

**WAH HONG INDUSTRIAL
CORPORATION AND
SUBSIDIARIES**

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022
and Independent Auditors' Report**

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REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Wah Hong Industrial Corporation as of and for the year ended December 31, 2023, under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is already included in the consolidated financial statements. Consequently, Wah Hong Industrial Corporation and its Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Wah Hong Industrial Corporation

Chairman: Tsuen-Hsien, Chang

March 13, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Wah Hong Industrial Corporation

Audit Opinion

We have audited the accompanying consolidated financial statements of Wah Hong Industrial Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those CPA's professional judgments, which are also the most significance matters in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is discussed as follows:

Occurrence of revenue from specific customers

The main revenue of the Group comes from the sales of LCD optical materials and other products. As the sales revenue from specific customers had a significant increase compared with the previous year, the auditor regards the authenticity of the sales revenue of these specific customers as a key audit item in accordance with the provisions of auditing standards on presupposing revenue as a significant risk.

For the revenue-recognition accounting policies, please refer to Note IV of the financial report.

The main audit procedures that we performed to address the occurrence of the revenue from specific customers were as follows:

- I. We understood and tested the design and operating effectiveness of the internal controls relevant to shipment and revenue recognition.
- II. Obtain detailed information on sales revenue from specific customers and select appropriate samples, review the documents such as shipment declaration or receipt, and check the proof of receipt of payment and whether it is consistent with the target of the shipment to confirm that the revenue has actually occurred.

Other Matter

We have also audited the parent company - Wah Hong Industrial Corporation's financial report as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRS, IAS, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are

free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable confidence is high confidence, but there is no guarantee that the audit work performed in accordance with the auditing standards will be able to detect material misrepresentations in the consolidated financial report. Misstatements may be a result of fraud or error. Misrepresentation of individual amounts or aggregated amounts is considered material if it can reasonably be expected to affect economic decisions made by users of consolidated financial statements.

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

- I. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Implement an appropriate countermeasures based on the assessment of risk design; and to 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 go beyond the internal control.
- II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- IV. Regarding the appropriateness of the going concern that management adopted, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern, we have to make a conclusion

according to the evidence audited. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions might cause the Group to cease the continue as a going concern.

- V. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 audits resulting in this independent auditors' report are Chiu-Yen, Wu and Chen-Li, Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2024

Notice to Readers

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

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

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
1100	Cash and cash equivalents (Notes IV and VI)	\$ 1,182,925	15	\$ 1,583,015	19
1110	Financial assets at fair value through profit or loss - current (Notes IV, VII and XXVIII)	432,536	5	697,872	8
1150	Notes receivable (Notes IV, IX and XXIII)	360,135	4	189,249	2
1170	Accounts receivable, net (Notes IV, IX, XXIII and XXIX)	2,526,933	32	2,517,030	30
1200	Other receivables, net (Notes IV, IX, and XXIX)	18,207	-	19,782	-
1220	Current tax assets (Notes IV and XXV)	3,660	-	1,322	-
130X	Inventories (Notes IV and X)	691,426	9	998,476	12
1476	Other financial assets (Notes XII and XXX)	151,694	2	78,445	1
1479	Other current assets	56,152	1	35,531	-
11XX	Total current assets	<u>5,423,668</u>	<u>68</u>	<u>6,120,722</u>	<u>72</u>
NON-CURRENT ASSETS					
1517	Financial assets at fair value through other comprehensive income - non-current (Notes IV, VIII, and XXVIII)	691,920	9	601,031	7
1550	Investments accounted for using equity method (Notes IV and XI)	5,298	-	10,447	-
1600	Property, plant and equipment (Notes IV, XIV, XXX and XXXI)	1,474,132	19	1,520,620	18
1755	Right-of-use assets (Notes IV and XV)	206,218	3	136,815	2
1780	Other intangible assets (Note IV)	39,527	-	21,893	-
1840	Deferred tax assets (Notes IV and XXV)	66,237	1	96,356	1
1920	Refundable deposits	25,623	-	25,784	-
1990	Other non-current assets	2,362	-	1,218	-
15XX	Total non-current assets	<u>2,511,317</u>	<u>32</u>	<u>2,414,164</u>	<u>28</u>
1XXX	TOTAL	<u>\$ 7,934,985</u>	<u>100</u>	<u>\$ 8,534,886</u>	<u>100</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
2100	Short-term borrowings (Note XVI)	\$ 780,049	10	\$ 1,511,876	18
2110	Short-term bills payable (Note XVII)	170,000	2	-	-
2150	Notes payable (Note XVIII)	251,463	3	113,667	1
2170	Accounts payable (Notes XVIII and XXIX)	1,088,691	14	1,192,361	14
2200	Other payables (Note XIX)	508,377	6	541,708	6
2230	Current tax liabilities (Notes IV and XXV)	16,193	-	117,843	2
2280	Lease liabilities - current (Notes IV and XV)	41,559	1	21,998	-
2399	Other current liabilities (Note XXIII)	15,490	-	16,463	-
21XX	Total current liabilities	<u>2,871,822</u>	<u>36</u>	<u>3,515,916</u>	<u>41</u>
NON-CURRENT LIABILITIES					
2540	Long-term borrowings (Notes XX and XXX)	458,802	6	458,144	5
2570	Deferred tax liabilities (Notes IV and XXV)	157,253	2	219,404	3
2580	Lease liabilities - non-current (Notes IV and XV)	107,298	2	68,437	1
2640	Net defined benefit liabilities - non-current (Notes IV and XXI)	27,073	-	37,508	-
2645	Guarantee deposits received	1,887	-	2,361	-
25XX	Total non-current liabilities	<u>752,313</u>	<u>10</u>	<u>785,854</u>	<u>9</u>
2XXX	Total liabilities	<u>3,624,135</u>	<u>46</u>	<u>4,301,770</u>	<u>50</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note XXII)					
3100	Share capital	1,000,044	13	1,000,044	12
3200	Capital surplus	2,048,734	26	2,048,734	24
Retained earnings					
3310	Legal reserve	497,824	6	470,193	5
3320	Special reserve	368,706	5	310,734	4
3350	Unappropriated earnings	666,247	8	698,081	8
3300	Total retained earnings	<u>1,532,777</u>	<u>19</u>	<u>1,479,008</u>	<u>17</u>
3400	Other equity	(343,152)	(4)	(368,706)	(4)
3500	Treasury stock (Note XXII)	(40,228)	(1)	(40,228)	(1)
31XX	Total equity attributable to owners of the Company	4,198,175	53	4,118,852	48
36XX	NON-CONTROLLING INTERESTS (Note XXII)	112,675	1	114,264	2
3XXX	Total equity	<u>4,310,850</u>	<u>54</u>	<u>4,233,116</u>	<u>50</u>
TOTAL		<u>\$ 7,934,985</u>	<u>100</u>	<u>\$ 8,534,886</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023		2022	
		Amount	%	Amount	%
4100	OPERATING REVENUE (Notes IV, XXIII and XXIX)	\$ 7,518,472	100	\$ 9,183,092	100
5110	OPERATING COSTS (Notes X, XXIV and XXIX)	<u>6,467,054</u>	<u>86</u>	<u>8,005,893</u>	<u>87</u>
5900	GROSS PROFIT	<u>1,051,418</u>	<u>14</u>	<u>1,177,199</u>	<u>13</u>
	OPERATING EXPENSES (Notes IX and XXIV)				
6100	Selling and marketing expenses	223,262	3	258,581	3
6200	General and administrative expenses	356,390	5	363,952	4
6300	Research and development	229,285	3	214,336	2
6450	Benefits from reversal of expected credit impairment loss	(<u>5,944</u>)	<u>-</u>	(<u>6,885</u>)	<u>-</u>
6000	Total operating expenses	<u>802,993</u>	<u>11</u>	<u>829,984</u>	<u>9</u>
6900	OPERATING INCOME	<u>248,425</u>	<u>3</u>	<u>347,215</u>	<u>4</u>
	NON-OPERATING INCOME AND EXPENSES (Note XXIV)				
7100	Interest revenue	24,709	1	19,473	-
7010	Other revenue	69,850	1	81,965	1
7020	Other gains and losses	22,235	-	20,899	-
7050	Finance costs	(69,029)	(1)	(47,007)	-
7060	Share of profit and loss of affiliated enterprises recognized by equity method	(<u>5,149</u>)	<u>-</u>	<u>447</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>42,616</u>	<u>1</u>	<u>75,777</u>	<u>1</u>
7900	Profit before income tax	291,041	4	422,992	5
7950	INCOME TAX EXPENSE (Notes IV and XXV)	<u>69,610</u>	<u>1</u>	<u>138,821</u>	<u>2</u>

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Code		2023		2022	
		Amount	%	Amount	%
8200	NET PROFIT FOR THE YEAR	\$ 221,431	3	\$ 284,171	3
	OTHER COMPREHENSIVE INCOME (Notes XXI, XXII and XXV)				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(1,039)	-	17,301	-
8316	Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	69,937	1	(107,746)	(1)
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	208	-	(3,460)	-
8310		<u>69,106</u>	<u>1</u>	<u>(93,905)</u>	<u>(1)</u>
	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of the financial statements of foreign operations	(57,827)	(1)	63,969	1
8399	Income tax relating to items that may be reclassified subsequently to profit or loss	11,095	-	(12,442)	-
8360		<u>(46,732)</u>	<u>(1)</u>	<u>51,527</u>	<u>1</u>
8300	Other comprehensive gain (loss) for the year, net of income tax	<u>22,374</u>	<u>-</u>	<u>(42,378)</u>	<u>-</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 243,805</u>	<u>3</u>	<u>\$ 241,793</u>	<u>3</u>

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Code		2023		2022	
		Amount	%	Amount	%
	NET PROFIT ATTRIBUTABLE				
	TO:				
8610	Owners of the Company	\$ 202,381	3	\$ 262,473	3
8620	Non-controlling interests	<u>19,050</u>	-	<u>21,698</u>	-
8600		<u>\$ 221,431</u>	<u>3</u>	<u>\$ 284,171</u>	<u>3</u>
	TOTAL COMPREHENSIVE				
	INCOME ATTRIBUTABLE				
	TO:				
8710	Owners of the Company	\$ 227,104	3	\$ 218,342	3
8720	Non-controlling interests	<u>16,701</u>	-	<u>23,451</u>	-
8700		<u>\$ 243,805</u>	<u>3</u>	<u>\$ 241,793</u>	<u>3</u>
	EARNINGS PER SHARE (Note				
	XXVI)				
9710	Basic	<u>\$ 2.05</u>		<u>\$ 2.66</u>	
9810	Diluted	<u>\$ 2.02</u>		<u>\$ 2.60</u>	

The accompanying notes are an integral part of the consolidated financial statements

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Equity Attributable to Owners of the Company													
Code		Share capital	Capital surplus	Retained earnings			Exchange differences on translation of the financial statements of foreign operations	Other equity		Treasury stock	Total	Non-controlling interests	Total equity
				Legal reserve	Special reserve	Unappropriated earnings		Unrealized loss on financial assets at fair value through other comprehensive income	Total				
A1	BALANCE AT JANUARY 1, 2022	\$ 1,000,044	\$ 2,048,734	\$ 427,464	\$ 311,174	\$ 710,357	(\$ 289,782)	(\$ 20,952)	(\$ 310,734)	(\$ 40,228)	\$ 4,146,811	\$ 109,687	\$ 4,256,498
	Appropriation of 2021 earnings (Note XXII)												
B1	Legal reserve	-	-	42,729	-	(42,729)	-	-	-	-	-	-	-
B3	Reversal of special surplus reserve	-	-	-	(440)	440	-	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(246,301)	-	-	-	-	(246,301)	-	(246,301)
		-	-	42,729	(440)	(288,590)	-	-	-	-	(246,301)	-	(246,301)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	262,473	-	-	-	-	262,473	21,698	284,171
D3	Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	13,841	49,774	(107,746)	(57,972)	-	(44,131)	1,753	(42,378)
D5	Total comprehensive income for the year ended December 31, 2022	-	-	-	-	276,314	49,774	(107,746)	(57,972)	-	218,342	23,451	241,793
O1	Decrease in non-controlling interests (Note XXII)	-	-	-	-	-	-	-	-	-	-	(18,874)	(18,874)
Z1	BALANCE AT DECEMBER 31, 2022	1,000,044	2,048,734	470,193	310,734	698,081	(240,008)	(128,698)	(368,706)	(40,228)	4,118,852	114,264	4,233,116
	Appropriation of 2022 earnings (Note XXII)												
B1	Legal reserve	-	-	27,631	-	(27,631)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	57,972	(57,972)	-	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	(147,781)	-	-	-	-	(147,781)	-	(147,781)
		-	-	27,631	57,972	(233,384)	-	-	-	-	(147,781)	-	(147,781)
D1	Net profit for the year ended December 31, 2023	-	-	-	-	202,381	-	-	-	-	202,381	19,050	221,431
D3	Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(831)	(44,383)	69,937	25,554	-	24,723	(2,349)	22,374
D5	Total comprehensive income for the year ended December 31, 2023	-	-	-	-	201,550	(44,383)	69,937	25,554	-	227,104	16,701	243,805
O1	Decrease in non-controlling interests (Note XXII)	-	-	-	-	-	-	-	-	-	-	(18,290)	(18,290)
Z1	BALANCE AT DECEMBER 31, 2023	\$ 1,000,044	\$ 2,048,734	\$ 497,824	\$ 368,706	\$ 666,247	(\$ 284,391)	(\$ 58,761)	(\$ 343,152)	(\$ 40,228)	\$ 4,198,175	\$ 112,675	\$ 4,310,850

The accompanying notes are an integral part of the consolidated financial statements

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before income tax	\$ 291,041	\$ 422,992
A20010	Adjustments for:		
A20100	Depreciation expense	245,856	294,864
A20200	Amortization expense	30,381	34,322
A20300	Benefits from reversal of expected credit impairment loss	(5,944)	(6,885)
A20400	Gain (Loss) on financial instruments at fair value through profit or loss	(22,041)	29,999
A20900	Finance costs	69,029	47,007
A21200	Interest revenue	(24,709)	(19,473)
A21300	Dividend income	(43,831)	(44,541)
A22300	Share of profit and loss of affiliated enterprises recognized by equity method	5,149	(447)
A22500	Loss on disposal of property, plant and equipment	3,577	1,365
A23700	Inventories losses	5,279	129,463
A24100	Unrealized net gain on foreign exchange	(12,528)	(10,951)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(171,405)	80,026
A31150	Accounts receivable	(8,508)	1,136,250
A31180	Other receivables	6,186	24,978
A31200	Inventories	302,777	174,701
A31240	Other current assets	(20,621)	23,971
A32130	Notes payable	137,796	(65,059)
A32150	Accounts payable	(103,670)	(769,991)
A32180	Other payables	(31,224)	(141,281)
A32230	Other current liabilities	(973)	(1,343)
A32240	Net defined benefit liabilities	(11,474)	(11,147)
A33000	Cash generated from operations	640,143	1,328,820
A33100	Interest received	24,381	17,196
A33200	Dividends received	44,743	42,400
A33300	Interest paid	(67,610)	(38,631)
A33500	Income tax paid	(195,604)	(121,352)
AAAA	Net cash generated from operating activities	<u>446,053</u>	<u>1,228,433</u>

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Code		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Purchase of financial assets at fair value through other comprehensive income	(\$ 20,952)	(\$ 444,401)
B00100	Purchase of financial assets at fair value through profit or loss	(773,296)	(1,228,722)
B00200	Disposal of financial assets at fair value through profit or loss	1,054,021	909,630
B01800	Investment obtained using the equity method	-	(10,000)
B02700	Payments for property, plant and equipment	(181,895)	(106,874)
B02800	Proceeds from disposal of property, plant and equipment	10,683	1,418
B03700	Decrease (increase) in guarantee deposits paid	(229)	8,504
B04200	Decrease in other receivables	-	266,926
B04500	Acquisitions of Intangible assets	(49,499)	(32,200)
B06500	Increase in other financial assets	(73,249)	(37,880)
BBBB	Net cash used in investing activities	<u>(34,416)</u>	<u>(673,599)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES		
C00100	Increase (decrease) in short-term borrowings	(726,076)	407,025
C00500	Increase (decrease) in short-term notes payable	170,000	(280,000)
C01600	Increase in long-term borrowings	-	501,116
C01700	Repayments of long-term borrowings	-	(557,547)
C03100	Decrease in guarantee deposits received	(455)	(304)
C04020	Repayment of the principal portion of lease liabilities	(62,725)	(48,920)
C04500	Cash dividends	(147,781)	(246,301)
C05800	Change in non-controlling interests	(18,290)	(18,874)
CCCC	Net cash used in financing activities	<u>(785,327)</u>	<u>(243,805)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(26,400)</u>	<u>51,015</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(400,090)	362,044
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,583,015</u>	<u>1,220,971</u>

(Continued)

(Continued from previous page)

<u>Code</u>		<u>2023</u>	<u>2022</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$1,182,925</u>	<u>\$1,583,015</u>

The accompanying notes are an integral part of the consolidated financial statements

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. ORGANIZATION

Wah Hong Industrial Corp. (the “Company”) was incorporated in August 1973, and is mainly engaged in the manufacturing and trading of materials of LCD (Diffusion, Reflection films etc.), materials of Bulk Molding Compounds (BMC) and Molding products etc..

The Company’s shares have been listed and traded on the Taipei Exchange since June 23, 2005.

The consolidated financial statements, which include the Company and its subsidiaries (collectively, the “Group”), are presented in the Company’s functional currency, the New Taiwan dollar.

II. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 13, 2024.

III. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed by the Financial Supervisory Commission (FSC).

The application of the revised IFRSs approved and issued by the Financial Supervisory Commission will not cause major changes in the accounting policies of the Company and entities controlled by the Company (hereinafter referred to as the “Group”).

(II) The IFRSs endorsed by the FSC for application starting from 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: Partial disclosure is exempted for the first application of this amendment.

As of the date when this consolidated financial report is approved by the board of directors, the amendments to other standards and interpretations for the assessment of the merged companies will not have a significant impact on the consolidated financial position and consolidated financial performance.

(III) IFRS Accounting Standards that have been issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21, “Lack of exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied for annual reporting periods beginning on or after January 1, 2025. The impact amount will be recognized as retained earnings as at the date of first application of the amendments. When the Group takes the non-functional currency as the presentation currency, the impact amount will be adjusted to the foreign operating organization-related exchange difference under the equity at the date of first application.

As of the date when this consolidated financial report is approved by the board of directors, the amendments to other standards and interpretations for the assessment of the merged companies will not have a significant impact on the consolidated financial position and consolidated financial performance.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Compliance statement

The consolidated financial statements have been prepared in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

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

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;

2. Assets expected to be realized within 12 months after the reporting period; and
3. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period; and
3. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

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

The detailed information of subsidiaries (including the percentage of ownership and main business) is referred to Note XIII, Tables 7 and 8.

(V) Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies)

are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and not retranslated subsequently.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollar at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

(VI) Inventories

Inventories include raw materials, work in progress and finished goods. Inventories are measured at the lower of cost and net realizable value, and the comparison between cost and net realizable value is based on parent company only items except for inventories of the same category. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

(VII) Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, an investment in an associate is initially recognized at costs, and its carrying amount after acquisition date is adjusted based on the Group's share in the profits or losses and other comprehensive income of the associate as well as the distribution received. Besides, the changes in the equity of the associate are recognized based on shareholding ratio.

The Group ceases to be accounted by equity method on the date when the investment ceases to be an affiliated enterprise, and its retained interests in the original affiliated enterprise shall be measured at fair value. The difference between the fair value and the disposal price and the book value of the investment on the day when the equity method is stopped is included in the profit and loss of the current year. In addition, all amounts related to the affiliated enterprise recognized in other comprehensive profit or loss are accounted for on the same basis as would be required if the affiliated enterprise directly disposes of the related assets or liabilities.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(VIII) Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. When these assets are tested for their normal operation before reaching the expected use state, the samples produced are measured by the lower of cost and net realized value, and the sales price and cost are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(IX) Intangible assets

Intangible assets (expertise and computer software) with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, 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.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss.

(X) Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating unit on a reasonable and consistent basis of allocation.

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

cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

(XI) Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1. Financial assets

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

(1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income (FVTOCI).

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL; such assets include debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement

recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset.

B. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and guarantee deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as 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, it will be transferred to retained earnings.

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

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instruments at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial

asset is in default without taking into account any collateral held by the Group:

- A. Internal or external information shows that the debtor is unlikely to pay its creditors.
- B. When a financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2. Equity instruments

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

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

Repurchase of the Company's own equity instruments is recognized in and deducted from equity, and its carrying amount is calculated based on the type of stocks on a weighted average basis, and calculated separately based on the reasons for recovery. No gain or loss is recognized in profit

or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Derivatives

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward contracts.

Derivatives are initially recognized at fair value when derivative contracts are signed, and subsequently re-measured at fair value on balance sheet date, and the profits or losses from the subsequent measurement are directly recognized as profits or losses. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

(XII) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Commodity sales revenue comes from the sales of optical materials (LCD), functional materials (BMC) and other self-made products. Since when the products arrive at the location designated by the customer or during shipment, the customer has the right to determine the price and use of the product and bear the main responsibility for reselling and the risk of obsolescence, the Group recognizes revenue and accounts receivable at this point in time. Receive in advance of sales of goods is recognized as a contract liability.

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

(XIII) Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1. The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability), and subsequently measured at cost less accumulated depreciation and impairment losses, and is adjusted in the remeasured amount of the lease liability. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. If it is easy to determine the interest rate implicit in a lease, the lease payments are discounted by using such interest rate. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the

lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XIV) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the costs of those assets, until substantially all the activities required for the assets to be ready for their intended use or sale are completed.

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.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the year in which they are incurred.

(XV) Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

(XVI) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including service cost and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(XVII) Income tax

The tax expense for the period comprises current and deferred tax.

1. Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act of the R.O.C., an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain the earnings.

Adjustments of prior year's tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also

recognized in other comprehensive income or directly in equity, respectively.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When the Group adopts the accounting policies described in Note IV, for those that are not easy to obtain relevant information from other sources, the management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors. Actual results may differ from these estimates.

When developing material accounting estimates, the Group takes into account the possible impact of the economic environment in the relevant material estimates. The estimates and underlying assumptions are reviewed by management on an ongoing basis.

Estimate of deferred income tax

The amount of deferred income tax which affected by the deficit and deferred tax assets was NT\$53,799 thousand and NT\$56,646 thousand for the years ended December 31, 2023 and 2022, respectively. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Moreover, with regard to profit related to investments in foreign subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was NT\$319,414 thousand and NT\$302,049 thousand for the years ended December 31, 2023 and 2022, respectively. These temporary differences are not recognized as deferred tax liabilities since they will not be realized in the foreseeable future. If there is a significant adjustment in deferred tax assets or liabilities with the situation change in the future, these deferred tax assets or liabilities will recognize as loss in the current period.

VI. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 983	\$ 958
Checking accounts	51	51
Demand deposits	841,987	1,049,281
Cash equivalents		
Time deposits with original maturities of 3 months or less	339,904	532,725
	<u>\$1,182,925</u>	<u>\$1,583,015</u>

- (I) The market rate intervals of cash equivalents at the end of the reporting period were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash equivalents		
Time deposits with original maturities of 3 months or less (%)	1.45~5.26	1.80~3.80

- (II) The Group has good credit quality with many financial institutions, and which can help to disperse credit risk. Also, to estimate credit loss that is unexpected.

VII. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - current</u>		
Mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 3,338	\$ 1,490
Non-derivative financial assets		
Domestic listed shares	79,398	88,870
Guaranteed floating income financial products	<u>349,800</u>	<u>607,512</u>
	<u>\$432,536</u>	<u>\$697,872</u>

The purpose of the Group's forward foreign exchange transactions is to avoid the risks created by foreign currency assets and liabilities due to exchange rate fluctuations.

- (I) At the end of the year, outstanding foreign exchange options contracts were as follows:

	<u>Currency</u>	<u>Maturity date</u>	<u>Contract amount (In Thousands)</u>
<u>December 31, 2023</u>			
Sell forward exchange contracts	USD to NTD	2024.01~2024.03	USD4,000/TWD125,409
<u>December 31, 2022</u>			
Sell forward exchange contracts	USD to NTD	2023.01~2023.03	USD4,000/TWD123,719

Details of profit and loss of financial instruments at FVTPL for the year 2023 and 2022 list on Note XXIV.

- (II) The Group signed RMB structured term deposit contract with the bank. The deposit includes an embedded derivative that is not closely related to the master contract. As the master contract included in the mixed contract is an asset within the scope of IFRS, it is classified as measured at fair value through profit or loss according to the overall mixed contract evaluation.

VIII. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments		
Domestic listed shares	\$622,418	\$520,613
Domestic unlisted shares	54,930	78,070
Foreign unlisted shares	<u>14,572</u>	<u>2,348</u>
	<u>\$691,920</u>	<u>\$601,031</u>

IX. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHERS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable		
At amortized cost		
Gross carrying amount	\$ 361,259	\$ 189,854
Less: Allowance for impairment loss	<u>1,124</u>	<u>605</u>
	<u>\$ 360,135</u>	<u>\$ 189,249</u>
Accounts receivable		
At amortized cost		
Gross carrying amount	\$2,535,646	\$2,527,139
Less: Allowance for impairment loss	<u>8,713</u>	<u>10,109</u>
	<u>\$2,526,933</u>	<u>\$2,517,030</u>
Other receivables		
At amortized cost		
Gross carrying amount	\$ 20,364	\$ 27,136
Less: Allowance for impairment loss	<u>2,157</u>	<u>7,354</u>
	<u>\$ 18,207</u>	<u>\$ 19,782</u>

The main credit period of sales of goods was 30-180 days. No interest was charged on receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable

amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

If there is evidence indicating that the debtor is in severe financial difficulty and the Group cannot reasonably expect the recoverable amount, the Group directly writes off relevant accounts receivable, but it still continues to engage in recovery activity, and the amount recovered is recognized as profits or losses.

The aging analysis of notes and accounts receivable were as follows:

December 31, 2023

	<u>Not Past Due</u>	<u>1 to 180 Days</u>	<u>181 to 360 Days</u>	<u>More than 360 Days</u>	<u>Total</u>
Lifetime expected credit losses(%)	0.3	10	-	100	
Gross carrying amount	\$2,889,505	\$ 6,621	\$ -	\$ 779	\$2,896,905
Loss allowance (lifetime ECLs)	(<u>8,393</u>)	(<u>665</u>)	<u>-</u>	(<u>779</u>)	(<u>9,837</u>)
Amortized cost	<u>\$2,881,112</u>	<u>\$ 5,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,887,068</u>

December 31, 2022

	<u>Not Past Due</u>	<u>1 to 180 Days</u>	<u>181 to 360 Days</u>	<u>More than 360 Days</u>	<u>Total</u>
Lifetime expected credit losses(%)	0.3	10	-	100	
Gross carrying amount	\$2,692,993	\$ 23,216	\$ -	\$ 784	\$2,716,993
Loss allowance (lifetime ECLs)	(<u>7,778</u>)	(<u>2,152</u>)	<u>-</u>	(<u>784</u>)	(<u>10,714</u>)
Amortized cost	<u>\$2,685,215</u>	<u>\$ 21,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,706,279</u>

The movements of the loss allowance of notes receivable, accounts receivable and others receivable were as follows:

	2023			2022		
	Notes receivable	Accounts receivable	Other receivables	Notes receivable	Accounts receivable	Other receivables
Balance at January 1	\$ 605	\$ 10,109	\$ 7,354	\$ 1,561	\$ 12,488	\$ 11,235
Impairment losses recognized (reversal)	539	(1,307)	(5,176)	(242)	(2,561)	(4,082)

Amounts written off	-	-	-	(747)	-	-
Exchange differences	(20)	(89)	(21)	33	182	201
Ending balance	<u>\$ 1,124</u>	<u>\$ 8,713</u>	<u>\$ 2,157</u>	<u>\$ 605</u>	<u>\$ 10,109</u>	<u>\$ 7,354</u>

X. INVENTORIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$357,944	\$576,227
Work in process	20,570	11,552
Finished goods	<u>312,912</u>	<u>410,697</u>
	<u>\$691,426</u>	<u>\$998,476</u>

The costs of inventories recognized in cost of goods sold for the years ended December 31, 2023 and 2022 were NT\$6,467,054 thousand and NT\$8,005,893 thousand respectively, which included the following items:

	<u>2023</u>	<u>2022</u>
Inventories depreciation losses (recovered benefits)	(\$ 36,632)	\$ 38,243
Inventory losses	41,911	91,220
Unallocated manufacturing cost	106,941	122,837
Revenue from the sale of scraps	<u>(5,722)</u>	<u>(5,250)</u>
	<u>\$106,498</u>	<u>\$247,050</u>

The recovered benefits of inventory falling price loss are mainly caused by inventory closeout.

XI. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investments in associates	<u>\$ 5,298</u>	<u>\$ 10,447</u>

The brief description of investments using the equity method is detailed in Table 7.

Investments in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Individually insignificant affiliated enterprises		
Wah Sheng Industrial Corp.	<u>\$ 5,298</u>	<u>\$ 10,447</u>

In October 2022, the Company invested NT\$10,000 thousand in cash to jointly establish Wah Sheng Industrial Corp., with a shareholding ratio of 25%.

Aggregate information of individually insignificant affiliated companies

	<u>2023</u>	<u>2022</u>
The Company's share		
Net amount of current year	(\$ 5,149)	\$ 447
Other comprehensive income	<u>-</u>	<u>-</u>

	Ningbo Changhong Optoelectronics Ltd. (“Ningbo Changhong”)	Production and trading of panel display compound and LCD optical film etc.	100	100
	Qingdao Changhong Optoelectronics Ltd. (“Qingdao Changhong”)	Production and trading of panel display compound and LCD optical film etc.	100	100
Wah Hong International Ltd.	Sun Hong Optronics Ltd. (“Sun Hong”)	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	100	100
	Xiamen Guang Hong Optronics Ltd. (“Xiamen Guang Hong”)	Production and trading of panel display compound and LCD optical film etc.	100	100
Allied Royal LLC.	SuZhou Alliance Material Co., Ltd. (“Suzhou Alliance”)	Production and trading business of LCD material molded product	100	100
	Best Honor Inc.	International trading business	100	100
SIP Chang Hong	Chang Hong (HK) Optronics Limited (“Chang Hong (HK)”)	Trading business of LCD material and BMC material	100	100
Ningbo Changhong	Ningbo Changli New Material Limited (“Ningbo Changli”)	Trading business of LCD material and BMC material	100	100

XIV. PROPERTY, PLANT AND EQUIPMENT

(I) Changes of cost, accumulated depreciation and accumulated impairment were as follows:

2023

	Land	Buildings	Machinery and equipment	Other equipment	Equipment under installation and construction in progress	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 203,742	\$ 1,776,392	\$ 2,400,726	\$ 495,573	\$ 35,596	\$ 4,912,029
Additions	-	71,447	57,776	60,645	(10,766)	179,102
Disposals	-	(14,833)	(72,580)	(15,106)	-	(102,519)
Exchange differences	(168)	(20,713)	(24,712)	(4,798)	231	(50,160)
Balance at December 31, 2023	<u>\$ 203,574</u>	<u>\$ 1,812,293</u>	<u>\$ 2,361,210</u>	<u>\$ 536,314</u>	<u>\$ 25,061</u>	<u>\$ 4,938,452</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 1,018,456	\$ 1,917,442	\$ 359,631	\$ -	\$ 3,295,529
Depreciation expense	-	86,192	74,743	34,507	-	195,442
Disposals	-	(13,421)	(59,446)	(13,979)	-	(86,846)
Exchange differences	-	(11,353)	(19,426)	(3,394)	-	(34,173)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 1,079,874</u>	<u>\$ 1,913,313</u>	<u>\$ 376,765</u>	<u>\$ -</u>	<u>\$ 3,369,952</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2023	\$ -	\$ -	\$ 77,094	\$ 18,786	\$ -	\$ 95,880
Disposals	-	-	(1,413)	-	-	(1,413)
Exchange differences	-	-	(56)	(43)	-	(99)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,625</u>	<u>\$ 18,743</u>	<u>\$ -</u>	<u>\$ 94,368</u>
Carrying amount at December 31, 2023	<u>\$ 203,574</u>	<u>\$ 732,419</u>	<u>\$ 372,272</u>	<u>\$ 140,806</u>	<u>\$ 25,061</u>	<u>\$ 1,474,132</u>

2022

	Land	Buildings	Machinery and equipment	Other equipment	Equipment under installation and construction in progress	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 203,541	\$ 1,658,323	\$ 2,343,570	\$ 467,659	\$ 108,471	\$ 4,781,564
Additions	-	107,361	44,544	33,621	(75,180)	110,346
Disposals	-	(4,960)	(10,739)	(9,696)	-	(25,395)
Exchange differences	201	15,668	23,351	3,989	2,305	45,514
Balance at December 31, 2022	<u>\$ 203,742</u>	<u>\$ 1,776,392</u>	<u>\$ 2,400,726</u>	<u>\$ 495,573</u>	<u>\$ 35,596</u>	<u>\$ 4,912,029</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 926,430	\$ 1,788,073	\$ 335,292	\$ -	\$ 3,049,795
Depreciation expense	-	88,541	121,110	29,914	-	239,565
Disposals	-	(4,960)	(9,136)	(8,454)	-	(22,550)
Exchange differences	-	8,445	17,395	2,879	-	28,719
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,018,456</u>	<u>\$ 1,917,442</u>	<u>\$ 359,631</u>	<u>\$ -</u>	<u>\$ 3,295,529</u>
<u>Accumulated impairment</u>						
Balance at January 1, 2022	\$ -	\$ -	\$ 77,105	\$ 18,747	\$ -	\$ 95,852
Disposals	-	-	(62)	-	-	(62)
Exchange differences	-	-	51	39	-	90
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,094</u>	<u>\$ 18,786</u>	<u>\$ -</u>	<u>\$ 95,880</u>
Carrying amount at December 31, 2022	<u>\$ 203,742</u>	<u>\$ 757,936</u>	<u>\$ 406,190</u>	<u>\$ 117,156</u>	<u>\$ 35,596</u>	<u>\$ 1,520,620</u>

Reconciliation of the additions to property, plant and equipment and the cash paid stated in the statements of cash flows is as follows:

	<u>2023</u>	<u>2022</u>
Investing activities affected cash and cash equivalents		
Additions to property, plant and equipment	\$179,102	\$110,346
Decrease (increase) in payables for equipment (under other payables)	<u>2,793</u>	<u>(3,472)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$181,895</u>	<u>\$106,874</u>

(II) Estimated useful life:

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings

Reinforced concrete buildings 30 - 60 years

Sheet metal buildings	10 - 20 years
Decoration and Design	2 - 10 years
Electrical and mechanical work	2 - 8 years
Machinery and equipment	2 - 10 years
Other equipment	2 - 15 years

(III) Refer to Note XXX for the carrying amount of property, plant and equipment pledged as collateral for borrowings.

XV. LEASING ARRANGEMENTS

(I) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Land	\$ 45,198	\$ 47,584
Buildings	158,031	85,367
Other equipment	<u>2,989</u>	<u>3,864</u>
	<u>\$206,218</u>	<u>\$136,815</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$123,078</u>	<u>\$ 6,094</u>
Depreciation of right-of-use assets		
Land	\$ 1,618	\$ 1,621
Buildings	47,921	53,167
Other equipment	<u>875</u>	<u>511</u>
	<u>\$ 50,414</u>	<u>\$ 55,299</u>

(II) Leasing liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amounts		
Current portion	<u>\$ 41,559</u>	<u>\$ 21,998</u>
Non-current portion	<u>\$107,298</u>	<u>\$ 68,437</u>

Range of discount rate (%) for leasing liabilities was as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.83~2.26	1.80~2.03
Other equipment	2.25	2.25

(III) Material leasing activities and terms

The Group leases land use rights, buildings and computer hardware equipment for business use, and the lease period varies from 1 to 50 years, and ends until May 2056.

(IV) Other leasing information

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 28,201</u>	<u>\$ 20,995</u>
Expenses relating to low-value asset leases	<u>\$ 6,535</u>	<u>\$ 6,620</u>
Total cash outflow for leases	<u>\$100,208</u>	<u>\$ 78,782</u>

The Group's leases of certain subjects qualify as short-term or low-value asset leases, and the Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

XVI. SHORT-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured borrowings		
Procurement loans	\$ 225,068	\$ 99,467
Revolving loans	<u>554,981</u>	<u>1,412,409</u>
	<u>\$ 780,049</u>	<u>\$1,511,876</u>
Annual interest rate (%)	1.75~6.86	1.42~6.04

XVII. SHORT-TERM BILLS PAYABLE

The commercial paper payables are guaranteed and issued by China Bills Finance Corporation and MEGA Bills Finance Co.. The annual interest rate for December 31, 2023 is 1.79% - 1.81%.

XVIII. NOTES PAYABLE AND ACCOUNTS PAYABLE

Notes payable and accounts payable are mainly related to operating activities.

The average credit period on purchases of goods from 30 - 150 days. The Group has formulated a financial risk management policy, in order to ensure all payables are paid within the pre-agreed credit period; therefore, no interest is required.

XIX. OTHER PAYABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payable for salaries or bonuses	\$166,233	\$177,045
Payable for employees' compensation and remuneration to directors	88,078	94,430
Payable for annual leave bonuses	29,845	29,193
Payable for packing fees	25,809	27,078
Payable for die-cut fees	18,900	19,733
Payable for freight fee	16,324	18,051
Payable for equipment	13,691	16,484

Others	<u>149,497</u>	<u>159,694</u>
	<u>\$508,377</u>	<u>\$541,708</u>

XX. LONG-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Secured borrowings (Note XXX)</u>		
Syndicated bank loans		
E.SUN BANK (USD		
syndicated bank loan) -		
credit limit A, annual		
interest rate for December		
31, 2023 and 2022 is		
7.0402% and 5.1586%,		
respectively	\$460,575	\$460,650
Less: Syndicated loan fee	<u>1,773</u>	<u>2,506</u>
	<u>\$458,802</u>	<u>\$458,144</u>

The Company signed a syndicated loan agreement which repaid the previous syndicated loan with banks led by E.SUN BANK in June 2018. The total amount of syndicated bank loans is US\$50 million, including credit limit A (US\$50 million), credit limit B (NT\$1 billion) and credit limit C (NT\$500 million).

In addition, the Company has signed a new syndicated loan agreement with E.SUN BANK in May 2022 in order to pay back the syndicated loan signed in 2018. The total amount of bank loan is US\$50 million including credit limit A (US\$50 million) and credit limit B (NT\$840 million).

The credit referred to in the preceding item is a medium-term revolving loan (the credit period starts from June 2022, the first use date and ends in 5 years, and after three years from the date of first use, the credit line will be decreased in five installments every six months, with the first installment decreasing by 5%, the second to fourth installments decreasing by 10% and the fifth installment decreasing by 65%), which can be used in installments and revolved within the loan line. Every time the credit line decreases, the part of the credit balance that exceeds the decreased credit line shall be paid off in one lump sum.

The syndicated loan contract stipulates that the Company's consolidated annual financial ratios should comply with specific financial ratio standard.

The financial ratios of the Company's 2023 and 2022 consolidated annual financial reports did not violate the provisions of the syndicated loan contract.

XXI. RETIREMENT BENEFIT PLANS

(I) Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Subsidiaries which in mainland China are required by local regulations to make contributions to central provident fund and retirement insurance, which are also considered defined contribution plans.

Furthermore, Wah Ma Technology Sdn. Bhd. and PT. Wah Hong Indonesia also make monthly contributions at certain percentages of the basic salary of their employees.

(II) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of the R.O.C.. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund 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 pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$118,002	\$115,766
Fair value of plan assets	(<u>90,929</u>)	(<u>78,258</u>)
Net defined benefit liabilities	<u>\$ 27,073</u>	<u>\$ 37,508</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	<u>\$ 115,766</u>	<u>(\$ 78,258)</u>	<u>\$ 37,508</u>
Service cost			
Current service cost	142	-	142
Net interest expense (income)	<u>1,736</u>	<u>(1,265)</u>	<u>471</u>
Recognized in profit or loss	<u>1,878</u>	<u>(1,265)</u>	<u>613</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(435)	(435)
Actuarial loss - changes in financial assumptions	2,744	-	2,744
Actuarial gain - experience adjustments assumptions	<u>(1,270)</u>	<u>-</u>	<u>(1,270)</u>
Recognized in other comprehensive income	<u>1,474</u>	<u>(435)</u>	<u>1,039</u>
Contributions from the employer	<u>\$ -</u>	<u>(\$ 12,087)</u>	<u>(\$ 12,087)</u>
Benefits paid			
Paid by plan assets	<u>(1,116)</u>	<u>1,116</u>	<u>-</u>
December 31, 2023	<u>\$ 118,002</u>	<u>(\$ 90,929)</u>	<u>\$ 27,073</u>
January 1, 2022	<u>\$ 134,158</u>	<u>(\$ 68,202)</u>	<u>\$ 65,956</u>
Service cost			
Current service cost	583	-	583
Net interest expense (income)	<u>837</u>	<u>(464)</u>	<u>373</u>
Recognized in profit or loss	<u>1,420</u>	<u>(464)</u>	<u>956</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,864)	(4,864)
Actuarial gain - changes in financial assumptions	<u>(10,858)</u>	<u>-</u>	<u>(10,858)</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Actuarial gain - experience adjustments assumptions	(<u>1,579</u>)	-	(<u>1,579</u>)
Recognized in other comprehensive income	(<u>12,437</u>)	(<u>4,864</u>)	(<u>17,301</u>)
Contributions from the employer	-	(<u>12,103</u>)	(<u>12,103</u>)
Benefits paid Paid by plan assets	(<u>7,375</u>)	<u>7,375</u>	-
December 31, 2022	<u>\$115,766</u>	(<u>\$ 78,258</u>)	<u>\$ 37,508</u>

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

1. Investment risk

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Fund Utilization, Ministry of Labor by self-application or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2. Interest rate 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 plan's debt investments.

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for

the purposes of the actuarial valuations on the measurement date are presented as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate (%)	1.25	1.5
Expected rate of salary increase (%)	3	3

If possible reasonable changes 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:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate(s)		
0.25% increase	(<u>\$ 2,744</u>)	(<u>\$ 2,859</u>)
0.25% decrease	<u>\$ 2,840</u>	<u>\$ 2,963</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 2,743</u>	<u>\$ 2,868</u>
0.25% decrease	(<u>\$ 2,665</u>)	(<u>\$ 2,782</u>)

The sensitivity analysis presented above may not be representative of the actual change in the present value of 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.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The expected contributions to the plan for the next year	<u>\$ 12,100</u>	<u>\$ 12,132</u>
The average duration of the defined benefit obligation (year)	9.4	10.1

XXII. EQUITY

(I) Share capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of authorized shares (in thousands)	<u>150,000</u>	<u>150,000</u>
Amount of authorized shares	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

Number of issued and fully paid shares (in thousands)	<u>100,004</u>	<u>100,004</u>
Amount of issued shares	<u>\$ 1,000,044</u>	<u>\$ 1,000,044</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

(II) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
<u>Arising from issuance of share capital</u>	\$ 1,898,886	\$ 1,898,886
Arising from conversion of bonds	511	511
Consolidation excess	142,560	142,560
Difference between consideration paid and the carrying amount	<u>6,777</u>	<u>6,777</u>
	<u>\$ 2,048,734</u>	<u>\$ 2,048,734</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

(III) Retained earnings and dividends policy

Under the dividends policy as set forth in the pre-amendment Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, except when the accumulated amount of such legal reserve equals to the Company's total issued capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company call an ordinary meeting of shareholders deciding to modify the Corporation By-Laws on May 26, 2022. Also, Board of Directors must attend by over two-thirds of the directors and half of those attending directors must approve for the case if the Company cash distribution of dividends, bonus and capital surplus or surplus reserve, it should report to the Shareholders' Meeting. However, if the Company issues new stocks for distribution of dividends, bonus and capital surplus or surplus reserve, it should let the shareholders pass the resolution.

The dividend policy of the Company is based on the current and future development plans, investment environment, capital requirements and competition in the domestic and foreign markets, as well as the benefits of shareholders, etc. The dividends to shareholders can be paid in cash or/and issued shares, but cash dividends shall be not less than 10% of the total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 had been approved in the shareholders' meeting in May 2023 and May 2022, respectively; the amounts were as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 27,631	\$ 42,729		
Provision (Reversal) of special surplus reserve	57,972	(440)		
Cash dividends	<u>147,781</u>	<u>246,301</u>	<u>\$ 1.5</u>	<u>\$ 2.5</u>
	<u>\$233,384</u>	<u>\$288,590</u>		

The aforesaid cash dividends for 2022 were resolved to distribute by the Board of Directors in March 2023.

The appropriations of earnings for 2023 had been proposed by the Company's board of directors on March, 2024. The appropriations and dividends per share were as follows:

	Appropriation of earnings	Dividends per share (NT\$)
Legal reserve	\$ 20,155	
Special surplus reserve (reverse)	(25,555)	
Cash dividends to shareholders	118,224	\$ 1.2

In addition, in March 2024, the Board of Directors also proposed a cash distribution from capital reserves of NT\$29,556 thousand.

The above-mentioned cash dividends have been resolved for distribution by the Board of Directors, and the remaining dividends will be resolved at the regular Shareholders' Meeting expected to be held in May 2024.

(IV) Special reserve

When the company adopted IFRSs for the first time, the unrealized revaluation gains and accumulative translation adjustments transferred to retained earnings amounted to NT\$13,747 thousand and NT\$231,169 thousand respectively, but the increase in retained earnings due to the adoption of IFRSs for the first time was not enough to be recognized, so only the retained earnings increase of NT\$181,615 thousand due to the conversion to IFRSs was set aside as a special surplus reserve.

(V) Other equity

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

	<u>2023</u>	<u>2022</u>
Balance at January 1	(\$240,008)	(\$289,782)
Exchange differences on translating the financial statements of foreign operations	(55,478)	62,216
Tax arising on translation of foreign operations	<u>11,095</u>	(<u>12,442</u>)
Ending balance	<u>(\$284,391)</u>	<u>(\$240,008)</u>

2. Unrealized gain/(loss) on financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Balance at January 1	(\$128,698)	(\$ 20,952)
Recognized for the year		
Unrealized gain		
(loss) - equity		
instruments	<u>69,937</u>	<u>(107,746)</u>
Ending balance	<u>(\$ 58,761)</u>	<u>(\$128,698)</u>

(VI) Non-controlling interests

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$114,264	\$109,687
Other comprehensive		
income (loss) during		
the period		
Net profit	19,050	21,698
Exchange		
differences on		
translation of the		
financial		
statements of		
foreign operations	(2,349)	1,753
Cash dividends		
distributed from		
subsidiaries	<u>(18,290)</u>	<u>(18,874)</u>
Ending balance	<u>\$112,675</u>	<u>\$114,264</u>

(VII) Treasury stock

For the transfer of shares to employees, the Company repurchased 1,484 thousand shares of its common stock in 2019, at the repurchase cost of NT\$40,239 thousand (a refund of NT\$2,000 handling fee for 2020 has been deducted).

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.

XXIII. REVENUE

	<u>2023</u>	<u>2022</u>
Revenue from contracts with		
customers		
Revenue from sale of goods	\$7,515,588	\$9,176,778
Service revenue	<u>2,884</u>	<u>6,314</u>
	<u>\$7,518,472</u>	<u>\$9,183,092</u>

(I) Refer Note IV for the description of accounting policy for revenue from contracts with customers.

(II) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and accounts receivable (including related parties) (Note IX)	<u>\$ 2,887,068</u>	<u>\$ 2,706,279</u>	<u>\$ 3,919,967</u>
Contract liabilities (classified under other current liabilities)			
Sale of goods	<u>\$ 8,275</u>	<u>\$ 10,594</u>	<u>\$ 12,669</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the date the Group fulfills its performance obligation and the date the customer's payment is received.

Revenue in the reporting period recognized from the beginning contract liabilities is as follows:

	2023	2022
Sales of goods	<u>\$ 10,519</u>	<u>\$ 11,345</u>

(III) Disaggregation of revenue by products

2023

Types	Reportable Segments				Total
	Taiwan	South China	Eastern China	Others	
Revenue from sale of goods	\$2,156,426	\$1,508,019	\$3,648,755	\$ 202,388	\$7,515,588
Service revenue	437	194	2,195	58	2,884
	<u>\$2,156,863</u>	<u>\$1,508,213</u>	<u>\$3,650,950</u>	<u>\$ 202,446</u>	<u>\$7,518,472</u>

2022

Types	Reportable Segments				Total
	Taiwan	South China	Eastern China	Others	
Revenue from sale of goods	\$2,641,142	\$2,062,817	\$4,300,901	\$ 171,918	\$9,176,778
Service revenue	772	2,863	2,500	179	6,314
	<u>\$2,641,914</u>	<u>\$2,065,680</u>	<u>\$4,303,401</u>	<u>\$ 172,097</u>	<u>\$9,183,092</u>

XXIV. PROFIT BEFORE INCOME TAX

(I)	Interest revenue		
		2023	2022
	Bank deposits	<u>\$ 24,709</u>	<u>\$ 19,473</u>
(II)	Other revenue		
		2023	2022
	Dividend revenue	\$ 43,831	\$ 44,541
	Government grants	10,187	18,526
	Rental revenue	8,578	8,476
	Others (Note XXIX)	<u>7,254</u>	<u>10,422</u>
		<u>\$ 69,850</u>	<u>\$ 81,965</u>
(III)	Other gains and losses		
		2023	2022
	Gains (losses) of financial assets measured at fair value through profit or loss	\$ 22,041	(\$ 29,999)
	Net gain from foreign currency exchange	5,008	53,220
	Loss on disposal of property, plant and equipment	(3,577)	(1,365)
	Others	<u>(1,237)</u>	<u>(957)</u>
		<u>\$ 22,235</u>	<u>\$ 20,899</u>
(IV)	Finance costs		
		2023	2022
	Interest on bank loans	\$ 63,345	\$ 42,154
	Interest on lease liabilities	2,747	2,247
	Other interest expenses	<u>2,937</u>	<u>2,606</u>
		<u>\$ 69,029</u>	<u>\$ 47,007</u>
(V)	Depreciation and amortization		
		2023	2022
	Property, plant and equipment	\$ 195,442	\$ 239,565
	Right-of-use assets	50,414	55,299
	Intangible assets	<u>30,381</u>	<u>34,322</u>
		<u>\$ 276,237</u>	<u>\$ 329,186</u>
	An analysis of depreciation by function		

Operating costs	\$203,167	\$261,731
Operating expenses	<u>42,689</u>	<u>33,133</u>
	<u>\$245,856</u>	<u>\$294,864</u>

An analysis of
amortization by
function

Operating costs	\$ 7,017	\$ 5,342
Operating expenses	<u>23,364</u>	<u>28,980</u>
	<u>\$ 30,381</u>	<u>\$ 34,322</u>

(VI) Employee benefits expense

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 983,380</u>	<u>\$ 1,046,498</u>
Retirement benefits		
Defined contribution plans	49,383	52,582
Defined benefit plans (Note XXI)	<u>613</u>	<u>956</u>
	<u>49,996</u>	<u>53,538</u>
	<u>\$ 1,033,376</u>	<u>\$ 1,100,036</u>

An analysis of employee
benefits expense by
function

Operating costs	\$ 609,229	\$ 659,189
Operating expenses	<u>424,147</u>	<u>440,847</u>
	<u>\$ 1,033,376</u>	<u>\$ 1,100,036</u>

(VII) Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of no less than 10% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March, 2024 and 2023, were as follows:

	<u>2023</u>	<u>2022</u>
Accrual rate		
Employees' compensation (%)	15	15

Remuneration of directors (%)	2.5	2.5
<u>Amount</u>		
Employees' compensation	<u>\$ 41,500</u>	<u>\$ 57,036</u>
Remuneration of directors	<u>\$ 6,917</u>	<u>\$ 9,506</u>

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

XXV. INCOME TAX

(I) The major components of income tax expense

The main components of income tax expenses are as follows:

	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$100,552	\$110,153
Addition from unappropriated earnings	-	3,856
Adjustments for prior years	(<u>11,792</u>)	<u>16,592</u>
	<u>88,760</u>	<u>130,601</u>
Deferred tax		
In respect of the current year	(23,287)	16,043
Adjustments for prior years	<u>4,137</u>	(<u>7,823</u>)
	(<u>19,150</u>)	<u>8,220</u>
	<u>\$ 69,610</u>	<u>\$138,821</u>

The reconciliation of accounting profit and income tax expenses is as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	<u>\$291,041</u>	<u>\$422,992</u>
	<u>2023</u>	<u>2022</u>
Income tax expense calculated at the statutory rate	\$ 72,005	\$ 92,498
Tax effect of adjusting items:		
Deductible income in determining taxable income	(18,820)	(3,069)
Impact of the deferred income tax on the earnings of subsidiaries	17,365	25,089
Unrecognised loss carryforwards	6,704	12,535
Addition from unappropriated earnings	-	3,856
Adjustment of previous-year income tax expenses in the current year	(7,655)	8,769
Investment write-off	-	(828)
Others	<u>11</u>	<u>(29)</u>
	<u>\$ 69,610</u>	<u>\$138,821</u>

Taiwan's profit enterprise income tax rate is 20%; The tax rate applicable to China subsidiaries is 25%; The tax rate applicable to subsidiaries in Malaysia is 24%; The tax rate applicable to subsidiaries in Indonesia is 22%.

(II) Income tax benefit (expenses) recognized in other comprehensive

	<u>2023</u>	<u>2022</u>
Deferred tax		
In respect of the current year		
Exchange differences on translation of the financial statements of foreign operations	\$ 11,095	(\$ 12,442)

Actuarial gains and losses of defined benefit obligation	<u>208</u>	<u>(3,460)</u>
	<u>\$ 11,303</u>	<u>(\$ 15,902)</u>

(III) Current tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current tax assets		
Income tax refundable	<u>\$ 3,660</u>	<u>\$ 1,322</u>
Current tax liabilities		
Income tax payable	<u>\$ 16,193</u>	<u>\$ 117,843</u>

(IV) Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

2023

	<u>Balance at January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange differences</u>	<u>Ending balance</u>
<u>Deferred Tax Assets</u>					
Temporary differences					
Defined benefit plans	\$ 8,791	(\$ 2,295)	\$ 208	\$ -	\$ 6,704
Unrealized loss on inventories	36,341	(7,788)	-	(199)	28,354
Unrealized profits and losses with subsidiary	6,798	(3,343)	-	-	3,455
Foreign operating organization-related exchange difference	2,135	-	11,095	-	13,230
Others	<u>9,180</u>	<u>3,585</u>	<u>-</u>	<u>1,729</u>	<u>14,494</u>
	63,245	(9,841)	11,303	1,530	66,237
Loss carryforwards	<u>33,111</u>	<u>(33,111)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 96,356</u>	<u>(\$ 42,952)</u>	<u>\$ 11,303</u>	<u>\$ 1,530</u>	<u>\$ 66,237</u>
<u>Deferred Tax Liabilities</u>					
Temporary differences					
Foreign investment income for using equity method	\$ 195,587	(\$ 60,262)	\$ -	\$ -	\$ 135,325
Reserve for land value increment tax	20,278	-	-	-	20,278
Others	<u>3,539</u>	<u>(1,840)</u>	<u>-</u>	<u>(49)</u>	<u>1,650</u>
	<u>\$ 219,404</u>	<u>(\$ 62,102)</u>	<u>\$ -</u>	<u>(\$ 49)</u>	<u>\$ 157,253</u>

2022

	Balance at January 1	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Defined benefit plans	\$ 14,480	(\$ 2,229)	(\$ 3,460)	\$ -	\$ 8,791
Unrealized loss on inventories	27,961	9,540	-	(1,160)	36,341
Unrealized profits and losses with subsidiary	8,165	(1,367)	-	-	6,798
Foreign operating organization-related exchange difference	14,577	-	(12,442)	-	2,135
Others	<u>10,856</u>	<u>(1,546)</u>	<u>-</u>	<u>(130)</u>	<u>9,180</u>
	76,039	4,398	(15,902)	(1,290)	63,245
Loss carryforwards	<u>55,858</u>	<u>(22,747)</u>	<u>-</u>	<u>-</u>	<u>33,111</u>
	<u>\$ 131,897</u>	<u>(\$ 18,349)</u>	<u>(\$ 15,902)</u>	<u>(\$ 1,290)</u>	<u>\$ 96,356</u>

Deferred Tax Liabilities

Temporary differences					
Foreign investment income for using equity method	\$ 209,512	(\$ 13,925)	\$ -	\$ -	\$ 195,587
Reserve for land value increment tax	20,278	-	-	-	20,278
Others	<u>1,385</u>	<u>2,084</u>	<u>-</u>	<u>70</u>	<u>3,539</u>
	<u>\$ 231,175</u>	<u>(\$ 11,841)</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 219,404</u>

(V) Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss carryforwards		
Expiry in 2023	\$ -	\$ 19,036
Expiry in 2025	46,816	46,816
Expiry in 2026	82,776	101,006
Expiry in 2027	52,375	52,375
Expiry in 2028	<u>31,072</u>	<u>-</u>
	<u>\$213,039</u>	<u>\$219,233</u>
Deductible temporary differences	<u>\$ 2,156</u>	<u>\$ 7,352</u>

(VI) Information about unused loss carryforwards

As of December 31, 2023, the loss carryforwards comprise of:

<u>Undeducted balance</u>	<u>Expiry Year</u>
\$ 46,816	2025

82,776	2026
52,375	2027
<u>31,072</u>	2028
<u>\$ 213,039</u>	

(VII) The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022 the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were NT\$1,597,071 thousand and NT\$1,510,244 thousand.

(VIII) Income tax assessments

The income tax returns of the Company's profit-making businesses up to the end of 2021 have been verified by the tax authorities.

XXVI. EARNINGS PER SHARE (EPS)

Earnings and weighted average number of shares outstanding used in the computation of EPS were as follows:

(I) Net profit for the year attributable to the owners of the company

	<u>2023</u>	<u>2022</u>
Earnings used in the computation to basic/diluted EPS	<u>\$202,381</u>	<u>\$262,473</u>

(II) Number of shares (in thousands)

	<u>2023</u>	<u>2022</u>
Weighted average number of shares outstanding used in computation of basic EPS	98,520	98,520
Effect of potentially dilutive shares		
Employees' compensation	<u>1,593</u>	<u>2,556</u>
Weighted average number of shares outstanding used in computation of diluted EPS	<u>100,113</u>	<u>101,076</u>

The Group offers to settle the employees' compensation in cash or shares; thus, the Group assumes the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average

number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXVII. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

The key management personnel of the Group periodically review the cost of capital and the risk associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements, except those discussed in Note XX.

XXVIII. FINANCIAL INSTRUMENTS

(I) Fair values of financial instruments not measured at fair value

The carrying amount of financial assets and financial liabilities that are not measured at fair value as approximate amount of their fair value.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Derivatives	\$ -	\$ 3,338	\$ -	\$ 3,338
Domestic listed shares	79,398	-	-	79,398
Guaranteed floating income financial products	-	-	349,800	349,800
	<u>\$ 79,398</u>	<u>\$ 3,338</u>	<u>\$ 349,800</u>	<u>\$ 432,536</u>
Financial assets at FVTOCI				
Investments in equity instruments				

Domestic listed shares	\$ 622,418	\$ -	\$ -	\$ 622,418
Domestic unlisted shares	-	-	54,930	54,930
Foreign unlisted shares	-	-	14,572	14,572
	<u>\$ 622,418</u>	<u>\$ -</u>	<u>\$ 69,502</u>	<u>\$ 691,920</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Derivatives	\$ -	\$ 1,490	\$ -	\$ 1,490
Domestic listed shares	88,870	-	-	88,870
Guaranteed floating income financial products	-	-	607,512	607,512
	<u>\$ 88,870</u>	<u>\$ 1,490</u>	<u>\$ 607,512</u>	<u>\$ 697,872</u>
<u>Financial assets at FVTOCI</u>				
<u>Investments in equity instruments</u>				
Domestic listed shares	\$ 520,613	\$ -	\$ -	\$ 520,613
Domestic unlisted shares	-	-	78,070	78,070
Foreign unlisted shares	-	-	2,348	2,348
	<u>\$ 520,613</u>	<u>\$ -</u>	<u>\$ 80,418</u>	<u>\$ 601,031</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022.

2. Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	<u>Equity instruments</u>			
	<u>Financial assets at FVTPL</u>		<u>Financial assets at FVTOCI</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Financial assets</u>				
Balance at January 1	\$ 607,512	\$ 266,350	\$ 80,418	\$ 80,443
Increase in the year	773,296	1,228,722	12,224	-
Decrease in current year	(1,039,792)	(901,627)	-	-
Recognized in profit or loss	15,436	1,903	-	-
Recognized in other comprehensive income	-	-	(23,140)	(25)
Exchange differences	(6,652)	12,164	-	-
Ending balance	<u>\$ 349,800</u>	<u>\$ 607,512</u>	<u>\$ 69,502</u>	<u>\$ 80,418</u>

3. Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. The estimates and assumptions used by the Group in the evaluation method are consistent with the information used by market participants as estimates and assumptions when pricing financial products.

4. Valuation techniques and inputs applied for Level 3 fair value measurement

The financial assets held by the Group measured at fair value are estimated using the market method with reference to the stock price-to-book value ratio of similar companies in the same industry in the open market or the latest net asset value.

The estimated fair value of guaranteed with floating income financial products is based on the analysis of cash flow.

(III) Categories of financial instruments

<u>Financial assets</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Measured at amortized cost (Note 1)	\$4,265,517	\$4,413,305
Measured at FVTPL		
Mandatorily classified as at FVTPL	432,536	697,872
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at FVTOCI		
Investments in equity instruments	\$ 691,920	\$ 601,031
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	3,259,269	3,820,117

Note 1: Including cash and cash equivalents, notes receivable and accounts receivable, other receivable, other financial assets and refundable deposits measured at amortized cost, which comprise.

Note 2: Including short-term borrowings, short-term bills payable, notes payable and accounts payable, other payables, long-term borrowings and guarantee deposits received measured at amortized cost, which comprise.

(IV) Financial risk management objectives and policies

The Group's major financial instruments included equity and investments, notes receivable and accounts receivable, other financial assets, short-term bills payable, accounts payable, lease liability and long-term and short-term loans, etc. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange rates and interest rates), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The Group's activities exposed is primarily to the financial risks of changes in foreign currency exchange rates (detail refers below (1)) and interest rates (detail refers below (2)).

(1) Foreign currency risk

The Group had foreign currency trades, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currency of the Group on the balance sheet date (including monetary items denominated in

non-functional currency that have been reversed in the consolidated financial report), please refer to Note XXXIII.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group' s sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. A sensitivity rate of 1% is used internally when reporting to management from the Group on exchange rate risks. It represents management' s assessment on reasonably possible scope of foreign exchange rates. The following table details the Group' s sensitivity analysis included only the outstanding foreign currency (USD) denominated monetary items at the balance sheet date. The sensitivity analysis included foreign currency deposit (USD), receivables and payables, and long-term and short-term borrowings. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	Currency USD impact	
	2023	2022
Profit or loss	\$ 7,929	\$ 8,838

(2) Interest rate risk

The Group was exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group' s financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 491,598	\$ 611,170
Financial liabilities	610,291	554,949
Cash flow interest rate risk		
Financial assets	841,987	1,049,281
Financial liabilities	947,417	1,505,506

Sensitivity analysis

The sensitivity analysis below shows the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

The rate of change used internally in reporting interest rates to the management from the Group is the 1% basis points increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates.

If interest rates had been 1% increases/decreases and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have been increases/decreases by NT\$1,054 thousand and NT\$4,562 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

(3) Other price risk

The Group were exposed to equity price risk through their investments in listed shares.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk on the balance sheet date.

If the equity price increases/decreases by 1%, the Group's net profit before tax in 2023 and 2022 will increase/decrease by NT\$794 thousand and NT\$889 thousand respectively due to the change in the fair value of financial assets measured at fair value through profit and loss.

If the equity price increases/decreases by 1%, the Group's pre-tax other comprehensive profit and loss in 2023 and 2022 will increase/decrease by NT\$6,919 thousand and NT\$6,010 thousand respectively due to the increase/decrease in the fair value of financial assets measured at fair value through other comprehensive profit and loss.

2. Credit risk

Credit risk refers to the risk of financial loss of the Group caused by the counterparty's default of contractual obligations. As of the balance sheet date, the Group's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to fulfill the obligation and the financial guarantee provided by the Group is mainly from:

- (1) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and
- (2) The amount of contingent liabilities in relation to financial guarantees provided by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and credit exposure is controlled by setting credit limits of counterparties annually.

The credit risk of the Group is mainly concentrated on receivables of the following companies:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Company A	\$506,476	\$235,533
Company B	<u>337,105</u>	<u>183,174</u>
	<u>\$843,581</u>	<u>\$418,707</u>

As of December 31, 2023 and 2022, the ratio of receivables from the aforementioned companies was 29% and 15% respectively.

3. Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity.

(1) Liquidity risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, liabilities with a repayment on demand clause were included in the earliest time band regardless of the probability of the counterparties choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the year.

	Less than 6 Months	6 Months to 1 Year	1-3 Years	More than 3 Years
<u>December 31, 2023</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$1,743,088	\$ 106,310	\$ 1,020	\$ -
Leasing liabilities	27,551	17,135	63,401	48,379
Variable interest rate liabilities	509,506	16,483	65,661	474,835
Fixed interest rate liabilities	462,300	-	-	-

Financial guarantee contracts	<u>47,974</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,790,419</u>	<u>\$ 139,928</u>	<u>\$ 130,082</u>	<u>\$ 523,214</u>

Lease liabilities further analysis are as follows:

	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>5-10 Years</u>
Leasing liabilities	<u>\$44,686</u>	<u>\$ 63,401</u>	<u>\$ 29,835</u>	<u>\$ 18,544</u>

	<u>Less than 6 Months</u>	<u>6 Months to 1 Year</u>	<u>1-3 Years</u>	<u>More than 3 Years</u>
<u>December 31, 2022</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$1,734,642	\$ 113,975	\$ 1,480	\$ -
Leasing liabilities	16,207	7,352	25,568	47,533
Variable interest rate liabilities	1,066,284	12,079	72,279	469,893
Fixed interest rate liabilities	464,942	-	-	-
Financial guarantee contracts	<u>44,202</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$3,326,277</u>	<u>\$ 133,406</u>	<u>\$ 99,327</u>	<u>\$ 517,426</u>

Lease liabilities further analysis are as follows:

	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>5-10 Years</u>
Leasing liabilities	<u>\$ 23,559</u>	<u>\$ 25,568</u>	<u>\$ 19,375</u>	<u>\$ 28,158</u>

The amount of the above-mentioned financial guarantee contract refers to the amount that the Company may have to pay to fulfill the guarantee obligation if the holder of the financial guarantee contract claims the full guarantee amount from the guarantor. However, according to the expectation on the balance sheet date, the Company believes that it is unlikely to pay these contract payments.

The amounts included above for variable interest rate non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates at the end of the year.

(2) Liquidity risk tables for derivative financial liabilities

On the liquidity analysis of derivative financial instruments, derivative instruments settled by gross amount is compiled based on the undiscounted total cash inflow and outflow. When the amount payable is not fixed, the disclosed amount is based on the spot exchange rate on the balance sheet date.

	On Demand or Less than 1 Month	1-3 Months
<u>December 31, 2023</u>		
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 47,955	\$ 77,454
Outflows	(<u>45,913</u>)	(<u>76,158</u>)
	<u>\$ 2,042</u>	<u>\$ 1,296</u>

	On Demand or Less than 1 Month	1-3 Months
<u>December 31, 2022</u>		
Total settlement		
Foreign exchange forward contracts		
Inflows	\$ 31,948	\$ 91,771
Outflows	(<u>30,680</u>)	(<u>91,549</u>)
	<u>\$ 1,268</u>	<u>\$ 222</u>

4. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in China to some of its suppliers in order to settle the accounts payable to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills' receivable, it derecognized the full carrying amount of the bills receivable and the associated accounts payable. However, if the derecognized bills receivable is not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance; therefore, the Group still has continuing involvement in these bills' receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of

December 31, 2023 and 2022, the face amount of these unsettled bills receivable was NT\$47,974 thousand and NT\$44,202 thousand, respectively. The unsettled bills receivable will be due in 6 months after the balance sheet date. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair value of its continuing involvement is not significant.

During the years ended December 31, 2023 and 2022, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

XXIX. RELATED PARTY TRANSACTIONS

Transactions between the Group and related parties were disclosed as follows:

(I) Name of related parties and relation

<u>Related Parties</u>	<u>Relation with the Group</u>
Wah Lee Industrial Corp.	Investor with significant influence
Shanghai Yikang Chemical Industry Material Limited Company	Subsidiary of Investor with significant influence
DongGuan HuaGang International Trading Co., Ltd.	Subsidiary of Investor with significant influence
Raycong Industrial (Hong Kong) Limited	Subsidiary of Investor with significant influence
Wah Lee Tech (Singapore) Pte. Ltd.	Subsidiary of Investor with significant influence
Wah Tech Industrial Co., Ltd.	Subsidiary of Investor with significant influence
Tranceed Logistics Co. Ltd.	Subsidiary of Investor with significant influence
Wah Sheng Industrial Corp.	Associate
Nagase Wahlee Plastics Corp.	Substantive related party
Hightech Polymer Sdn. Bhd.	Substantive related party
Regent Tech-Solutions Co., Ltd.	Substantive related party (became unrelated party since August 2022)

(II) Operating transactions

1. Sales of goods

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence and their subsidiaries	\$ 54,087	\$142,627
Substantive related party	<u>13</u>	<u>-</u>
	<u>\$ 54,100</u>	<u>\$ 142,627</u>

The selling prices and collection terms of sales to related parties were similar to third parties.

2. Purchase of goods

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence and their subsidiaries	\$ 15,655	\$ 29,250
Substantive related party	<u>5,103</u>	<u>628</u>
	<u>\$ 20,758</u>	<u>\$ 29,878</u>

The prices of purchases from related parties were made under arm's length terms and there were no similar transactions with third parties for comparison. Payment terms are not significantly different from those of general manufacturers.

3. Other revenue

(1) Rental revenue

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence	\$ 37	\$ 38
Substantive related party	<u>157</u>	<u>-</u>
	<u>\$ 194</u>	<u>\$ 38</u>

(2) Service revenue

The Company's service income collected from providing labor services to its affiliates was NT\$2,255 thousand in 2023.

4. Receivables from related parties

(1) Accounts receivable

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investor with significant influence and their subsidiaries	<u>\$ 14,788</u>	<u>\$ 40,322</u>

(2) Other receivables

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investor with significant influence	\$ 3	\$ 19
Substantive related party	35	-
Associate	<u>2,359</u>	<u>-</u>
	<u>\$ 2,397</u>	<u>\$ 19</u>

The outstanding accounts receivable from related parties are unsecured and not recognized for impairment losses.

5. Payables to related parties

Accounts payable

<u>Related party category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investor with significant influence and their subsidiaries	\$ 4,339	\$ 7,181
Substantive related party	<u>739</u>	<u>-</u>
	<u>\$ 5,078</u>	<u>\$ 7,181</u>

The outstanding payables to related parties are unsecured.

(III) Payments for property, plant and equipment

2023

<u>Related party category</u>	<u>Items acquired</u>	<u>Acquisition price</u>
Subsidiary of Investor with significant influence	Other equipment	<u>\$416</u>

2022

<u>Related party category</u>	<u>Items acquired</u>	<u>Acquisition price</u>
Investor with significant influence	Machinery and equipment	<u>\$ 98</u>

(IV) Rent expense

<u>Related party category</u>	<u>2023</u>	<u>2022</u>
Investor with significant influence and their subsidiaries	\$ 1,446	\$ 1,446
Substantive related party	<u>-</u>	<u>720</u>
	<u>\$ 1,446</u>	<u>\$ 2,166</u>

The rent is determined by both parties through negotiation between them by referring to local rent, and the rent is collected as agreed in the contract.

(V) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 31,592	\$ 38,571
Retirement benefits	<u>520</u>	<u>338</u>
	<u>\$ 32,112</u>	<u>\$ 38,909</u>

The remuneration of directors and other key management was determined by the remuneration committee based on the performance of individuals and market trends.

XXX. ASSETS PLEDGED AS COLLATERAL

The Group provided the following assets (show as net book value) as collaterals for part of borrowings, performance guarantee, endorsements/guarantees for others and customs.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other financial assets		
Deposit account	\$ <u>43,352</u>	\$ <u>-</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment		
Land	\$171,108	\$171,108
Buildings	<u>208,519</u>	<u>223,250</u>
	<u>379,627</u>	<u>394,358</u>
	<u>\$422,979</u>	<u>\$394,358</u>

XXXI. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of balance sheet date were as follows:

(I) The Group' s unused letters of credit for purchase of merchandise balance as follows:

	Unit: Foreign Currencies / NTD (In Thousands)	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
USD	<u>\$ 2,959</u>	<u>\$ 2,230</u>

(II) The Group' s unrecognized contractual commitment are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Acquisition of equipment	<u>\$ 10,155</u>	<u>\$ 26,789</u>

(III) As of December 31, 2023 and 2022, the performance bonds issued by the bank to the Group importing goods are NT\$1,300 thousand and NT\$800 thousand respectively.

XXXII. MAJOR SUBSEQUENT EVENTS

In March 2024, the Board of Directors of the Company resolved the proposal to sell the premises and land of the old plant to increase the working capital as Ningbo Changhong Optoelectronics Ltd. had moved to a new plant, with an estimated sale price of RMB 47,447 thousand, and authorized the chairman to handle the subsequent signing at sole discretion.

XXXIII. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

The following information was summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Unit: Foreign Currencies/ NTD/ Forex rate (In Thousands)			
	Foreign currencies	Exchange rate		Carrying amount
<u>December 31, 2023</u>				
Foreign currency assets				
Monetary items				
USD	\$ 44,671	30.705	(USD:NTD)	\$ 1,371,622
USD	55,754	7.0827	(USD:RMB)	1,711,939
Foreign currency liabilities				
Monetary items				
USD	\$ 35,966	30.705	(USD:NTD)	\$ 1,104,327
USD	38,637	7.0827	(USD:RMB)	1,186,360
<u>December 31, 2022</u>				
Foreign currency assets				
Monetary items				
USD	43,347	30.71	(USD:NTD)	1,331,176
USD	51,632	6.9646	(USD:RMB)	1,585,604
Foreign currency liabilities				
Monetary items				
USD	31,385	30.71	(USD:NTD)	963,835
USD	34,813	6.9646	(USD:RMB)	1,069,107

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains and losses were gain of NT\$5,008 thousand and gain of NT\$53,220 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

XXXIV. ADDITIONAL DISCLOSURES

- (I) Information about significant transactions and (II) investees:
1. Lending funds to others: Table 1
 2. Endorsements/guarantees provided: Table 2
 3. Marketable securities held: Table 3
 4. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
 9. Trading in derivative instruments: Note VII
 10. Intercompany relationships and significant intercompany transactions: Table 6
 11. Information on investees: Table 7
- (III) Information on investments in mainland China
1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
 2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

- (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period:

	Purchase of Goods		Accounts payable	
	Amount	%	Amount	%
Sun Hong	\$ 27,500	1	\$ 8,093	2
Qingdao				
Changhong	179	-	171	-
SIP Chang				
Hong	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>
	<u>\$ 27,689</u>	<u>1</u>	<u>\$ 8,274</u>	<u>2</u>

- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

	Sales of goods		Accounts receivable	
	Amount	%	Amount	%
SIP Chang				
Hong	\$ 912,020	25	\$ 492,810	33
Suzhou				
Alliance	244,271	7	107,311	7
Ningbo				
Changhong	102,858	3	30,586	2
Xiamen Guang				
Hong	91,057	2	41,443	3
Sun Hong	63,378	2	27,172	2
Qingdao				
Changhong	5,342	-	3,362	-
SIP Chang Jun	2,189	-	1,228	-
Ningbo				
Changli	<u>1,956</u>	<u>-</u>	<u>1,190</u>	<u>-</u>
	<u>\$ 1,423,071</u>	<u>39</u>	<u>\$ 705,102</u>	<u>47</u>

- (3) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
- (4) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
- (5) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None

- (IV) Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9

XXXV. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is distinguished by operating area and categories of merchandise and service. The Group's reportable segments were as follows:

- (I) Wah Hong Industrial Corporation (Taiwan)
- (II) Wah Hong International Ltd., Sun Hong and Xiamen Guang Hong (South China)
- (III) Wah Hong Technology Ltd., SIP Chang Hong, SIP Chang Jun, Ningbo Changhong, Qingdao Changhong, Chang Hong (HK), Ningbo Changli, Smart Succeed Ltd., Granite International Ltd., Allied Royal LLC., Suzhou Alliance and Best Honor Inc. (Eastern China)

The abovementioned reportable segments are mainly engaged in the manufacturing and trading of materials of LCD (Diffusion, Reflection films and optical films etc.), new model panel display, materials of Bulk Molding Compounds (BMC) and Molding products, products of carbon graphite, etc.

Other operating segments were as follows:

- Wah Hong Holding Ltd. and Wah Hong Development Ltd. - International investment business
 - Wah Ma Technology Sdn. Bhd. - Manufacturing and trading of BMC materials (Bulk Molding Compounds) and Molding products
 - PT. Wah Hong Indonesia - Manufacturing and trading of LCD materials, BMC materials (Bulk Molding Compounds) and Molding products
- (I) Segment revenue, operating results and assets and liabilities

The following is an analysis of the Group's revenue and results from operations and assets and liabilities by reportable segment:

	Taiwan	South China	Eastern China	Others	Adjustment and elimination	Total
2023						
Revenue from external customers	\$ 2,156,863	\$ 1,508,213	\$ 3,650,950	\$ 202,446	\$	\$ 7,518,472
Inter-segment revenue	<u>1,504,378</u>	<u>53,011</u>	<u>723,474</u>	<u>10,392</u>	<u>(2,291,255)</u>	<u>-</u>
Segment revenue	<u>\$ 3,661,241</u>	<u>\$ 1,561,224</u>	<u>\$ 4,374,424</u>	<u>\$ 212,838</u>	<u>(\$ 2,291,255)</u>	<u>\$ 7,518,472</u>
Segment income (loss)	<u>\$ 42,234</u>	<u>\$ 15,417</u>	<u>\$ 177,959</u>	<u>(\$ 22,497)</u>	<u>\$ 35,312</u>	\$ 248,425
Interest revenue						24,709

Other revenue						69,850
Other gains and losses						22,235
Finance costs					(69,029)
Share of profit and loss of affiliated enterprises recognized by equity method					(5,149)
Profit before income tax						291,041
Income tax expenses					(69,610)
Net profit						<u>\$ 221,431</u>
<hr/>						
December 31, 2023						
Identifiable assets	<u>\$ 2,663,657</u>	<u>\$ 1,619,583</u>	<u>\$ 3,705,409</u>	<u>\$ 293,897</u>	<u>(\$ 1,044,779)</u>	\$ 7,237,767
Financial assets at FVTOCI						691,920
Investments accounted for using equity method						<u>5,298</u>
Total assets						<u>\$ 7,934,985</u>
<hr/>						
2022						
Revenue from external customers	\$ 2,641,914	\$ 2,065,680	\$ 4,303,401	\$ 172,097	\$	\$ 9,183,092
Inter-segment revenue	<u>1,438,869</u>	<u>71,275</u>	<u>1,170,223</u>	<u>691</u>	<u>(2,681,058)</u>	<u>-</u>
Segment revenue	<u>\$ 4,080,783</u>	<u>\$ 2,136,955</u>	<u>\$ 5,473,624</u>	<u>\$ 172,788</u>	<u>(\$ 2,681,058)</u>	<u>\$ 9,183,092</u>
Segment income (loss)	<u>\$ 21,816</u>	<u>\$ 82,578</u>	<u>\$ 239,316</u>	<u>(\$ 21,702)</u>	<u>\$ 25,207</u>	\$ 347,215
Interest revenue						19,473
Other revenue						81,965
Other gains and losses						20,899
Finance costs					(47,007)
Share of profit and loss of affiliated enterprises recognized by equity method						<u>447</u>
Profit before income tax						422,992
Income tax expenses					(138,821)
Net profit						<u>\$ 284,171</u>
<hr/>						
December 31, 2022						
Identifiable assets	<u>\$ 2,801,654</u>	<u>\$ 1,743,937</u>	<u>\$ 4,008,106</u>	<u>\$ 237,976</u>	<u>(\$ 868,265)</u>	\$ 7,923,408
Financial assets at FVTOCI						601,031
Investments accounted for using equity method						<u>10,447</u>
Total assets						<u>\$ 8,534,886</u>

Departmental interests refer to the profits earned by each department, excluding the share of profits and losses of affiliated companies using the equity method, other income, other gains and losses, financial costs, and income tax expenses. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segment other than interests in associates accounted for using the equity method and at fair value through other comprehensive income.

(II) Information of other operating segments

	Depreciation and amortization	
	<u>2023</u>	<u>2022</u>
Taiwan	\$120,140	\$150,694
Eastern China	83,995	104,441

South China	53,035	58,623
Others	<u>19,067</u>	<u>15,428</u>
	<u>\$276,237</u>	<u>\$329,186</u>

(III) Revenue from major products

The following is an analysis of the Group's revenue from continuing customers from its major products.

	<u>2023</u>	<u>2022</u>
Materials of LCD	\$6,304,819	\$7,731,575
Materials of BMC and Molding products	828,954	1,013,126
Others	<u>384,699</u>	<u>438,391</u>
	<u>\$7,518,472</u>	<u>\$9,183,092</u>

(IV) Geographical information

The Group's revenue from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>2023</u>	<u>2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan	\$ 1,495,356	\$ 1,537,840	\$ 592,424	\$ 605,576
China	5,661,754	7,307,896	1,064,074	1,025,496
Others	<u>361,362</u>	<u>337,356</u>	<u>65,741</u>	<u>49,474</u>
	<u>\$ 7,518,472</u>	<u>\$ 9,183,092</u>	<u>\$ 1,722,239</u>	<u>\$ 1,680,546</u>

Non-current assets exclude financial instruments, investments using the equity method and deferred tax assets.

(V) Information about major customers

No single customer contributed 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
LENDING FUNDS TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 1

(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Year	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-Term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 2)	Remark
													Item	Value			
1	SIP Chang Hong Optoelectronics Ltd.	SIP Chang Jun Trading Limited	Other receivables - related parties	Yes	\$ 9,035	\$ -	\$ -	3.50	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 325,977	\$ 869,271	Note 4
2	SIP Chang Hong Optoelectronics Ltd.	Ningbo Changhong Optoelectronics Ltd.	Other receivables - related parties	Yes	17,626	-	-	3.50	Short-term financing	-	Operating capital	-	-	-	325,977	869,271	Note 4
3	Ningbo Changhong Optoelectronics Ltd.	Ningbo Changli New Material Limited	Other receivables - related parties	Yes	17,979	6,503	6,503	3.50	Short-term financing	-	Operating capital	-	-	-	112,567	300,178	Note 4

Note 1: Loan and limit of funds for individual objects: For SIP Chang Hong and Ningbo Changhong, if the single guarantee object is a subsidiary that the Company directly or indirectly holds 100% of the voting shares, the limit shall not exceed 30% of the Company's net value.

Note 2: Loan and total limit: For SIP Chang Hong and Ningbo Changhong, it shall not exceed 80% of the company's net value.

Note 3: USD is converted by spot exchange US\$1 = NT\$30.705, RMB is converted by USD spot exchange with US\$1 = RMB7.0827.

Note 4: It was eliminated on consolidation.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
 ENDORSEMENTS/ GUARANTEES PROVIDED
 FOR THE YEAR ENDED DECEMBER 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Benefit of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Period	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by Subsidiary	Guarantee Provided to Subsidiaries in mainland China	Remark
		Name	Relationship											
0	The Company	Sun Hong Optronics Ltd.	Subsidiary of the Company	\$ 1,259,452	\$ 551,225	\$ 521,985	\$ 248,530	\$ -	12.44	\$ 2,938,722	Y	N	Y	
0	The Company	Wah Ma Technology Sdn.Bhd. (Wah Ma)	Subsidiary of the Company	1,259,452	9,426	5,770	1,783	-	0.14	2,938,722	Y	N	N	
0	The Company	Xiamen Guang Hong Optronics Ltd.	Subsidiary of the Company	1,259,452	162,125	153,525	-	-	3.66	2,938,722	Y	N	Y	
0	The Company	Wah Hong Holding Limited	Subsidiary of the Company	1,259,452	97,275	92,115	-	-	2.20	2,938,722	Y	N	N	
0	The Company	SuZhou Alliance Material.Co., Ltd.	Subsidiary of the Company	839,635	35,826	30,705	-	-	0.73	2,938,722	Y	N	Y	
0	The Company	SIP Chang Jun Trading Limited	Subsidiary of the Company	1,259,452	119,257	114,449	114,449	-	2.73	2,938,722	Y	N	Y	
0	The Company	PT. Wah Hong Indonesia ("WH Indonesia")	Subsidiary of the Company	1,259,452	35,668	33,776	-	-	0.81	2,938,722	Y	N	N	

Note 1: The limit on endorsement/ guarantee given on behalf of each party shall not exceed 20% of the equity of the Company. If the Company directly or indirectly holds 100% of the equity of the endorsee or guarantee, the limit on endorsement/guarantee given on behalf of each party shall not exceed 30% of the equity of the Company.

Note 2: The maximum total amount of endorsement/guarantee shall not exceed 70% of the equity of the Company.

Note 3: USD is converted at spot exchange US\$1= NT\$30.705; RMB is converted at USD spot exchange US\$1 = RMB7.0827; MYR is converted at spot exchange MYR\$1 = NTD\$6.4110; IDR is converted at the spot exchange rate IDR\$1=NTD\$0.00198.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2023

Table 3

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Remark
				Number of Note Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Stock							
	Imat Corporation	-	Financial assets at FVTOCI - non-current	1,900,000	\$ -	8.26	\$ -	
	Forming Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,000,000	-	11.68	-	
	Wah Lee Japan Corporation	Subsidiary of Investor with significant influence	Financial assets at FVTOCI - non-current	300	832	16.67	832	
	Jun Hong Optronics Corporation	-	Financial assets at FVTOCI - non-current	19,800,000	54,930	14.48	54,930	
	Wah Lee Industrial Corp.	Investor with significant influence	Financial assets at FVTOCI - non-current	6,312,559	622,418	2.67	622,418	
					<u>\$678,180</u>		<u>\$678,180</u>	
	Chang Wah Electromaterials Inc.	Associate of investor with significant influence	Financial assets at FVTPL - current	2,275,000	<u>\$ 79,398</u>	0.33	<u>\$ 79,398</u>	
Wah Hong Holding Ltd.	Stock							
	SiLican Inc	-	Financial assets at FVTOCI - non-current	250,000	<u>\$ 13,740</u>	7.20	<u>\$ 13,740</u>	

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 4

(In Thousands of New Taiwan Dollars)

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Remark
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	SIP Chang Hong Optoelectronics Ltd.	Subsidiaries	Sales of goods	(\$ 912,020)	(25)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	\$ 492,810	33	Note
The Company	Ningbo Changhong Optoelectronics Ltd.	Subsidiaries	Sales of goods	(102,858)	(3)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	30,586	2	Note
The Company	SuZhou Alliance Material.Co., Ltd.	Subsidiaries	Sales of goods	(244,271)	(7)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	107,311	7	Note
Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	The same parent company	Sales of goods	(167,516)	(70)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	52,295	69	Note
Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	The same parent company	Sales of goods	(514,296)	(57)	150 days after monthly closing	No comparable transactions with third party	Normal trade terms	174,768	61	Note

Note: It was eliminated on consolidation.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023

Table 5

(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	SIP Chang Hong Optoelectronics Ltd.	Subsidiaries	\$492,810	2.14	\$ -	-	\$155,690	\$ -
	SuZhou Alliance Material.Co., Ltd.	Subsidiaries	107,311	2.41	-	-	50,470	-
Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	The same parent company	174,768	2.82	-	-	96,890	-

Note: It was eliminated on consolidation.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 6

(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets%
				Financial Statements Item	Amount	Terms	
0	The Company	SIP Chang Hong Optoelectronics Ltd.	Parent company to subsidiary	Sales	\$ 912,020	No comparable transactions with third party	12.13
0	The Company	SIP Chang Hong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	492,810	150 days after monthly closing	6.21
0	The Company	Sun Hong Optronics Ltd.	Parent company to subsidiary	Sales	63,378	No comparable transactions with third party	0.84
0	The Company	Sun Hong Optronics Ltd.	Parent company to subsidiary	Accounts receivable	27,172	150 days after monthly closing	0.34
0	The Company	Ningbo Changhong Optoelectronics Ltd.	Parent company to subsidiary	Sales	102,858	No comparable transactions with third party	1.37
0	The Company	Ningbo Changhong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	30,586	150 days after monthly closing	0.39
0	The Company	Xiamen Guang Hong Optronics Ltd.	Parent company to subsidiary	Sales	91,057	No comparable transactions with third party	1.21
0	The Company	Xiamen Guang Hong Optronics Ltd.	Parent company to subsidiary	Accounts receivable	41,443	150 days after monthly closing	0.52
0	The Company	Qingdao Changhong Optoelectronics Ltd.	Parent company to subsidiary	Sales	5,342	No comparable transactions with third party	0.07
0	The Company	Qingdao Changhong Optoelectronics Ltd.	Parent company to subsidiary	Accounts receivable	3,362	150 days after monthly closing	0.04
0	The Company	SuZhou Alliance Material.Co., Ltd.	Parent company to subsidiary	Sales	244,271	No comparable transactions with third party	3.25
0	The Company	SuZhou Alliance Material.Co., Ltd.	Parent company to subsidiary	Accounts receivable	107,311	150 days after monthly closing	1.35
0	The Company	Ningbo Changli New Material Limited	Parent company to subsidiary	Sales	1,956	No comparable transactions with third party	0.03
0	The Company	Ningbo Changli New Material Limited	Parent company to subsidiary	Accounts receivable	1,190	150 days after monthly closing	0.01
0	The Company	Ningbo Changli New Material Limited	Parent company to subsidiary	Other receivables	1,575	Subject to the contract	0.02
0	The Company	Wah Ma Technology Sdn. Bhd.	Parent company to subsidiary	Sales	2,127	No comparable transactions with third party	0.03
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Sales	2,189	No comparable transactions with third party	0.03
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Accounts receivable	1,228	150 days after monthly closing	0.02
0	The Company	SIP Chang Jun Trading Limited	Parent company to subsidiary	Other receivables	2,901	Subject to the contract	0.04
0	The Company	PT. Wah Hong Indonesia	Parent company to subsidiary	Sales	79,181	No comparable transactions with third party	1.05
0	The Company	PT. Wah Hong Indonesia	Parent company to subsidiary	Accounts receivable	43,478	150 days after monthly closing	0.55
1	SIP Chang Hong Optoelectronics Ltd.	The Company	Subsidiary to parent company	Other receivables	3,319	Subject to the contract	0.04
1	SIP Chang Hong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Sales	10,789	No comparable transactions with third party	0.14
1	SIP Chang Hong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Accounts receivable	5,814	150 days after monthly closing	0.07
1	SIP Chang Hong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Sales	1,192	No comparable transactions with third party	0.02
2	Sun Hong Optronics Ltd.	The Company	Subsidiary to parent company	Sales	27,500	No comparable transactions with third party	0.37

(Continued)

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No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			Percentage of Consolidated Net Revenue or Total Assets%
				Financial Statements Item	Amount	Terms	
2	Sun Hong Optronics Ltd.	The Company	Subsidiary to parent company	Accounts receivable	\$ 8,093	150 days after monthly closing	0.10
2	Sun Hong Optronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Sales	25,483	No comparable transactions with third party	0.34
2	Sun Hong Optronics Ltd.	SIP Chang Hong Optoelectronics Ltd.	Between subsidiaries	Accounts receivable	13,638	150 days after monthly closing	0.17
3	Qingdao Changhong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Sales	10,042	No comparable transactions with third party	0.13
3	Qingdao Changhong Optoelectronics Ltd.	Sun Hong Optronics Ltd.	Between subsidiaries	Accounts receivable	3,608	150 days after monthly closing	0.05
3	Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Sales	514,296	No comparable transactions with third party	6.84
3	Qingdao Changhong Optoelectronics Ltd.	Smart Succeed Ltd.	Between subsidiaries	Accounts receivable	174,768	150 days after monthly closing	2.20
4	Xiamen Guang Hong Optronics Ltd.	The Company	Subsidiary to parent company	Other receivables	3,185	Subject to the contract	0.04
5	Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	Between subsidiaries	Sales	167,516	No comparable transactions with third party	2.23
5	Ningbo Changhong Optoelectronics Ltd.	Granite International Ltd.	Between subsidiaries	Accounts receivable	52,295	150 days after monthly closing	0.66
5	Ningbo Changhong Optoelectronics Ltd.	Ningbo Changli New Material Limited	Between subsidiaries	Other receivables	6,503	Subject to the contract	0.08
7	Wah Ma Technology Sdn. Bhd.	The Company	Between subsidiaries	Sales	10,392	No comparable transactions with third party	0.14
7	Wah Ma Technology Sdn. Bhd.	The Company	Between subsidiaries	Accounts receivable	6,875	150 days after monthly closing	0.09
10	Ningbo Changli New Material Limited	Granite International Ltd.	Between subsidiaries	Sales	3,875	No comparable transactions with third party	0.05
10	Ningbo Changli New Material Limited	Granite International Ltd.	Between subsidiaries	Accounts receivable	2,898	150 days after monthly closing	0.04
12	Granite International Ltd.	The Company	Subsidiary to parent company	Sales	12,278	No comparable transactions with third party	0.16
12	Granite International Ltd.	Ningbo Changhong Optoelectronics Ltd.	Subsidiary to parent company	Sales	1,352	No comparable transactions with third party	0.02

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 7

(In Thousands of New Taiwan Dollars)

Investor	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 3)	Remark
				December 31, 2023	January 1, 2023	Shares	%	Carrying Amount			
The Company	Wah Hong Holding Ltd.	Mauritius	International investment business	\$ 969,225	\$ 1,212,961	30,624,940	100.00	\$ 3,261,367	\$ 173,655	\$ 173,655	Notes 4 and 6
The Company	Toprising Precision Tech. Co., Ltd.	New Taipei City	Production and trading business of components	7,200	7,200	720,000	27.48	-	(2,155)	-	Note 1
The Company	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	243,085	197,619	7,920,000	99.00	63,336	(24,460)	(24,215)	Note 4
The Company	Wah Sheng Industrial Corp.	Taoyuan City	Production and trading business of components	10,000	10,000	1,000,000	25.00	5,298	(20,596)	(5,149)	Note 1
Wah Hong Holding Ltd.	Wah Hong Technology Ltd.	Mauritius	International investment business	433,005	674,638	13,968,025	100.00	1,850,635	112,059	112,059	Notes 4 and 5
Wah Hong Holding Ltd.	Wah Hong International Ltd.	Mauritius	International investment business	658,444	634,100	20,648,000	100.00	1,018,982	17,815	17,815	Note 4
Wah Hong Holding Ltd.	Wah Hong Development Ltd.	Mauritius	International investment business	15,095	15,355	500,000	100.00	-	-	-	Note 4
Wah Hong Holding Ltd.	Wah Ma Technology Sdn. Bhd.	Malaysia	Production and trading business of BMC (bulk molding compound) material and molded product	96,869	97,602	6,500,000	100.00	143,482	4,758	4,758	Note 4
Wah Hong Holding Ltd.	Granite International Ltd.	Samoa	International trading business	30,018	29,482	960,000	100.00	1,119	(98)	(98)	Note 4
Wah Hong Holding Ltd.	Smart Succeed Ltd.	Samoa	International trading business	-	-	-	100.00	(1,358)	(253)	(253)	Note 4
Wah Hong Holding Ltd.	PT Wah Hong Indonesia	Indonesia	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	2,455	1,996	80,000	1.00	653	(24,460)	(245)	Note 4
Wah Hong Holding Ltd.	Allied Royal LLC.	Anguilla	International investment business	49,200	49,200	2,715,000	67.50	234,018	58,615	39,565	Note 4
Allied Royal LLC.	Best Honor Inc.	Anguilla	Production and trading business of LCD material, BMC (bulk molding compound) material and molded product	-	-	-	100.00	-	-	-	Note 4
SIP Chang Hong Optoelectronics Ltd.	Chang Hong (HK) Optronics Limited	Hong Kong	Sale of BMC materials and finished products, diffusion films, reflectors and other LCD materials	3,217	3,071	-	100.00	1,277	(129)	(129)	Note 4

Note 1: Associate accounted for using the equity method.

Note 2: The share of profit (loss) recognized for the year ended December 31, 2023 included adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.

Note 3: Please refer to Table 8 for information on investments in mainland China.

Note 4: It was eliminated on consolidation.

Note 5: Wah Hong Technology Ltd. refunded the share capital of US\$8,000 thousand by capital reduction in September 2023 as resolved by the Board of Directors, and repatriated it to Wah Hong Holding Ltd., its investor, in September 2023.

Note 6: Wah Hong Holding Ltd. refunded the share capital of US\$8,000 thousand by capital reduction in September 2023 as resolved by the Board of Directors, and repatriated it to the Company in September 2023.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 8

(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Remark
					Outward	Inward							
SIP Chang Hong Optoelectronics Ltd. ("SIP Chang Hong")	Production and trading business of BMC materials and finished products, diffusion films, reflectors and other LCD materials	\$ 621,776	Reinvestment in mainland China through companies registered in a third region.	\$ 257,482	\$ -	\$ -	\$ 257,482	\$ 21,204	100.00	\$ 21,204	\$ 1,086,589	\$ 644,286	
Ningbo Changhong Optoelectronics Ltd. ("Ningbo Changhong")	Production and trading of panel display compound and LCD optical film etc.	184,844	Reinvestment in mainland China through companies registered in a third region.	95,820	-	-	95,820	25,907	100.00	25,907	375,222	288,636	
Qingdao Changhong Optoelectronics Ltd. ("Qingdao Changhong")	Production and trading of panel display compound and LCD optical film etc.	61,410	Reinvestment in mainland China through companies registered in a third region.	300,950	-	255,960	44,990	47,450	100.00	47,450	344,713	-	Note 3
SIP Chang Jun Trading Limited ("SIP Chang Jun")	Sale of BMC materials and finished products, diffusion films, reflectors and other LCD products	4,335	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	17,455	100.00	17,455	44,053	-	Note 1
SuZhou Alliance Material Co., Ltd. ("Suzhou Alliance")	Production and trading business of LCD materials	124,355	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	58,614	67.50	39,564	234,014	117,421	Note 2
Sun Hong Optronics Ltd. ("Sun Hong")	Production and trading business of BMC materials and finished products, diffusion films, reflectors and other LCD materials	420,659	Reinvestment in mainland China through companies registered in a third region.	238,092	-	-	238,092	19,484	100.00	19,484	804,354	488,880	
Xiamen Guang Hong Optronics Ltd. ("Xiamen Guang Hong")	Production and processing of optical film products for LCD displays, assembly and design for LCD modules	260,993	Reinvestment in mainland China through companies registered in a third region.	227,204	-	-	227,204	(1,669)	100.00	(1,669)	214,599	-	
Guangzhou Youguang Optoelectronics Co., Ltd. ("Guangzhou Youguang")	Production of light box, LED Opto-electronic compound and lighting products	122,851	Reinvestment in mainland China through companies registered in a third region.	15,095	-	-	15,095	-	12.82	-	-	-	
Ningbo Changli New Material Limited ("Ningbo Changli")	Trading business of LCD material and BMC material	6,503	Reinvestment in mainland China through companies registered in a third region.	-	-	-	-	10,989	100.00	10,989	18,812	-	

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Investor	Accumulated Outward Remittance for Investment in mainland China as of December 31, 2023	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Limit on the amount of investment in the mainland China area (Note 5)
Wah Hong Industrial Corp.	\$ 878,683	\$ 1,937,956	\$ 2,518,905

Note 1: Investments through Wah Hong Holding Ltd. and then invest through Wah Hong Technology Ltd.

Note 2: Investments through Wah Hong Holding Ltd. and then through Allied Royal LLC.

Note 3: Qingdao Changhong refunded the share capital of US\$8,000 thousand by capital reduction in May 2023 as resolved by the Shareholders' Meeting, and repatriated it to Wah Hong Technology Ltd., its investor, in September 2023.

Note 4: The difference between the investment amount of NT\$1,937,956 thousand approved by the Investment Committee of the Ministry of Economic Affairs and the accumulated investment amount of NT\$878,683 thousand repatriated from Taiwan is NT\$1,059,273 thousand, which is due to the capital increase of NT\$553,139 thousand from the sub-subsidiary surplus in mainland China. The reinvestment of NT\$250,174 thousand from Wah Hong Holding Ltd. and the refunded share capital from Qingdao Changhong by capital reduction of NT\$255,960 thousand have yet to be declared to the Investment Committee of the Ministry of Economic Affairs for review.

Note 5: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's net worth.

WAH HONG INDUSTRIAL CORPORATION AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Table 9

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Wah Lee Industrial Corp.	26,129,978	26.12

Note: The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.