

TURVO INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

Notice to readers:

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Independent Auditors' Report Translated from Chinese

To TURVO INTERNATIONAL CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of TURVO INTERNATIONAL CO., LTD. (the "Company") as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, the parent company only changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, based on our audits, the accompanying parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and the parent company only financial performance and the parent company only cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by 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 the 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 Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of accounts receivable

As of December 31, 2023, the Company's accounts receivable and allowance for doubtful accounts amounted to NTD 283,451 thousand and NTD 3,547 thousand, respectively. Net accounts receivable represented 6% of the parent company only total assets and have significant impacts on the Company. Due to a higher proportion of accounts receivable from the main clients accounted for the Company's accounts receivable, the recoverability of accounts receivable is the key matter of the Company. The amount of loss allowance on accounts receivable was measured based on expected credit loss of the continued period, and divided the corresponding accounts receivable into groups accordingly, during the measurement process. In addition, make judgement, analyze, and estimate the application of related assumption on measurement process, including certain accounts aging interval, loss rate between different aging range, and consideration of forward-looking information. The measurement result affects the net of accounts receivable and involve material judgment of management, we therefore, determine this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of loss allowance policy, including understanding related information to evaluate expected credit loss ratio; investigating accounts receivable details at end of the period, recalculating the reasonableness of loss allowance based on the expected credit loss ratio of each Group; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging, reviewing the collection in subsequent period; analyzing the receivable turnover to evaluate recoverability based on individual customers with significant sales amount.

In addition, we also considered the adequacy of the disclosures related to accounts receivable in Notes 5 and 6 to the parent company only financial statements.

Valuation for inventories (including investments accounted for under the equity method- inventory of subsidiaries)

As of December 31, 2023, inventories of the Company and the investees accounted for under the equity method that could have significant impacts on the financial statements. The Company produce and sale automobile parts, the raw materials are mainly steel etc. Due to diversity of products and uncertainty arising from rapid changes in products, causing the complexity of net present value on inventory, we therefore, determined the issue as a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control system with respect to obsolete and slow-moving inventory; testing management level to evaluate the correctness of the net present value on inventories; observe and evaluate the planning and performing of inventory check on management to confirm the numbers and conditions of inventories; acquiring the inventory aging correctness of inventory aging sheet and testing the correctness of stock in or stock out.

In addition, we also considered the adequacy of the disclosures related to inventory in Notes 5 and 6 to the parent company only financial statements.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the accompanying notes, and whether the Parent Company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 parent company only financial statements and are, therefore the key audit matters. We describe these matters in our auditor's 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.

Chen, Ming Hung
Lo, Wen Chen
Ernst & Young, Taiwan
March 7, 2024

Notice to Readers :

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying parent company only financial statements are intended only to present the financial position, results of operations 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

TURVO INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2023 and 2022
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of	
		31 December 2023	31 December 2022
Current Assets			
Cash and cash equivalents	4, 6(1)	\$389,023	\$807,447
Financial assets measured at amortized cost, current	4, 6(2), 8	1,224	1,023
Notes receivable	6(13)	127	3,186
Accounts receivable, net	4, 6(3), 6(13), 7	283,451	278,296
Other receivables		81	269
Accounts receivable-related parties, net	7	38,901	61,858
Inventories, net	4, 6(4)	158,879	237,600
Prepayment		76,286	39,441
Other current assets		27,497	5,174
Total current assets		<u>975,469</u>	<u>1,434,294</u>
Non-current assets			
Investments accounted for under the equity method	4, 6(5)	2,546,136	2,175,608
Property, plant and equipment	4, 6(6), 8	1,140,833	562,990
Right of use assets	4, 6(14)	18,452	26,395
Intangible assets	4	9,866	7,715
Deferred tax assets	4, 6(18)	5,302	4,743
Other non-current assets	4, 6(7)	207,540	456,456
Total non-current assets		<u>3,928,129</u>	<u>3,233,907</u>
Total assets		<u><u>\$4,903,598</u></u>	<u><u>\$4,668,201</u></u>

(The accompanying notes are an integral part of the parent company only financial statements)
(continued)

TURVO INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2023 and 2022
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		31 December 2023	31 December 2022
Current liabilities			
Contract liabilities, current	4, 6(12)	\$300	\$941
Notes payable	4	132,047	98,233
Accounts payable	4	52,456	43,305
Other payables	6(8)	111,692	146,907
Accounts payable-related parties	6(8), 7	199,479	163,343
Current tax liabilities	6(18)	70,236	158,062
Current lease liabilities	4, 6(14)	8,044	10,437
Other current liabilities		56,918	11,551
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(9)	108,525	128,454
Total current liabilities		<u>739,697</u>	<u>761,233</u>
Non-current liabilities			
Long-term loans	4, 6(9)	531,702	397,905
Deferred tax liabilities	4, 6(18)	48,358	57,969
Non-current lease liabilities	4, 6(14)	10,652	16,070
Other non-current liabilities		-	1,312
Total non-current liabilities		<u>590,712</u>	<u>473,256</u>
Total liabilities		<u>1,330,409</u>	<u>1,234,489</u>
Equity attributable to the parent company	6(11)		
Capital			
Common stock		602,881	602,881
Additional paid-in capital		818,217	818,217
Retained earnings			
Legal reserve		444,771	382,536
Special reserve		137,354	157,901
Retained earnings		1,740,072	1,609,531
Total Retained earnings		<u>2,322,197</u>	<u>2,149,968</u>
Other components of equity			
Exchange differences on translation of foreign operations - the parent company		(170,106)	(137,354)
Treasury stock		-	-
Total equity		<u>3,573,189</u>	<u>3,433,712</u>
Total liabilities and equity		<u>\$4,903,598</u>	<u>\$4,668,201</u>

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

TURVO INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended 31 December	
		2023	2022
Net Sales	4, 6(12), 7	\$1,578,873	\$1,806,149
Cost of Sales	6(4), 6(10), 6(15), 7	(1,159,868)	(1,254,956)
Gross Profit		419,005	551,193
Unrealized intercompany profit		(21,626)	(13,295)
Realized intercompany profit		24,354	19,807
Gross Profit, net		421,733	557,705
Operating Expenses	6(10), 6(15)		
Selling and marketing		(42,514)	(24,743)
Management and administrative		(151,232)	(201,808)
Research and development		(107,702)	(88,154)
Expected credit (losses) gains	6(13)	(778)	(213)
Total Operating Expenses		(302,226)	(314,918)
Operating Income		119,507	242,787
Non-operating income and expenses			
Other income	6(16)	20,372	23,321
Other gain and loss	6(16)	11,590	126,142
Financial costs	4, 6(16)	(651)	(2,974)
Share of profit or loss of associates and joint ventures accounted for using equity method	4, 6(5)	407,840	319,139
Total non-operating income and expenses		439,151	465,628
Income from continuing operations before income tax		558,658	708,415
Income tax expense	4, 6(18)	(24,700)	(86,069)
Net income		533,958	622,346
Other comprehensive income (loss)	6(17)		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	6(5)	(40,940)	25,683
Income tax related to items that may be reclassified subsequently		8,188	(5,136)
Total other comprehensive income, net of tax		(32,752)	20,547
Total comprehensive income		\$501,206	\$642,893
Earnings per share	6(19)		
Earnings per share-basic (NTD)		\$8.86	\$10.32
Earnings per share-diluted (NTD)		\$8.83	\$10.28

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

TURVO INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total Equity
Balance as of 1 January 2022		\$602,881	\$962,908	\$328,260	\$146,683	\$1,233,543	\$(157,901)	\$3,116,374
Appropriations of earnings, 2021								
Legal reserve				54,276		(54,276)		-
Special reserve					11,218	(11,218)		-
Cash dividends						(180,864)		(180,864)
Cash dividends distributed by additional paid-in capital			(144,691)					(144,691)
Net income for the year ended 31 December 2022						622,346		622,346
Other comprehensive income (loss), net of tax for the year ended							20,547	20,547
Total comprehensive income (loss)	6(17)					622,346	20,547	642,893
Balance as of 31 December 2022		<u>\$602,881</u>	<u>\$818,217</u>	<u>\$382,536</u>	<u>\$157,901</u>	<u>\$1,609,531</u>	<u>\$(137,354)</u>	<u>\$3,433,712</u>
Balance as of 1 January 2023		\$602,881	\$818,217	\$382,536	\$157,901	\$1,609,531	\$(137,354)	\$3,433,712
Appropriations of earnings, 2022								
Legal reserve				62,235		(62,235)		-
Reversal of special reserve					(20,547)	20,547		-
Cash dividends						(361,729)		(361,729)
Net income for the year ended 31 December 2023						533,958		533,958
Other comprehensive income (loss), net of tax for the years ended	6(17)						(32,752)	(32,752)
Total comprehensive income (loss)						533,958	(32,752)	501,206
Balance as of 31 December 2023		<u>\$602,881</u>	<u>\$818,217</u>	<u>\$444,771</u>	<u>\$137,354</u>	<u>\$1,740,072</u>	<u>\$(170,106)</u>	<u>\$3,573,189</u>

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

TURVO INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousand New Taiwan Dollars)

	Notes	For the Years Ended 31 December	
		2023	2022
Cash flows from operating activities:			
Net income before tax		\$558,658	\$708,415
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation		88,612	83,671
Amortization		6,395	5,146
Expected credit losses (gains)		778	213
Net (gain) loss of financial assets at fair value through profit or loss		-	(2,517)
Interest cost		651	2,974
Interest income		(6,175)	(7,277)
Share of profit or loss of associates and joint ventures accounted for using equity method		(407,840)	(319,139)
Gain on disposal of property, plant and equipment		253	(2,320)
Realized intercompany (profit)		(2,728)	(6,512)
Inventory falling price losses		2,835	4,378
Changes in operating assets and liabilities:			
Decrease in financial assets at fair value through profit or loss		-	755
Increase in financial assets measured at amortized cost, current		(201)	(8)
Decrease in notes receivable		633	5,653
Increase in accounts receivable		(8,691)	(87,275)
Decrease in other receivables		188	795
(Increase) decrease in accounts receivable-related parties		22,957	(22,594)
(Increase) decrease in inventories, net		73,536	(85,901)
Increase in prepayments		(39,934)	(27,639)
Increase in other current assets		(22,323)	(3,993)
Increase (decrease) in contract liabilities		(641)	676
Increase in notes payable		33,814	11,515
Increase in accounts payable		89,286	30,175
Increase in other payables-related parties		36,136	36,893
Increase (decrease) in other payables		(16,177)	22,971
(Decrease) increase in other current liabilities		45,483	(674)
Decrease in other non- current liabilities		(1,312)	-
Cash generated from operations		454,193	348,381
Income tax paid		(114,507)	(99,328)
Net cash provided by operating activities		339,686	249,053

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

(Continued)

TURVO INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2023	2022
(Continued)		
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(43,165)	(79,241)
Proceeds from disposal of property, plant and equipment	12,873	10,102
Acquisition of Investments accounted for under the equity method	(900)	-
Acquisition of intangible assets	(2,923)	(2,054)
Increase in other non-current assets	(467,388)	(317,090)
Interest receive	6,124	6,679
Dividends received	-	417,955
Net cash provided by (used in) investing activities	(495,379)	36,351
Cash flows from financing activities:		
Increase in short-term loans	134,000	834,238
Decrease in short-term loans	(134,000)	(1,267,930)
Increase in long-term loans (including current portion with maturity less than 1 year)	245,655	221,010
Decrease in long-term loans (including current portion with maturity less than 1 year)	(131,787)	(72,050)
Lease principal repayment	(14,553)	(10,957)
Cash dividends	(361,729)	(325,555)
Interest paid	(317)	(2,979)
Net cash used in financing activities	(262,731)	(624,223)
Net decrease in cash and cash equivalents	(418,424)	(338,819)
Cash and cash equivalents at beginning of period	807,447	1,146,266
Cash and cash equivalents at end of period	6(1) <u>\$389,023</u>	<u>\$807,447</u>

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

TURVO INTERNATIONAL CO., LTD.
Notes to Parent Company Only Financial Statements
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. ORGANIZATION AND OPERATIONS

Turvo International Co., Ltd. (the Company) was incorporated in 1987 to manufacture and market air tools, machine elements, hardware parts, wood lathes, and wood planers used on these products. Additionally, the Company also process, manufacture, and market optical elements. Based on the purpose of management operation, the Company conduct a simple merge with the 100% owned reinvestment companies - Yubo investment Co., Ltd. and Yuli investment Co., Ltd., after the resolution of the board of directors' meeting in June 2010, to set 1 August 2010 as the consolidation basis date. The company is a consolidated surviving company.

The Company applied to be listed on the GreTai Securities Market and was authorized for trading over the counter on 14 November 2011. On 28 June 2019, the Company was authorized to be listed on Taiwan Stock Exchange and was officially listed on 17 September 2019. The main registered location and operating base are in NO. 59, Jing 2 Rd., Taichung Harbor Export Processing Zone, Wuci Dist., Taichung City 435, Taiwan.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the years ended 31 December 2023 and 2022 were authorized for issue in accordance with the resolution of the board of directors' meeting held on 7 March 2024.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by the Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

- (a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

- (b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024, the remaining standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised, or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, and not yet adopted by the Company as of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (a) FRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional reliefs; simplify some

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

requirements to reduce the costs of applying IFRS 17 and revise some requirements to make financial performance easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determine the exchange rate to use and the disclosures to provide. The amendments will apply for annual reporting periods beginning on 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The Company's financial statements for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared Parent Company Only Financial Statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the Parent Company Only Financial Statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the Parent Company Only Financial Statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Parent Company Only Financial Statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The Parent Company Only Financial Statements are expressed in thousands of New Taiwan Dollars (“\$”) unless otherwise stated.

(3) Foreign currency transactions

The Group’s consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the end of each reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

- A. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- B. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of foreign currency financial statements

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income, and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In the partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle. °
- (b) The Company holds the asset primarily for the purpose of trading.
- (c) The Company expects to realize the asset within twelve months after the reporting period.
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to liquidate a liability for at least twelve months after the reporting period.

All other assets are classified as non-current:

A liability is classified as current when:

- (a) The Company expects to liquidate the liability in its normal operating cycle.
- (b) The Company holds the liability primarily for the purpose of trading.
- (c) The liability is due to be liquidated within twelve months after the reporting period.
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (A) the Company's business model for managing the financial assets
- (B) the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivable, trade receivable, financial assets measured at amortized cost and other receivables etc., on balance sheet as of the reporting date:

- (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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the

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maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition

- (A) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (A) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets 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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (A) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (B) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (C) Interest revenue is calculated by using the effective interest method. This

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is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at the initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

A. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance

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on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (A) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (B) the time value of money
- (C) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions

The loss allowance is measured as follows:

- (A) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (B) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (C) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (D) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

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B. Derecognition of financial assets

A financial asset is derecognized when:

- (A) The rights to receive cash flows from the asset have expired
- (B) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (C) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

C. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss. A financial liability is classified as held for trading if:

- (A) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (B) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (C) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as of fair value through profit or loss when doing so results in more relevant information, because either:

- (A) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (B) a Company of financial liabilities or financial assets and, financial liabilities are managed, and its performance is measured at fair value, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

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Amortized cost is calculated by taking into account any discount, premium, and transaction costs on acquisition.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

D. Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Materials	— Purchase cost under weighted average cost method.
Work in process and finished goods	— Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted for in accordance with IFRS 15 and not within the scope of inventories.

(10) Investment accounted for using the equity method

The Company prepared Parent Company Only Financial Statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the Parent Company Only Financial Statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the Parent Company Only Financial Statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its

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investments in subsidiaries using equity method and, accordingly, made necessary adjustments. The adjustments took into consideration how the subsidiaries should be accounted for in accordance with IFRS 10 and the different extent to which each reporting entity IFRS applies. The adjustments are made by debiting or crediting “Investments accounted for under the equity method”, “share of profit or loss of associates and joint ventures accounted for under equity method”, and “share of other comprehensive income of associates and joint ventures accounted for using the equity method”.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group’s related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur were not those recognized in profit or loss or other comprehensive income and do not affect the Group’s percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorate basis.

When the associate or joint venture issues new stock, and the Group’s interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in ‘Additional Paid in Capital’ and ‘Investment accounted for using the equity method’. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or

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other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and the carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an

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investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

Property, plant, and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant, and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “*Property, plant and equipment*”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings and facilities	5~50 years
Machinery and equipment	5~15 years
Transportation equipment	5~10 years
Lease improvements	5~4 years
Other equipment	2~30 years

An item of property, plant, and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed

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at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(12) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term

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that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement’s comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index, or a rate are recognized as rental income when incurred.

(13) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Accounting policies of the Company's intangible assets is summarized as follows:

	<u>Software</u>	<u>Trademarks</u>	<u>Patents</u>	<u>Others</u>
Useful lives	2~10 years	10 years	9~10 years	Uncertain
Method of amortization	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Non-amortization
Sources	Outside	Outside	Outside	Outside

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered

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impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or group of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company are precision metal components, and revenue is recognized based on the consideration stated in the contract.

The credit period of the Company's sale of goods is from 60 to 90 days. For most

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of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

(16) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(17) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

(18) Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a

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corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(19) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the end of reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences,

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except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. And at the time of the transaction, no equal taxable and deductible temporary differences were generated.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Related to the deductible temporary differences arising from the initial recognition of assets or liabilities not arising from business combinations, at the time of the transaction, neither affect accounting profit nor taxable income (loss), and no equal taxable and deductible temporary differences were generated at that time.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the

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underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the provisions of the "International Tax Reform - Pillar Two Model Rules (Amendments to International Accounting Standard 12)," temporary exceptions are granted. Therefore, deferred tax assets and liabilities related to Pillar Two income taxes shall not be recognized, and relevant information shall not be disclosed.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent company only financial statements:

The judgement of having control over a subsidiary when the Company does not have a majority of voting rights

The Company does not hold a majority of the voting rights in certain invested companies. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the

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conclusion that it has de facto control over these invested companies. Please refer to Note 4 for further details.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

- B. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company company's domicile.

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C. Accounts receivables – estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

D. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

E. Measurement of lease liability and right-of-use asset

Based on the regulation of IFRS 16, the Company should measure lease liability and estimate right-of-use asset, including leasing duration and decide the implicit interest rate.

The Company determine leasing period as leasing cancellable period that cannot be canceled, include both of the following:

A. During the period of the leasing extension option, if the Company can reasonably assure to exercise the using rights; and

B. During the period of the leasing determination option, if the Company can reasonably assure to not exercise that using rights.

Lease liability is based on the given present value of lease implicate rate, that rate is not readily available, the Company using incremental borrowing rate as discount rate.

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According to the assumption of measuring lease liability, please refer to the explanation in Note 4 and Note 6.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	31 December 2023	31 December 2022
Cash on hand	\$271	\$317
Bank deposits	388,752	807,130
Total	<u>\$389,023</u>	<u>\$807,447</u>

Cash and cash equivalents were not guaranteed.

(2) Financial assets measured at amortized cost

	As of	
	31 December 2023	31 December 2022
Restricted bank deposit	<u>\$1,224</u>	<u>\$1,023</u>

Please refer to Note 8 for more details on restricted bank deposits under pledge.

(3) Accounts receivable, net

A.	As of	
	31 December 2023	31 December 2022
Accounts receivable – non-related parties	\$286,998	\$278,307
Lease payments receivables	-	3,354
Unearned finance income	-	(596)
Less: loss allowance	(3,547)	(2,769)
Accounts receivable, net	<u>\$283,451</u>	<u>\$278,296</u>

B. Trade receivables are generally on 60 ~ 90 day terms. The total carrying amount as of 31 December 2023 and 2022 were \$286,998 and \$281,065,

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respectively. Please refer to Note 6 (13) for more details on loss allowance of trade receivables for the years ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

C. For the related information on finance lease liability payable of machinery and equipment signed by the Company in 2022, please refer to Note 6(14).

D. No accounts receivables were pledged.

(4) Inventories, net

A. Details as follows

A.	As of	
	31 December 2023	31 December 2022
Merchandise inventories	\$760	\$1,198
Raw materials	25,600	53,429
Supplies	6,576	8,578
Work in progress	59,834	68,499
Finished goods	66,109	105,896
Total	<u>\$158,879</u>	<u>\$237,600</u>

B. The Company cost of inventories recognized in cost of goods sold amounted to \$ 1,159,868 and \$ 1,254,956 for the year ended 31 December 2023 and 2022, including the loss from market value decline, obsolete and slow-moving of inventories \$2,835 and \$ 4,378.

C. No inventories were pledged.

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(5) Investments accounted for using the equity method

The company express ‘Investment accounted for using the equity method’ of the parent company only financial statement under the investment of subsidiary, and make adjustments, if necessary, details are as follows:

		2023.12.31		2022.12.31	
Investees		Amount	% of ownership	Amount	% of ownership
TIPO	INTERNATIONAL CO., LTD.	\$2,539,499	100.00%	\$2,167,667	100.00%
[abbreviation: TIPO]					
T&M Joint (Cayman) Holding Co., Ltd.		5,771	35.71%	7,941	35.71%
[abbreviation: T&M]					
TUF Technology CO., LTD.		866	100.00%	-	-%
[abbreviation: TUF]					
Total		<u>\$2,546,136</u>		<u>\$2,175,608</u>	

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Details of exchange difference on proportion of profit and loss, foreign operating financial statement of subsidiaries, associates, and joint adventures with investment accounted for using the equity method as of the year ended 2023 and 2022, are as follows:

Investees	2023.12.31		2022.12.31	
	The proportion of profit and loss under subsidiary, associate, and joint adventure that accounted for using the equity method	Exchange difference in the conversion of financial statement of foreign operating institutions	The proportion of profit and loss under subsidiary, associate, and joint adventure that accounted for using the equity method	Exchange difference in the conversion of financial statement of foreign operating institutions
TIPO INTERNATIONAL CO., LTD.	\$410,111	\$(41,007)	\$324,023	\$25,008
T&M Joint (Cayman) Holding Co., Ltd.	(2,237)	67	(4,884)	675
TUF Technology CO., LTD.	(34)	-	-	-
Total	<u>\$407,840</u>	<u>\$(40,940)</u>	<u>\$319,139</u>	<u>\$25,683</u>

Details of dividend received as of the year ended 2023 and 2022 are as follows:

Investees	2023.12.31	2022.12.31
TIPO INTERNATIONAL CO., LTD.	<u>\$-</u>	<u>\$417,955</u>

No securities were pledged under the investment accounted for using equity method.

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(6) Property, plant and equipment

	As of	
	31 December 2023	31 December 2022
Owner occupied property, plant and equipment	<u>\$1,140,833</u>	<u>\$562,990</u>

A. Owner occupied property, plant and equipment

	Land	Buildings and Facilities	Machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of 1 January 2023	\$5,850	\$215,827	\$581,196	\$6,319	\$9,629	\$84,615	\$19,917	\$923,353
Additions	-	-	13,124	-	-	2,892	17,882	33,898
Disposals	-	(770)	(17,925)	-	-	(2,188)	-	(20,883)
Transfers	-	587,344	51,181	-	4,143	1,135	(12,803)	631,000
As of 31 December 2023	<u>\$5,850</u>	<u>\$802,401</u>	<u>\$627,576</u>	<u>\$6,319</u>	<u>\$13,772</u>	<u>\$86,454</u>	<u>\$24,996</u>	<u>\$1,567,368</u>
As of 1 January 2023	\$-	\$80,891	\$221,615	\$3,805	\$7,611	\$46,441	\$-	\$360,363
Depreciation	-	8,129	54,040	366	2,518	8,876	-	73,929
Disposals	-	(141)	(5,428)	-	-	(2,188)	-	(7,757)
As of 31 December 2023	<u>\$-</u>	<u>\$88,879</u>	<u>\$270,227</u>	<u>\$4,171</u>	<u>\$10,129</u>	<u>\$53,129</u>	<u>\$-</u>	<u>\$426,535</u>

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	Land	Buildings and Facilities	Machinery and equipment	Transportation equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of 1 January 2022	\$5,850	\$215,847	\$510,449	\$6,319	\$9,301	\$81,424	\$11,662	\$840,852
Addition	-	-	49,248	-	14	5,173	12,207	66,642
Disposals	-	(20)	(25,405)	-	-	(3,792)	-	(29,217)
Transfers	-	-	46,904	-	314	1,810	(3,952)	45,076
As of 31 December 2022	<u>\$5,850</u>	<u>\$215,827</u>	<u>\$581,196</u>	<u>\$6,319</u>	<u>\$9,629</u>	<u>\$84,615</u>	<u>\$19,917</u>	<u>\$923,353</u>
As of 1 January 2022	\$-	\$72,759	\$192,080	\$3,439	\$1,097	\$39,895	\$-	\$309,270
Depreciation	-	8,152	47,977	366	6,514	9,519	-	72,528
Disposals	-	(20)	(18,442)	-	-	(2,973)	-	(21,435)
As of 31 December 2022	<u>\$-</u>	<u>\$80,891</u>	<u>\$221,615</u>	<u>\$3,805</u>	<u>\$7,611</u>	<u>\$46,441</u>	<u>\$-</u>	<u>\$360,363</u>
Net carrying amount as of:								
31 December 2023	<u>\$5,850</u>	<u>\$713,522</u>	<u>\$357,349</u>	<u>\$2,148</u>	<u>\$3,643</u>	<u>\$33,325</u>	<u>\$24,996</u>	<u>\$1,140,833</u>
31 December 2022	<u>\$5,850</u>	<u>\$134,936</u>	<u>\$359,581</u>	<u>\$2,514</u>	<u>\$2,018</u>	<u>\$38,174</u>	<u>\$19,917</u>	<u>\$562,990</u>

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B. Operating lease of properties, plants, and equipment:

No properties, plants, and equipment were leased.

C. Components of building that have different useful lives are main building structure, air conditioning units and elevators, which are depreciated over 50 years, 35 ~50 years, 10 years, and 8 years, respectively.

D. Please refer to Note 8 for property, plant and equipment pledged as collateral.

E. The capitalization amount of the borrowing costs of the Company in 2023, 2022, and its interest rates are as follows:

Items	For the year ended 31 December 2023	For the year ended 31 December 2022
Construction in progress	\$2,774	\$-
Borrowing cost capitalization interest rate interval	1.595%	-%

(7) Other non-current assets

	As of	
	31 December 2023	31 December 2022
Prepayments for business facilities	\$202,990	\$427,461
Guarantee deposits paid	4,470	4,470
Other non-current assets, others	80	24,525
Total	<u>\$207,540</u>	<u>\$456,456</u>

(8) Other accounts payables

	As of	
Accounting title	31 December 2023	31 December 2022
Wages and salaries payable	\$54,633	\$60,827
Employee compensation payable	21,805	27,592
Accrued directors' remuneration	10,011	12,727
Payable on machinery and equipment	5,475	14,742

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Accounting title	As of	
	31 December 2023	31 December 2022
Insurance payable	4,560	5,011
Accrued processing cost	3,373	9,066
Pension payable	2,843	3,109
Other accounts payables-other	8,992	13,833
Subtotal	111,692	146,907
Other payables to related parties	199,479	163,343
Total	\$311,171	\$310,250

(9) Long-term loans

Details of long-term loans as of 31 December 2023 and 2022 are as follows:

A. For the years ended 31 December 2023

Creditor	Content	31 December 2023	Repayment period and methods	security
Bank of Taiwan	Secured loan	\$255,857	Period is 10 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 84 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	Buildings and facilities
Bank of Taiwan	Secured loan	214,433	Period is 10 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 84 installments, with each full month being one	Buildings and facilities

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Creditor	Content	31 December 2023	Repayment period and methods	security
Bank of Taiwan	Secured loan	144,937	installment, and the principal is repaid in equal installments on the 15th of each month. Period is 7 years, and the loan is allocated in installments and cannot be recycled; the principal is divided into 84 installments in 1 month from the date of initial allocation, and interest is charged monthly, and the principal is repaid on the 15th of each month.	Machinery and equipment, and other equipment
Bank of Taiwan	Unsecured loan	25,000	Period is 5 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 24 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	None
Subtotal		640,227		
Less: current portion (with maturity less than 1 year)		(108,525)		
Total		<u>\$531,702</u>		
Interest rates		1.595%		

B. For the years ended 31 December 2022

Creditor	Content	31 December 2022	Repayment period and methods	security
Bank of Taiwan	Secured	\$269,418	Period is 10 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 84 installments,	Buildings and facilities

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Creditor	Content	31 December 2022	Repayment period and methods	security
Bank of Taiwan	Secured	181,941	with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month. Period is 7 years, and the loan is allocated in installments and cannot be recycled; the principal is divided into 84 installments in 1 month from the date of initial allocation, and interest is charged monthly, and the principal is repaid on the 15th of each month.	Machinery and equipment, and other equipment
Bank of Taiwan	Secured loan	75,000	Period is 5 years, and the loan is allocated in installments and cannot be recycled; the first three years after the allocation are grace periods with monthly interest payments, and the principal in the fourth year is divided into 24 installments, with each full month being one installment, and the principal is repaid in equal installments on the 15th of each month.	None
Subtotal		526,359		
Less: current portion		(128,454)		
Total		\$397,905		
Interest rates		1.470%		

Please refer to Note 8 for more details on unsecured bank loans.

(10) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. According to the Act, the rate of contributions of the Company and its domestic subsidiaries shall be no lower than 6% of each individual employees' monthly salaries. The Company

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan were \$11,364 and \$ 10,634 as of the year ended 2023 and 2022.

(11)Equities

A. Common stock

The Company's authorized and issued capital was NT\$800,000 for the years begging 1 January 2023, respectively, the paid-in capital of NT \$602,881, and divided into 60,288,089 shares with par value of \$10 (in dollar) each. Each share has one right to vote and receive dividends.

As of December 31, 2023, there was no change in the authorized and issued share capital of the Company.

B. Capital surplus

	As of	
	31 December 2023	31 December 2022
Premium from common stock issuance	\$788,696	\$788,696
Treasury Stock	180	180
Changes in the net value of related companies and joint venture equity using the equity method	2,213	2,213
Employee stock option	26,848	26,848
Other	280	280
Total	<u>\$818,217</u>	<u>\$818,217</u>

According to the Company Act, the capital reserve shall not be used except when offsetting the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of

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dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

- (1) The company's Articles of Association deducted accumulated losses based on profits and losses of the current year (i.e., deducted distributed employees of before tax benefit and the benefit before director's compensation), allocate 3.5%~7% as employee compensation if still have balance, with no more than 1.7% as director's compensation. The distribution of employee's and director's compensation must be approved by more than two-third of the board of directors attended and agreed by more than half of them, and report to the shareholders meeting. The party who received the distribution of stocks and cash should meet a certain condition of control or being subordinate employees.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

- (2) If there is a surplus in the current year, if any, shall be distributed in the following order: payment of all taxes and dues; offset prior years' operation losses; set aside 10% of the remaining amount. However, When the accumulated legal reserve reaches the capital stock, there is no longer a requirement to set aside or reverse special reserve in accordance with relevant rules and regulations. Additionally, special reserve allocation should be made according to laws and regulations. If there is any surplus remaining, it is considered as undistributed earnings for the year. The remaining balance, combined with the accumulated undistributed earnings from previous years, is considered as distributable earnings for the shareholders. If distribution is done through the issuance

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of new shares, it requires approval at a shareholders' meeting after a proposal is made.

The company's dividend policy will be based on the forecasted investment expense in the future and fund demand, to allocate 20% of balance from distributable surplus in the current year as dividend distribution, in the form of stock dividend and cash dividend to allocate to shareholders; of which the ratio of cash dividend not lower than 30% of the total dividends of shareholders. However, category and ratio of the distribution surplus should adjust through the shareholders meeting based on the actual gain and fund condition at that year, after the distribution decision made by the shareholders meeting.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

C. Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 27 June 2023 and 30 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2022	2021	2022	2021
Legal Reserve	\$62,235	\$54,276		
Special reserve	(20,547)	11,218		
Common stock - cash dividends	361,729	180,864	\$6.0	\$3.0

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On May 5, 2022, the Board of Directors resolved to distribute cash in the amount of \$144,691 thousand (\$2.40 per share) from capital surplus.

D. For information about the earnings distribution plan, please visit the Market Observation Post System of the Taiwan Stock Exchange.

E. Please refer to Note 6.15 for information on the basis of estimating and recognizing employee compensation and directors' compensation.

(12) Operating Revenue

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Net sales	<u>\$1,578,873</u>	<u>\$1,806,149</u>

The Company recognize revenue with buyers at the time when controlling and transferring commodity, thus, belong to satisfy performance obligation at some point in time.

A. Contract balances

Contract liabilities - current

	As of		
	31 December 2023	31 December 2022	1 January 2022
Sales of goods	<u>\$300</u>	<u>\$941</u>	<u>\$265</u>

The significant changes in the Company's balances of contract liabilities during the years ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
The opening balance transferred to revenue	<u>\$(941)</u>	<u>\$(265)</u>
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	<u>300</u>	<u>941</u>
Total	<u>\$(641)</u>	<u>\$676</u>

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B. Transaction price allocated to unsatisfied performance obligations

None.

C. Assets recognized from costs to fulfil a contract

None.

(13) Expected credit losses

	For the years ended 31 December	
	2023	2022
Operating expenses – Expected credit losses		
Trade receivables	\$778	\$213

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of 31 December 2023 and 2022 is as follows:

31 December 2023

	Not yet due	Overdue					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$279,424	\$807	\$79	\$-	\$3,216	\$3,599	\$287,125
Loss ratio	-%	-%	-%	-%	-%	100%	
Lifetime expected credit losses	-	-	-	-	-	(3,547)	(3,547)
Carrying amount	\$279,424	\$807	\$79	\$-	\$3,216	\$52	\$283,578

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31 December 2022

	Not yet due	Overdue					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$277,533	\$1,690	\$2,006	\$253	\$-	\$2,769	\$284,251
Loss ratio	-%	-%	-%	-%	-%	100%	
Lifetime expected credit losses	-	-	-	-	-	(2,769)	(2,769)
Carrying amount	<u>\$277,533</u>	<u>\$1,690</u>	<u>\$2,006</u>	<u>\$253</u>	<u>\$-</u>	<u>\$-</u>	<u>\$281,482</u>

Note: The Company's note receivables are not overdue.

The movement in the provision for impairment of note receivables and trade receivables for the years ended 31 December 2023 and 2022 is as follows:

	Trade receivables
Beginning balance at 1 January 2023	\$2,769
Addition for the current period	778
Ending balance at 31 December 2023	<u>\$3,547</u>
Beginning balance at 1 January 2022	\$2,556
Addition for the current period	213
Ending balance at 31 December 2022	<u>\$2,769</u>

(14) Operating lease commitment

A. Company as a lessee

The Company leases various properties, including real estate such as land and buildings, transportation equipment, and office equipment. The lease terms range from 1 to 8 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

(A) Amounts recognized in the balance sheet

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of	
	31 December 2023	31 December 2022
Land	\$6,090	\$7,185
Land Improvements	273	360
Buildings	6,596	10,208
Transportation equipment	5,493	8,642
Total	<u>\$18,452</u>	<u>\$26,395</u>

b. Lease liabilities

	As of	
	31 December 2023	31 December 2022
Lease liabilities		
Current	\$8,044	\$10,437
Non-current	10,652	16,070
Total	<u>\$18,696</u>	<u>\$26,507</u>

Please refer to Note 6 (16) (c) for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(B) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2023	2022
Land	\$2,885	\$2,902
Land Improvements	86	31
Transportation equipment	7,425	5,606
Office equipment	4,287	2,604
Total	<u>\$14,683</u>	<u>\$11,143</u>

(C) Income and costs relating to leasing activities

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	<u>\$307</u>	<u>\$449</u>

(D) Cash outflow relating to leasing activities

During the year ended 31 December 2023 and 2022, the Company's total cash outflows for leases amounted to \$ 14,860 and \$ 11,406, respectively.

B. Company as a lessor

The Company enters into lease contracts for machinery and equipment contracts that are classified as finance leases due to the transfer of substantially all the risks and rewards of ownership of the subsidiary's subject assets. °

The Company has entered into finance lease contracts and the undiscounted lease payments and total amounts to be received as of 31 December 2023

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and 2022 are as follows:

	2023.12.31	2022.12.31
< 1 year	\$-	\$ 3,101
1 ~ 2 years	-	5,902
2 ~ 3 years	-	5,902
3 ~ 4 years	-	5,902
4 ~ 5 years	-	4,745
> 5 years	-	3,030
Undiscounted lease payments	-	28,582
Less: Unearned finance income from finance leases	-	(1,721)
Net investment in leases (finance lease receivables)	\$-	\$ 26,861
Current	\$-	\$ 2,758
Non-Current	\$-	\$ 24,103

(15) Summary of employee benefits, depreciation and amortization expense incurred in fiscal 2023 and 2022, by function, is as follows:

Nature \ Function	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$127,506	\$161,998	\$289,504	\$157,071	\$171,700	\$328,771
Labor and health insurance	15,332	13,674	29,006	14,207	12,433	26,640
Pension	4,756	6,608	11,364	4,643	5,991	10,634
Remuneration to Directors	-	10,011	10,011	-	12,727	12,727
Others	4,761	6,150	10,911	6,964	5,874	12,838
Depreciation	72,278	16,334	88,612	70,319	13,352	83,671
Amortization	565	5,830	6,395	527	4,619	5,146

The number of employees were 409 and 417 as of 31 December 2023 and 2022, respectively, the number of directors who do not concurrently serve as employees were 8 people.

Average labor cost for the years ended 31 December 2023 and 2022 were \$850 and \$926, respectively; average salary and bonus for the years ended 31 December 2023 and 2022 were \$722 and \$804, respectively; the average

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salary and bonus decreased by 10.1% year over year.

The Company's policy for compensation of directors, managers and employees is as follows:

To comply with the Company's "Remuneration Measures for Independent Directors, Directors, and Managers, and Salary Operation System," we consider the industry's usual payment levels, personal seniority, position, achievement performance, work performance, as well as the salary and remuneration provided by the company to individuals in similar positions in recent years. Furthermore, we evaluate the reasonableness of the relationship between personal performance and the company's operating performance and future risks, taking into account the achievement of the company's short-term and long-term business objectives, its financial status, and other factors. Based on these evaluations, we provide reasonable remuneration. The Remuneration Committee and the Board of Directors review the relevant performance appraisal and remuneration policies promptly, considering the actual operating conditions and relevant laws and regulations. This is done to maintain a balance between the company's sustainable operation and risk control.

According to the Articles of Incorporation, 3.5%~7% of profit of the current year is distributable as employees' compensation and no higher than 1.7% of profit of the current year is distributable as remuneration to directors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, there to a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on the profit of the year ended 2023 and 2022, the Company estimated the amounts of the employees' compensation and remuneration to directors in 2023 to be 3.5% to 7% and no more than 1.7% recognized as employee and director benefits expenses. The estimate basis is distributing based on the current year's profit; the previous mentioned amount is accounted under salary expense. If the resolution of board of directors distribute employee compensation by stocks, then use the closing price on previous day as the calculation basis of distributing the number of shares, the profit and loss is recognized in the next year if a difference exist between the estimation number and the actual distribution amount by the resolution of board of directors.

The details of employees' compensation and remuneration to directors for the years ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
Employees' compensation	\$21,805	\$27,592
Remuneration to directors	10,011	12,727

A resolution was passed at a board of directors meeting held on 7 March 2024 to distribute \$21,805 and \$10,011 in cash as the employees' compensation and remuneration to directors of 2023, respectively. No material differences existed between the estimated amount and the amount determined at the board meeting for the employees' compensation and remuneration to directors for the year ended 31 December 2023.

No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended 31 December 2022.

(16) Non-operating income and expenses

A. Other income

	For the years ended 31 December	
	2023	2022
Interest income		
Current financial assets at fair value through profit or loss	\$-	\$2,090
Amortized cost of a financial asset	6,175	5,187

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	For the years ended 31 December	
	2023	2022
Grant revenue	10,281	5,623
Rental income	309	152
Other revenue-other	3,607	10,269
Total	<u>\$20,372</u>	<u>\$23,321</u>

B. Other gains and losses

	For the years ended 31 December	
	2023	2022
Foreign exchange gains, net	\$15,105	\$121,305
Net gains on financial assets at fair value through profit or loss	-	2,517
Gains (losses) on disposal of property, plant, and equipment	(253)	2,320
Other expense	(3,262)	-
Total	<u>\$11,590</u>	<u>\$126,142</u>

C. Financial costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	\$(367)	\$(2,765)
Interest on lease liabilities	(284)	(209)
Total	<u>\$(651)</u>	<u>\$(2,974)</u>

(17) Components of other comprehensive income

A. For the year ended 31 December 2023

	Arising during the period	Reclassification adjustment during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	<u>\$(40,940)</u>	<u>\$-</u>	<u>\$(40,940)</u>	<u>\$8,188</u>	<u>\$(32,752)</u>

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B. For the year ended 31 December 2022

	Arising during the period	Reclassification adjustment during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$25,683	\$-	\$25,683	\$(5,136)	\$20,547

(18) Income tax

(1) The major components of income tax expense are as follows:

A. Income tax recorded in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense:		
Current income tax charge	\$37,278	\$153,851
Adjustments in respect of current income tax of prior periods	(21,542)	(5,395)
Corporate income surtax on undistributed retained earnings	10,946	14,820
Deferred income tax (benefit) expense:		
Deferred income tax expense related to origination and reversal of temporary differences	(1,982)	(77,207)
Income tax expense recognized in profit or loss	\$24,700	\$86,069

B. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred income tax (benefit) expense:		
Exchange differences on translation of foreign operations		
Income tax relating to components of other comprehensive income	\$(8,188)	\$5,136

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- (2) A reconciliation between tax expense and the product of accounting profit multiplied by the Company's applicable tax rate is as follows:

	For the years ended 31 December	
	2023	2022
Accounting profit before tax from continuing operations	\$558,658	\$614,798
The amount of tax at each statutory income tax rate	\$111,731	\$141,683
Tax effect of revenue exempt from taxation	(82,124)	(65,130)
Tax effect of expenses not deductible for tax purposes	-	91
Corporate income surtax on undistributed retained earnings	10,946	14,820
Adjustments in respect of current income tax of prior periods	(21,542)	(5,395)
Income tax impact adjusted according to other tax laws	5,689	-
Total income tax expenses recorded in profit or loss	\$24,700	\$86,069

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C. Significant components of deferred income tax assets and liabilities are as follows:

(A) For the year ended 31 December 2023

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gain or loss	\$(1,728)	\$1,415	-	\$(313)
Unrealized gain on foreign investments	(85,786)	-	-	(85,786)
Provision for allowance to reduce inventories to market value	4,726	567	-	5,293
Exchange differences on translation of foreign operations	29,553	-	8,188	37,741
Unrealized loss	9	-	-	9
Deferred tax income/(expense)		\$1,982	\$8,188	
Net deferred tax assets/ (liabilities)	\$(53,226)			\$(43,056)
Reflected in balance sheet as follows:				
Deferred income tax assets	\$4,743			\$5,302
Deferred income tax liabilities	\$(57,969)			\$(48,358)

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(B) For the year ended 31 December 2022

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gain or loss	\$5,056	\$(6,784)	-	\$(1,728)
Loss allowance overdue	123	(123)	-	-
Unrealized gain on foreign investments	(169,377)	83,591	-	(85,786)
Provision for allowance to reduce inventories to market value	3,850	876	-	4,726
Exchange differences on translation of foreign operations	34,689	-	(5,136)	29,553
Gain or Loss on valuation of financial asset	353	(353)	-	-
Unrealized loss	9	-	-	9
Deferred tax income/(expense)		\$77,207	\$(5,136)	
Net deferred tax assets/ (liabilities)	\$(125,297)			\$(53,226)
Reflected in balance sheet as follows:				
Deferred income tax assets	\$4,778			\$4,743
Deferred income tax liabilities	\$(130,075)			\$(57,969)

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D. The assessment of income tax returns

	The assessment of income tax returns
TURVO INTERNATIONAL CO., LTD	Assessed and approved up to 2021

(19)Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the years ended 31 December	
	2023	2022
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	\$533,958	\$622,346
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,288	60,288
Basic earnings per share (NTD)	\$8.86	\$10.32

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B. Diluted earnings per share

	For the years ended 31 December	
	2023	2022
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	\$533,958	\$622,346
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,288	60,288
Effect of dilution:		
Employees' compensation – stock (in thousands)	203	273
Weighted average number of ordinary shares outstanding after dilution (in thousands)	60,491	60,561
Diluted earnings per share (NTD)	\$8.83	\$10.28

There have been no other significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

(1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
TIPO INTERNATIONAL CO., LTD. (TIPO)	Investee company (subsidiary) using the equity method
Hong Kong Xin-Feng Co., Ltd (Hong Kong Xin-Feng)	Investee company (subsidiary) evaluated by TIPO using the equity method
TURVO International Co., Ltd.(Yu-Zuan)	Investee company (subsidiary) evaluated by TIPO using the equity method
Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd. (Dong-Guan Xin-Feng)	Investee company (third-tier subsidiary) evaluated by Hong Kong Xin-Feng using the equity method
T&M Joint (Cayman) Holding Co., LTD. (T&M)	Investee company (subsidiary) evaluated by TIPO using the equity method
Matec Southeast Asia (Thailand) Co., Ltd. (MSAT)	Investee company (second-tier subsidiary) evaluated by T&M using the equity method

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Name of the related parties	Nature of relationship of the related parties
TUF Technology CO., LTD. (TUF)	Investee company (subsidiary) using the equity method
Zeng Hsing Industrial CO., Ltd. (Zeng Hsing Industrial)	Parent company of the Group
GOODWAY Machine CORP. (GOODWAY)	The Chairman of the Group is the board of director of the Company
AWEA Electromechanical Co., Ltd. (AWEA)	Substantive related party of the Group
ALLRICH CNC, LTD (ALLRICH)	Substantive related party of the Group
Hongli Investment Co., Ltd. (Hongli Investment)	Substantive related party of the Group
Hongju Investment Co., Ltd. (Hongju Investment)	Substantive related party of the Group
Taiwan Central Science Park Industry-Academia-Training Association	The Chairman of the Association is the board of director of the Company

(2) Significant transaction between the Company and related parties

A. Sales

Transactions of materials and supplies sold to related parties for the years ended 31 December 2023 and 2022 are summarized as follows:

Name of Related Parties	For the years ended 31 December	
	2023	2022
Yu-Zuan	\$2,232	\$5,593
GOODWAY	1,382	200
AWEA	35	-
Dong-Guan Xin-Feng	-	3,146
MSAT	-	179
Total	\$3,649	\$9,118

The Company set the selling price for the above related parties based on factors such as different markets, business competition, product

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

characteristics, bulk purchasing, and receivable terms, etc. There are no significant differences from general sales procedures.

B. Purchase

Details of purchase items of the related parties as of the year ended 2023 and 2022 of the Company are as follows:

Name of Related Parties	For the years ended 31 December	
	2023	2022
Dong-Guan Xin-Feng	\$583,168	\$514,249
Yu-Zuan	141,806	146,086
Total	<u>\$724,974</u>	<u>\$660,335</u>

The Company calculated prices based on high/low quality when purchasing goods from the above related parties, where the transaction term is the same as regular companies.

C. Accounts receivable

	As of	
	December 31 2023	December 31 2022
GOODWAY	\$264	\$18
AWEA	36	-
TOTAL	<u>\$300</u>	<u>\$18</u>

D. Other receivables

Name of Related Parties	As of	
	December 31 2023	December 31 2022
MSAT	\$36,733	\$60,032
T&M	2,168	1,826
Total	<u>\$38,901</u>	<u>\$61,858</u>

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Other receivables of the above related parties of the Company are mainly borrowing funds, where the interest rate is based on principle and period. Borrowing terms is the same as regular companies.

E. Other payable

	As of	
	December 31 2023	December 31 2022
Dong-Guan Xin-Feng	\$165,974	\$143,218
Yu-Zuan	33,505	20,125
Total	<u>\$199,479</u>	<u>\$163,343</u>

F. Acquisition of property, plant and equipment

Name of Related Parties	For the years ended 31 December	
	2023	2022
GOODWAY	\$2,400	\$ 3,592
ALLRICH	124	-
Total	<u>\$2,524</u>	<u>\$ 3,592</u>

No significant difference between acquisition and payment requirement of property, plant, and equipment and regular trading.

G. Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	\$37,634	\$40,408
Post-employment Benefits	1,132	1,146
Total	<u>\$38,766</u>	<u>\$41,554</u>

The key management of the Company comprises the chairman, directors, independent directors, and general manager.

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8. ASSETS PLEDGED AS COLLATERAL

The following table lists assets of the Company pledged as security:

Items	Carrying amount		Secured liabilities
	31 December 2023	31 December 2022	
Financial assets measured at amortized cost, current	\$1,224	\$1,023	Performance guarantee
Property, Plant and Equipment- building	113,082	118,587	Bank loan
Property, Plant and Equipment- equipment	202,889	229,682	Bank loan
Property, Plant and Equipment- other	8,770	10,158	Bank loan

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The amount of guaranteed promissory notes write-off that has not been recovered due to issuance of the loan accounted to \$2,580,058 and \$2,313,099 as of the year ended 2023 and 2022 of the Company.

(2) The important contracts of construction in progress

A. As of 31 December 2023

Contracting parties	Subject matter	Project	Total contract amount	Contract amount paid as of 31 December 2023
LOYU INTERIOR DESIGN CO., LTD	Design construction	Plant	\$76,190	\$61,577

The above construction payment is based on construction progress.

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B. As of 31 December 2022

Contracting parties	Subject matter	Project	Total contract amount	Contract amount paid as of 31 December 2022
LIMING CONSTRUCTION CO., LTD.	Operating construction	Plant	\$586,552	\$387,125
DAH YEA ELECTRICAL ENGINEERING CO., LTD.	Electrical construction	Plant	171,429	14,904
Total			<u>\$757,981</u>	<u>\$402,029</u>

The above construction payment is based on construction progress.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

<u>Financial Assets</u>	As of	
	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss:		
Financial assets measured at amortized cost		
Cash and cash equivalents (excluding cash on hand)	\$388,752	\$807,130
Financial assets measured at amortized cost	1,224	1,023
Notes receivable	127	3,186
Accounts receivable	283,451	278,296
Other receivables	38,982	62,127

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<u>Financial Assets</u>	As of	
	31 December 2023	31 December 2022
<u>Financial Liabilities</u>		
Contract liability	\$300	\$941
Notes and accounts payables	184,503	141,538
Other payables	311,171	310,250
Lease liability	18,696	26,507
Long-term loans (Long-term loans due within one year)	640,227	526,359

(2) Financial risk management objectives and policies

The Company's risk management objective is to manage the market risk, credit risk, and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

The market risk of the Company is the risk that the financial instruments will be subject to fluctuations in fair value or cash flows due to changes in market prices. Market risks mainly include exchange rate risk, interest rate risk and other price risks (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is

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denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB. The information of the sensitivity analysis is as follows:

- A. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased by \$(26,033) and \$(22,933), respectively; and no impact on the equity.
- B. When NTD strengthens/weakens against EUR by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased by \$(852) and \$(846), respectively; and no impact on the equity.
- C. When NTD strengthens/weakens against RMB by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased by \$(266) and \$(328), respectively; and no impact on the equity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to Company's bank borrowings with fixed interest rates and variable interest rates.

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The Company manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period will result in an increase/decrease of \$640 and \$526 for the years ended 31 December 2023 and 2022, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade and note receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition, and the Company's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment.

As of 31 December 2023, and 2022, amounts receivables from top ten customers represented 94% and 92% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions,

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companies, and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, and convertible bonds. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	<u>< 1 year</u>	<u>2 ~ 3 years</u>	<u>4 ~ 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2023					
Short-term loans					
Notes and accounts payable	\$184,503	\$-	\$-	\$-	\$184,503
Lease liability	8,230	7,968	1,968	942	19,108
Long-term loans	113,564	201,083	193,503	154,600	662,750
As of 31 December 2022					
Short-term loans					
Notes and accounts payable	\$141,538	\$-	\$-	\$-	\$141,538
Lease liability	10,688	12,500	3,847	-	27,035
Long-term loans	128,921	182,512	154,106	62,222	527,761

Note : (i) Include the cash flow of lease contract from short-term lease and low-value target assets

(ii) The following table provide further analysis about the maturity of lease liability:

	<u>Maturity</u>			
	<u>< 1 year</u>	<u>1 ~ 5 year</u>	<u>6 ~ 10 year</u>	<u>Total</u>
Lease liability	<u>\$8,230</u>	<u>\$9,936</u>	<u>\$942</u>	<u>\$19,108</u>

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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	Short-term loans	Long-term loans (Long- term loans due within one year)	Lease liability	Total liabilities from financing activities
As of 1 January 2023	\$-	\$526,359	\$26,507	\$552,866
Cash flow	-	113,868	(14,553)	99,315
Non-cash changes	-	-	6,742	6,742
As of 31 December 2023	\$-	\$640,227	\$18,696	\$658,923

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Long-term loans (Long- term loans due within one year)	Lease liability	Total liabilities from financing activities
As of 1 January 2022	\$433,692	\$377,399	\$20,540	\$831,631
Cash flow	(433,692)	148,960	(10,957)	(295,689)
Non-cash changes	-	-	16,924	16,924
As of 31 December 2022	\$-	\$526,359	\$26,507	\$552,866

(7) Fair value of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (A) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (B) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures, etc.) at the reporting date.
- (C) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (D) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (E) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured

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at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12 for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

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Unit: Thousands

	As of					
	31 December 2023			31 December 2022		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary item:</u>						
USD	\$7,262	30.735	\$223,198	\$8,212	30.708	\$252,174
EUR	3,474	34.0114	118,156	3,640	32.7086	119,059
RMB	6,119	4.3394	26,553	7,428	4.4092	32,752
<u>Non-monetary item</u>						
USD	\$82,842	30.735	\$2,546,149	\$70,848	30.708	\$2,175,600
<u>Financial liabilities</u>						
<u>Monetary item:</u>						
USD	\$5,401	30.735	\$166,000	\$4,380	30.708	\$134,501
EUR	970	34.0114	32,991	1,055	32.7086	34,508

Due to the large number of functional currencies used in the Company, it's impossible to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Company recognized \$15,105 and \$121,305 for foreign exchange loss for the years ended 31 December 2023 and 2022, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(11) Other matters

To facilitate comparison in the financial statements, certain items have been reclassified as of December 31, 2023.

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13. ADDITIONAL DISCLOSURES

A. Information on significant transactions

(A) Financing provided:

No.	Lending company	Loan object	Transaction subject	Related parties	Highest amount of the period	Ending balance (approved by the shareholders meeting)	Actual payout amount at the end period	Rate	Loan nature (Note 3)	Business transaction amount	Reasons for short-term financing fund	Allowance for doubtful debts	Securities		Financing loan limit for individual party (Note 1)	Total limit of financing loan (Note 2)
													Na	Val		
0	TURVO INTERNATIONAL Co., LTD	TIPO INTERNATIONAL CO., LTD	Other receivables due from related parties	Yes	\$184,410	\$122,940	\$-	NA	2	\$-	Operating cycle	\$-	-	\$-	\$357,318	1,429,275
0	TURVO INTERNATIONAL Co., LTD	T&M Joint (Cayman) Holding Co., LTD	Other receivables due from related parties	Yes	\$6,547	\$2,612	\$2,164	NA	2	\$-	Operating cycle	\$-	-	\$-	\$357,318	1,429,275
0	TURVO INTERNATIONAL Co., LTD	Matec Southeast Asia (Thailand) Co., LTD	Other receivables due from related parties	Yes	\$134,670	\$80,802	\$35,912	3%	2	\$-	Operating cycle	\$-	-	\$-	\$357,318	1,429,275
0	TURVO INTERNATIONAL Co., LTD	Matec Southeast Asia (Thailand) Co., LTD	Other receivables due from related parties	Yes	\$8,136	\$-	\$-	-%	2	\$-	Purchase of equipments and materials	\$-	-	\$-	\$357,318	1,429,275

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No.	Lending company	Loaning object	Transaction subject	Related parties	Highest amount of the period	Ending balance (approved by the shareholders meeting)	Actual payout amount at the end period	Rate	Loaning nature (Note 3)	Business transaction amount	Reasons for short-term financing fund	Allowance for doubtful debts	Securities		Financing loan limit for individual party (Note 1)	Total limit of financing loan (Note 2)
													Na	Val		
1	Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	TURVO International Co., Ltd.(YZ)	Other receivables due from related parties	Yes	\$43,394	\$-	\$-	-%	2	\$-	Operating cycle	\$-	-	\$-	\$1,399,488 (Note 4)	\$1,399,488 (Note 4)

Note 1: 10% of net amount of the company's latest financial statement for the borrowed fund

Note 2: 40% of net amount of the company's latest financial statement for the borrowed fund

Note 3: The filling way of borrowed fund and nature is as follows:

(1) Have business transactions: 1

(2) Required for short-term financing: 2

Note 4: The company direct or indirect hold 100% of voting shares and engage in loan financing between foreign companies, or the company direct or indirect hold 100% of voting shares and engage in loan financing with the company, the financing amount is not limit to 40% net of the enterprise who borrowed loan but limit to 100% of the net amount of loanee and enterprise.

(B) Endorsement/guarantee provided: none.

(C) Securities held at the end of the period (excluding investment subsidiaries, affiliates and joint venture controlling interests): none.

(D) Marketable securities acquired or disposed of that cost or amounted to at least \$300 million or 20% of the paid-in capital: none.

(E) Acquisition of individual real estate that cost at least \$300 million or 20% of the paid-in capital: none.

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(F) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: none.

(G) Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20% of capital stock:

Company Name	Counter Party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Notes
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
TURVO INTERNATIONAL Co., LTD	Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	subsidiary.	Purchases	\$583,168	55.78%	There is no difference with other clients	Regular	Regular	Account payable \$-	-%	
TURVO INTERNATIONAL Co., LTD	TURVO International Co., Ltd.(YZ)	subsidiary.	Purchases	\$141,806	13.56%	There is no difference with other clients	Regular	Regular	Account payable \$-	-%	

(H) Receivables from related parties amounting to over \$100 million or 20% of the paid-in capital: none

(I) Information about derivatives of investees over which the Company has a controlling interest: refer to Note 12 (8).

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B. Information on investees

(A) Names, locations, and related information of investees on which the company exercises significant influence (excluding the investee in China):

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance As of 31 December 2022			Net Income (Losses) of the Investee (Note 1)	Investment income (loss) (Note 2)	Notes
				31 December 2023	31 December 2022	Shares	Percentage of Ownership	Carrying Value			
TURVO INTERNATIONAL CO., LTD	TIPO INTERNATIONAL CO., LTD.	Samoa	Purchase and sale	\$946,313 (USD31,133,211)	\$946,313 (USD31,133,211)	31,133,211 shares	100%	\$2,539,499	\$410,793	\$410,111	Subsidiary
TURVO INTERNATIONAL CO., LTD	T&M Joint (Cayman) Holding Co., LTD.	Cayman Island	Financial investment	\$61,760 (USD 2,045,753)	\$61,760 (USD 2,045,753)	4,912,749 shares	35.71%	\$5,771	\$ (6,266)	\$ (2,237)	Subsidiary
TURVO INTERNATIONAL CO., LTD	TUF Technology CO., LTD.	Taiwan	Purchase and sale	\$900	\$-	90,000 shares	100%	\$866	\$ (34)	\$ (34)	Subsidiary
TIPO INTERNATIONAL CO., LTD.	Hong Kong Xin-Feng Co., Ltd	Hong Kong	Financial investment	\$216,811 (USD7,133,211 HKD220,000)	\$216,811 (USD7,133,211 HKD220,000)	-	100%	\$1,349,468	\$313,562	Cope with subsidiary	Second-tier subsidiary
T&M Joint (Cayman) Holding Co., LTD	Matec Southeast Asia (Thailand) Co., Ltd.	Thailand	Manufacturing	\$204,635 (USD 6,606,203)	\$204,635 (USD 6,606,203)	216,276 shares	99.99%	\$18,327	\$ (5,922)	Cope with subsidiary	Second-tier subsidiary

Note1: The recognized investment gains and losses of investee companies in the current period include the investment gains and losses recognized by these companies for their reinvestment companies.

Note2: The investment gains and losses of investee companies recognized in the current period include the investment gains and losses of these companies arising from downstream transactions.

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(B) Information about major transactions of investee companies with controlling power

(1) Financing provided: refer to Note 13(1) (A)

(2) Endorsement/guarantee provided: none.

(3) Marketable securities held: none.

(4) Marketable securities acquired or disposed of that cost or amounted to at least \$300 million or 20% of the paid-in capital: none.

(5) Acquisition of individual real estate that cost at least \$300 million or 20% of the paid-in capital: none.

(6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: none.

(7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital:

Company Name	Counter Party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Notes
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	TURVO INTERNATIONAL Co., LTD	Associated Company	Sales	\$583,168	55.78%	There is no difference with other clients	Regular	Regular	Account Receivable \$-	-%	
TURVO International Co., Ltd.(YZ)	TURVO INTERNATIONAL Co., LTD	Associated Company	Sales	\$141,806	13.56%	There is no difference with other clients	Regular	Regular	Account Receivable \$-	-%	

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- (8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: none
- (9) Information about derivatives of investees over which the Company has a controlling interest: refer to Note 12(7) °

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C. Information on investment in Mainland China

(A) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee:

Investee Company	Main Businesses and Products	Total Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Percentage of Ownership	Equity in Earnings (Losses) (Note 3)	Carrying Value as of 31 December 2023	Accumulated Inward Remittance of Earnings as of 31 December 2023
					Outflow	Inflow					
Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd.	Manufacturing and trading	HKD 58,385,000 (Note 1)	Indirect investments through Turvo (BVI)	\$230,289 (USD7,120,536)	\$-	\$-	\$230,289 (USD7,120,536)	100%	\$313,624	\$1,345,832	\$717,836
TURVO International Co., Ltd.(YZ)	Manufacturing and trading	USD 28,000,000 (Note 4)	Indirect investments through Turvo (BVI)	\$686,956 (USD23,000,000)	\$-	\$-	\$686,956 (USD23,000,000)	100% (Note 4)	\$68,723	\$1,149,58	\$-

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accumulated investment in Mainland China as of 31 December 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$917,245 (USD30,120,536)	\$917,245 (USD 30,120,536)	\$2,143,913 (Note 2)

Note1 : Part of the voting right acquired through the equity transfer

Note2 : Based on the regulations from Ministry of Economic Affairs Investment Review Committee, the proportion limit of investment in Mainland China is 60% of the net amount.

Note3 : The recognized profit and loss under investment should base on the financial statement that audited by accountants.

Note4 : Funds of US\$5,000,000 were injected into TURVO International Co., Ltd.(YZ) by Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd. on 10 July 2023; therefore Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd. Acquired 17.86% ownership in TURVO International Co., Ltd.(YZ). The Company holds a 100% ownership via TIPO INTERNATIONAL CO., LTD.(SAMOA).

D. As of 31 December 2023, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13(1) (G). The unrealized profit amount generated due to the previous significant transaction items accounted for \$1,110 thousand.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

Notes to Parent Company Only Financial Statements

(Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

E. Information of major shareholders

For the year ended 31 December 2023

Shares Major shareholders	Number of holding shares	Proportion of holding shares
Zeng Hsing Industrial CO., Ltd.	14,444,000	23.95%
GOODWAY Machine CORP.	6,066,216	10.06%

Note: Including the proportion that is held by the related parties of GOODWAY Machine CORP.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

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ACCOUNTING ITEMS
FOR THE YEAR ENDED 31 DECEMBER 2023

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TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

1.STATEMENT OF CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash on hand	Petty cash/working fund	\$271	
Bank savings			
Check Deposit		38,545	
Demand deposits— NTD		62,987	
Demand deposits— foreign currency	JPY 91,699 thousand, EUR 754 thousand, USD 41,791 thousand, etc.	111,916	
Time Deposits		175,304	
		<u>\$389,023</u>	

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

2. STATEMENT OF ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Client A		\$84,816	
Client B		35,654	
Client C		30,049	
Client D		5,645	
Client E		23,798	
Client F		20,778	
Client G		19,986	
Others (Note)		46,272	
Subtotal		286,998	
Less: loss allowance		(3,547)	
Total,(Net)		<u>\$ 283,451</u>	

(Note) The amount of individual client in others does not exceed 5% of the account blance.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

3. STATEMENT OF INVENTORIES
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$29,308	\$32,652	
Supplies		12,269	13,109	
Work in process		65,656	137,991	
Finished goods		77,075	96,771	
Merchandise inventories		1,034	2,404	
Subtotal		185,342	\$282,927	
Less: Allowance for Inventory Valuation and Obsolescence Losses		(26,463)		
Total,(Net)		\$158,879		

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

4. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NONCURRENT
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Name of Securities	As of 1 January 2023		Additions (Decrease)		Investment income (loss)	Realized (Unrealized) Gain on Transactions	Exchange differences	As of 31 December 2023			Evaluation Basis	Collateral
	Shares	Amount	Shares	Amount				Shares	%	Amount		
TIPO INTERNATIONAL CO., LTD.	31,133,211	\$2,167,667	-	\$-	\$410,111	\$2,728	\$ (41,007)	31,133,211	100	\$2,539,499	Equity	None
T&M Joint (Cayman) Holding Co., Ltd.	4,912,749	7,941	-	-	(2,237)	-	67	4,912,749	35.71	5,771	Equity	None
TUF Technology CO., LTD.	-	-	90,000	900	(34)	-	-	-	100	866	Equity	None
Total		\$2,175,608		\$900	\$407,840	\$2,728	\$ (40,940)			\$2,546,136		

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

5. STATEMENT OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Vendor A	Pay for raw materials	\$20,382	
Vendor B	Pay for raw materials	3,043	
Vendor C	Pay for raw materials	2,830	
Others (Note)		26,201	
Total		\$52,456	

(Note) The amount of individual vendor in others does not exceed 5% of the account balance.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

6. STATEMENT OF LEASE LIABILITIES
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	Amount	Note
Land	Factory and Office	4~8 years	0.95-1.36%	\$6,470	
Buildings	Lease.	1~2 years	0.95-1.36%	6,688	
	Factory Lease				
Transportation equipment	Car leases	2~3 years	0.95-1.36%	5,538	
				18,696	
Less: Current portion				(8,044)	
Lease liabilities				\$10,652	
-non current					

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

7. STATEMENT OF NET OPERATING REVENUES

FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Shipments (Piece)	Amount	Note
Precision Metal Parts	48,568 thousands PCS	\$1,578,873	

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

8. STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
A. <u>Cost of sales of goods manufactured</u>		
Direct material : Raw material, beginning of year	\$58,843	
Add : Raw material purchased	263,729	
Transferred from Work in process	2,785	
Less : Raw material, end of year	(29,308)	
Sale of Raw material	(205,387)	
Loss on scrap of Raw material	(42)	
Direct material used	90,620	
Supplies : Raw material, beginning of year	13,802	
Add : Supplies purchased	8,094	
Transferred from Work in process	8,189	
Less : Supplies, end of year	(12,269)	
Sale of Supplies	(3,460)	
Loss on Supplies	(1)	
Supplies used	14,355	
Direct labor	118,854	
Manufacturing expenses (Refer to 9)	198,603	
Manufacturing cost	422,432	
Add : Work in process, beginning of year	72,395	
Other	2,942	
Less : Work in process, end of year	(65,656)	
Sale of Work in process	(942)	
Loss on scrap of Work in process	(1)	
Transferred to Raw material	(2,785)	
Transferred to Supplies	(8,189)	
Transferred to Merchandise	(10,574)	
Loss on Work in process	(11)	
Cost of Finished goods	409,611	
Add : Finished goods, beginning of year	114,990	
Finished goods purchased	717,915	
Less : Finished goods, end of year	(77,075)	
Loss on scrap of Finished goods	(2,830)	

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

8. STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

(Continued from previous page.)

Item	Amount	Note
Cost of sales of goods manufactured (A)	1,162,611	
B. <u>Cost of sales of goods purchased</u>		
Add : Merchandise, beginning of year	1,198	
Merchandise purchased	(1,023)	
Transferred from Work in process	10,574	
Less : Sale of Merchandise	(8,237)	
Merchandise, end of year	(1,034)	
Cost of sales of goods purchased (B)	1,478	
C. <u>Other operating cost</u>		
Sales of Raw material, Supplies and Merchandise	218,026	
Purchased on behalf of others	(214,922)	
Revenue from sale of scraps	(13,124)	
Write-downs of inventories	2,835	
Loss on scrap of inventories	2,873	
Loss on valuation	12	
Others	79	
Cost of goods sold	\$1,159,868	

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

9. STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Depreciation Expense	\$72,278	
Processing Costs	34,197	
Indirect Labor	29,402	
Utilities Expenses	17,206	
Consumable Materials and Tools	14,686	
Others(Note)	30,834	
Total	\$198,603	

(Note) The amount of other manufacturing expense in others does not exceed 5% of the expense total amount.

TURVO INTERNATIONAL CO., LTD., AND SUBSIDIARIES

10. STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2023

(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	Management and Administrative Expenses	Research and Development Expenses	Expected Credit Losses	Total	Note
Salaries	\$17,122	\$92,969	\$51,907	\$-	\$161,998	
Sample Material Expenses	-	-	18,573	-	18,573	
Depreciation	2,626	7,405	6,303	-	16,334	
Insurance Expense	1,595	6,927	5,514	-	14,036	
Research Commission Expenses	-	-	11,856	-	11,856	
Import and Export Expenses	9,553	-	-	-	9,553	
Travel Expenses	3,250	2,307	951	-	6,508	
Amortization	57	5,136	637	-	5,830	
Advertising Expenses	4,061	37	634	-	4,732	
Expected credit losses	-	-	-	778	778	
Others(Note)	4,250	36,451	11,327	-	52,028	
Total	\$42,514	\$151,232	\$107,702	\$ 778	\$302,226	

(Note) The amount of other operating expense in others does not exceed 5% of the expense total amount.