(6,531)	11,484	-	3,772
Total comprehensive income (loss) in 2023	-	-	-	-	-	-	29,730	(6,531)	11,484	-	34,683
Bond conversion entitlement certificate	3,026	(3,026)	-	-	-	-	-	-	-	-	-
Buyback treasury stock	-	-	-	-	-	-	-	-	-	(111,508)	(111,508)
Retirement of treasury stock	(24,900)	-	-	(44,776)	-	-	(63,423)	-	-	133,099	-
The difference between the actual acquisition or disposal of the subsidiary company's equity price and book value	-	-	-	5,434	-	-	-	-	-	-	5,434
Changes in ownership interests in subsidiaries	-	-	-	(480)	-	-	-	-	-	-	(480)
Share-based payment transactions	125	-	(125)	6,049	-	-	-	-	-	-	6,049
BALANCE AT DECEMBER 31, 2023	\$985,954	\$-	\$-	\$1,237,824	\$77,177	\$36,409	\$166,014	(\$15,465)	(\$15,991)	(\$166,725)	\$2,305,197

The accompanying notes are an integral part of the parent company only financial statements.

E&R ENGINEERING CO., LTD
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

Item	Year Ended December 31	
	2023	2022
1.CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$51,676	\$494,333
Adjustments for:		
Income and expenses having no effect on cash flows:		
Depreciation	84,329	66,962
Amortization expense	9,439	8,879
Expected credit losses (reversal)	(5,681)	6,927
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(16,513)	10,006
Interest expense	19,436	10,625
Interest income	(22,364)	(9,792)
Dividend income	(890)	(473)
Share-Based Benefit Compensation Cost	6,049	23,589
Share of loss (profit) of subsidiaries, associates and joint ventures	59,748	9,410
Gain on disposal and retirement of property, plant and equipment	(868)	(662)
Property, plant and equipment transfer to expense	476	39
Loss (gain) on disposal of investments accounted for using equity method	(489)	-
Unrealized sales benefit	-	3,552
Realized sales benefit	(2,356)	(1,404)
Loss (gain) on lease modification	(104)	-
Others	(398)	(464)
Total income and expenses having no effect on cash flows	129,814	127,194
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(222,605)	147,078
Notes receivable	9,550	(9,550)
Accounts receivable	335,769	(41,273)
Other receivables	173	2,794
Inventories	(4,992)	(54,822)
Prepayments	30,863	(35,754)
Other financial assets	269,854	(561,595)
Total net changes in operating assets	418,612	(553,122)
Net changes in operating liabilities:		
Contract liabilities	(13,786)	(148,333)
Notes payable	-	(13)
Accounts payable	(126,965)	(201,024)
Other payables	(84,889)	65,406
Provisions	(60,933)	33,832
Net defined benefit liability	(2,525)	2

Total net changes in operating liabilities	(289,098)	(250,130)
Total changes in operating assets and liabilities	129,514	(803,252)
Total adjustments	259,328	(676,058)
Cash generated from (used in) operations	311,004	(181,725)
Interest received	22,694	8,061
Dividends received	890	473
Interest paid	(4,502)	(3,664)
Income tax refund (paid)	(83,289)	(65,582)
Net cash generated from (used in) operating activities	246,797	(242,437)
2.CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(3,605)	(42,203)
Acquisition of investments accounted for using equity method	(5,200)	(201,419)
Increase in prepaid investment	(10,000)	-
Proceeds from capital reduction of investments accounted for using equity method	6,181	-
Acquisition of property, plant and equipment	(24,294)	(23,597)
Proceeds from disposal of property, plant and equipment	625	9,537
Increase in refundable deposits	(195)	-
Decrease in refundable deposits	-	2,063
Increase in other receivables-related parties	(101,676)	(5,372)
Acquisition of intangible assets	(13,065)	(1,652)
Increase in other financial assets	(10,242)	-
Decrease in other financial assets	-	11,515
Net cash generated from (used in) investing activities	(161,471)	(251,128)
3.CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	97,000	-
Decrease in short-term loans	-	(9,882)
Issuance of corporate bonds	-	1,005,070
Increase in long-term loans	-	86,000
Repayment of long-term loans	(16,435)	(47,970)
Increase in guarantee deposits received	-	71,056
Repayments of principal of lease liabilities	(6,768)	(3,735)
Increase in other liabilities - noncurrent	-	5,972
Cash dividend	(195,545)	(158,240)
Employee exercise stock options	-	8,432
Treasury stock buyback cost	(111,508)	(134,241)
Employee purchase treasury stock	-	10,600
Others	-	106
Net cash generated from (used in) financing activities	(233,256)	833,168
4.NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(147,930)	339,603
5.CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	898,626	559,023
6.CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$750,696</u>	<u>\$898,626</u>

The accompanying notes are an integral part of the parent company only financial statements.

E&R ENGINEERING CO., LTD.**NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022****(In Thousands of New Taiwan Dollars, Except Stated Otherwise)**

1. GENERAL INFORMATION

E&R Engineering Co., Ltd. (collectively as the “Company”) was incorporated in October 1994, and stocks were traded at emerging stock market since January 3, 2003. The board of directors decided to impose the withdrawal of trading at emerging stock market on November 13, 2008 and re-registered on November 12, 2013. Stocks were approved for sale on the counter by Taipei Exchange (TPEX) on March 27, 2015. The Company engages mainly in the planning, designing, manufacturing, installing and selling of automatic machines, related components, computer software and pollution controlling equipment.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan Dollars.

2. THE AUTHORIZATION OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The parent company only financial statements were approved and authorized for issue by the Board of Directors on March 6, 2024.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- (1) Effect of adoption of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC):

New standards, interpretations and amendments endorsed by the FSC and effective from 2023 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)
Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”	(Note 4)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes

in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for otherwise specified with for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

Note 4: As a temporary exception under IAS 12, the company shall not recognize deferred income tax assets and liabilities related to Pillar Two income tax, nor shall it disclose their related information. However, the company shall disclose in its financial report that it has already applied this exception. The company shall apply this part of the amendment retrospectively in accordance with IAS 8 since its issuance date (i.e. May 23, 2023). The company shall apply the remaining disclosure requirements for the annual reporting periods beginning on or after January 1, 2023 and needs not to disclose such information in its interim reports with a reporting dates ending before or on December 31, 2023.

A. Amendments to IAS 1 “Disclosure of Accounting Policies”

This amendment clarifies that when the size or nature of a transaction, other event or condition is material, and the related accounting policy information is also material to the financial report, the related material accounting policy information shall be disclosed. Conversely, if the company determines that the size or nature of a transaction, other event or condition is not material, or that the size or nature of a transaction is material but the related accounting policy information is not material, it does not need to disclose this immaterial accounting policy information. However, the company’s conclusion that accounting policy information is immaterial does not affect the relevant disclosures required by other IFRS standards.

B. Amendments to IAS 8 “Definition of Accounting Estimates”

This amendment defines accounting estimates as the monetary amount of financial statements subject to measurement uncertainty, and provides further explanations, except for corrections due to errors in the previous period, the impact of changes in input values or measurement techniques on accounting estimates is a change in accounting estimates.

C. Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction”

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. When the Company initially applies the amendments, it will recognize the cumulative effect of applying the amendments initially as an adjustment to the opening balance of the retained earnings (or other components of equity, as appropriate) at the beginning of the earliest presented period for all deductible and taxable temporary differences

associated with leases and decommissioning, and will prospectively apply the amendments for other transactions occurred on or after January 1, 2022.

D. Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

The amendments stipulate that, as a temporary exception to IAS 12, Company shall neither recognize nor disclose information about deferred income tax assets and liabilities for Pillar Two income tax relating to international tax reform; however, Company shall disclose in its financial reports that it has applied this exception. In addition, Company shall separately disclose its current income tax expenses (benefits) relating to Pillar Two income tax. If the Pillar Two bill has been enacted or has been substantively enacted but has not yet taken effect, Company should disclose qualitative and quantitative information on its exposure to Pillar Two income tax that is known or can be reasonably estimated.

The Company has evaluated the aforementioned standards and interpretations, and there is no significant effect on the Company’s financial position and performance.

(2) Effect of new issuances or amendments to IFRSs as endorsed by the FSC but not yet adopted

New standards, interpretations and amendments endorsed by the FSC and effective from 2024 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 16 “Lease Liabilities in Sale and Leaseback”	January 1, 2024 (Note 1)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 2)

Note 1: The seller-lessee shall apply the amendments retroactively in accordance with IAS 8 for the sale and leaseback transactions made after the initial application of IFRS 16.

Note 2: This amendment provides certain transitional reliefs. When the amendment is applied initially, Company are not required to disclose comparative information and interim period information, as well as opening information required by paragraph 44H(b)(ii)-(iii).

A. Amendments to IFRS 16 “Lease Liabilities in Sale and Leaseback”

This amendment clarifies that for a sale and leaseback transaction, if the transfer of the asset is treated as a sale in accordance with IFRS 15, the liabilities incurred by the seller and lessee due to the leaseback should be treated in accordance with IFRS 16 regarding lease liabilities; however, if variable lease payments that do not depend on

an index or rate are involved, the seller-lessee should still determine and recognize the lease liability arising from such variable payments in a manner that does not recognize gains and losses related to the retained right of use. The difference between the subsequent actual lease payment amount and the reduced carrying amount of the lease liability is recognized in profit or loss.

B. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current ”

The amendments clarify that when the Company determines whether a liability is classified as noncurrent, the Company should assess whether the Company has the right to defer the settlement for at least twelve months after the reporting period. If the Company has that right on the end of reporting period, that liability must be classified as non-current regardless whether the Company expects whether to exercise the right or not. If the Company must follow certain conditions to have the right to defer the settlement of a liability, the Company must have followed those conditions on the end of reporting period in order to have that right even if the lender tests the Company’s compliance on a later date.

The aforementioned settlement means transferring cash, other economic resources or the Company’s equity instruments to the counter-party to extinguish the liability. If the terms of the liability give the counterparty an option to extinguish the liability by the Company’s equity instruments, and this option is recognized separately in equity in accordance with IAS 32 “Financial Instruments: Presentation” then the classification of the liability will not be affected.

C. Amendments to IAS 1 “Non-current Liabilities with Covenants ”

This amendment further clarifies that only contractual terms that are required to be complied with before the end of the reporting period will affect the classification of the liability at that date. The contractual terms that required to be complied with within 12 months after the reporting period do not affect the classification of liabilities at the reporting date. However, for liabilities classified as non-current and must be repaid within 12 months after the reporting period due to potential non-compliance, the relevant facts and circumstances should be disclosed in the notes.

D. Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements ”

Supplier financing arrangements involve one or more financing providers making payments to suppliers on behalf of Company, and Company agrees to repay the financing providers on the payment date agreed with the suppliers or a later date. The amendments to IAS 7 require Company to disclose information on its supplier financing arrangements to enable users of financial statements to assess the impact of these arrangements on Company's liabilities, cash flows and exposure to liquidity. The amendments to IFRS 7 include into its application guidance that when

disclosing how Company manages the liquidity risk of its financial liabilities, it may also consider whether it has obtained or can obtain financing facilities through supplier financing arrangements, and whether these arrangements may cause concentration of liquidity risk.

The Company has evaluated the aforementioned standards and interpretations, and there is no significant effect to the Company's financial position and performance.

(3) Effect of the IFRSs issued by IASB but not yet endorsed and issued into effect by FSC:

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial application IFRS 17 and IFRS 9 – Compare Information"	January 1, 2023
Amendments to IAS 21 " Lack of Exchangeability "	January 1, 2025

As of the date the accompany consolidated financial statements are authorized for issue, the Company is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the accompany parent company only financial statements have been prepared under the historical cost convention:

- a. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b. Liabilities on cash-settled share based payment arrangement measured at fair value.
- c. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of

certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

- C. When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

(3) Foreign currency translation

A. Foreign currency transactions and balance

- a. Foreign currency transactions are translated into the functional currency using the spot exchange rate on the transaction date or measurement date, and the translation differences arising from the translation of these transactions are recognized as current profit or loss.
- b. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- c. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

B. Translation of foreign operations

- a. The operating results and financial position of all the Company's subsidiaries, associates and joint ventures that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
 - (c) All resulting exchange differences are recognized in other comprehensive income.
 - b. When the foreign operation partially disposed of or sold is an associate or a joint venture, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate or joint venture after losing significant influence over the former foreign associate or joint venture, such transactions should be accounted for as disposal of all interest in these foreign operations.
 - c. When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (4) Classification of current and non-current items
- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - a. Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed within the normal operating cycle;
 - b. Assets held mainly for trading purposes;
 - c. Assets that are expected to be realized within twelve months from the balance sheet date;
 - d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
 - B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a. Liabilities that are expected to be paid off within the normal operating cycle;
 - b. Liabilities held mainly for trading purposes;
 - c. Liabilities that are to be paid off within twelve months from the balance sheet date (Even if a long-term refinancing or re-arrangement of payment agreements is completed after the balance sheet date and before the issuance of the financial report is approved, it is classified as current liabilities).
 - d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of

equity instruments do not affect its classification.

(5) Cash and cash equivalents

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

(6) Financial instruments

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

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial assets

a. Category of financial assets

Financial assets are recognized on a trade date basis.

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments. at FVTOCI.

(a) Financial asset at FVTPL

For certain financial assets are classified as at FVTPL when such a financial asset is mandatorily and designated classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets that used to be classified as financial assets at amortized cost or FVTOCI, if not classified as FVTPL because of eliminating or materially reducing, then due to measuring assets, liabilities or profit or loss by using different basis and cause different result. The Company would make an irrevocable choice by classifying them as FVTPL at initial recognition.

Financial assets at fair value through profit or loss are measured at fair value, dividends generated are recognized in other income, and interest income and gains or losses arising from remeasurement are recognized in other gains and losses. For the determination of fair value, please refer to Note 12.

(b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except for the following two cases, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset:

- i. Purchased or originated credit-impaired financial assets: for those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets: for those financial assets, the Company shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

(c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the Company's right clearly represent a recovery of part of the cost of the investment.

b. Impairment of financial assets

- (a) At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivable and contract assets.
- (b) The Company always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Company recognize lifetime ECL when there has been a significant increase in credit risk since

initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equaling to 12-month ECL.

- (c) Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.
- (d) The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c. Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- (a) The contractual rights to receive cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- (c) The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of financial assets at amortized cost in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On derecognition of debt instrument measured at fair value through other comprehensive income, the difference between the financial asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of equity instruments at fair value through other comprehensive income in its entirety, the cumulative profit and loss will be transferred directly to retain earnings without reclassified into profit and loss.

B. Equity instruments

The Company classifies the instrument issued as a financial liability or an equity

instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

C. Financial liabilities

a. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized cost in accordance with the effective interest method:

- (a) Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss. Financial liabilities classified as held for trading are mainly for repurchasing in the short term when they occur, and derivatives other than financial guarantee contracts or designated and effective hedging instruments. Financial assets meet one of the following conditions, the Company designates them as measured at fair value through profit and loss at the time of initial recognition:
 - i. It is a mixed (combined) contract containing at least an embedded derivatives and the host contract is an asset not within the scope of IFRS 9; or
 - ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
 - iii. It is an instrument that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.
- (b) Financial liabilities at FVTPL are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.
- (c) As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above

accounting treatment would create or enlarge an accounting in profit or loss, the Company presents all gains or losses on that liability in profit or loss.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

D. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Company recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortized over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Company applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value, accounted for on a perpetual basis. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale.

(8) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. As long as the change in shareholding in the subsidiaries does not lead to loss of control, it is to be treated as equity transaction that is to be treated as transactions between the owners. The difference between non-controlling equity adjustment amount and the fair value of payment and receipt is to be recognized as equity.
- E. When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. It should reclassify the amount previously recognized in other comprehensive income to profit or loss. When the Company loses control of a subsidiary, gain or loss previously recognized in equity should be reclassified to profit or loss.
- F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(9) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred

during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.

- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

Service lives estimated as follows:

Buildings:

Main building, 25 to 39 years;

Others, 3 to 35 years;

Machinery and transportation equipment, 5 to 8 years;

Other equipment, 3 to 10 years;

- D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(10) Leases

The Company assesses whether the contract is (or includes) a lease at the date of the contract. For a contract that includes a lease component and one or more additional lease or non-lease components, the Company allocates the consideration to the lease component base on the individual price of each lease component and the aggregated individual price of the non-lease component.

A. The Company as a lessee

Except for payments for low-value assets and short-term leases which are

recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the inception of lease.

Right-of-use asset

The right-of-use asset is initially measured at cost (including the initial measurement amount of the lease liability, the payments less incentives, initial direct costs and the estimated recover cost), the subsequent measurement is based on the cost less accumulated depreciation and accumulated impairment loss, and adjusting the amount of re-measures of lease liabilities.

Except for right-of-use assets that meet the definition of investment real estate, right-of-use assets are presented in the balance sheet as a single line item.

The right-of-use asset recognized depreciation is using the straight-line basis from the date of the lease until the expiration of the useful life or the expiration of the lease term, the depreciation is provided that the title of the underlying asset will be acquired at the end of the lease period or, if the cost of the right-of-use asset reflects the execution of the purchase option.

Lease liabilities

The lease liability is initially measured by the present value of the lease payment (including fixed payment, substantive fixed payment, change in lease payment depending on the index or rate, etc.). If the implied interest rate on the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, the lessee's increase borrowing rate is used.

Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is amortized over the lease term. If the lease period, the evaluation of the purchase choice, the amount of expected to be paid under the residual value guarantee or the change in the index or rate used to determine the lease payment result in a change in the future lease payment, the Company will measure the lease liability and adjust the right to use assets relatively. If the carrying amount has been reduced to zero, the remaining amount will recognize in the profit and loss. Lease liabilities are presented in a single-line project on the standalone balance sheet.

(11) Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: computer software - 1 to 3 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(12) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(13) Provisions

Provisions (including short-term employee benefits, onerous purchase contract, and warranty estimation) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(14) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

a. Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service

costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

(b) Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Past service costs are recognized immediately in profit or loss.

C. Employees' bonus and directors' remuneration

Employees' bonus and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

(15) Share capital and treasury shares

A. Share capital

Ordinary share is classified as equity. The classification of the preferred stock depends on the essence of the agreement. If the preferred stock matches the definition of the financial liability, it is classified as a liability. Otherwise, it is classified as equity. Incremental cost that can be attributed to the issuance of stocks or options is deducted from the capital issued.

B. Treasury Shares

When the Company acquires its outstanding shares, the repurchase considerations (including all directly accountable costs) are recognized under treasury shares and

shown as a deduction in equity. Gains on disposal of treasury shares should be recognized under “capital surplus - treasury stock transactions”; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method for the purpose of repurchased shares.

When the Company’s treasury shares are retired, the treasury share account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury shares in excess of the sum of its par value and premium on stock should first be offset against capital surplus from similar types of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of its carrying value should be credited to capital surplus from similar types of treasury share transactions.

(16) Share-based payment transactions

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. Cash-settle share-based payment arrangements are the fair value of liabilities undertaken recognized in remuneration costs and liabilities in the vesting period and measured by the fair value of equity instruments offered at each balance sheet date and the settlement date. Any changes are recognized in profit or loss.

(17) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically

evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and it does not give rise to equal deductible and taxable temporary differences at the time of transaction. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. Tax preference given for expenditures incurred on acquisitions of equipment or technology, research and development, employees' training and equity investments is recorded using the income tax credits accounting.

(18) Revenue Recognition

The Company recognizes revenues based on the following steps:

- A. Identifying the contracts;
- B. Identifying obligations in the contracts;
- C. Determining prices;
- D. Allocating prices into the obligations in the contracts;
- E. Recognizing revenues while fulfilling the obligations.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component if the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

A. Goods sales

The Company manufactures and sells machines and relevant products. Sales revenues are recognized while the control of goods is transferred to the customers since the customers already have the rights to use, set price, take the major responsibility to resell the good and bear the risk of obsolescence. The Company recognizes revenues and accounts receivable at the point and presents it in net term after deducting sales return, quantity discount and sales allowance.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

B. Revenue from dividends and interests

- a. Dividend revenue from investments is recognized when the rights of shareholders to receive payment are established, provided that the economic profits arising from such transaction are highly probable to flow to the Company and the amount of such benefits can be reliably measured.
- b. Interest revenue is recognized based on outstanding principal and applicable effective interest according to passage of time on an accrual basis.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

(20) Government subsidy

Government subsidies are recognized at fair value when it is reasonably certain that the Company will comply with the conditions attached to the government subsidies and will receive such subsidies.

Government subsidies are recognized in profit and loss on a systematic basis during the period when the relevant costs that they intend to compensate are recognized as expenses by the Company. If government subsidy is used to compensate for expenses or losses that have occurred, or for the purpose of providing the Company with immediate financial support and there is no future related cost, it is recognized in the profit and loss during the period when it can be received. Government subsidies related to property, plant and equipment are recognized as non-current liabilities, and recognized as profits and losses on a straight-line basis based on the estimated useful life of the relevant assets.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

In the preparation of the Company's parent company only financial statements is adopting accounting policies based on the following significant judgements, significant accounting estimates and assumptions:

(1) Critical judgements in applying accounting policies

A. Revenue recognition

The Company follows IFRS 15 to determine if it controls the specified good or service before that good or service is transferred to the customer, and the Company is acting as a principal or an agent in that transaction. When the Company acts as an agent, revenue is recognized on a net basis.

The Company acts as a principal as that it meets one of the following situations:

- a. The Company gains control over the goods from the other party before transferring goods to customers.
- b. The Company controls the right of providing service by the other party in order to control the ability of the party to provide service to customers.
- c. The Company gain control over goods or service from the other party in order to combine with other goods or services to provide specific goods or services to customers.

The indicators (not limited to) which assist making judgment on whether the Company controls the goods or services before transferring goods or services to customers:

- a. The Company has primary responsibilities for the goods or services it provides;
- b. The Company bears inventory risk before transferring the specific goods or services to customer, or after transferring the control to customer (for example, if the customer has the right to return).
- c. The Company has the discretion to set prices.

B. Judgment of financial asset classification

The Company assesses the business model of financial assets based on the hierarchy that reflects the Company of financial assets that are jointly managed for specific business purposes. This assessment requires consideration of all relevant evidence, including measures of asset performance, risks affecting performance, and the manner in which the relevant managers are determined, and judgments are required. The Company continues to assess the adequacy of its business model and monitors the financial assets measured by the amortized cost before the maturity date and the debt instrument investments measured at fair value through other comprehensive income. Evaluate whether the disciplinary action has the same goal of business model. If the business model has been changed, the Company delays the adjustment of the subsequent classification of financial assets. The Company reclassifies financial assets in accordance with IFRS 9, and the application will be postponed from the date of reclassification, if the business model has changed.

C. Lease term

In determining the lease term, the Company considers all the facts and circumstances that create an economic incentive to exercise (or not exercise) the option, including all expected change in facts and circumstances from the commencement date until the exercise date of the option. Factors considered include the contractual terms and conditions for the optional period, the significant leasehold improvements made (or expected) during the contract period, and the importance of the underlying assets to the Company's operations, etc. The lease term is reassessed if a significant change in circumstance that are within the control of the Company occurs.

(2) Critical accounting estimates and assumptions

A. Revenue Recognition

The Company recognizes records a refund for estimated future returns and other allowances in the same period the related revenue is recorded. Refund for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

B. Estimated impairment of financial assets

The provisions for impairment of trade receivables, investment in debt instruments and financial guarantee contract are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

C. Process of fair value measurement and evaluation

When the assets and liabilities at fair value with no active market, the Company determines whether to use outside appraisal and using proper evaluation techniques based on related regulation or its own judgment. If the Level 1 input value is not available while evaluating, the Company refers to the analysis of the investee's financial position and operating outcome, recent trading price, quotes on non-active market of same equity instrument, quotes on active market of similar equity instrument and evaluation multiples of comparable companies. If the future input value is different from expectation, the fair value might change. The Company updates input values quarterly according to the market status in order to monitor if the measurement of fair value is appropriate.

D. Impairment assessment of tangible and intangible assets

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

E. Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, laws, and regulations might cause material adjustments to deferred income tax assets.

F. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. The Company evaluates the amounts of normal inventory

consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value.

G. Impairment assessment on investment using equity method

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value can not be recoverable. The Company assesses the recoverable amount based on a projected future cash flow and receivable cash dividend of the investees, and disposal-generating future cash flow to ensure the reasonableness of such assumptions.

H. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

I. Lessees' incremental borrowing rates

At the time of the decision to increase the borrowing rate of the lessee used in the lease payment, the risk-free interest rate and the same currency is used as the reference rate, and the estimated lessee's credit risk sticker and lease specific adjustments (such as asset-specific and secured factors) are taken into account.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

Item	December 31	
	2023	2022
Cash on hand	\$1,527	\$1,491
Checking account	10	10
Demand deposits	110,363	179,757
Foreign currency deposits	88,238	190,465
Cash equivalents:		
Time deposits with original maturities less than 3 months	550,558	526,903
Total	\$750,696	\$898,626

A. The financial institutions dealing with the Company are credit worthy, and the Company does transactions with a number of financial institutions to diversify credit risk that are unlikely to be expected to default.

B. The Company had no cash and cash equivalents pledged to others.

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

Item	December 31	
	2023	2022
<u>Financial assets - current</u>		
Non-derivative financial assets at FVTPL		
Domestic listed stock and ETF	\$7,952	\$5,130
Mutual funds	333,942	107,514
Corporation bonds	2,067	2,299
Total	<u>\$343,961</u>	<u>\$114,943</u>
<u>Financial assets – non-current</u>		
Bond call options	<u>\$9,700</u>	<u>\$19,800</u>

A. The Company recognized net gain (loss) on financial assets and liabilities at FVTPL were 16,513 thousand and (\$10,006) thousand for the year ended December 31, 2023 and 2022, respectively.

B. The Company had no financial assets at fair value through profit or loss pledged to others.

C. Please refer to Note 12 (2) for credit risk management and evaluation method.

(3) Notes receivable, net

Item	December 31	
	2023	2022
At amortized cost		
Notes receivable	\$-	\$9,550
Less: Loss allowance	-	(25)
Net	<u>\$-</u>	<u>\$9,525</u>

A. The Company had no notes receivable pledged to others.

B. Please refer to Note 6(4) for the relevant disclosure of loss allowance for notes receivable.

(4) Accounts receivable, net

Item	December 31	
	2023	2022
At amortized cost		
Accounts receivable	\$339,845	\$630,445
Less: Loss allowance	(7,370)	(13,026)
Net	<u>\$332,475</u>	<u>\$617,419</u>
Accounts receivable-related parties	<u>\$57,747</u>	<u>\$102,916</u>
Net-related parties	<u>\$57,747</u>	<u>\$102,916</u>
Net	<u>\$390,222</u>	<u>\$720,335</u>

- A. The accounts receivable that were neither past due nor impaired was following the Company's credit policy determined by reference to the industry characteristics, operation scale and current financial position of the counterparties. The average credit period on sales of goods for automated equipment was 4-6 months (except for the final payment, the final payment is generally about 10%-30%, and the credit period is based on the agreement, usually within 1 year after delivery.) ; 4-6 months for general components.
- B. The Company had no account receivable pledged to others.
- C. Please refer to Note 7 for accounts receivable with related parties.
- D. The Company applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit losses provision for trade receivables. The expected credit losses on trade receivables are estimated by reference to preparation matrix, past account aging records of the debtor, an analysis of the debtor's current financial position, and industrial trend. As the Company's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of notes receivable and accounts receivable is not further distinguished between the Company's different customer base.
- E. The Company measures the loss allowance for notes receivable, accounts receivable and other receivables according to the preparation matrix (including related parties):

December 31, 2023	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0%-1%	\$343,286	(\$552)	\$342,734
Past due within 30 days	0%-20%	24,440	(1,666)	22,774
Past due 31-180 days	0%-20%	13,765	(940)	12,825
Past due 181-365 days	0%-50%	12,972	(1,185)	11,787
Past over than 1 year	0%-100%	1,148	(1,046)	102
Counterparties show signs of default	100%	1,981	(1,981)	-
Total		<u>\$397,592</u>	<u>(\$7,370)</u>	<u>\$390,222</u>

December 31, 2022	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0%-1%	\$643,519	(\$1,564)	\$641,955
Past due within 30 days	0%-20%	49,544	(5,392)	44,152
Past due 31-180 days	0%-20%	22,077	(1,204)	20,873
Past due 181-365 days	0%-50%	21,067	(2,221)	18,846
Past over than 1 year	0%-100%	4,897	(863)	4,034
Counterparties show signs of default	100%	1,807	(1,807)	-
Total		<u>\$742,911</u>	<u>(\$13,051)</u>	<u>\$729,860</u>

F. Movements of the loss allowance for notes and accounts receivable (include related parties) were as follows:

Item	Year Ended December 31	
	2023	2022
Beginning balance	\$13,051	\$6,124
Add: Provision for impairment	-	6,927
Less: Reversal of impairment	(5,681)	-
Ending balance	<u>\$7,370</u>	<u>\$13,051</u>

The above provision has already taken into consideration of collateral or other credit enhancement. The other credit enhancement possessed by above receivables (such as L/C) were \$11,274 thousand and \$76,462 thousand as of December 31, 2023 and 2022, respectively.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss. The Company's trade receivables for offsetting the contract amount are both \$0 thousand for the years ended December 31, 2023 and 2022, respectively.

G. Please refer to Note 12 for the relevant credit risk management and assessment method.

(5) Other receivables

Item	December 31	
	2023	2022
Other receivables		
Sales tax refundable	\$5,449	\$6,626
Interests receivable	1,156	1,779
Others	46	-
Subtotal	\$6,651	\$8,405
Less: loss allowance	-	-
Subtotal	\$6,651	\$8,405
Other receivables - related parties		
Equipment receivables	\$2,272	-
Lending receivables	117,050	-
Lending interest receivables	293	-
Overdue receivables	21,480	\$36,854
Others	1,416	458
Subtotal	\$142,511	\$37,312
Total	\$149,162	\$45,717

(6) Inventories and operating costs

Item	December 31	
	2023	2022
Raw materials	\$496,118	\$569,520
Work in process	248,941	292,578
Finished goods	183,220	187,854
Total	\$928,279	\$1,049,952

A. The related inventory (gain) loss recognized as operating cost for the years ended December 31, 2023 and 2022 were as follows:

Item	Year Ended December 31	
	2023	2022
Cost of goods sold	\$529,874	\$1,643,730
Loss (Gain) on inventory valuation	39,000	52,600
Total	\$568,874	\$1,696,330

B. The Company recognized inventory valuation loss of \$39,000 thousand and \$52,600 thousand for the years ended December 31, 2023 and 2022, respectively, as a result

of raising some product prices and reducing some inventory.

C. The Company had no inventories pledged to others.

(7) Other financial assets - current

Item	December 31	
	2023	2022
Time deposits with original maturities over 3 months	\$300,000	\$569,854
Restricted assets	22,573	12,331
Total	\$322,573	\$582,185

(8) Financial assets at fair value through other comprehensive income or loss - noncurrent

Item	December 31	
	2023	2022
Equity instruments :		
Domestic listed stocks	\$26,261	\$22,656
Domestic unlisted stocks	41,000	41,000
Subtotal	\$67,261	\$63,656
Valuation adjustment	(15,991)	(27,475)
Total	\$51,270	\$36,181

A. The Company invests in domestic listed and unlisted stocks in accordance with its medium/long-term strategies and expects to make a profit through long-term investment. Management of the Company believes that it is not consistent with the afore-mentioned long-term investment planning if the short-term fair value changes of such investment are presented in profit or loss. Therefore, the Company elects to designate such investment as to be measured at FVTOCI.

B. For related credit risk management and means of assessing, please refer to Note 12.

C. As of December 31, 2023 and 2022, the Company had no financial assets at FVTOCI pledged as collateral.

(9) Investments accounted for using equity method

Item	December 31	
	2023	2022
Subsidiaries:		
Tech Wave Technology Co., Ltd.	\$23,107	\$26,349
E&R Semiconductor Materials Ltd.	93,036	102,364
Enrichment Tech. Corporation	55,242	62,878
Crystal Entec Technology Co., Ltd.	-	6,522
Excellent International Holdings Limited	213,061	246,951
Total	<u>\$384,446</u>	<u>\$445,064</u>

The percentage of ownership and voting rights held by the company at each balance sheet date as follows:

Item	December 31	
	2023	2022
Tech Wave Technology Co., Ltd.	51.43%	51.43%
E&R Semiconductor Materials Ltd.	100.00%	90.00%
Enrichment Tech. Corporation	100.00%	100.00%
Crystal Entec Technology Co., Ltd.	-	48.27%
Excellent International Holdings Limited	100.00%	100.00%

- A. For more information regarding the subsidiaries of the Company, please refer to Note 4(3) to the Company's consolidated financial statements of 2023.
- B. The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiaries' financial statements audited by auditors for the same years.
- C. The Company had no investments accounted for using equity method pledged to others as of December 31, 2023 and 2022.

(10) Property, plant and equipment

Item	December 31	
	2023	2022
Land	\$51,515	\$51,515
Buildings	287,854	284,385
Machinery and equipment	8,967	12,157
Transportation facilities	10,922	10,102
Office equipment	13,124	11,548
Miscellaneous equipment	410,151	314,463

Equipment to be inspected and construction in progress	12,930	7,875
Total cost	\$795,463	\$692,045
Less: Accumulated depreciation	(358,368)	(328,236)
Less: Accumulated impairment	-	-
Total	\$437,095	\$363,809

Cost	Land	Buildings and Structures	Machinery and Equipment	Miscellaneous Equipment (Note)	Equipment to be Inspected and Construction in Progress	Total
Balance at January 1, 2023	\$51,515	\$284,385	\$12,157	\$336,113	\$7,875	\$692,045
Additions	-	3,469	-	14,453	7,643	25,565
Disposals	-	-	(3,190)	(29,080)	-	(32,270)
Transfer to expenses	-	-	-	-	(476)	(476)
Transfer from inventories	-	-	-	145,786	-	145,786
Transfer to inventories	-	-	-	(33,892)	-	(33,892)
Transfer to software	-	-	-	-	(1,295)	(1,295)
Reclassification	-	-	-	817	(817)	-
Balance at December 31, 2023	\$51,515	\$287,854	\$8,967	\$434,197	\$12,930	\$795,463
Accumulated depreciation and impairment						
Balance at January 1, 2023	\$-	\$110,270	\$12,157	\$205,809	\$-	\$328,236
Depreciation	-	14,159	-	61,904	-	76,063
Disposals	-	-	(3,190)	(27,970)	-	(31,160)
Transfer to inventories	-	-	-	(14,771)	-	(14,771)
Balance at December 31, 2023	\$-	\$124,429	\$8,967	\$224,972	\$-	\$358,368

Cost	Land	Buildings and Structures	Machinery and Equipment	Miscellaneous Equipment (Note)	Equipment to be Inspected and Construction in Progress	Total
Balance at January 1, 2022	\$51,515	\$280,928	\$12,157	\$287,538	\$6,000	\$638,138
Additions	-	3,598	-	6,862	13,137	23,597
Disposals & Returns	-	(141)	-	(12,107)	(6,000)	(18,248)
Transfer to expenses	-	-	-	(39)	-	(39)
Transfer from inventories	-	-	-	50,020	-	50,020
Transfer to inventories	-	-	-	(1,423)	-	(1,423)

Reclassification	-	-	-	(5,262)	5,262	-
Balance at December 31, 2022	<u>\$51,515</u>	<u>\$284,385</u>	<u>\$12,157</u>	<u>\$336,113</u>	<u>\$7,875</u>	<u>\$692,045</u>
Accumulated depreciation and impairment						
Balance at January 1, 2022	\$-	\$96,670	\$12,153	\$167,775	\$-	\$276,598
Depreciation	-	13,741	4	48,186	-	61,931
Disposals	-	(141)	-	(9,984)	-	(10,125)
Transfer to inventories	-	-	-	(168)	-	(168)
Balance at December 31, 2022	<u>\$-</u>	<u>\$110,270</u>	<u>\$12,157</u>	<u>\$205,809</u>	<u>\$-</u>	<u>\$328,236</u>

(Note) Including transportation facilities, office equipment and miscellaneous equipment.

A. The details of interest capitalized: None.

B. The Company does not assess the impairment because there is no sign of impairment for the year ended December 31, 2023.

C. Property, plant and equipment pledged for the borrowings: Please refer to Note 8.

D. Reconciliations of current additions and the acquisition of property, plant and equipment in statement of cash flows were as follows:

Item	Year Ended December 31	
	2023	2022
Acquisition of property, plant and equipment	\$25,565	\$23,597
Decrease (increase) in equipment notes payable	(1,271)	-
Cash paid for acquisition of property, plant and equipment	<u>\$24,294</u>	<u>\$23,597</u>

(11) Lease agreement

A. Right-of-use assets

Item	December 31	
	2023	2022
Land	\$108,244	\$108,938
Buildings	4,391	4,391
Transportation facilities	2,568	3,799
Total cost	\$115,203	\$117,128
Less: Accumulated depreciation and impairment	(21,388)	(15,598)
Net	<u>\$93,815</u>	<u>\$101,530</u>

Cost	Land	Buildings	Transportation facilities	Total
Balance at January 1, 2023	\$108,938	\$4,391	\$3,799	\$117,128
Additions	-	-	1,245	1,245
Decrease	(694)	-	-	(694)
Derecognition	-	-	(2,476)	(2,476)
Balance at December 31, 2023	<u>\$108,244</u>	<u>\$4,391</u>	<u>\$2,568</u>	<u>\$115,203</u>

Accumulated Depreciation and Impairment				
Balance at January 1, 2023	\$11,629	\$1,464	\$2,505	\$15,598
Depreciation	5,398	1,463	1,405	8,266
Derecognition	-	-	(2,476)	(2,476)
Balance at December 31, 2023	<u>\$17,027</u>	<u>\$2,927</u>	<u>\$1,434</u>	<u>\$21,388</u>

Cost	Land	Buildings	Transportation facilities	Total
Balance at January 1, 2022	\$31,996	\$-	\$6,370	\$38,366
Additions	76,942	4,391	552	81,885
Derecognition	-	-	(3,123)	(3,123)
Balance at December 31, 2022	<u>\$108,938</u>	<u>\$4,391</u>	<u>\$3,799</u>	<u>\$117,128</u>

Accumulated Depreciation and Impairment				
Balance at January 1, 2022	\$9,762	\$-	\$3,928	\$13,690
Depreciation	1,867	1,464	1,700	5,031
Derecognition	-	-	(3,123)	(3,123)
Balance at December 31, 2022	<u>\$11,629</u>	<u>\$1,464</u>	<u>\$2,505</u>	<u>\$15,598</u>

B. Lease liabilities

Item	December 31	
	2023	2022
Carrying amount of lease liabilities		
- current	<u>\$5,009</u>	<u>\$6,141</u>
- noncurrent	<u>\$90,234</u>	<u>\$95,423</u>

Ranges of discount rates for lease liabilities were as follows:

December 31	
2023	2022
1.60%-3.53%	1.60%-3.53%

Please refer to Note 12(2) for lease liabilities with repayment periods.

C. Material lease-in activities and terms

The Company leased some land, buildings and vehicles for operations, with the lease periods of 3 to 35 years. Part of the lease may be extended with its duration and is calculated based on the area of the land leased and the rate based on the announced land value of the current year. In accordance with the contract, without the lessor's consent, the Company is not allowed to sublet the leased object to the third party. There was no sign of impairment of right-of-use assets, hence the Company didn't assess the impairment as of December 31, 2023.

D. Sublet: None.

E. Other lease information:

a. The current lease relevant expense information was as follows:

Item	Year Ended December 31	
	2023	2022
Short-term lease expense	\$4,901	\$3,972
Low-value asset lease expense	\$480	\$322
Variable lease payments that excluded in the measurement of lease liabilities	\$-	\$-
Total cash outflow for leases (Note)	(\$12,149)	(\$8,029)

(Note): Including principle paid for current lease liabilities.

(12) Intangible assets

Item	December 31	
	2023	2022
Computer software	\$21,786	\$23,481
Others	5,000	5,000
Total cost	\$26,786	\$28,481
Less: Accumulated amortization	(10,613)	(17,229)
Net	\$16,173	\$11,252

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2023	\$23,481	\$5,000	\$28,481
Additions	13,065	-	13,065
Transfer from plant and equipment	1,295	-	1,295
Derecognition	(16,055)	-	(16,055)
Balance at December 31, 2023	<u>\$21,786</u>	<u>\$5,000</u>	<u>\$26,786</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2023	\$13,979	\$3,250	\$17,229
Amortization	8,439	1,000	9,439
Derecognition	(16,055)	-	(16,055)
Balance at December 31, 2023	<u>\$6,363</u>	<u>\$4,250</u>	<u>\$10,613</u>

	Computer Software	Others	Total
<u>Cost</u>			
Balance at January 1, 2022	\$29,219	\$5,000	\$34,219
Additions	1,652	-	1,652
Derecognition	(7,390)	-	(7,390)
Balance at December 31, 2022	<u>\$23,481</u>	<u>\$5,000</u>	<u>\$28,481</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2022	\$13,490	\$2,250	\$15,740
Amortization	7,879	1,000	8,879
Derecognition	(7,390)	-	(7,390)
Balance at December 31, 2022	<u>\$13,979</u>	<u>\$3,250</u>	<u>\$17,229</u>

(13) Short-term loans

	December 31, 2023	
Borrowings Nature	Amount	Interest
Working capital loans	<u>\$97,000</u>	2.075%-2.13%

Please refer to Note 8 for pledged asset information.

December 31, 2022: None.

(14) Other payables

Item	December 31	
	2023	2022
Accrued payroll	\$48,602	\$51,205
Commission payable	22,364	61,293
Service fee payable	1,825	1,790
Interest payable	203	94
Insurance payable	4,067	4,005
Equipment payable	1,271	-
Bonus to employees and remuneration to directors	4,500	43,000
Others	17,405	22,359
Total	<u>\$100,237</u>	<u>\$183,746</u>

(15) Provisions - current

Item	December 31	
	2023	2022
Employee benefits	\$6,783	\$7,843
Warranty provisions	21,979	81,852
Total	<u>\$28,762</u>	<u>\$89,695</u>

	Provisions for		
	Employee Benefits	warranty	Total
Balance at January 1, 2023	\$7,843	\$81,852	\$89,695
Additional provisions recognized	6,783	-	6,783
Used in current period	(7,843)	(59,873)	(67,716)
Balance at December 31, 2023	<u>\$6,783</u>	<u>\$21,979</u>	<u>\$28,762</u>

	Provisions for		
	Employee Benefits	warranty	Total
Balance at January 1, 2022	\$6,912	\$48,951	\$55,863
Additional provisions recognized	7,843	66,593	74,436
Used in current period	(6,912)	(33,692)	(40,604)
Balance at December 31, 2022	<u>\$7,843</u>	<u>\$81,852</u>	<u>\$89,695</u>

- A. Provision for employee benefits represents vested short-term service leave entitlements accrued.
- B. The company provides warranties on machine products sold. Provision for warranty is estimated based on these products' historical warranty data.

(16) Long-term loans and corporate bonds payable - current portion

Item	December 31	
	2023	2022
Long-term loans	\$17,172	\$16,799

(17) Bonds Payable

Item	December 31	
	2023	2022
The third unsecured convertible domestic bonds	\$1,000,000	\$1,000,000
Less: discounts on bonds payable	(53,705)	(68,530)
Less: current portion	-	-
Net	\$946,295	\$931,470

- A. Third unsecured convertible domestic bonds:
- The Company issued the 3rd unsecured domestic convertible bonds, which was approved by the regulatory authority on June 22, 2022. The total issuance amount is \$1,000,000 thousand and it is zero coupon bonds with the maturity of 5 years from July 13, 2022 to July 13, 2027. At maturity, the convertible bonds will be repaid in cash at the price of the bonds' face value by the company.
 - The conversion price of the bonds is set up based on the pricing model in the terms of the bonds. As of December 31, 2023, the conversion price was \$67.60, and the converted shares were \$0 thousand shares.
 - Under the terms of the bonds, all bonds redeemed, matured and converted are retired and not to be re-issued; all rights and obligation attached to the bonds are also extinguished.
 - In accordance with the conversion provisions, the bond holders have the right to require the Company to convert shares at any time during the period from the date after three months of the bonds issued to the maturity date, except for the accordance with the conversion provisions and suspension of the transfer period in accordance with regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares. The Company may repurchase all the bonds outstanding in cash at the bonds' face value.
 - After the following events occur during the period from the date after three months of the bonds issued to 40 days before the maturity date: (i) the closing

price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount.

- f. The bond holders have the right to require the Company to redeem all or any portion of the bonds at 3 and 4 years anniversary of the issuance, at the principal amount of the bonds with an interest calculated the rate of 1.5075% and 2.0151% per annum. As of December 31, 2022, the redemption was \$0 thousand.
- g. As of December 31, 2023, the Company redeemed the issued convertible bonds from open market by own funds at principal amount to \$0 thousand.
- h. The adjustment of the third bonds payable and cash flow are as follows:

Item	Year Ended December 31	
	2023	2022
Conversion of bonds payable	\$-	\$1,000,000
Less: write-off of discounts on bonds payable	-	(75,396)
Less: write-off of financial liabilities at fair value through profit or loss	-	13,900
Capital surplus-stock warrants for corporate bond conversion	-	66,566
Cash received	\$-	\$1,005,070

(18) Long-term loans and current portion of long-term loans

Item	December 31	
	2023	2022
Mortgage loans	\$90,095	\$106,530
Less: portion due within one year	(17,172)	(16,799)
Long-term loans	\$72,923	\$89,731
Interest rate range	2.213%-2.24%	1.86%-1.96%

Refer to Note 8 for assets pledged as collateral for long-term loans.

(19) Pension

A. Defined contribution plans

- a. The plan under the Labor Pension Act (the “Act”) is deemed a defined contribution plan. Pursuant to the Company has made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts.
- b. The total expenses recognized in the statements of comprehensive income were \$12,277 thousand and \$12,109 thousand, representing the contributions payable to these plans by the Company at the rates specified in the plans for the years ended December 31, 2023 and 2022, respectively.

B. Defined benefit plans

- a. The Company has defined benefit plans under the Labor Standards Law that

provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2.51% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

- b. The amounts arising from the defined benefit obligation of the Company in the balance sheets were as follows:

Item	December 31	
	2023	2022
Present value of defined benefit obligation	\$26,591	\$25,043
Fair value of plan assets	(19,190)	(16,563)
Net defined benefit liabilities	\$7,401	\$8,480

- c. Movements of the net defined benefit liabilities were as follows:

Item	Year Ended December 31, 2023		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance, at January 1	\$25,043	(\$16,563)	\$8,480
Service cost			
Interest expense (income)	326	(215)	111
Recognized in profit or loss	\$326	(\$215)	\$111
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$-	(\$97)	(\$97)
Actuarial loss (gain)			
Changes in financial assumptions	180	-	180
Experience adjustments	1,363	-	1,363
Recognized in other comprehensive income	\$1,543	(\$97)	\$1,446
Contributions from the employer	\$-	(\$2,636)	(\$2,636)

Benefits paid from plan assets	(321)	321	-
Balance at December 31	<u>\$26,591</u>	<u>(\$19,190)</u>	<u>\$7,401</u>
Year Ended December 31, 2022			
Item	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$27,559	(\$18,001)	\$9,558
Service cost			
Interest expense (income)	165	(108)	57
Recognized in profit or loss	<u>\$165</u>	<u>(\$108)</u>	<u>\$57</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$-	(\$1,395)	(\$1,395)
Actuarial loss (gain) -			
Changes in financial assumptions	(1,374)	-	(1,374)
Experience adjustments	1,689	-	1,689
Recognized in other comprehensive income	<u>\$315</u>	<u>(\$1,395)</u>	<u>(\$1,080)</u>
Contributions from the employer	\$-	(\$55)	(\$55)
Benefits paid from plan assets	(2,996)	2,996	-
Balance at December 31	<u>\$25,043</u>	<u>(\$16,563)</u>	<u>\$8,480</u>

d. Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

(a) Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

(b) Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

(c) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of

the plan participants will increase the present value of the defined benefit obligation.

- e. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2023	December 31, 2022
Discount rate	1.20%	1.30%
Future salary increase rate	2.00%	2.00%
The weighted average duration of the defined benefit obligation	7 years	8 years

- (a) Assumptions regarding future mortality experience are set based on actuarial valuation in accordance with the 6th version of Taiwan Standard Ordinary Experience Mortality Tables.

- (b) If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

Item	December 31	
	2023	2022
Discount Rate		
0.25% higher	(\$446)	(\$463)
0.25% lower	\$459	\$477
Expected rates of salary increase		
0.25% higher	\$388	\$411
0.25% lower	(\$380)	(\$401)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

- f. The Company expects to make contributions of \$110 thousand to the defined benefit plans for the year ended December 31, 2024.

(20) Long-term deferred revenue

Item	December 31	
	2023	2022
Deferred revenue:		
Equipment subsidy	\$5,972	\$5,972
Less: Cumulative recognized	(862)	(464)

revenue		
Less: Transfer to advance receipts within one year	(398)	(398)
Balance at December 31	<u>\$4,712</u>	<u>\$5,110</u>

(21) Share capital

A. Movements in the number of the Company's ordinary shares outstanding were as follows:

Item	Year Ended December 31, 2023	
	Shares (in thousands)	Amount
Balance at January 1	100,771	\$1,007,703
Conversion of bonds payable	302	3,026
Employee stock options	12	125
Retirement of treasury stock	(2,490)	(24,900)
Balance at December 31	<u>98,595</u>	<u>\$985,954</u>

Item	Year Ended December 31, 2022	
	Shares (in thousands)	Amount
Balance at January 1	100,048	\$1,000,475
Conversion of bonds payable	188	1,878
Employee stock options	535	5,350
Balance at December 31	<u>100,771</u>	<u>\$1,007,703</u>

- As of December 31, 2023, the authorized capital is \$1,500,000 thousand, consisting of 150,000 thousand shares. (including \$5,000 thousands shares for the conversion of stock warrants, preferred shares with stock warrants or corporate bonds with stock warrants.
- On May 4, 2018, the Company's board of directors resolved to issue employee stock option certificates totaling 1,000 units, and each stock option certificate represents the right to purchase 1,000 shares of E&R. The issuance of stock option certificates was approved by FSC on September 5, 2018.
- On April 29, 2021, the Company's board of directors resolved to issue employee stock option certificates totaling 500 units, and each stock option certificate represents the right to purchase 1,000 shares of E&R. The issuance of stock option certificates was approved by FSC on October 12, 2021.
- The Company's employee stock options have been converted to ordinary shares totaling 0 thousand shares and 548 thousand shares, with \$0 per share and \$15.40 per share in 2023 and 2022, respectively. As of December 31, 2023 and 2022, while \$0 thousand shares and \$13 thousand shares with par value of \$0 thousand

and \$125 thousand were not yet completed the registration, respectively, and was recorded under capital collected in advance.

- e. The Company's corporate bonds have been converted to ordinary stock shares totaling \$0 thousand and \$18,000 thousand in 2023 and 2022, and the numbers of conversion were 0 thousand shares and 436 thousand shares. As of December 31, 2023 and 2022, while 0 thousand shares and 133 thousand shares have completed the registration and have been converted to stock capital \$0 thousand and \$1,332 thousand totaling, 0 thousand shares and 303 thousand shares were not yet completed the registration, and \$0 thousand and \$3,026 thousand was recorded as bond conversion entitlement certificates, respectively.

(22) Capital surplus

Item	December 31	
	2023	2022
Additional paid-in capital	\$1,138,916	\$1,167,228
Difference between consideration and carrying amount of subsidiaries acquired or disposed	9,786	4,832
Stock options	80,039	74,434
Treasury share transactions	-	16,020
Others-disgorgement	9,083	9,083
Total	<u>\$1,237,824</u>	<u>\$1,271,597</u>

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and donations can be used to offset deficit or may be distributed as stock dividends or in cash. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's paid-in capital. Capital surplus can't be used to offset deficit unless legal reserve is insufficient. The capital surplus from long-term investments may not be used for any purpose.

(23) Share-Based Payment

A. Employee stock option-issued on June, 2019

On June 1, 2019, the Company approved to issue employee stock options for 1,000 units. For each share option, the holder may subscribe for 1,000 ordinary shares of the Company at \$16 per share, not less than 50% of the Company's ordinary stock closing price. For any subsequent changes in the Company's capital structure, the exercise price is accordingly adjusted. The options are valid for 4 years and exercisable at certain percentages after the second anniversary from the grant date. The compensation costs of employee stock option recorded by the Company were \$0 thousand and \$954 thousand for the years ended December 31, 2023 and 2022,

respectively.

- a. Numbers and Weighted-average exercise price of stock options for the years ended December 31, 2023 and 2022 are as follows:

	Year Ended December 31			
	2023		2022	
	Shares	Weighted-average Exercise Price	Shares	Weighted-average Exercise Price
Employee Stock Option	(in thousand)	per Share (NT\$)	(in thousand)	per Share (NT\$)
Outstanding at beginning of year	30	15.40	578	15.70
Granted	-	-	-	-
Exercised	-	-	(548)	15.40
Forfeited	(30)	-	-	-
Outstanding at end of year	-		30	15.40
Authorized but not issued yet at end of year	-		30	

- b. As of December 31, 2023 and 2022, information about outstanding employee stock options are as follows:

	December 31	
	2023	2022
Range of exercise price (NT\$)	-	15.4
Weighted-average expected Remaining years	-	0.42 years

- c. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of option granted, and information of calculating the fair value are as follows:

Grant date	June 1, 2019
Dividend yield	0%
Expected volatility	41.92%~43.92%
Risk-free interest rate	0.54%~0.55%
Expected life	3~3.5 years
The fair value of weight-average price (Per share)	\$14.86~\$15.02

B. Employee stock option-issued on November, 2021

On November 15, 2021, the Company approved to issue employee stock options for 500 units. For each share option, the holder may subscribe for 1,000 ordinary shares of the Company at \$32 per share, not less than 50% of the Company's ordinary stock

closing price. For any subsequent changes in the Company's capital structure, the exercise price is accordingly adjusted. The options are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date. The compensation costs of employee stock option recorded by the Company were \$6,049 thousand and \$6,583 thousand for the years ended December 31, 2023 and 2022, respectively.

- a. Numbers and Weighted-average exercise price of stock options for the years ended December 31, 2023 and 2022 are as follows:

	Year Ended December 31			
	2023		2022	
	Shares	Weighted-average Exercise Price	Shares	Weighted-average Exercise Price
Employee Stock Option	(in thousand)	per Share (NT\$)	(in thousand)	per Share (NT\$)
Outstanding at beginning of year	500	31.30	500	32.00
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at end of year	500	30.10	500	32.00
Authorized but not issued yet at end of year	500		500	

- b. As of December 31, 2023 and 2022, information about outstanding employee stock options are as follows:

	December 31	
	2023	2022
Range of exercise price (NT\$)	30.1	32
Weighted-average expected Remaining years	2.875years	3.875years

- c. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of option granted, and information of calculating the fair value are as follows:

Grant date	November 15, 2021
Dividend yield	0%
Expected volatility	43.12%~43.63%
Risk-free interest rate	0.40%~0.43%
Expected life	3.5~4.5 years
The fair value of weight-average price (Per share)	\$35.52~\$37.02

- C. Treasury stock transfer to employees: please refer to Note 6(26).
- D. Capital increase in cash reserved for subscription by employees: None.

(24) Retained earnings and dividend policy

- A. As stipulated in the Company's Articles of Incorporation, the current earnings, if any, shall be distributed in the following order:
 - a. Payment of taxes and duties.
 - b. Covering prior years' accumulated deficit, if any.
 - c. Set aside 10% of the remaining amount as legal reserve until the legal reserve equals to the Company's paid-in capital.
 - d. Set aside a certain amount as special reserve, if any. And the remaining amount plus prior year's unappropriated earnings will be proposed by the board of directors and approved through the shareholders' meeting.
 - e. The company distribute dividends on cash, after more than two-thirds of the directors, present at the meeting and more than half of the directors agree, the board of directors is authorized to do so and report to the general meeting of shareholders.

The Company's operating environment is the growth stage. In views of capital expenditure demand, business expansion need, and sound financial planning for sustainable development, the Company's dividend policy stipulates appropriated dividend distribution ratio, and at least 10% of total dividends may be distributed as cash dividends. However, the accumulated distributable earnings that are less than 5% of the paid-in capital may not be distributed.

- B. Legal reserve may be used to offset a deficit, and be transferred to capital or distributed in cash. However, legal reserve can be transferred to capital or distributed in cash only when the legal reserve has exceeded 25% of the Company's paid-in capital.

- C. Special reserve

Item	December 31	
	2023	2022
Reserve for the debit balance of other equities	\$36,409	\$11,185

While earning distribution, the earnings can be distributed after appropriation of the equivalent amount of the debit balance of the other equities of the balance sheet.

D. The appropriation of 2022 and 2021 earnings had been resolved at the shareholders' meeting in June 2023 and June 2022, respectively. Details were summarized below:

Item	Amount		Dividends Per Share	
	2022	2021	2022	2021
Legal reserve	\$39,149	\$21,901		
Special reserve	25,224	122		
Cash dividends	195,545	158,240	2	1.6
Total	\$259,918	\$180,263		

E. The appropriation of 2023 earnings had been proposed by the Board of Directors on March 6, 2024. Details were summarized below:

Item	Amount	Dividends Per Share
Legal reserve	\$-	
Special reserve	(4,953)	
Cash dividends	49,829	0.5
Total	\$44,876	

The appropriations of legal reserve and special reserve for 2023 are to be presented for approval in the shareholders' meeting to be held in June 2024.

F. Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(25) Other equity

Item	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial asset at fair value through other comprehensive income	Total
Balance at January 1, 2023	(\$8,934)	(\$27,475)	(\$36,409)
Exchange difference on translation of financial statements of foreign operating institutions	(6,531)	-	(6,531)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	11,484	11,484
Balance at December 31, 2023	(\$15,465)	(\$15,991)	(\$31,456)

Item	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial asset at fair value through other comprehensive income	Total
Balance at January 1, 2022	(\$11,477)	\$292	(\$11,185)
Exchange difference on translation of financial statements of foreign operating institutions	2,543	-	2,543
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(27,767)	(27,767)
Balance at December 31, 2022	(\$8,934)	(\$27,475)	(\$36,409)

(26) Treasury shares

A. The related information on the treasury share transactions was as follows:

(In Thousand Shares)

Reason to Reacquire	Year Ended December 31, 2023			
	Beginning of Year	Addition During the Year	Reduction During the Year	End of Year
To transfer to employees	1,823	1,000	-	2,823
To maintain the Company's credibility and shareholder's interest	1,490	1,000	(2,490)	-

Reason to Reacquire	Year Ended December 31, 2022			
	Beginning of Year	Addition During the Year	Reduction During the Year	End of Year
To transfer to employees	1,202	989	(368)	1,823
To maintain the Company's credibility and shareholder's interest	-	1,490	-	1,490

- a. To maintain the Company's credibility and shareholders' interest, the Company's board of directors resolved on March 21, 2023 to buy back up to 1,000 thousand common shares between March 22, 2023 and May 21, 2023. As of the last day of the buyback period, the Company had bought back 1,000 thousand shares at a total amount of \$50,564 thousand. The treasury shares have been retired in August, 2023.
- b. To transfer to employees, the Company's board of directors resolved on June 5, 2023 to buy back up to 1,000 thousand common shares between June 6, 2023 and August 5, 2023. As of the last day of the buyback period, the Company had bought back 1,000 thousand shares at a total amount of \$60,944 thousand.

- c. To transfer to employees, the Company's board of directors resolved on October 13, 2022 to buy back up to 1,000 thousand common shares between October 14, 2022, and November 13, 2022. As of the last day of the buyback period, the Company had bought back 989 thousand shares at a total amount of \$51,706 thousand.
 - d. To maintain the Company's credibility and shareholders' interest, the Company's board of directors resolved on October 13, 2022 to buy back up to 1,500 thousand common shares between November 14, 2022 and December 13, 2022. As of the last day of the buyback period, the Company had bought back 1,490 thousand shares at a total amount of \$82,535 thousand. The treasury shares had been retired in March, 2023.
 - e. To transfer to employees, the Company's board of directors resolved on July 11, 2019 to buy back up to 800 thousand common shares between July 12, 2019 and September 11, 2019. As of the last day of the buyback period, the Company had bought back 698 thousand shares at a total amount of \$20,166 thousand. While 330 thousand shares transferred to employees in 2021, 368 thousand shares were transferred to employees in April, 2022.
- B. Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of a company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus.
- C. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.
- D. Pursuant to the ROC Securities and Exchange Law, treasury shares that due to transfer to employees should be transferred within three years from reacquisition date, and those haven't been transferred within the limit are deemed as unissued shares, and they should be retired. And treasury shares that due to maintain the Company's credibility and shareholder's interest should be retired within six months from reacquisition date.
- E. In April 2022, the Company transferred 368 thousand shares to employees for subscription in accordance with "Measures for Buying Back Company Shares and Transferring Employees". On the giving date, it was estimated based on the Black-Scholes evaluation model, and the compensation cost recognized for transferring treasury shares to employees was \$16,052 thousand for the year ended December 31, 2022.

a. The transaction details of share-based payment are as follows:

Type	Date	Quantity	Contract period	Vested conditions	The actual retired rate	The expected retired rate
Transferring to employees	2022.4.20	368 thousand Shares	-	Immediately	-	-

b. The Company uses the Black-Scholes evaluation model to estimate the fair value, and the relevant information is as follows:

Type	Date	Share price	Strike price	Expected Volatility rate	Duration (year)	Expected allotment rate	Risk free rate	Fair value (per unit)
Transferring to employees	2022.4.20	\$72.50	\$28.89	44.13%	0.06years	-	0.41%	\$43.62

(27) Operating revenues

Item	Year Ended December 31	
	2023	2022
Revenue from contracts with customer		
Total revenues	\$1,180,344	\$2,759,530
Sales returns	(24,522)	-
Sales discount	(1,492)	(863)
Net	<u>\$1,154,330</u>	<u>\$2,758,667</u>

A. Explain of contract revenue

Sales of mechanical products and their components are mainly to downstream customer. It is sold at the price agreed in the contract.

B. Contract revenue details:

The Company's revenue is mainly related automatic machinery, and the

Main area	Year Ended December 31	
	2023	2022
Taiwan	\$291,752	\$962,880
Hong Kong & China	135,675	729,152
Southeast Asia	392,992	775,240
America	287,847	280,792
Europe	45,824	10,470
Others	240	133
Total	<u>\$1,154,330</u>	<u>\$2,758,667</u>

Main products		
Automatic machinery	\$1,154,330	\$2,758,667
Timing of revenue recognition		
At a certain point of time	\$1,154,330	\$2,758,667
Gradually over time	-	-
Total	\$1,154,330	\$2,758,667

C. Contract balances

The Company recognizes the receivable, contract assets and contract liabilities related to contract revenue as follows:

Item	December 31	
	2023	2022
Receivable	\$390,222	\$729,860
Contract assets	-	-
Total	\$390,222	\$729,860
Contract liabilities - current	\$23,027	\$36,813

a. Significant changes in contract assets and contract liabilities

The changes in the contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment, and there are no other significant changes.

b. Amount from previous period's satisfied performance obligations and beginning contract liabilities recognized in the current period as income were as follows:

Revenue in the current period	Year Ended December 31	
	2023	2022
From beginning contract liabilities	\$32,241	\$182,117
From previous period's satisfied performance obligations	\$-	\$-

(28) Labor cost, depreciation and amortization

Item	Year ended December 31, 2023		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$16,041	\$236,687	\$252,728
Insurance	2,122	22,460	24,582
Pension	992	11,396	12,388
Remuneration to directors	-	2,046	2,046
Others	1,038	8,744	9,782
Depreciation	7,954	76,375	84,329
Amortization	-	9,439	9,439
Total	<u>\$28,147</u>	<u>\$367,147</u>	<u>\$395,294</u>

Item	Year ended December 31, 2022		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$25,324	\$275,529	\$300,853
Insurance	1,872	21,333	23,205
Pension	957	11,209	12,166
Remuneration to directors	-	11,830	11,830
Others	1,012	9,824	10,836
Depreciation (Note)	7,079	59,883	66,962
Amortization	-	8,879	8,879
Total	<u>\$36,244</u>	<u>\$398,487</u>	<u>\$434,731</u>

1. Additional information of the number of employees and employee benefits expenses for the years ended December 31, 2023 and 2022 were as follows:

Item	December 31	
	2023	2022
The number of employees	<u>314</u>	<u>299</u>
The number of directors who were not adjunct employees	<u>5</u>	<u>5</u>
Average employee benefits expenses	<u>\$969</u>	<u>\$1,180</u>
Average employee salary	<u>\$818</u>	<u>\$1,023</u>
Changes in adjusting average employee salary	<u>(20.04%)</u>	<u>18.30%</u>

2. The Company's salary and remuneration policy, including that for directors, managers and employees, is as follows:

(1) Directors' remuneration:

A. The Company's Articles of Incorporation clearly stipulate that the remuneration to the directors shall be determined by the Board of Directors according to their degree of participation in the operation of the Company, the value of their contribution, and the usual standards of the industry.

B. The Company's Articles of Incorporation clearly stipulate that not higher than 3% of the annual profit shall be allocated as the director's remuneration, and benefits include directors who are also managers. The principles are as follows:

- a. All independent directors receive fixed monthly remuneration,
- b. Directors who concurrently serve as managers shall participate in the distribution of directors' remuneration,
- c. Since all independent directors have received fixed monthly remuneration, they no longer participate in director remuneration distribution.

(2) Managers' remuneration:

The remuneration to the managers is based on their duties, contributions, the Company's annual operation performance and in consideration of the Company's future risks, and is reviewed by the remuneration committee and submitted to the Board of Directors for resolution.

(3) Employees' compensation:

The company is committed to providing employees with salaries and benefits that are competitive in the industry, and establishing a salary system that takes into account external competition and is internally fair and legal. And uphold the concept of profit sharing with employees to attract, retain, develop and motivate our employees. The employees' compensation includes monthly salary and various bonuses, annual year-end and performance bonuses, as well as remuneration issued by the Company based on annual profitability. According to the company's articles of association, 5-10% of the income is used as employee remuneration.

3. The Company accrued employees' compensation and remuneration to directors at the rates 5%~10% and not higher than 3% of net income before income tax, employees' compensation and remuneration to directors during the period. The employee's compensation assessed and recorded by the Company were \$3,400 thousand and \$32,250 thousand for the years ended December 31, 2023 and 2022, respectively. The remuneration to directors assessed and recorded were \$1,100 thousand and \$10,750 thousand for the years ended December 31, 2023 and 2022, respectively.

4. The employees' compensation and remuneration to directors for the years ended

December 31, 2023 and 2022 had been approved by the Company's Board of Directors meeting held on March 6, 2024 and March 7, 2023, respectively, and the relevant amounts recognized in the parent company only financial statement were as follows:

	Year ended December 31			
	2023		2022	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Resolution amount of allotment	\$3,400	\$1,100	\$32,250	\$10,750
Recognized in the annual financial statements	3,400	1,100	32,250	10,750
Difference	\$-	\$-	\$-	\$-

The above mentioned employees' compensation will be paid by cash.

- Information about the appropriation of employees' compensation and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Interest income

Item	Year Ended December 31	
	2023	2022
Interest on bank deposits	\$21,528	\$9,787
Financial intermediation	836	-
Interest on deposit calculation	-	5
Total	\$22,364	\$9,792

(30) Other income

Item	Year Ended December 31	
	2023	2022
Rental income	\$452	\$702
Dividend income	890	473
Others		
Overestimated transfer to income	-	810
Others	2,603	3,526
Subtotal	\$2,603	\$4,336
Total	\$3,945	\$5,511

(31) Other gains and losses

Item	Year Ended December 31	
	2023	2022
Financial assets at FVTPL and gain (loss) on valuation of liabilities	\$14,461	(\$11,210)
Gain (loss) on disposal of financial assets at FVTPL	2,052	1,204
Gain on disposal of investments accounted for using equity method	489	-
Gain (loss) on foreign exchange, net	(6,683)	85,986
Gain (loss) on disposal of property, plant and equipment	868	662
Gain on lease modification	104	-
Others	-	(1)
Total	<u>\$11,291</u>	<u>\$76,641</u>

(32) Finance costs

Item	Year Ended December 31	
	2023	2022
Interest expense:		
Bank loans	\$2,399	\$2,750
Convertible bonds	14,825	6,914
Interest on lease liabilities	2,212	961
Less: Amount qualified for capitalization	-	-
Finance costs	<u>\$19,436</u>	<u>\$10,625</u>

(33) Income tax expense**A. Income tax expense**

a. The major components of tax expense were as follows:

Current income tax	Year Ended December 31	
	2023	2022
Current tax expense	\$12,157	\$112,536
Undistributed surplus for income tax	6,147	3,225
Non-offset foreign tax	1,108	800
Adjustments in tax of prior periods	-	(3,949)
Total	<u>\$19,412</u>	<u>\$112,612</u>

Deferred income tax		
The origination and reversal of temporary differences	\$1,353	(\$9,068)
Total	\$1,353	(\$9,068)
Income tax expense	\$20,765	\$103,544

The applicable tax rate used by the Company is 20%, In addition, the tax rate applicable to unappropriated earning is 5%.

b. Income tax expense recognized in other comprehensive income was as follows:

Item	Year Ended December 31	
	2023	2022
Exchange differences on translation of foreign financial statements	(\$214)	\$82
Remeasurement of defined benefit plans	(289)	216
Total	(\$503)	\$298

B. Reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

Item	Year Ended December 31	
	2023	2022
Income before income tax	\$51,676	\$494,333
Income tax expense at the statutory rate	10,335	98,866
Tax effect of adjusting items:		
Loss on investment under equity method	11,950	1,882
Realized (unrealized) loss (gain) on inventories	(1,138)	2,408
Realized investment loss	(1,402)	-
Realized (unrealized) warranty provisions	(11,974)	6,580
Others	4,386	2,800
Undistributed surplus for income tax	6,147	3,225
Non-offset foreign tax	1,108	800
Adjustment to prior year's income taxes	-	(3,949)
Deferred income tax expense		
Temporary differences	1,353	(9,068)
Income tax expense recognized in profit or loss	\$20,765	\$103,544

C. Deferred tax assets and liabilities from temporary differences

Year Ended December 31, 2023				
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets:				
Temporary differences				
Net defined benefit liability	\$1,695	(\$505)	\$289	\$1,479
Unrealized exchange loss	-	2,516	-	2,516
Short-term warranty provision	16,370	(11,974)	-	4,396
Unrealized loss on inventories	16,458	(1,138)	-	15,320
Unrealized loss on doubtful debts	1,051	(415)	-	636
Unused compensated absences	1,569	(212)	-	1,357
Investment loss (gain) recognized under equity method	482	5,659	-	6,141
Others	7,359	1,130	-	8,489
Subtotal	\$44,984	(\$4,939)	\$289	\$40,334
Deferred income tax liabilities:				
Temporary differences				
Unrealized exchange gain	(\$1,892)	\$1,892	\$-	\$-
Gain on foreign investment under equity method	(2,184)	1,694	214	(276)
Subtotal	(\$4,076)	\$3,586	\$214	(\$276)
Total	\$40,908	(\$1,353)	\$503	\$40,058

Year Ended December 31, 2022				
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets:				
Temporary differences				
Net defined benefit liability	\$1,911	\$-	(\$216)	\$1,695
Unrealized exchange gain	1,902	(1,902)	-	-
Short-term warranty provision	9,790	6,580	-	16,370
Unrealized loss on inventories	14,050	2,408	-	16,458

Unrealized loss on doubtful debts	-	1,051	-	1,051
Unused compensated absences	1,383	186	-	1,569
Investment loss (gain) recognized under equity method	423	59	-	482
Others	4,888	2,471	-	7,359
Subtotal	<u>\$34,347</u>	<u>\$10,853</u>	<u>(\$216)</u>	<u>\$44,984</u>
Deferred income tax liabilities:				
Temporary differences				
Unrealized exchange gain	\$-	(\$1,892)	\$-	(\$1,892)
Gain on foreign investment under equity method	(2,209)	107	(82)	(2,184)
Subtotal	<u>(\$2,209)</u>	<u>(\$1,785)</u>	<u>(\$82)</u>	<u>(\$4,076)</u>
Total	<u><u>\$32,138</u></u>	<u><u>\$9,068</u></u>	<u><u>(\$298)</u></u>	<u><u>\$40,908</u></u>

D. Items with no deferred tax assets recognized:

Item	December 31	
	2023	2022
Loss on investment under the equity method	<u>\$25,040</u>	<u>\$23,343</u>

F. The tax authorities have ratified Company's income tax returns through Year 2020.

(34) Other comprehensive income (loss)

Item	Year Ended December 31, 2023		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(\$1,446)	\$289	(\$1,157)
Unrealized gain (loss) on financial assets at FVTOCI	11,484	-	11,484
Share of subsidiaries, associates and joint ventures accounted for using equity method:			
Remeasurement of defined benefit plans	(24)	-	(24)
Subtotal	<u>\$10,014</u>	<u>\$289</u>	<u>\$10,303</u>
Items that may be reclassified subsequently to profit or loss:			

Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures:			
Exchange differences on translation of foreign financial statements	(\$6,745)	\$214	(\$6,531)
Subtotal	(\$6,745)	\$214	(\$6,531)
Recognized in other comprehensive income (loss)	\$3,269	\$503	\$3,772

Year Ended December 31, 2022

Item	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	\$1,080	(\$216)	\$864
Unrealized gain (loss) on financial assets at FVTOCI	(27,767)	-	(27,767)
Share of subsidiaries, associates and joint ventures accounted for using equity method:			
Remeasurement of defined benefit plans	66	-	66
Subtotal	(\$26,621)	(\$216)	(\$26,837)
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures:			
Exchange differences on translation of foreign financial statements	\$2,625	(\$82)	\$2,543
Subtotal	\$2,625	(\$82)	\$2,543
Recognized in other comprehensive income (loss)	(\$23,996)	(\$298)	(\$24,294)

(35) Earnings per share

Item	Year Ended December 31	
	2023	2022
(1) Basic earnings (loss) per share		
Net income	\$30,911	\$390,789
Weighted average shares outstanding (in thousands)	96,569	99,245
Basic earnings per share (after tax)	\$0.32	\$3.94
(2) Diluted earnings (loss) per share		
Net income	\$30,911	\$390,789
Interest of convertible bonds	-	5,531
Net income used in computation of diluted earnings per share	\$30,911	\$396,320
Weighted average shares outstanding (in thousands)	96,569	99,245
Effect of potential dilutive ordinary shares:		
Convertible bonds	-	7,871
Effect of employee stock options (in thousands)	191	570
Impact on employees' compensation (in thousands)	504	847
Weighted average number of ordinary shares outstanding after dilution (in thousands)	97,264	108,533
Diluted earnings per share (after tax)	\$0.32	\$3.65

7. RELATED PARTY TRANSACTIONS**(1) Parent and ultimate controlling party:**

The Company is the ultimate controlling party.

(2) Related party name and category:

Related Party Name	Related Party Category
E&R Semiconductor Materials Ltd.	Subsidiary
Suzhou E&R Precision Equipment Co., Ltd	Subsidiary
Chen-Tai Trade (shanghai) Co., Ltd	Subsidiary
DG E&R Semiconductor Materials	Subsidiary
Wuxi E&R Semiconductor Materials Technology	Subsidiary
Tech Wave Technology Co., Ltd.	Subsidiary
Crystal Entec Technology Co., Ltd.(Note)	Subsidiary
JS E&R Engineering Co., Ltd.	Subsidiary
Gain Profit Holding Limited(Note)	Subsidiary
Enrichment Tech. Corporation	Subsidiary
ENR Applied Packing Material Corporation	Subsidiary
Excellent International Holdings Limited	Subsidiary

Note: These two subsidiaries had already been liquidated in November 2023.

(3) Significant transactions with related parties:

A. Sales:

a. Sales revenue

Related Party Category	Year Ended December 31	
	2023	2022
Subsidiaries	\$3,564	\$20,219

Selling parts and accessories with related parties, the prices were based on the General Terms and Conditions, credit matures is about 9 months; selling equipment is according to the term, if the related parties unable to implement because of insufficient funds or loss, the company postponed payment for fully support subsidiary operations because to implement achievement of global operation goals is more important considerations. Company will listed postpone payment accounts in other receivables due from related parties.

b. Entrusted to purchase raw materials

In 2023 and 2022, the company has agreed with its subsidiaries that the company will purchase raw materials, purchasing raw materials are \$70,182 thousand and \$119,807 thousand, accounts receivable arising from the above transactions were \$54,351 thousand and \$82,661 thousand.

Because there are no similar transactions for comparison, purchasing transactions for the companies mentioned in the preceding paragraph, the collection period is agreed to be 270 days based on the agreed price.

(Note) Purchasing transaction as shown in the previous paragraph handle with collection and payment, not listed in cost of goods purchased and sales, service income is calculated and collected based on a certain percentage of the purchasing agent amount. (Note 7(3) L (a))

B. Purchase:

Related Party Category	Year Ended December 31	
	2023	2022
Subsidiaries	\$139	\$3,344

a. Finished goods: The company purchases products from unrelated parties are no similar transactions for comparison, the terms of the transaction are determined through negotiation between the two parties.

b. Raw materials: The company purchasing goods from related parties mentioned in the previous paragraph according to general purchase conditions, same as other manufacturers, the payment period is about 30-90 days, no significant difference

from general manufacturers.

C. Contract assets: None.

D. Contract liabilities: None.

E. Balance of receivables (excluding lending to related parties and contract assets):

Related Party Category	December 31	
	2023	2022
Accounts receivables:		
Subsidiaries	\$3,396	\$20,255
Other receivables:		
Subsidiaries	\$3,981	\$458

F. Balance of payables (excluding borrowing from related parties):

Related Party Category	December 31	
	2023	2022
Accounts payables:		
Subsidiaries	\$770	\$1,837
Other payables:		
Subsidiaries	\$1,271	\$2,150

G. Prepayments: None.

H. Property transactions:

a. Acquisition of property, plant and equipment:

Related Party Category	Acquisition Price	
	Year Ended December 31	
	2023	2022
Subsidiaries	\$4,726	\$-

Above mentioned transaction prices were negotiated by both parties, as of December 31, 2023 the price of \$1,271 thousand were not paid yet.

b. Disposal of property, plant and equipment

Related Party Category	Transaction Target	Year Ended December 31, 2023	
		Disposal Price	Disposal Gain
Subsidiaries			
JS E&R Engineering CO., LTD	Instruments	\$2,300	\$1,190

Above mentioned transaction prices were negotiated by both parties, as of December 31, 2023 the price of \$2,272 thousand were not received yet.

Year 2022: None.

I. Financing activities – lending to related parties:

a. Ending Balance

Related Party Category	December 31	
	2023	2022
Subsidiaries		
Wuxi E&R Semiconductor Materials Technology	\$21,480	\$27,022
JS E&R Engineering CO., LTD	117,050	9,832
Total	\$138,530	\$36,854

The overdue accounts receivable are regarded as financing.

All loans to related parties in 2023 and 2022 are unsecured loans.

Account Items	Related Party Category	Year Ended December 31	
		2023	2022
Interest revenue	Subsidiaries	\$836	\$-
Interest rate range		1.50%	-

J. Financing activities - borrowing from related parties: None.

K. Guarantee for related parties:

The company borrows from the bank for subsidiaries, and the details of the guarantee provided are as follows:

(In thousand)		
December 31, 2023		
Related Party Category	Currency	Amount
Tech Wave Technology Co., Ltd	NTD	20,000
(In thousand)		
December 31, 2022		
Related Party Category	Currency	Amount
Tech Wave Technology Co., Ltd	NTD	20,000
JS E&R Engineering CO., LTD	USD	2,000

L. Others:

a. Miscellaneous income:

Related Party Category	Year Ended December 31	
	2023	2022
Subsidiary:		
Gain Profit Holding Limited	\$95	\$624
Crystal Entec Technology Co., Ltd	350	600
Others	848	555
Total	<u>\$1,293</u>	<u>\$1,779</u>

Mainly income from purchasing services and rent, the lease price is in accordance with the contract, and the rent is charged on a monthly basis.

b. Miscellaneous expenses:

Related Party Category	Year Ended December 31	
	2023	2022
Subsidiaries	<u>\$14,409</u>	<u>\$38,441</u>

Mainly expenses from technical service, etc.

c. Subscription of related parties' capital increase

Year ended December 31, 2023: None

Year ended December 31, 2022:

Related Party	Investment Increase		Shareholding Ratio	
	Number of shares (thousand shares)	Amount	Before capital increase	After capital increase
Subsidiaries-EXCELLENT	6,515	\$191,547	100%	100%

d. The main management of the company acted as joint guarantors for the company's loans.

(4) Key management compensation

Related Party Category	Year Ended December 31	
	2023	2022
Salaries and other short-term employee benefits	\$24,612	\$29,928
Post-employment benefits	814	822
Share-based payments	1,890	2,367
Total	<u>\$27,316</u>	<u>\$33,117</u>

8、PLEDGED ASSETS

The following assets have been pledged as collateral for long-term and short-term loans:

Item	December 31	
	2023	2022
Other financial assets - current	\$22,573	\$12,331
Other financial assets non-current	6,900	6,900
Property, plant and equipment (net)	196,652	206,889
Total	\$226,125	\$226,120

9、SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- (1) As of December 31, 2023 and 2022, the Company issued guarantee notes for bank loans amounting to \$923,680 thousand and \$906,120 thousand respectively, account guarantee notes Submitted and guarantee notes payables.
- (2) As of December 31, 2023 and 2022, the time certificate provided by the company is \$710 thousand, to the Kaohsiung Customs Bureau of the Ministry of Finance as a guarantee for the deposit of import and export goods.
- (3) The company applied to the Taipei Computer Association for equipment development projects. The performance guarantees provided by the banks were \$21,587 thousand and \$4,313 thousand, respectively.
- (4) As of December 31, 2023 and 2022, the unused letters of credit were as follows:

(In thousands)

Item	December 31			
	2023		2022	
Foreign L/C Amount	USD	198	USD	691
	JPY	19,032	JPY	-
	EUR	201	EUR	-

- (5) The note endorsement for import goods were as follows:

(In thousands)

Item	December 31			
	2023		2022	
Note endorsement	JPY	114,412	JPY	143,866
	USD	152	USD	817

- (6) The company signed a plant purchase contract with Zen Voce Co., Ltd. in May 2022, agreed to sell part of the floor of the new factory building of JS E&R Engineering CO., LTD, a subsidiary of the company, after the construction of the new factory building is

completed. The company collected a performance bond of \$71,056 thousand in July 2022 (recognized guarantee deposits)

- (7) In order to meet the needs of long-term operation and development, the company has been approved by the Southern Science Park Administration Bureau of the Ministry of Science and Technology to enter Qiaotou Science Park. In May 2022, the board of directors approved the lease of land in Qiaotou Science Park from the Southern Science Park Administration of the Ministry of Science and Technology to build a factory building. The Southern Science Park Administration of the Ministry of Science and Technology had transferred the land to the company in December 2022 for factories construction.

10 、 SIGNIFICANT DISASTER LOSS: NONE.

11 、 SIGNIFICANT SUBSEQUENT EVENTS: NONE.

12 、 OTHERS

(1) Capital risk management

The Company should maintain an adequate capital structure to enable the expansion and enhancement of equipment. Therefore, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases and debt service requirements associated with its existing operations over the next 12 months.

(2) Financial instruments

A. Financial risk of financial instruments

Financial risk management policies

The Company's activities expose to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To lower down the related financial risk, the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Company Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

Significant financial risks and degrees of financial risks

(A) Market risk

a. Foreign exchange rate risk

- (a) The Company's functional currency is New Taiwan dollars. Many of the Company's operating activities are denominated in foreign currencies.

Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company raises loans denominated in foreign currency and derivative financial instruments to hedge the currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

(b) Foreign currency risk and sensitivity analysis

December 31, 2023						
	Foreign Currency	Exchange Rate	Carrying amount (NTD)	Sensitivity analysis		
				Range of change	Effect on profit or loss	Effects on equity
(Foreign currency: Functional currency)						
Financial assets						
Monetary item						
USD:NTD	18,300	30.705	561,915	increase 1%	5,619	-
JPY:NTD	278,130	0.2176	60,521	increase 1%	605	-
CNY:NTD	40,785	4.3352	176,813	increase 1%	1,768	-
Non-monetary item						
USD:NTD	8,738	30.705	268,303	increase 1%	-	2,683
HKD:NTD	23,620	3.9388	93,036	increase 1%	-	930
Financial liabilities						
Monetary item						
USD:NTD	990	30.705	30,394	increase 1%	(304)	-
JPY:NTD	90,790	0.2176	19,756	increase 1%	(198)	-
December 31, 2022						
	Foreign Currency	Exchange Rate	Carrying amount (NTD)	Sensitivity analysis		
				Range of change	Effect on profit or loss	Effects on equity
(Foreign currency: Functional currency)						
Financial assets						
Monetary item						
USD:NTD	34,251	30.710	1,051,863	increase 1%	10,519	-
JPY:NTD	662,282	0.2311	153,053	increase 1%	1,531	-
CNY:NTD	38,983	4.4094	171,894	increase 1%	1,719	-

Non-monetary item						
USD:NTD	10,089	30.710	309,829	increase 1%	-	3,098
HKD:NTD	25,989	3.9388	102,364	increase 1%	-	1,024
Financial liabilities						
Monetary item						
USD:NTD	3,346	30.710	102,752	increase 1%	(1,028)	-
JPY:NTD	143,866	0.2311	33,248	increase 1%	(332)	-

If NTD appreciates against the above-mentioned currencies, held all other variables constant, the impact generated as of December 31, 2023 and 2022 would stay the same with the reverse result. Due to the exchange rate volatility, total exchange gains and loss (including realized and unrealized) from the Company's monetary items amounted to (\$6,682) thousand and \$85,986 thousand for the years ended December 31, 2023 and 2022, respectively.

b. Price risk

Since the Company's investment in securities is classified as financial assets at FVTPL on the standalone balance sheet, the Company exposes to price risks of securities.

The Company mainly invests in domestic listed and fund equity instrument. The price of such equity instruments can be affected by changes in future value of those investment targets.

If the equity instruments price goes increase or decrease by 1%, with all other factors held constant, the net income after tax gain or loss for the years ended December 31, 2023 and 2022 will respectively increase or decrease by \$3,440 thousand and \$1,149 thousand due to gain or loss on financial assets at FVTPL. The other comprehensive income for the years ended December 31, 2023 and 2022 will increase or decrease by \$513 thousand and \$362 thousand due to gain or loss on financial assets at FVTOCI.

c. Interest rate risk

The carrying amount of the Company's financial assets and financial liabilities that are exposed to interest rate risk at the reporting date is stated as follows:

Item	Carrying Value	
	December 31, 2023	December 31, 2022
With fair value interest rate risk:		
Financial assets	\$982,270	\$1,102,367
Financial liabilities	(1,041,538)	(1,033,034)
Net	(\$59,268)	\$69,333

With cash flow interest rate risk:

Financial assets	\$213,412	\$383,843
Financial liabilities	(187,095)	(106,530)
Net	<u>\$26,317</u>	<u>\$277,313</u>

(a) Sensitivity analysis of those with fair value interest rate risk:

The Company does not classify any fixed-rate financial assets and liabilities as financial assets at FVTPL and FVTOCI, derivatives (interest rate swaps) have not been designated as hedging tools under the fair value hedging accounting model. Therefore, changes in interest rates on the reporting date will not affect profit or loss and other comprehensive net income.

(b) Sensitivity analysis of those with cash flow interest rate risk:

The interest-fluctuate instruments possessed by the Company were floating-interest assets (liabilities). Therefore, the effective interest rate, as well as the future cash flows, changes along with the market movement. Every one percent increase in the market interest will decrease the net profit by \$263 thousand and \$2,773 thousand for the years ended December 31, 2023 and 2022, respectively.

(B) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by counter-parties of financial instruments on the contract obligations. Credit risk of the Company mainly comes from receivables under operating activities and bank deposits and other financial instruments under investing activities. Credit risks related to operation and finance risks are managed separately.

a. Business elated credit risk

To maintain the quality of accounts receivable, the Company has established the procedures for credit risk management with regards to its operations. Risk assessment on individual customer includes factors that could affect the customer's ability to pay, such as the customer's financial status, the Company's internal credit ratings, historical transactions and current economic conditions.

b. Financial credit risk

The credit risks of bank deposits and other financial instruments are measured and monitored by the Company's financial departments. The Company does not expect significant credit risk because the counterparties are creditworthy and investment-graded financial institutions, companies and government agencies without any significant default concerns. In addition, the Company does not have any debt instrument investments that are either

measured at amortized cost or at FVTOCI.

(a) Credit concentration risk

As of December 31, 2023 and 2022 the top ten clients accounted for 61% and 46% of the Company's accounts receivable, indicating a credit concentration risk. However, no significant credit concentration risk was shown from the remaining accounts receivables.

(b) Measurement of expected credit impairment loss:

(I) Accounts receivables and contract assets apply the simplified approach.

Please refer to Note 6(4) for details.

(II) Indications for determining whether the credit risk is increased significantly: None (the Company does not have any debt instrument investments that are either measured at amortized cost or at FVTOCI).

(c) Collaterals and other credit enhancement held to avoid credit risks from financial assets:

The following table shows the maximum exposure to credit risk regarding financial assets recognized in the standalone balance sheets, pledged collateral, master netting arrangements and other credit enhancement held by the Company:

December 31, 2023	Carrying amount	Decreased amount of maximum exposure to credit risks			
		Collateral	Net settlement agreement	Other credit enhancement	Total
Credit-impaired financial instruments to which impairment requirements of IFRS 9 are applicable	\$102	\$-	\$-	\$-	\$-
Financial instruments to which the impairment requirements of IFRS 9 are not applicable:					
Financial assets at FVTPL	343,961	-	-	-	-
Financial assets at FVTOCI	51,270	-	-	-	-
Total	\$395,333	\$-	\$-	\$-	\$-

December 31, 2022	Carrying amount	Decreased amount of maximum exposure to credit risks			
		Collateral	Net settlement agreement	Other credit enhancement	Total
Credit-impaired financial instruments to which impairment requirements of IFRS 9 are applicable	\$4,034	\$-	\$-	\$-	\$-
Financial instruments to which the impairment requirements of IFRS 9 are not applicable:					
Financial assets at FVTPL	114,943	-	-	-	-
Financial assets at FVTOCI	36,181	-	-	-	-
Total	\$155,158	\$-	\$-	\$-	\$-

(C) Liquidity risk

a. Liquidity risk management:

The Company's objective in managing liquidity risk is to maintain a sufficient level of cash and cash equivalents, highly-liquid marketable securities and credit lines with banks for daily operations in order to ensure the financial flexibility of the Company.

b. Financial Liabilities Maturity Analysis :

Non-derivative financial liabilities :	December 31, 2023						Carrying amount
	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contractual cash flow	
Short-term loans	\$67,000	\$30,000	\$-	\$-	\$-	\$97,000	\$97,000
Accounts payable	162,352	-	-	-	-	162,352	162,352
Other payables	95,737	4,500	-	-	-	100,237	100,237
Long-term loans (including current portion)	8,499	8,673	17,040	31,560	24,323	90,095	90,095
Bonds payable	-	-	-	1,000,000	-	1,000,000	946,295
Lease liabilities	3,589	3,523	6,239	17,753	88,796	119,900	95,243
Total	\$337,177	\$46,696	\$23,279	\$1,049,313	\$113,119	\$1,569,584	\$1,491,222
derivative financial liabilities :							
Financial liabilities at FVTPL- non-current	\$-	\$-	\$-	\$9,700	\$-	\$9,700	\$9,700
Total	\$-	\$-	\$-	\$9,700	\$-	\$9,700	\$9,700

Further information for lease liabilities with repayment periods was as follows:

	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$7,112	\$23,992	\$28,649	\$29,867	\$23,422	\$6,858	\$119,900

December 31, 2022

	Within 6 months	7-12 months	1-2 years	2-5 years	Over 5 years	Contractual cash flow	Carrying amount
Non-derivative financial liabilities :							
Accounts payable	\$289,318	\$-	\$-	\$-	\$-	\$289,318	\$289,318
Other payables	140,746	43,000	-	-	-	183,746	183,746
Long-term loans (including current portion)	8,335	8,464	16,850	42,187	30,694	106,530	106,530
Bonds payable	-	-	-	1,000,000	-	1,000,000	931,470
Lease liabilities	4,273	4,094	7,663	17,726	94,688	128,444	101,564
Total	\$442,672	\$55,558	\$24,513	\$1,059,913	\$125,382	\$1,708,038	\$1,612,628
Derivative financial liabilities :							
Financial liabilities at FVTPL-non-current	\$-	\$-	\$-	\$19,800	\$-	\$19,800	\$19,800
Total	\$-	\$-	\$-	\$19,800	\$-	\$19,800	\$19,800

Further information for lease liabilities with repayment periods was as follows :

	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$8,367	\$25,389	\$28,947	\$29,851	\$28,053	\$7,837	\$128,444

The Company does not expect that the occurrence point of cash flow in maturity analysis will be significantly earlier or the actual amount will be significantly different.

B. Types of Financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost		

Cash and cash equivalents	\$750,696	\$898,626
Notes receivable and account receivable	390,222	729,860
Other receivables	149,162	45,717
Other financial assets - current	322,573	582,185
Other financial assets - non-current	6,900	6,900
Refundable deposits	1,512	1,317
Financial assets at FVTPL - current	343,961	114,943
Financial assets at FVTOCI - non-current	51,270	36,181

Financial liabilities

Financial liabilities at amortized cost

Short-term loans	97,000	-
Notes payable and account payables	162,352	289,318
Other payables	100,237	183,746
Long-term loans (including current portion)	90,095	106,530
Bonds payable (including current portion)	946,295	931,470
Lease liabilities (including current portion)	95,243	101,564
Financial liabilities at FVTPL – non-current	9,700	19,800

(3) Fair Value Information:

A. For information on fair value of financial assets and financial liabilities not measured at fair value, please refer to Note 12(3) C.

B. Definition of the three levels in fair value:

Level 1:

Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the company's investment in listed stocks, beneficiary certificates, Taiwan Central Government Bonds, which are popular bonds and fair value of derivatives with public quotations in an active market is included in Level 1.

Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Government bonds that are not popular, corporate bonds, financial bonds, convertible corporate bonds and most of the derivatives that the company invests is included in Level 2.

Level 3:

Unobservable inputs for the asset or liability. The fair value of the Company's investment in certain derivative instruments, equity investment without active market and investment property is included in Level 3.

C. Financial instruments not measured at fair value:

Management of the Company thinks that the carrying amount of financial instruments not measured at fair value, except those listed in the table below, including cash and cash equivalents, accounts receivables, other financial assets, refundable deposits, short term loans, accounts payable, lease liabilities, long-term loans (including current portion) and carrying amount of other financial liabilities, is the reasonable approximation of their fair value.

December 31, 2023				
Item	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial Liabilities:				
Bonds payable	\$946,295	\$1,200,000	\$-	\$-
Total	\$946,295	\$1,200,000	\$-	\$-

December 31, 2022				
Item	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial Liabilities:				
Bonds payable	\$931,470	\$1,050,000	\$-	\$-
Total	\$931,470	\$1,050,000	\$-	\$-

D. Fair value hierarchy:

The fair value hierarchy of financial instrument is measured at fair value on a recurring basis. Information about the Company's fair value hierarchy was disclosed in the following table:

Item	December 31, 2023			Total
	Level 1	Level 2	Level 3	
Assets:				
<u>Recurring fair value</u>				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$343,961	\$-	\$-	\$343,961
Financial assets measured at FVTOCI				
Domestic unlisted stocks	-	-	26,176	26,176
Domestic listed stocks	25,094	-	-	25,094
Total	<u>\$369,055</u>	<u>\$-</u>	<u>\$26,176</u>	<u>\$395,231</u>

Liabilities:

Recurring fair value

Financial liabilities at FVTPL

Sell back option	<u>\$-</u>	<u>\$9,700</u>	<u>\$-</u>	<u>\$9,700</u>
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Item	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Assets:				
<u>Recurring fair value</u>				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$114,943	\$-	\$-	\$114,943
Financial assets measured at FVTOCI				
Domestic unlisted stocks	-	-	15,016	15,016
Domestic listed stocks	21,165	-	-	21,165
Total	<u>\$136,108</u>	<u>\$-</u>	<u>\$15,016</u>	<u>\$151,124</u>

Liabilities:

Recurring fair value

Financial liabilities at FVTPL

Sell back option	<u>\$-</u>	<u>\$19,800</u>	<u>\$-</u>	<u>\$19,800</u>
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E. Fair value valuation technique for instruments measured at fair value:

- (A) The fair value of financial instruments with quoted prices in active markets is the quoted market prices. Market prices published by major trading centers and exchanges for on-the-run government bonds are the basis for the fair value of listed equity instruments and debt instruments with quoted prices in active markets. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry guild, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If one of the conditions fails, the market is not deemed active. In general, indications of an inactive market include a wide bid-ask spread, a significant increase in the bid-ask spread and low level of trading volume. The fair value of financial instruments with active markets held by the Company are stated by their natures and types as follows:
- a. Listed stocks: closing prices.
 - b. closed-end fund : closing prices.
 - c. Open-end funds: net worth.
 - d. government bonds: final price.
 - e. corporate bonds : Weighted average price of \$100. °
 - f. Convertible (exchangeable) corporate bonds: closing price.
- (B) Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained by evaluation techniques or by referring to quotations from counterparties. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method or other evaluation techniques. Including calculations based on market information available at the balance sheet date using models.
- (C) The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as discount method and option pricing model. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate. Structural interest rate derivative financial instruments are based on appropriate option pricing models (such as Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.
- (D) The output of the evaluation model is an estimated value, and the evaluation technology may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the company. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the

company's fair value evaluation model management policy and related control procedures, the management believes that in order to fairly express the fair value of financial instruments and non-financial instruments in the balance sheet, evaluation adjustments are appropriate and necessary.

F. Transfers between Level 1 and Level 2 fair value hierarchy: None.

G. Statement of changes in Level 3 fair value hierarchy

Item	Investment in unquoted financial instruments	
	2023	2022
Balance at January 1	\$15,016	\$-
Additions	-	41,000
Recognized in other comprehensive income	11,160	(25,984)
Balance at December 31	<u>\$26,176</u>	<u>\$15,016</u>

H. Quantitative information for fair value measurement of significant unobservable inputs (Level 3):

The fair value of unlisted (counter) company stocks held by the company without an active market is mainly estimated by the market method, and its judgment is based on the evaluation of similar companies, the company's net worth and operating conditions.

The significant unobservable input values used in fair value measurement are listed in the following table:

2023:

Item	evaluation technique	Significant unobservable input value	Interval	Relationship between input value and fair value
Financial assets at FVTOCI - stocks	market approach	Lack of Liquidity Discount Rate	25.52%	The higher the liquidity discount, the lower the fair value estimate

2022:

Item	evaluation technique	Significant unobservable input value	Interval	Relationship between input value and fair value
Financial assets at FVTOCI - stocks	market approach	Lack of Liquidity Discount Rate	25.95%	The higher the liquidity discount, the lower the fair value estimate

I. Fair value is classified into level 3 evaluation process:

The company's evaluation process for the classification of fair value into the third level uses independent source data to make the evaluation results closer to market

conditions, confirm that the source of information is independent, reliable and consistent with other resources and represent executable prices, and regularly calibrate the evaluation model, conduct back testing, update the input values and data required for the evaluation model, and make any other necessary fair value adjustments to ensure that the evaluation results are reasonable.

(4) Transfer of financial assets: None.

(5) Offset of financial assets and liabilities: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Financings provided: Table 1

B. Endorsement/guarantee provided: Table 2

C. Marketable securities held: Table 3

D. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None.

E. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 4.

H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.

I. Information about the derivative financial instruments transaction: None.

(2) Information on investees: Table 6.

(3) Information on investments in Mainland China: Table 7.

(4) Information on major shareholders (including name of the shareholders with shareholding above 5%, shares held and shareholding ratio): Table 8.

Table 1

E&R ENGINEERING CO., LTD

Financings provided

DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars
and Foreign Currencies)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
0	E&R Engineering Co., LTD	Wuxi E&R Semiconductor Material Technology	Other receivables - related parties (Note 4)	Yes	25,444 (JPY116,930)	21,480 (JPY49,987 ; USD345)	21,480 (JPY49,987 ; USD345)	-	1	37,257 (Note 5)	-	-	-	-	922,079	922,079
		JS E&R Engineering CO., LTD	Other receivables - related parties	Yes	122,820 (USD4,000)	122,820 (USD4,000)	117,050 (RMB27,000)	1.50%	2	-	Operating capital	-	-	-	922,079	922,079
		JS E&R Engineering CO., LTD	Other receivables - related parties (Note 4)	Yes	25,992 (USD93 ; RMB5,337)	-	-	-	1	5,808	-	-	-	-	922,079	922,079

Note 1. The company and Subsidiaries' financing limits for each borrowing company:

Shall not exceed 40% of the Company's net worth.

Note 2. The maximum balance of financing activities to the company and subsidiaries': Shall not exceed lending company's net worth 40%.

Note 3. The code represents the nature of financing activities as follows:

■ Related to trading partner is "1".

■ Short-term financing is "2".

Note 4. In principle, the Company tries to handle payment collection for goods sold by related parties in accordance with the payment collection policy for the same transaction with non-related parties. However, if the above-mentioned policies cannot be implemented due to insufficient funds of the related party or due to losses, the company will fully support the operation of the subsidiary to implement the company's mainland market business goals as a more important consideration. The company has also transferred the overdue accounts receivable from Wuxi E&R and JS E&R to other receivables, amounting to \$21,480 thousand and \$0 thousand.

Note 5. For Wuxi E&R's purchase of raw materials, the company lists it as a collection and payment process and does not purchases and sales.

Table 2

E&R ENGINEERING CO., LTD
ENDORSEMENTS/GUARANTEES PROVIDED
DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Endorsers	Endorseees		Endorsement Limit for a Single Entity (Note 2)	Highest Balance During the Period	Ending Balance	Actual Amount Drawn	Balance Secured by Collaterals	Ratio of Accumulated Amount to net Worth of the Company	Maximum Amount of Endorsement (Note 3)	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Party in Mainland China
		Name of endorseees	Relationship (Note 1)										
0	E&R Engineering Co., LTD	Tech Wave Technology Co., Ltd	2	461,039	20,000	20,000	-	-	0.87%	1,152,599	Y	-	-
		JS E&R Engineering CO., LTD	2	691,559	61,410 (USD2,000)	-	-	-	-	1,152,599	Y	-	Y

Note 1 : The following code represents the relationship with the Company :

- (1) Trading partner.
- (2) Majority owned subsidiary
- (3) The Company direct and indirect owns over 50% ownership of the investee company.
- (4) A subsidiary jointly owned over 90% by the Company
- (5) Guaranteed by the Company according to the construction contract.
- (6) An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
- (7) Joint and several guaranteed by the Company according to the pre-construction contract under Consumer protection Act.

Note 2 : Endorsements/guarantees provided by the Company to a single enterprise and a single foreign affiliate shall not exceed 20% and 30% of the Company's net worth, respectively.

Note 3 : The maximum amount of the endorsements/guarantees provided by the Company shall not exceed 50% of the Company's net worth.

Table 3

E&R ENGINEERING CO., LTD
MARKETABLE SECURITIES HELD
DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars: thousand shares)

Investor	Type and Name of Securities	Relationship with the Issuer	General Ledger Account	Ending balance				Remarks
				Number of Shares (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	
E&R Engineering Co., LTD	Stock – Fubon Financial	-	Financial assets at FVTPL - current	8	500	-	500	
	ETF-Fubon Metaverse	-	Financial assets at FVTPL - current	600	7,452	-	7,452	
	Fund – Allianz Global Investors B	-	Financial assets at FVTPL - current	620	4,383	-	4,383	
	Fund – TCB Taiwan Money Market	-	Financial assets at FVTPL - current	26,529	276,276	-	276,276	
	Fund – Cathay US Premium Bond Fund	-	Financial assets at FVTPL - current	298	2,995	-	2,995	
	Fund – Cathay Taiwan Money Market	-	Financial assets at FVTPL - current	3,940	50,288	-	50,288	
	Corporate bonds – JMC1	-	Financial assets at FVTPL - current	12	1,244	-	1,244	
	Corporate bonds – FUSHENG PRECISION 1	-	Financial assets at FVTPL - current	7	823	-	823	
		Total			343,961		343,961	
	preferred stock – Fubon Financial Preferred B Share	-	Financial assets at FVTOCI non-current	144	8,626	-	8,626	
	preferred stock – Fubon Preferred Share	-	Financial assets at FVTOCI non-current	100	6,110	-	6,110	
	preferred stock – Fubon Preferred C Share	-	Financial assets at FVTOCI non-current	179	9,847	-	9,847	

Table 3

E&R ENGINEERING CO., LTD
MARKETABLE SECURITIES HELD
DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars: thousand shares)

Investor	Type and Name of Securities	Relationship with the Issuer	General Ledger Account	Ending balance				Remarks
				Number of Shares (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	
	preferred stock — Taishin Financial Holding Co., Ltd. Preferred Stock E	-	Financial assets at FVTOCI non-current	10	511	-	511	
	Stock - Shyawei Optronics Corporation	-	Financial assets at FVTOCI non-current	1, 640	26, 176	-	26, 176	
		Total			51, 270		51, 270	

Table 4

E&R ENGINEERING CO., LTD
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
Year Ended December 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Counter-party	Relationships	Transaction Details				Abnormal Transaction		(Notes/Accounts Payable) Or Receivable		Remarks
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
DG E&R Semiconductor Materials	E&R Semiconductor Materials Ltd.	Parent-subsidary	Sales	109,256	75.11%	270 days	There is no similar type of transaction for comparison, and the agreed price will be handled	60-120 days	42,571	81.94%	

Table 5

E&R ENGINEERING CO., LTD
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollar and Foreign Currencies)

Creditor	Counterparty	Relationship with the counterparty	Ending balance	Turnover rate	Overdue receivables		Amount collected subsequent to the end of the reporting period (Note)	Allowance for doubtful accounts
					Amount	Action Taken		
E&R ENGINEERING CO., LTD.	JS E&R Engineering CO., LTD	Subsidiary	124,113	(Note)	-	-	-	-

Note: It is mainly other receivables, hence it is not applicable to be used in calculation of receivables turnover ratio.

Table 6

E&R ENGINEERING CO., LTD

Information on investees

DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Shares and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Product	Original Investment Amount		Balance as of December 31, 2023			Shareholding ratio x net value of the invested company at the end of the period	Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Dividend distribution of the investee company in the current period		Remark
				As of December 31, 2023	As of December 31, 2022	Shares	Percentage of Ownership	Carrying Value				stock dividend	cash dividend	
E&R Engineering Co., LTD	Tech Wave Technology Co., Ltd	New Taipei	Flexible circuit board manufacturing, processing and trading	23,000	23,000	2,500	51.43%	23,107	23,107	(6,255)	(3,217)	-	-	-
	E&R Semiconductor Materials Ltd	Hong Kong	Semiconductor packaging material buying and selling	84,839 (HK20,392)	79,639 (HK19,042)	15,000	100%	93,036	93,907	(17,596)	(17,822)	-	-	-
	ENRICHMENT TECH. CORPORATION	Samoa	investment holding	145,333 (USD4,186+ NTD18,589)	145,333 (USD4,186+ NTD18,589)	8,290	100%	55,242	55,666	(6,729)	(6,729)	-	-	-
	Crystal Entec Technology Co., Ltd	Kaohsiung	Electronic material processing	-	10,860	-	-	-	-	(726)	(350)	-	-	Note
	EXCELLENT INTERNATIONAL HOLDING LIMITED	British Virgin Islands	investment holding	286,430 (USD9,709)	286,430 (USD9,709)	9,709	100%	213,061	215,718	(31,630)	(31,630)	-	-	-
E&R Semiconductor Materials Ltd	GAIN PROFIT HOLDING LIMITED	Samoa	Semiconductor packaging material buying and selling	-	3 (HK1)	-	-	-	-	1,041 (HK262)	5,984 (HK1,505)	-	-	Note
ENRICHMENT TECH. CORPORATION	ENR APPLIED PACKING MATERIAL CORPORATION	Samoa	investment holding	116,979 (USD3,886)	116,979 (USD3,886)	10,755	100%	44,061 (USD1,435)	44,061 (USD1,435)	(6,569) (USD-211)	(6,569) (USD-211)	-	-	-

Note: These two subsidiaries had already been liquidated in November 2023.

Table 7

E&R ENGINEERING CO., LTD
Information on investments in Mainland China
DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Shares and Foreign Currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note A)	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profit/Loss (Note B)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
DG E&R Semiconductor Materials	Production and sales of semiconductor packaging materials	HK 28,180 (Note 1)	(2)	99,637 (HK25,362)	11,071 (HK2,818)	-	110,708 (HK28,180)	(24,004) (HK-6,038)	100%	(24,004) (HK-6,038) (2).2	91,858 (HK23,382)	-
Wuxi E&R Semiconductor Material Technology	Production and sales of semiconductor packaging materials	USD 5,000 (Note 2)	(2)	155,981 (USD5,080)	-	-	155,981 (USD5,080)	(6,569) (USD-211)	100%	(6,569) (USD-211) (2).2	44,002 (USD1,433)	-
Chen-Tai Trade (shanghai) Co., Ltd	Automation equipment after-sales service	USD 500	(2)	15,353 (USD500)	-	-	15,353 (USD500)	2,373 (USD76)	100%	2,373 (USD76) (2).2	14,288 (USD465)	-
Suzhou E&R Precision Equipment Co., Ltd	Production and sales of Automation equipment	USD 1,000	(2)	30,705 (USD1,000)	-	-	30,705 (USD1,000)	(2,534) (USD -81)	100%	(2,534) (USD-81) (2).2	(918) (USD -30)	-
JS E&R Engineering CO., LTD	Production and sales of Automation equipment	RMB 71,900	(2)	282,438 (RMB65,150)	-	-	282,438 (RMB65,150)	(34,907) (USD-1,121)	90.61%	(31,630) (USD-1,016) (2).2	215,718 (USD7,026)	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
110,708(HK 28,180)(Note 3)	110,708(HK 28,180)(Note 1)	(Note 4)
155,981(USD 5,080)(Note 3)	161,416(USD 5,257)(Note 2)	
15,353(USD 500)(Note 3)	15,353(USD 500)	
30,705(USD 1,000)(Note 3)	30,705(USD 1,000)	
282,438(RMB 65,150)(Note 3)	390,818(RMB 90,150)	

(Note 1) The company's investment in DG E&R Semiconductor Materials is reinvested through E&R Semiconductor Materials Ltd. Hong Kong's investment in DG E&R Semiconductor Materials includes fixed asset valuation investment and cash investment, with a total of HK\$28,180 thousand. In addition, the company purchased additional shares in E&R Semiconductor Materials Ltd (Hong Kong) in May 2022, which increased the company's indirect shareholding in DG E&R Semiconductor Materials from 81% to 90%. Therefore, the company's investment amount in mainland China is calculated as HK\$25,443 thousand based on the shareholding ratio. Also, the company purchased additional shares in E&R Semiconductor Materials Ltd (Hong Kong) in August 2023, which increased the company's indirect shareholding in DG E&R Semiconductor Materials from 90% to 100%. Therefore, the company's investment amount in mainland China is calculated as HKD\$28,180 thousand.

(Note 2) The company's investment in Wuxi E&R Semiconductor Material Technology is through ENRICHMENT TECH.CORPORATION's investment in ENR APPLIED PACKING MATERIAL CORPORATIO, then the company will reinvest in Wuxi E&R Semiconductor Material Technology, ENR APPLIED PACKING MATERIAL CORPORATION's investment in Wuxi E&R Semiconductor Material Technology includes fixed asset valuation investment and cash investment of USD\$5,080 thousand (the actual capital verification capital is USD\$5,080 thousand, and the company's registered capital is USD\$5,000 thousand).

(Note 3) The accumulative investment amount remitted from Taiwan to the mainland at the end of the period is calculated based on the company's paid-in capital of the mainland investee company and the shareholding ratio of direct or indirect investment.

(Note 4) Enterprises operating headquarters approved by the Ministry of Economic Affairs are not subject to restrictions on the amount or ratio.

(Note A) The investment methods are divided into the following three types:

- (1) Investing directly to the Mainland China
- (2) Reinvesting in the Mainland China through third-region companies (please refer to Table 6)
- (3) Others.

(Note B) In the current period, the investment profit and loss column is recognized:

- (1) If during incorporation with no investment income or loss, it should be indicated;
- (2) The basis for recognition of investment gains and losses divided into the following three types, which should be indicated:
 1. Audited financial statements by international accounting firms with cooperation relationship with accounting firms in the Republic of China.
 2. Audited financial statements by parent company's auditors.
 3. Others.

The Company's major transactions during year 2023 directly or indirectly through the third place and the mainland invested company are listed as follows:

1. Loans provided with mainland investment company: refer to Table 1 attached in Note 13.
2. Endorsements / guarantees with mainland investment company: refer to Table 2 attached in Note 13.
3. Significant transactions with mainland investment company: refer to Table 4 attached in Note 13.

Table 8

E&R ENGINEERING CO., LTD
 INFORMATION ON MAJOR SHAREHOLDERS
 DECEMBER 31, 2023

Name of Production and sales of Automation equipment Major Shareholder	Number of Shares	Percentage of Ownership (%)
None	-	-

Note: The information of major shareholders is based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2023. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

14. SEGMENT INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

STATEMENTS OF MAJOR ACCOUNTING ITEMS
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E&R ENGINEERING CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	Description	Amount	Remark	
Cash	Petty cash	\$1,527		
Subtotal		\$1,527		
Cash in banks	Checking accounts	\$10		
	Demand deposits	110,363		
	foreign deposits	88,238	USD	1,084
			RMB	254
			EUR	123
			JPY	228,143
Cash equivalents	Time deposits with	550,558	NTD	300,000
	Original maturities less		RMB	12,750
	than 3 months		USD	6,360
Subtotal		\$749,169		
Total		\$750,696		

Exchange rate as of December 31, 2023: USD:NTD 1:30.705
RMB:NTD 1:4.3352
EUR:NTD 1:34.0712
JPY:NTD 1:0.2176

E&R ENGINEERING CO., LTD.

STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

DECEMBER 31, 2023

(Thousand Shares & In Thousands of New Taiwan Dollars)

Financial Instrument Name	Description	Shares or Units	Face value	Amount	Acquired Cost	Fair Value		Remark
						Unit Price	Amount	
Stocks:								
ETF -Fubon Solactive Metaverse	ETF	600	-	-	\$9,000	12.42	\$7,452	
Fubon Financial	Stock	8	10	77	411	64.80	500	
					<u>\$9,411</u>		<u>\$7,952</u>	
Subtotal Funds:								
Allianz Global Investors All Seasons Harvest Fund of Bond Funds B	Mutual Fund	620	-	-	\$6,030	7.0718	\$4,383	
TCB Money Market Fund	Mutual Fund	26,529	-	-	275,000	10.4142	276,276	
Cathay US Premium Bond Fund USD B	Mutual Fund	298	-	-	2,964	10.0487	2,995	
Cathay Taiwan Money Market Fund	Mutual Fund	3,940	-	-	50,000	12.7628	50,288	
Subtotal					<u>\$333,994</u>		<u>\$333,942</u>	
Corporate Bonds:								
JMC- First	Bond	12	100,000	1,200	\$1,337		\$1,244	
FSP - First	Bond	7	100,000	1,000	799		823	
Subtotal					<u>\$2,136</u>		<u>\$2,067</u>	
Total					<u>\$345,541</u>		<u>\$343,961</u>	

E&R ENGINEERING CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)			
Client Name	Description	Amount	Remark
Company A	Trade receivable	\$36,750	USD 1,197
Company B	Trade receivable	125,399	USD 4,084
Company C	Trade receivable	18,675	USD 608
Company D	Trade receivable	17,957	USD 585
Company E	Trade receivable	28,324	
Company F	Trade receivable	19,662	
Others	Under 5%	93,078	
Subtotal		\$339,845	
Less: Allowance for doubtful accounts		(7,370)	
Net		<u>\$332,475</u>	
Related parties			
DG E&R Semiconductor Materials	Trade receivable	\$16,405	USD 534
Wuxi E&R Semiconductor Materials Technology Co., LTD.	Trade receivable	37,946	USD 1,236
JS E&R Engineering CO., LTD.	Trade receivable	3,388	RMB 84 USD 99
Tech Wave Technology Co., LTD.	Trade receivable	8	
Subtotal		<u>\$57,747</u>	
Less: Allowance for doubtful accounts		-	
Net		<u>\$57,747</u>	
Total		<u><u>\$390,222</u></u>	
Exchange rate as of December 31,2023:			
USD:NTD 1:30.705			
RMB:NTD 1:4.3352			

E&R ENGINEERING CO., LTD.
STATEMENT OF OTHER RECEIVABLE
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)				
Item	Description	Amount	Remark	
Unrelated parties				
Tax refund receivable	Business tax	\$5,449		
Interest receivable	Time deposits interest	1,156		
Others	Others	46		
Subtotal		\$6,651		
Less: Allowance for doubtful accounts		-		
Net		\$6,651		
Related parties				
Overdue accounts receivable	Accounts receivable	\$21,480	JPY	49,987
			USD	345
Equipment receivable	Equipment disposal receivables	2,272	RMB	232
			USD	41
Lending receivables	Lending	117,050	RMB	27,000
Lending interest receivables	Lending interest	293	RMB	68
Others	Others	1,416		
Net		\$142,511		
Total		\$149,162		

Exchange rate as of December 31, 2023:

USD:NTD 1:30.705

RMB:NTD 1:4.3352

JPY:NTD 1:0.2176

E&R ENGINEERING CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Remark
		Cost	Fair Value	
Raw materials	Components	\$496,118	\$525,312	
Work in process	Machine in process	248,941	338,306	
Finished goods	Finished machine	183,220	213,241	
Total		<u>\$928,279</u>	<u>\$1,076,859</u>	

E&R ENGINEERING CO., LTD.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Prepaid expenses	Prepaid insurance, etc.	\$4,758	
Prepaid contract assets	Prepaid contract assets	20,188	
Office supplies	Office supplies	5,952	
Other prepaid expenses	Temporary payments	7,378	
Total		<u>\$38,276</u>	

E&R ENGINEERING CO., LTD.
STATEMENT OF OTHER FINANCIAL ASSETS - CURRENT
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Gash Banks	Pledge demand deposits	\$4,790	
Gash Banks	Special deposit guarantee	11,573	
Refundable deposits	Letter of credit	5,500	
Time deposits	Customs refundable deposit	710	
Time deposits	Time deposits with original	300,000	
	Maturities over 3 months		
Total		<u>\$322,573</u>	

E&R ENGINEERING CO., LTD.
STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023

Item	Beginning Balance		Increase		Decrease		Ending Balance		(In Thousands of New Taiwan Dollars)	
	Shares		Shares		Shares		Shares		Collateral	Remark
	(In Thousands)	Fair Value	(In Thousands)	Amount	(In Thousands)	Amount	(In Thousands)	Fair Value		
Preferred Stock – Fubon Financial B	144	\$8,280	-	\$346	-	\$-	144	\$8,626	None	
Preferred Stock – Fubon Financial A	50	3,020	50	3,110	-	20	100	6,110	None	
Preferred Stock – Fubon Financial C	179	9,865	-	-	-	18	179	9,847	None	
Preferred Stock – Taishin Financial E	-	-	10	511	-	-	10	511	None	
Shyawei Optronics Corp.	1,640	15,016	-	11,160	-	-	1,640	26,176	None	
Net		<u>\$36,181</u>		<u>\$15,127</u>		<u>\$38</u>		<u>\$51,270</u>		

1. Current increase of \$15,127 thousand, includes \$3,605 thousand capital increase by cash and \$11,522 thousand proceeds unrealized profit on financial assets at FVTOCI.
2. Current decrease of \$38 thousand includes proceeds unrealized loss on financial assets at FVTOCI.

E&R ENGINEERING CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousand Shares & Thousands of New Taiwan Dollars)

Name	Beginning Balance		Increase		Decrease		Ending Balance			Market Value or Net Value		Collateral or Pledge	Remark
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit Price	Total Amount		
Tech Wave Technology Co., TTD.	2,500	\$26,349	-	\$-	-	\$3,242	2,500	51.43%	\$23,107	9.24	\$23,107	None	
E&R Semiconductor	13,500	102,364	1,500	10,634	-	19,962	15,000	100.00%	93,036	6.26	93,907	None	
Enrichment TECH. Corporation	8,290	62,878	-	62	-	7,698	8,290	100.00%	55,242	6.71	55,666	None	
Crystal Entec Technology Co., TTD.	1,086	6,522	-	489	1,086	7,011	-	-	-	-	-		
Excellent International Holdings Limited	9,709	246,951	-	2,565	-	36,455	9,709	100.00%	213,061	22.22	215,718	None	
Total		<u>\$445,064</u>		<u>\$13,750</u>		<u>\$74,368</u>			<u>\$384,446</u>		<u>\$388,398</u>		

1. Current increase of \$13,750 thousand is listed below:

Purchase	\$5,200
Capital Surplus	5,434
Realized Gross Profit on Sales	2,356
Realized Profit in Disposition of assets	271
Profit on Disposal of investments	489
Total	<u>\$13,750</u>

2. Current decrease of \$74,368 thousand is listed below:

Share of Profit or Loss of Subsidiaries, associates and joint ventures	\$59,748
Other Comprehensive income	6,769
Investing Payment received	6,181
Unrealized Profit in Disposal of assets	1,190
Capital surplus	480
Total	<u>\$74,368</u>

E&R ENGINEERING CO., LTD
STATEMENT OF REFUNDABLE DEPOSITS
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)			
Item	Description	Amount	Remark
Rental deposit	Rental deposit	<u>\$1,512</u>	

E&R ENGINEERING CO., LTD.
STATEMENT OF SHORT-TERM LOANS
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Creditors	Description	Ending Balance	Contract Period	Loan Commitment	Collateral or Pledge	Remarks
Bank of Taiwan	Working capital loans	\$30,000	2023/10/30~2024/10/30	\$60,000	Demand deposit	
Taishin Bank	Working capital loans	\$67,000	2023/12/14~2024/01/15	\$100,000	Demand deposit	
Total		\$97,000				
Range of Interest rates		2.075%~2.13%				

E&R ENGINEERING CO., LTD
STATEMENT OF CONTRACT LIABILITIES - CURRENT
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)			
Client Name	Description	Amount	Remark
Company A	Unearned sales revenue	\$9,470	
Company B	Unearned sales revenue	5,065	
Company C	Unearned sales revenue	3,485	
Company D	Unearned sales revenue	2,262	
Company E	Unearned sales revenue	1,680	
Others	(Under 5%)	1,065	
Total		<u>\$23,027</u>	

E&R ENGINEERING CO., LTD
STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2023

		(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)	
Vendor Name	Description	Amount	Remark
Kobayashi	Trade payable	\$10,332	JPY 47,481
COAGENT	Trade payable	10,069	
COHERENT	Trade payable	10,004	
AKROS	Trade payable	9,186	JPY 42,217
High Accurate Metal Limited Liability Company.	Trade payable	8,568	
Others	(Under 5%)	114,194	
Total		<u>\$162,353</u>	

Exchange rate as of December 31, 2023:

JPY:NTD 1:0.2176

E&R ENGINEERING CO., LTD
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Name	Trustee	Issue date	Date of interest payment	Interest rate	Total issuance	Converted (redeemed) amount	Ending balance	Discount of bonds payable	Book value	Repayment method	Guarantee	Remark
3rd Domestic Convertible Bond	Taichung Bank Securities	2022.6.22	-	Coupon rate 0%	\$1,000,000	\$-	\$1,000,000	\$53,705	\$946,295	Note		
Total					<u>\$1,000,000</u>	<u>\$-</u>	<u>\$1,000,000</u>	<u>\$53,705</u>	<u>\$946,295</u>			
Less: portion due within one year									-			
Total									<u>\$946,295</u>			

Note: For detailed repayment methods, please refer to Note 6 (17) Explanation of Bonds Payable to the Financial Report.

E&R ENGINEERING CO., LTD
STATEMENT OF LONG-TERM LOANS
DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Creditors	Description	Amount	Contract Period	Collateral	Remark
Taiwan Cooperative Bank	Mortgage loan	\$32,058	2021.12.14-2041.12.14	Land and plant	
Taiwan Cooperative Bank	Mortgage loan	23,674	2021.01.14-2029.01.14	Land and plant	
Taiwan Cooperative Bank	Mortgage loan	21,363	2022.01.14-2027.01.14	Land and plant	
Hua Nan Commercial Bank	Mortgage loan	13,000	2022.03.22-2027.03.22	Demand deposit	
Total		\$90,095			
Less: Current portion of long-term loans		(17,172)			
Long term loans		\$72,923			
Interest rate range		2.213%-2.24%			

E&R ENGINEERING CO., LTD
STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount	Remark
BLAZON	22	\$374,084	
Laser marker	5	43,928	
Laser Marker LOT	9	139,377	
Laser Cutting Machine	3	24,107	
PLASMAX	13	107,112	
Others		491,736	
Total		\$1,180,344	
Decrease: Sales return		(24,522)	
Sales discount		(1,492)	
Net revenue		<u>\$1,154,330</u>	

E&R ENGINEERING CO., LTD
STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Item	2023
Raw materials at January 1, 2023	\$599,253
Increase: Raw materials purchased	558,456
Expenses transfer in	47,362
WIP transfer in	30,926
Sales return	2
Property, plant and equipment transfer in	6,775
Others	5,908
Decrease: Raw materials at December 31, 2023	(527,005)
Raw materials sold	(96,316)
Transfer to operating expenses	(69,054)
Scrapped	(20,891)
Transfer to property, plant and equipment	(13,130)
Others	(1,202)
Raw materials used	\$521,084
Direct labor	12,246
Factory overhead	38,764
Manufacturing cost	\$572,094
Increase: Work in process at January 1, 2023	302,516
Finished goods transfer in	576,427
Decrease: Work in process at December 31, 2023	(271,089)
Production transfer to raw materials	(30,926)
Transfer to finished goods	(20,361)
Others	(579)
Cost of finished goods	\$1,128,082
Increase: Finished goods at January 1 2023	230,470
Finished goods purchased	364
WIP transfer in	20,361
Sales return	18,250

Property, plant and equipment transfer in	12,347
Decrease: Finished goods at December 31, 2023	(206,784)
Scrapped	(3,154)
Transfer to operating expenses	(4,385)
Transfer to WIP	(576,427)
Transfer to property, plant and equipment	(153,299)
Transfer to costs of conversion	(1,182)
Cost of finished goods sold	<u>\$464,643</u>
Adjustment items of cost	
Impairment loss on inventories	39,000
Warranty cost	(18,194)
Others-Others	(4,809)
Others- Sales return	(18,252)
Cost of Goods Sold	<u>\$462,388</u>
Raw material sold	96,316
Maintenance costs	10,170
Total cost of revenue	<u><u>\$568,874</u></u>

E&R ENGINEERING CO., LTD
STATEMENT OF FACTORY OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Indirect labor	\$3,997
Depreciation	7,954
Utilities expense	9,486
Packing expenses	2,488
Insurance expense	4,476
Processing expense	3,112
Others (Note)	7,251
Total	<u>\$38,764</u>

(Note)The amount of each item does not exceed 5% of the account balance.

E&R ENGINEERING CO., LTD
STATEMENT OF SALES AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Salary and wages	\$79,026
Traveling Expense	21,212
Commission	14,870
Others (Note)	66,454
Total	<u>\$181,562</u>

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

E&R ENGINEERING CO., LTD
STATEMENT OF GERNERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Salary and wages	\$46,313
Insurance expense	7,447
Depreciation	13,730
Amortizations	6,633
Services expense	7,057
Others (Note)	31,110
Total	<u>\$112,290</u>

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

E&R ENGINEERING CO., LTD
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

Item	Amount
Salary and wages	\$113,394
Insurance expense	11,232
Depreciation	53,926
Others (Note)	46,494
Decrease: Subsidy	(18,665)
Total	<u>\$206,381</u>

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