

Winstar Display Co., Ltd.

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

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Independent Auditors' Report

To the Board of Directors and Shareholders of Winstar Display Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Winstar Display Co., Ltd. (the "Company") which comprise the balance sheet as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policies information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above have been prepared, in all material respects, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and fairly present the individual financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We have performed entrusted audit work in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of 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 Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that sufficient and appropriate audit evidence has been obtained to serve as a basis for expressing an audit opinion.

Key Audit Matters

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

The key audit matter for the Company's 2023 financial statements is stated as follows:

Authenticity of revenue recognition from specific customers

The company's operating revenue mainly comes from the production and sales of LCD modules and OLED display modules. The operating revenue in 2023 decreased from the previous year due to changes in market demand. As transaction amount of a specific customer is material to operating revenue as a whole, authenticity of revenue recognition for specific customers is listed as a key audit matter. Please refer to Note 4 to the financial statements for the relevant accounting policies for revenue recognition.

In response to this key audit matter, we perform the following audit procedures:

1. Understand and evaluate the effectiveness of the design and execution of internal control related to audit risks in the sales and collection cycle.
2. We select a sample of the operating revenue of specific customers, and review the relevant documents and payment vouchers for the operating revenue recognized to confirm the authenticity of the operating revenue recognized.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Company's 2023 financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such

communication.

The engagement partners on the audits resulting in this independent auditors' report are Shu-Chin Chiang and Ting-Chien Su.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 12, 2024

Winstar Display Co., Ltd.
Balance sheets
December 31, 2023 and 2022

Unit: NT\$ thousand

Code	Asset	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current asset				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 463,793	24	\$ 412,286	23
1136	Financial assets at amortized cost - current (Note 4, 7 and 27)	53,923	3	55,080	3
1150	Notes receivable (Note 4, 9 and 19)	1,207	-	2,470	-
1170	Trade receivables from unrelated parties (Note 4, 9 and 19)	142,849	8	168,209	9
1180	Trade receivables from related parties (Note 4, 19 and 26)	33,462	2	76,718	4
1200	Other receivables (Note 4 and 26)	6,177	-	5,374	-
130X	Inventories (Note 4 and 10)	43,061	2	53,269	3
1470	Other current assets	<u>5,933</u>	<u>-</u>	<u>5,395</u>	<u>-</u>
11XX	Total current assets	<u>750,405</u>	<u>39</u>	<u>778,801</u>	<u>42</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 4 and 8)	11,457	1	10,196	1
1535	Financial assets at amortized cost - non-current (Note 4, 7 and 27)	15,835	1	15,803	1
1550	Investments accounted for using the equity method (Note 4 and 11)	962,335	51	896,500	49
1600	Property, Plant and Equipment (Note 4, 12 and 27)	9,587	-	8,257	-
1755	Right-of-use assets (Note 4, 13 and 26)	6,365	-	7,055	-
1760	Investment property (Note 4, 14 and 27)	83,259	4	83,538	5
1840	Deferred tax assets (Note 4 and 21)	39,163	2	27,656	1
1990	Other non-current assets	<u>28,753</u>	<u>2</u>	<u>11,003</u>	<u>1</u>
15XX	Total non-current assets	<u>1,156,754</u>	<u>61</u>	<u>1,060,008</u>	<u>58</u>
1XXX	Total assets	<u>\$ 1,907,159</u>	<u>100</u>	<u>\$ 1,838,809</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 15 and 27)	\$ 273,000	14	\$ 258,000	14
2130	Contract liabilities - current (Note 19)	30,742	2	36,314	2
2150	Notes payable	13	-	1,006	-
2170	Trade payables to unrelated parties	45,487	2	103,636	6
2180	Trade payables to related parties (Note 26)	189,968	10	244,362	13
2200	Other payables (Note 16 and 26)	65,248	4	85,049	5
2230	Current tax liabilities (Note 4 and 21)	13,344	1	33,938	2
2280	Lease liabilities - current (Note 4, 13 and 26)	6,116	-	5,333	-
2320	Current portion of long-term borrowings (Note 15 and 27)	19,167	1	46,124	3
2399	Other current liabilities (Note 26)	<u>5,743</u>	<u>-</u>	<u>6,901</u>	<u>-</u>
21XX	Total current liabilities	<u>648,828</u>	<u>34</u>	<u>820,663</u>	<u>45</u>
	Non-current liabilities				
2540	Long-term borrowings (Note 15 and 27)	21,528	1	16,013	1
2570	Deferred tax liabilities (Note 4 and 21)	62,350	3	33,367	2
2580	Lease liabilities - non-current (Note 4, 13 and 26)	294	-	1,787	-
2640	Net defined benefit liabilities - non-current (Note 4 and 17)	<u>11,255</u>	<u>1</u>	<u>14,038</u>	<u>-</u>
25XX	Total non-current liabilities	<u>95,427</u>	<u>5</u>	<u>65,205</u>	<u>3</u>
2XXX	Total liabilities	<u>744,255</u>	<u>39</u>	<u>885,868</u>	<u>48</u>
	Equity				
3110	Ordinary shares	675,000	35	525,000	28
3200	Capital surplus	186,294	10	66,078	4
	Retained earnings				
3310	Legal reserve	66,981	4	37,695	2
3320	Special reserve	4,444	-	3,526	-
3350	Unappropriated earnings	246,414	13	325,086	18
3400	Other equity	<u>(16,229)</u>	<u>(1)</u>	<u>(4,444)</u>	<u>-</u>
3XXX	Total equity	<u>1,162,904</u>	<u>61</u>	<u>952,941</u>	<u>52</u>
	Total liabilities and equity	<u>\$ 1,907,159</u>	<u>100</u>	<u>\$ 1,838,809</u>	<u>100</u>

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

Winstar Display Co., Ltd.

Statements of comprehensive income

For the years ended December 31, 2023 and 2022

Unit: In thousands of New Taiwan Dollars,
except that Earnings Per Share are stated in NT\$

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note 4, 19 and 26)	\$ 1,644,918	100	\$ 2,217,117	100
5000	Operating costs (Note 10, 20 and 26)	<u>1,362,123</u>	<u>83</u>	<u>1,829,548</u>	<u>83</u>
5900	Gross profit	282,795	17	387,569	17
5910	Unrealized gain on transations	(2,084)	-	(2,100)	-
5920	Realized gain on transations	<u>2,100</u>	<u>-</u>	<u>2,372</u>	<u>-</u>
5950	Realized gross profit	<u>282,811</u>	<u>17</u>	<u>387,841</u>	<u>17</u>
	Operating expenses (Note 20 and 26)				
6100	Selling and marketing expenses	83,866	5	60,244	3
6200	General and Administrative expenses	120,035	7	143,692	6
6300	Research and Development expenses	45,337	3	43,025	2
6450	Expected credit loss (gain) (Note 4 and 9)	(<u>1,017</u>)	<u>-</u>	<u>1,156</u>	<u>-</u>
6000	Total operating expenses	<u>248,221</u>	<u>15</u>	<u>248,117</u>	<u>11</u>
6900	Profit from operations	<u>34,590</u>	<u>2</u>	<u>139,724</u>	<u>6</u>
	Non-operating income and expenses				
7070	Share of profit or loss of subsidiaries and associates (Note 4)	80,649	5	197,235	9
7100	Interest income	3,728	-	1,245	-
7010	Other income (Note 26)	5,078	-	5,663	-

(to be continued)

(continued)

Code		2023		2022	
		Amount	%	Amount	%
7020	Other gains and losses	(\$ 1)	-	(\$ 3)	-
7050	Financial costs (Note 20 and 26)	(7,495)	-	(8,406)	-
7630	Net gain (loss) on foreign currency exchange (Note 20)	(50)	-	25,664	1
7000	Total non-operating expenses	81,909	5	221,398	10
7900	Profit before income tax	116,499	7	361,122	16
7950	Income tax expense (Note 4 and 21)	35,690	2	71,365	3
8200	Net profit for the year	80,809	5	289,757	13
	Other comprehensive income(loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plan (Note 17)	2,466	-	3,870	-
8316	Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	1,261	-	(8,346)	-
8349	Income tax relating to items that will not be reclassified (Note 21)	(493)	-	(774)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange difference on translating foreign operations	(16,307)	(1)	13,927	-
8399	Income tax related to items that may be reclassified (Note 21)	3,261	-	(2,785)	-
8300	Other comprehensive income for the year, net of income tax	(9,812)	(1)	5,892	-
8500	Total comprehensive income for the year	\$ 70,997	4	\$ 295,649	13

(to be continued)

(continued)

Code		2023		2022	
		Amount	%	Amount	%
	Earnings per share (Note 22)				
9750	Basic	\$ <u>1.33</u>		\$ <u>5.02</u>	
9850	Diluted	\$ <u>1.33</u>		\$ <u>4.99</u>	

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

Winstar Display Co., Ltd.
Statements of changes in equity
For the years ended December 31, 2023 and 2022

Unit: NT\$ thousand

Code		Ordinary shares (Note 18)	Capital surplus (Note 18)	Retained earnings (Note 18)			Other equity		Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Exchange difference on translating foreign operations	Unrealized gain (loss) of financial assets at fair value through other comprehensive income	
A1	Balance on January 1, 2022	\$ 500,000	\$ 35,471	\$ 31,541	\$ 3,526	\$ 70,387	(\$ 9,946)	\$ 2,706	\$ 633,685
	Appropriation of 2021 earnings:								
B1	Legal reserve	-	-	6,154	-	(6,154)	-	-	-
B5	Cash dividends	-	-	-	-	(32,000)	-	-	(32,000)
D1	Net income for the year ended December 31, 2022	-	-	-	-	289,757	-	-	289,757
D3	Other comprehensive income for the year ended December 31, 2022	-	-	-	-	3,096	11,142	(8,346)	5,892
D5	Total comprehensive income for the year ended December 31, 2022	-	-	-	-	292,853	11,142	(8,346)	295,649
E1	Capital increase in cash	25,000	30,000	-	-	-	-	-	55,000
N1	Share-based Payment	-	607	-	-	-	-	-	607
Z1	Balance on December 31, 2022	525,000	66,078	37,695	3,526	325,086	1,196	(5,640)	952,941
	Appropriation of 2022 earnings:								
B1	Legal reserve	-	-	29,286	-	(29,286)	-	-	-
B3	Special reserve	-	-	-	918	(918)	-	-	-
B5	Cash dividends	-	-	-	-	(56,250)	-	-	(56,250)
B9	Stock dividends	75,000	-	-	-	(75,000)	-	-	-
D1	Net income for the year ended December 31, 2023	-	-	-	-	80,809	-	-	80,809
D3	Other comprehensive income for the year ended December 31, 2023	-	-	-	-	1,973	(13,046)	1,261	(9,812)
D5	Total comprehensive income for the year ended December 31, 2023	-	-	-	-	82,782	(13,046)	1,261	70,997
E1	Capital increase in cash	75,000	117,327	-	-	-	-	-	192,327
N1	Share-based Payment	-	2,889	-	-	-	-	-	2,889
Z1	Balance on December 31, 2023	\$ 675,000	\$ 186,294	\$ 66,981	\$ 4,444	\$ 246,414	(\$ 11,850)	(\$ 4,379)	\$ 1,162,904

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

Winstar Display Co., Ltd.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

Unit: NT\$ thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Income before tax for the year	\$ 116,499	\$ 361,122
A20000	Adjustment for:		
A20100	Depreciation expenses	11,122	11,676
A20200	Amortization expenses	774	786
A20300	Expected credit loss recognized (reversed) on trade receivables	(1,017)	1,156
A20900	Finance costs	7,495	8,406
A21200	Interest income	(3,728)	(1,245)
A21300	Dividend income	(55)	(45)
A21900	Compensation cost related to share-based payment	2,249	404
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	(80,649)	(197,235)
A22500	Loss on disposal of property, plant and equipment	1	3
A23800	Inventory valuation losses	1,040	7,507
A23900	Unrealized profit from sales	2,084	2,100
A24000	Realized profit from sales	(2,100)	(2,372)
A24100	Unrealized net gain in foreign currency exchange	(1,741)	(2,791)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	1,263	1,896
A31150	Trade receivables	64,015	81,371
A31180	Other receivables	(803)	(3,570)
A31200	Inventory	6,545	(12,806)
A31240	Other current assets	(538)	(193)
A32130	Notes payable	(993)	855
A32150	Trade payables	(105,184)	9,817
A32180	Other payables	(19,408)	40,260
A32230	Other current liabilities	(6,730)	(6,542)
A32240	Net defined benefit liabilities	(317)	(426)
A33000	Cash generated from (used in) operations	(10,176)	300,134
A33100	Interest received	3,728	1,245
A33200	Dividend received	55	1,151
A33300	Interest paid	(7,119)	(8,245)
A33500	Income tax paid	(36,040)	(12,864)
AAAA	Net cash generated from (used in) operating activities	(49,552)	281,421

(to be continued)

(continued)

Code		2023	2022
	Cash flows from investing activities		
B00040	Payments for financial assets at amortized cost	(\$ 22,141)	(\$ 13,436)
B00050	Proceeds from disposal of financial assets at amortized cost	23,266	-
B01800	Payments for investments accounted for using the equity method	(837)	-
B02700	Payments for property, plant and equipment	(3,160)	(4,007)
B03700	Increase in refundable deposits	(744)	(3,669)
B03800	Decrease in refundable deposits	3,895	1,160
B04500	Payments for intangible assets	(1,200)	(560)
B07100	Increase in prepayments for equipment	(<u>21,190</u>)	(<u>1,421</u>)
BBBB	Net cash used in investing activities	(<u>22,111</u>)	(<u>21,933</u>)
	Cash flows from financing activities		
C00100	Proceeds from short-term borrowings	378,000	307,961
C00200	Repayments of short-term borrowings	(363,000)	(370,256)
C01600	Proceeds from long-term loans	30,000	55,000
C01700	Repayments of long-term borrowings	(51,442)	(56,714)
C04020	Repayments of the principal portion of lease liabilities	(6,465)	(6,562)
C04500	Dividends paid to owners of the company	(56,250)	(32,000)
C04600	Capital increase in cash	<u>192,327</u>	<u>55,000</u>
CCCC	Net cash generated from (used in) financing activities	<u>123,170</u>	(<u>47,571</u>)
EEEE	Net increase in cash and cash equivalents	51,507	211,917
E00100	Cash and cash equivalents at the beginning of the year	<u>412,286</u>	<u>200,369</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 463,793</u>	<u>\$ 412,286</u>

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

Winstar Display Co., Ltd.

Notes to financial statements

For the years ended December 31, 2023 and 2022

(expressed in NTD thousand and foreign currency, unless stated otherwise)

1. History

Winstar Display Co., Ltd. ("the Company") was established in June 1998. The main business items are the manufacturing, processing, and trading of various displays and modules.

The Company has been listed on the Taiwan Stock Exchange since December 5, 2023.

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. Date and procedures for approval of financial statements

The financial statements were approved by the Company's board of directors on March 12, 2024.

3. Application of new, amended and revised standards and interpretations

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC").

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

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

New, amended and revised standards and interpretations	Effective date of issuance per the International Accounting Standards Board (IASB) (Note 1)
Amendments to IFRS 16 "Lease Liability in A Sale-and-Leaseback"	Monday, January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Monday, January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	Monday, January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	Monday, January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee applies the amendments to IFRS16 retrospectively to sale and leaseback transactions entered into after the date of initial application.

Note 3: The initial application of the amendments is exempted from certain disclosure requirements.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

(3) New IFRSs in issue by IASB but not yet endorsed and issued into effect by the FSC

New, amended and revised standards and interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	Wednesday, January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied for annual reporting periods beginning on or after January 1, 2025. When the amendments are applied for the first time, the effect will be recognized in the retained earnings on the date of the initial application. When the Company uses a non-functional currency as the presentation currency, the effect will be adjusted with respect to the exchange differences of foreign operations under equity on the date of initial application.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. Summary of significant accounting policies information

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

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

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

3. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the company basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

(4) Foreign currency

In preparing the financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

Foreign currency non-monetary items measured by fair value are translated at the exchange rate on the day when the fair value is determined, and any resulting exchange difference is listed as profit or loss for that year except when the change in fair value is recognized in other comprehensive income, in which case the resulting exchange difference is listed in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

(5) Inventory

Inventories include raw materials, work-in-progress, Semi-finished products, and finished goods, which are measured at the lower of cost or net realizable value. The comparison of cost and net realizable value is based on

individual items, except for inventories of the same category. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. Inventory cost is determined using the weighted-average method.

(6) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. In addition, the Company also recognizes the changes in the Company's share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity for any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

When assessing impairment, the Company considers the cash-generating units and compares the recoverable amount and carrying amount based on the entirety of the financial statements. If the recoverable amount of the investment subsequently increases, the Company recognizes a gain as a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount, in which no impairment losses were recognized, net of amortization. Any impairment loss recognized for goodwill is not reversible in subsequent periods.

Unrealized profit or loss resulting from downstream transactions between the Company and subsidiaries is eliminated in full in the financial statements. Profit and loss resulting from upstream transactions between the Company and subsidiaries and transactions between subsidiaries is recognized in the financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(7) Investments in Associates

An associate is an enterprise that the Company has significant influence over but is not a subsidiary.

The Company adopts the equity method for investment in associates.

Under the equity method, an investment in an associate is initially recognized at cost, and the book value after the acquisition is adjusted by the Company's share of the profit or loss and other comprehensive income of the associate. In addition, changes in the equity of an associate are recognized based on the shareholding ratio.

The acquisition cost exceeding the Company's share of the net fair value of the identifiable assets and liabilities of the associate on the date of acquisition is recognized as goodwill. The goodwill is included in the book value of the investment and shall not be amortized. The share of net identifiable assets and liabilities net fair value of the associate exceeding the acquisition cost is recognized in the current profit or loss.

When assessing impairment, the Company treats the entire carrying amount of the investment as a single asset and tests for impairment by comparing its recoverable amount and carrying amount. Any impairment loss recognized is also part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

Profits and losses arising from upstream, downstream, and lateral transactions between the Company and associates shall be recognized in the parent company only financial statements only to the extent that they is not connected to the Company's rights and interests in the associate.

(8) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment under construction is recognized at cost. Cost includes professional service fees. These assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Each material component of property, plant and equipment is depreciated separately on a straight-line basis over its useful life. The Company shall review estimated service life, residual value, and depreciation method at the end of each year at a minimum, and it shall defer the effect of changes in applicable accounting estimates.

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

(9) Investment property

Investment property is held for the purpose of earning rent or capital appreciation or both. Investment property also includes land held for which the future use has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction costs) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company adopts a straight-line basis for depreciation.

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

(10) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible

assets are to be amortized on a straight-line basis within their service lives. The Company shall review estimated service life, residual value, and amortization method at the end of each year at a minimum, and it shall defer the effect of changes in applicable accounting estimates.

Upon derecognition of intangible assets, the difference between the net disposal price and the asset carrying amount is to be recognized in current year profit or loss.

(11) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets

The Company evaluates at each balance sheet date whether there is any evidence that impairment has occurred among property, plant and equipment, right-of-use assets, investment properties, and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

(12) Financial instruments

Financial assets and financial liabilities are recognized in the balance sheets when the Company becomes a party to the contractual provisions of the instruments.

On initial recognition of a financial asset or a financial liability, if the financial asset or financial liability is not measured at fair value through profit or loss, it is measured at fair value plus any transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial asset

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

1. Measurement category

The types of financial assets held by the Company are financial assets measured at amortized cost and investments in equity instruments measured at fair value through other comprehensive income.

(1) Financial assets at amortized cost

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

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

After the original recognition of financial assets measured at cost after amortization (including cash and cash equivalents, notes receivable measured at amortized cost, accounts receivable, other receivables, and refundable deposits), these are measured at the amortized cost of the gross carrying amount determined using the effective interest method less any impairment losses, and any foreign currency exchange gains or losses are recognized in profit

or loss.

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

- A. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.
- B. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset from the second reporting period after the impairment.

A financial asset is credit impaired when: there are significant financial difficulty of the issuer or borrower or a breach of contract; it is probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a financial asset due to financial difficulties.

(2) Equity instruments at FVTOCI

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

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

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly

represent a recovery of part of the cost of the investment.

2. Impairment of Financial assets

The Company measures the impairment loss based on expected credit losses (“ECLs”) on financial assets at amortized cost (including trade receivables) on each balance sheet date.

The Company measures a loss allowance at an amount equal to lifetime ECLs on trade receivables. For other financial assets, the Company recognizes the loss allowance for 12 months ECLs if there has not been a significant increase in credit risk since initial recognition or recognizes the loss allowance for the lifetime ECLs if such credit risk has significantly increased since initial recognition.

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

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent a default on a financial asset:

- (1) There is internal or external information indicating that the debtor is incapable of paying off its debts.
- (2) Overdue for more than 180 days, unless there is reasonable and corroborative information showing that the delayed default standard is more appropriate.

The impairment loss of all financial assets is based on the reduction of the book value of the contra account.

3. Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the assets expire or when it

transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party.

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

Financial liability

1. Subsequent measurement

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

2. Derecognition of financial liabilities

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

(13) Revenue recognition

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

For contracts in which the transfer of goods or services and the receipt of consideration are within one year, the transaction prices of the material finance components will not be adjusted.

Revenue from sale of goods

Revenue from sales of goods is recognized when the customer obtains control over the asset promised; that is, when the goods are delivered to the designated location and meet the performance obligations. Advance receipts from sales of goods are recognized as contract liabilities before the Company has met its performance obligations.

(14) Leases

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

The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If there is a change in the lease term, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(15) Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

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

Net defined benefit liabilities (assets) constitute shortfalls (surpluses) in defined benefit plan contributions. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(16) Share-based payment agreement

Employee stock warrants granted to employees

The fair value of equity instrument at the grant date of employee stock warrants is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding adjustment to capital surplus - employee stock warrants. It is recognized as an expense in full at the grant date if vested immediately. The grant date is the date on which the Company

confirms the number of employee shares and the subscription price reserved for employee shares as a capital increase in cash.

Employee stock options granted to employees of subsidiaries

Employee stock options granted by the Company to employees of a subsidiary in exchange for the Company's equity instruments are regarded as capital investment in the subsidiary. They are measured based on the fair value of the equity instrument on the grant date, and is recognized as an increase in the carrying amount of the investment in the subsidiary within the vesting period. Furthermore, there is a corresponding adjustment in capital reserve-employee stock options.

(17) Income tax

Income tax expense is the sum of the current year income tax and deferred income tax.

1. Income tax of the current year

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

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized when it is probable that taxable income will be available to deduct the temporary differences. If a temporary difference arises due to the initial recognition of other assets and liabilities, and the transaction does not affect taxable income

or accounting profit at that time, it shall not be recognized as deferred income tax assets and liabilities.

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

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

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

3. Current and deferred income tax for the year

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

taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Company considers the possible impact of climate change and related government policies and regulations and the economic environment implications of the military conflict between Russia and Ukraine and related international sanctions inflation and interest rate fluctuations volatility in and financial and energy and foreign currency markets its economic environment implications when making its material accounting estimates on the cash flow projection, growth rate, discount rate, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

6. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 306	\$ 245
Demand deposits	353,069	402,141
Cash equivalents		
Time deposits with banks	110,418	9,900
	<u>\$ 463,793</u>	<u>\$ 412,286</u>
<u>Annual interest rate (%)</u>		
Demand deposits	0.01-1.45	0.39-1.05
Time deposits with banks	1.10-5.10	0.98

7. Financial assets at amortized cost

	December 31, 2023	December 31, 2022
<u>Current</u>		
Pledged time deposits	\$ 34,180	\$ 48,277
Time deposits with original maturity over three months	15,115	-
Restricted bank deposits	4,628	6,803
	<u>\$ 53,923</u>	<u>\$ 55,080</u>
<u>Non-current</u>		
Restricted bank deposits	<u>\$ 15,835</u>	<u>\$ 15,803</u>

(to be continued)

(continued)

	December 31, 2023	December 31, 2022
<u>Annual interest rates (%)</u>		
Pledged time deposits	3.45-3.85	0.42-3.40
Time deposits with original maturity over three months	0.54-0.55	-
Restricted bank deposits	0.53	0.39-0.85

Please refer to Note 27 for information on financial assets measured at amortized cost pledged.

8. Financial assets at fair value through other comprehensive income -non-current

<u>Investment in equity instruments</u>	December 31, 2023	December 31, 2022
Domestic listed stocks	<u>\$ 11,457</u>	<u>\$ 10,196</u>

The Company invests in the above-mentioned equity instruments for medium and long-term strategic purposes, and expects to make profits through long-term investments. Accordingly, the management elected to designate these investments as at financial assets at fair value through other comprehensive income as it believes that recognizing the short-term fluctuations of fair value in profit or loss would not be consistent with the Company's long-term investment strategy.

9. Notes receivable and accounts receivable - non-related parties, net

	December 31, 2023	December 31, 2022
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,207	\$ 2,470
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,207</u>	<u>\$ 2,470</u>
<u>Accounts receivable - non-related parties</u>		
At amortized cost		
Gross carrying amount	\$ 143,025	\$ 170,262
Less: Allowance for impairment loss	(<u>176</u>)	(<u>2,053</u>)
	<u>\$ 142,849</u>	<u>\$ 168,209</u>

(1) Notes receivable

The Company individually reviews the recoverable amount of the notes receivable at the balance sheet date to ensure that an appropriate impairment loss has been recorded for the notes receivable that cannot be recovered. If a note receivable is not cashed out at maturity, it is deemed to be overdue and the full amount of impairment loss is recognized. The aging of notes receivable was as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Not past due	\$ 1,207	\$ 2,470
Overdue	<u>-</u>	<u>-</u>
	<u>\$ 1,207</u>	<u>\$ 2,470</u>

(2) Accounts receivable - non-related parties

The credit period for the Company's sales depends on the sales target, region and conditions. No interest is accrued on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amounts of accounts receivable on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible accounts receivable. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. Expected lifetime credit losses are calculated using a provision matrix that considers the customer's past default record and the current financial status and economic conditions in the industry, as well as simultaneously considering GDP forecasts and industry outlook. As the Company's credit loss history shows that there is no significant difference in the loss patterns of different customer groups, the allowance matrix does not further divide the customer groups, and only sets the expected credit loss rate based on the number of days past due on accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect to recover the amount, the Company will directly write off the relevant accounts receivable, but will continue to collect the receivables, and the amount recovered will be recognized in profit or loss.

The Company measures allowances for uncollectable accounts of accounts receivable in accordance with the provision matrix as follows:

	Not past due	Overdue 1 to 60 days	Overdue 61 to 120 days	Overdue 121 to 180 days	Overdue over 181 days	Total
<u>December 31, 2023</u>						
Expected credit loss rate (%)	0.04	0.19-9.97	16.33-28.82	31.42-31.65	100	
Gross carrying amount	\$ 113,435	\$ 29,486	\$ 3	\$ -	\$ 101	\$ 143,025
Loss allowance (Lifetime ECLs)	(<u>27</u>)	(<u>47</u>)	(<u>1</u>)	-	(<u>101</u>)	(<u>176</u>)
Amortized cost	<u>\$ 113,408</u>	<u>\$ 29,439</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,849</u>
<u>December 31, 2022</u>						
Expected credit loss rate (%)	0.03	0.13-0.74	11.13-19.05	17.39-18.18	100	
Gross carrying amount	\$ 146,609	\$ 22,073	\$ 619	\$ 74	\$ 887	\$ 170,262
Loss allowance (Lifetime ECLs)	(<u>1,047</u>)	(<u>37</u>)	(<u>69</u>)	(<u>13</u>)	(<u>887</u>)	(<u>2,053</u>)
Amortized cost	<u>\$ 145,562</u>	<u>\$ 22,036</u>	<u>\$ 550</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>\$ 168,209</u>

The movements of the loss allowance of trade receivables were as follows:

	2023	2022
Beginning balance	\$ 2,053	\$ 897
Impairment loss recognized (reversed)	(1,017)	1,156
Amounts written off	(<u>860</u>)	-
Ending balance	<u>\$ 176</u>	<u>\$ 2,053</u>

10. Inventory

	December 31, 2023	December 31, 2022
Raw materials	\$ 11,306	\$ 14,254
Work in progress	11,155	11,706
Semi-finished products	-	7
Finished good	15,790	20,063
Inventory in transit	<u>4,810</u>	<u>7,239</u>
	<u>\$ 43,061</u>	<u>\$ 53,269</u>

The nature of the cost of goods sold related to inventories is as follows:

	2023	2022
Cost of inventory sold	\$ 1,361,083	\$ 1,822,041
Inventory valuation losses	<u>1,040</u>	<u>7,507</u>
	<u>\$ 1,362,123</u>	<u>\$ 1,829,548</u>

11. Investments accounted for using the equity method

	December 31, 2023	December 31, 2022
Investments in subsidiaries	\$ 949,674	\$ 884,124
Investments in Associates	12,661	12,376
	<u>\$ 962,335</u>	<u>\$ 896,500</u>

The Company measures the above subsidiaries and associates using the equity method. Please refer to Tables 6 and 7 for information on their main business items and the countries of incorporation of the companies.

(1) Investments in subsidiaries

Subsidiary	December 31, 2023		December 31, 2022	
	Amount	Shareholding %	Amount	Shareholding %
<u>Non-listed company</u>				
WINBEST TECHNOLOGY LLC (WINBEST)	\$ 565,059	100	\$ 431,445	100
RAYSTAR OPTRONICS, INC. (RAYSTAR)	288,783	100	340,821	100
WINCAELUM GLOBAL (SAMOA) CO., LTD. (WINCAELUM)	87,379	100	91,381	100
FAIRLINK GROUP LIMITED (FAIRLINK)	1,726	100	16,532	100
WINSTAR DISPLAY (WINSTAR USA)	5,901	90	3,945	90
Winstar Display GmbH (WINSTAR GER)	826	100	-	-
	<u>\$ 949,674</u>		<u>\$ 884,124</u>	

In order to expand the European market, the Company invested and established WINSTAR GER in August 2023 with an investment of NTD 837 thousand (Euro 25 thousand).

(2) Investments in Associates

Name of associate	December 31, 2023	December 31, 2022
<u>Non-listed company</u>		
Midas Components Ltd. (Midas)	<u>\$ 12,661</u>	<u>\$ 12,376</u>

12. Property, plant and equipment

		December 31, 2023		December 31, 2022	
Self-use		\$ 9,587		\$ 8,257	
2023	Leasehold improvements	Machinery Equipment	Office equipment	Other Equipment	Total
<u>Cost</u>					
Beginning balance	\$ 9,542	\$ 11,409	\$ 25,048	\$ 16,764	\$ 62,763
Additions	-	1,595	903	-	2,498
Disposals	-	(985)	(158)	(1,605)	(2,748)
Reclassifications	-	3,338	-	-	3,338
Ending balance	<u>\$ 9,542</u>	<u>\$ 15,357</u>	<u>\$ 25,793</u>	<u>\$ 15,159</u>	<u>\$ 65,851</u>
<u>Accumulated depreciation</u>					
Beginning balance	\$ 7,995	\$ 7,515	\$ 22,462	\$ 16,534	\$ 54,506
Depreciation expenses	1,286	2,082	931	206	4,505
Disposals	-	(985)	(157)	(1,605)	(2,747)
Ending balance	<u>\$ 9,281</u>	<u>\$ 8,612</u>	<u>\$ 23,236</u>	<u>\$ 15,135</u>	<u>\$ 56,264</u>
Closing net amount	<u>\$ 261</u>	<u>\$ 6,745</u>	<u>\$ 2,557</u>	<u>\$ 24</u>	<u>\$ 9,587</u>
2022					
<u>Cost</u>					
Beginning balance	\$ 8,971	\$ 9,664	\$ 24,385	\$ 16,748	\$ 59,768
Additions	571	1,584	1,803	82	4,040
Disposals	-	(45)	(1,664)	(66)	(1,775)
Reclassifications	-	206	524	-	730
Ending balance	<u>\$ 9,542</u>	<u>\$ 11,409</u>	<u>\$ 25,048</u>	<u>\$ 16,764</u>	<u>\$ 62,763</u>
<u>Accumulated depreciation</u>					
Beginning balance	\$ 6,790	\$ 6,086	\$ 23,199	\$ 15,213	\$ 51,288
Depreciation expenses	1,205	1,474	924	1,387	4,990
Disposals	-	(45)	(1,661)	(66)	(1,772)
Ending balance	<u>\$ 7,995</u>	<u>\$ 7,515</u>	<u>\$ 22,462</u>	<u>\$ 16,534</u>	<u>\$ 54,506</u>
Closing net amount	<u>\$ 1,547</u>	<u>\$ 3,894</u>	<u>\$ 2,586</u>	<u>\$ 230</u>	<u>\$ 8,257</u>

The Company's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	2~5 years
Machinery Equipment	5 years
Office equipment	5 years
Other Equipment	2~5 years

Please refer to Note 27 for the amount of property, plant and equipment

pledged to secure borrowings.

13. Lease arrangements

(1) Right-of-use assets

	December 31, 2023	December 31, 2022
Carrying Amount		
Buildings	\$ 5,427	\$ 6,564
Transportation Equipment	938	491
	<u>\$ 6,365</u>	<u>\$ 7,055</u>
	2023	2022
Additions to right-of-use assets	<u>\$ 5,648</u>	<u>\$ 5,051</u>
Depreciation expenses for right-of-use assets		
Buildings	\$ 5,460	\$ 5,228
Transportation Equipment	878	1,178
	<u>\$ 6,338</u>	<u>\$ 6,406</u>

Except for the above additions and depreciation expenses recognized, there was no material sublease or impairment of the Company's right-of-use assets in 2023 and 2022.

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying Amount		
Current	<u>\$ 6,116</u>	<u>\$ 5,333</u>
Non-current	<u>\$ 294</u>	<u>\$ 1,787</u>

The discount rate (%) of lease liabilities is as follows:

	December 31, 2023	December 31, 2022
Buildings	1.80-2.90	1.80
Transportation Equipment	2.81	1.80

(3) Important leasing activities and terms

The Company leases certain buildings for offices with lease terms of 1 to 3 years. Upon termination of the lease terms, the Company has no preferential rights to purchase the leased buildings. Furthermore, it agrees that the Company shall not sublease or transfer all or part of the lease subject matter without the consent of the lessor.

(4) Other lease information

	2023	2022
Expenses relating to short-term leases	<u>\$ 596</u>	<u>\$ 89</u>
Expenses relating to low-value asset leases	<u>\$ 57</u>	<u>\$ 63</u>
Total cash outflow for leases	<u>\$ 7,225</u>	<u>\$ 6,875</u>

The Company has elected to apply the recognition exemption for leases of buildings and office equipment that qualify as short-term leases and low-value asset leases, and does not recognize the related right-of-use assets and lease liabilities for these leases.

14. Investment properties

2023	Beginning balance	Increase	Ending balance
<u>Cost</u>			
Land	\$ 79,346	\$ -	\$ 79,346
Buildings	5,589	-	5,589
	<u>84,935</u>	<u>\$ -</u>	<u>84,935</u>
<u>Accumulated depreciation</u>			
Buildings	1,397	\$ 279	1,676
	<u>\$ 83,538</u>		<u>\$ 83,259</u>
2022			
<u>Cost</u>			
Land	\$ 79,346	\$ -	\$ 79,346
Buildings	5,589	-	5,589
	<u>84,935</u>	<u>\$ -</u>	<u>84,935</u>
<u>Accumulated depreciation</u>			
Buildings	1,117	\$ 280	1,397
	<u>\$ 83,818</u>		<u>\$ 83,538</u>

Except for depreciation expenses recognized, there were no material additions, disposals, or impairments of the Company's investment properties in 2023 and 2022.

The Company's property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years
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In response to future operational expansion needs, the Company and a non-related party purchased land in Xiuya Section, Daya District, Taichung City in 2013. Since the acquired land was farmland, and due to legal restrictions the transfers could not be made under the name of the Company, the land was registered separately with the Company's Chairman Yu-Pin Liao and Director Yao-Wen Tsai and contracts have been signed with them; no rights may be transferred or established without the consent of the Company. Since comparable market transactions are infrequent and reliable alternative fair value estimates are not available for this lot, fair value cannot be determined.

The fair value of the investment property as of December 31, 2021 was

determined to be NTD 104,845 thousand by reference to the most recent transaction prices of similar properties in the vicinity. Evaluation by management of the Company indicates that, compared to December 31, 2021, there were no material changes to fair value as at December 31, 2023.

Please refer to Note 27 for the amount of investment property pledged as collateral for borrowings.

15. Borrowing Costs

(1) Short-term borrowings

	December 31, 2023	December 31, 2022
Secured borrowings	<u>\$ 273,000</u>	<u>\$ 258,000</u>
Annual interest rates (%)	2.09-2.77	1.97-2.83

The secured borrowings referred to above are secured by the Company's assets (see Note 27) and with senior management jointly and severally assuming liability.

(2) Long-term borrowings

	December 31, 2023	December 31, 2022
Secured borrowings	\$ 40,695	\$ 62,137
Less: Current portions	(<u>19,167</u>)	(<u>46,124</u>)
Long-term borrowings	<u>\$ 21,528</u>	<u>\$ 16,013</u>
Annual interest rates (%)	2.85-3.35	2.24-3.23
Maturity	113.1-115.8	112.7-114.7

The secured borrowings referred to above are secured by the Company's assets (see Note 27) and with senior management jointly and severally assuming liability.

The Company has entered into a credit agreement with Taipei Fubon Commercial Bank. According to the provisions of the credit agreement, the financial ratios that should be complied with in the annual consolidated financial statements during the credit period after drawdown are as follows:

1. Debt ratio shall not be higher than 220%;
2. Debt service coverage ratio shall not be less than 5 times.

All financial ratio items of the Group are in compliance with the contractual requirements.

16. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries payable	\$ 36,203	\$ 48,853
Employee remuneration and director remuneration payable	9,186	16,148
Payables to related parties (Note 26)	5,979	4,791
Others	<u>13,880</u>	<u>15,257</u>
	<u>\$ 65,248</u>	<u>\$ 85,049</u>

17. Retirement benefit plans

(1) Defined contribution plan

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

(2) Defined benefit plan

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 21,278	\$ 23,339
Fair value of plan assets	(<u>10,023</u>)	(<u>9,301</u>)

	December 31, 2023	December 31, 2022
Net defined benefit liabilities	<u>\$ 11,255</u>	<u>\$ 14,038</u>

Movements in net defined benefit liabilities were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2022	<u>\$ 26,429</u>	<u>(\$ 8,095)</u>	<u>\$ 18,334</u>
Interest expense (income)	<u>165</u>	<u>(52)</u>	<u>113</u>
Recognized in profit or loss	<u>165</u>	<u>(52)</u>	<u>113</u>
Remeasurement			
Return on plan assets (net of amount included in net interests)	-	(615)	(615)
Actuarial gains			
- changes in financial assumption	(2,391)	-	(2,391)
- experience adjustments	(864)	-	(864)
Recognized in other comprehensive income	(3,255)	(615)	(3,870)
Contributions from employer	-	(539)	(539)
December 31, 2022	<u>23,339</u>	<u>(9,301)</u>	<u>14,038</u>
Interest expense (income)	<u>350</u>	<u>(144)</u>	<u>206</u>
Recognized in profit or loss	<u>350</u>	<u>(144)</u>	<u>206</u>
Remeasurement			
Return on plan assets (net of amount included in net interests)	-	(55)	(55)
Actuarial loss (gain)			
- changes in financial assumption	20	-	20
- experience adjustments	(2,431)	-	(2,431)
Recognized in other comprehensive income	(2,411)	(55)	(2,466)
Contributions from employer	-	(523)	(523)
December 31, 2023	<u>\$ 21,278</u>	<u>(\$ 10,023)</u>	<u>\$ 11,255</u>

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

1. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
2. Interest rate risk: A decrease in government bond and corporate bond interest rates would increase the present value of defined benefit obligations, while the return on debt investments of plan assets would

also increase accordingly and the impact of these two factors on net defined benefit liabilities would have a partial offsetting effect.

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions on the valuation date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.50%
Expected growth rate of salary	3.25%	3.50%

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.25% increase	(\$ 527)	(\$ 629)
0.25% decrease	<u>\$ 546</u>	<u>\$ 652</u>
Expected growth rate of salary		
0.25% increase	<u>\$ 524</u>	<u>\$ 628</u>
0.25% decrease	(\$ 509)	(\$ 609)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The expected contributions to the plan for the next year	\$ 540	\$ 529
The average duration of the defined benefit obligation	10 years	11 years

18. Equity

(1) Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Number of shares authorized (in thousands)	<u>80,000</u>	<u>80,000</u>

	December 31, 2023	December 31, 2022
Shares authorized	<u>\$ 800,000</u>	<u>\$ 800,000</u>
Number of shares issued and fully paid (in thousands)	<u>67,500</u>	<u>52,500</u>
Shares issued	<u>\$ 675,000</u>	<u>\$ 525,000</u>

In May 2023, the Company's General Meeting of Shareholders resolved to distribute 7,500 thousand shares as stock dividends. By resolution of the Board of Directors, July 7, 2023 was designated as the ex-rights record date, and effective registration was approved by the Securities and Futures Bureau of the Financial Supervisory Commission in June 2023.

In September 2023, the Company's Board of Directors decided to undertake a cash capital increase by issuing 7,500 thousand new shares with par value of NTD 10 per share before the initial listing of the stock. Effective registration was approved by the Taiwan Stock Exchange as of October 2023, with December 1, 2023 set as the record date for capital increase. The aforementioned cash capital increase was issued at a premium at NTD 26.84 per share through a weighted average price at competitive auction, and the offering price through public subscription was NTD 24 per share. The full share payment was collected in December 2023 and the amount after deducting relevant underwriting expenses was NTD 192,327 thousand.

In July 2022, the Board of Directors resolved to issue 2,500 thousand new shares for cash capital increase with a par value of NTD 10 per share. September 23, 2022 was set as the capital increase record date at a premium of NTD 22 per share. Effective registration of the above cash capital increase was approved by the Central Taiwan Science Park Bureau, Ministry of Science and Technology in October 2022.

In response to the aforementioned cash capital increases in 2023 and 2022, the Company reserves 10% of the total amount of new shares issued for subscription by employees in accordance with provisions of the Company Act. Grant recipients include employees of the Company and of subsidiaries who meet specific conditions, who can exercise the shares in accordance with the regulations governing the subscription of shares. On the dates when the numbers of shares subscribed by employees and the prices were determined,

636,000 shares (grant date of November 21, 2023) and 100,000 shares (grant date of September 16, 2022) were granted respectively. For employees giving up their portions of share subscriptions, the Company's Chairman was authorized to contact designated individuals for subscription. Based on the Black-Scholes valuation model, the fair value of each stock option was NTD 4.54 and NTD 6.07, respectively. In 2023 and 2022, the employee compensation costs were recognized at NTD 2,889 thousand and NTD 607 thousand, respectively. Parameters used in the valuation model are as follows:

	November, 2023	September, 2022
Fair value per share on the grant date	NT\$28.54	NT\$27.95
Exercise price	NT\$24	NT\$22
Expected volatility	27.30%	38.12%
Projected time to maturity	7 days	58 days
Risk-free rate	0.94%	0.74%

Projected volatility is the average annualized standard deviation of the Company's daily rate of return for the most recent six months prior to the payment due to its peers.

(2) Capital surplus

	December 31, 2023	December 31, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Stock premium for common shares	\$ 152,938	\$ 32,722
Arising from the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	22,112	22,112
Arising from treasury share transactions	11,244	11,244
	<u>\$ 186,294</u>	<u>\$ 66,078</u>

Such capital reserves can be used to make up for losses, and can also be used for issuance of cash dividends or transfers of share capital when the Company has no losses. However, transfers of share capital are limited to a certain percentage of paid-in share capital each year.

(3) Retained earnings and dividend policy

In accordance with the dividend policy stipulated by the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, taxes should first be paid and accumulated losses covered. Thereupon,

another 10% should be set aside as legal reserve. However, this does not apply when legal has reached the amount of paid-in capital. The remainder shall be set aside or reversed as special reserve in accordance with laws and regulations. If there is any remaining balance, then it shall be combined with cumulative Unappropriated earnings and an earnings distribution proposal drafted by the Board of Directors for submission to the shareholders' meeting for resolution on the distribution of shareholder dividends.

The Company's dividend policy adopts the principle of stability and balance, and takes into account factors such as profitability, financial structure, and future development. The Company appropriates 10% to 90% of the distributable earnings of the current year as dividends, of which cash dividends shall not be less than 10% of the total dividend. If the dividend per share is less than NTD 0.1, the Board of Directors may propose to withhold the distribution, and the resolution will be submitted to the shareholders' meeting.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meetings in May 2023 and June 2022, respectively, were as follows:

	2022	2021
Legal reserve	\$ 29,286	\$ 6,154
Special reserve	918	-
Cash dividends	56,250	32,000
Stock dividends	75,000	-
Cash dividends per share (NT\$)	1.071428	0.64
Stock dividends per share (NTD)	1.428571	-

The appropriation of earnings for 2023, which were proposed by the Company's board of directors in March 2024, were as follows:

	2023
Legal reserve	\$ 8,278
Special reserve	11,785
Cash dividends	70,875
Cash dividends per share (NT\$)	1.05

The appropriation of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held in May 2024.

(4) Special reserve

When the Company initially adopted IFRS accounting standards, the amount of NTD 3,526 thousand transferred from accumulated translation adjustments to retained earnings was set aside as a special reserve of the same amount. When the relevant assets are subsequently used, disposed of, or reclassified, the assigned surplus must be reversed in proportion to the original provision for special reserve.

19. Revenue

	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	\$ 1,644,918	\$ 2,217,117

	December 31, 2023	December 31, 2022	January 1, 2022
<u>Contract balance</u>			
Notes and accounts receivable (Note 9)	\$ 177,518	\$ 247,397	\$ 335,519
<u>Contract liabilities</u>			
Sales of goods	\$ 30,742	\$ 36,314	\$ 42,236

The change in contract liabilities mainly comes from the difference between the time when performance obligations are met and the time when customers make payment. The recognized revenue amounts from contract liabilities at the beginning of the year in 2023 and 2022 were NTD 31,886 thousand and NTD 36,214 thousand, respectively.

Please refer to Schedule 10 for the breakdown of revenue.

20. Comprehensive income for the year

(1) Employee benefits, depreciation, and amortization expenses

Nature	Recognized in operating costs	Recognized in operating expenses	Total
<u>2023</u>			
Employee benefit expenses			
Salaries	\$ 15,101	\$ 148,811	\$ 163,912
Labor and health insurance expenses	1,791	14,528	16,319
Post-employment benefits			
Defined contribution plan	383	6,894	7,277
Defined benefit plan	-	206	206
Directors' remuneration	-	6,592	6,592
Share-based Payment			
Equity delivery	-	2,249	2,249
Others employee benefits	1,005	8,186	9,191
Depreciation expenses	4,242	6,880	11,122
Amortization expenses	52	722	774
<u>2022</u>			
Employee benefit expenses			
Salaries	14,713	154,423	169,136
Labor and health insurance expenses	1,572	12,328	13,900
Post-employment benefits			
Defined contribution plan	355	6,048	6,403
Defined benefit plan	-	113	113
Directors' remuneration	-	7,902	7,902
Share-based Payment			
Equity delivery	-	404	404
Others employee benefits	975	8,193	9,168
Depreciation expenses	4,492	7,184	11,676
Amortization expenses	232	554	786

The Company's average number of employees in 2023 and 2022 were 223 and 203 respectively. Among them, the number of directors not concurrently serving as employees were 5 and 2 respectively. The calculation basis is consistent with employee benefit expense. In 2023 and 2022, the average employee benefit expense was NTD 914 thousand and NTD 991 thousand, and the average employee salary expense was NTD 752 thousand and NTD 841 thousand, respectively. The adjusted change in average employee salary expense decreased by 10.6%.

The Company has established an Audit Committee to replace the functions and powers of supervisors.

The remuneration policy of the Company's directors and managers is mainly based on their participation in the Company's operations and the value of their contributions, and they are paid with reference to industry standards. Remuneration policies, structures, and standards have been reviewed and approved by the Remuneration Committee.

Including salaries, bonuses, and employee compensation, the Company's employee remuneration is handled in accordance with salary management procedures and related assessment work management procedures. This is done in accordance with the attributes of the department and the nature of the work, and refers to labor market salary trends, while evaluating the achievement status participation in the Company's operations and the value of contribution and performance to provide reasonable remuneration.

(2) Employees' compensation and directors' remuneration

In accordance with the Articles of Incorporation, the Company allocates no less than 1% and no more than 5% of the profits before tax of the current year as the remuneration of employees and the remuneration of directors, respectively. For estimated employee remuneration and director remuneration for 2023 and 2022, the Board of Directors' resolutions in March 2024 and April 2023 were as follows:

Cash	2023		2022	
	Estimated proportions	Amount	Estimated proportions	Amount
Employees' compensation	3.33%	\$ 4,186	2.29%	\$ 8,648
Directors' remuneration	3.98%	5,000	1.99%	7,500

If there are any further changes in the amounts after the publication of the annual parent company only financial statements, then they will be treated as changes in accounting estimates and adjusted and recorded in the following year.

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

Information on the employees' compensation and directors'

remuneration resolved by the Company's board of directors' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(3) Finance costs

	2023	2022
Interest on bank loans	\$ 7,388	\$ 8,245
Interest on lease liabilities	107	161
	<u>\$ 7,495</u>	<u>\$ 8,406</u>

(4) Foreign exchange gain or loss

	2023	2022
Gross gains on foreign exchange	\$ 6,186	\$ 94,683
Gross losses on foreign exchange	(6,236)	(69,019)
Net gain (loss)	<u>(\$ 50)</u>	<u>\$ 25,664</u>

21. Taxation

(1) Major components of income tax recognized in profit or loss are as follows: :

	2023	2022
Current income tax		
In respect of the current year	\$ 7,433	\$ 34,082
Income tax on unappropriated earnings	6,258	1,169
Adjustment for prior year	<u>1,755</u>	<u>1,924</u>
	<u>15,446</u>	<u>37,175</u>
Deferred tax		
In respect of the current year	20,664	28,700
Adjustment for prior year	(420)	<u>5,490</u>
	<u>20,244</u>	<u>34,190</u>
Income tax recognized in profit or loss	<u>\$ 35,690</u>	<u>\$ 71,365</u>

A reconciliation of accounting profit and income tax recognized in profit or loss is as follows:

	2023	2022
Income tax expense calculated at the statutory rate	\$ 23,300	\$ 72,224
Nondeductible expenses in determining taxable income	4,808	18
Tax-exempt income	(11)	(9,460)
Income tax on unappropriated earnings	6,258	1,169
Adjustment for current income tax from prior years	<u>1,335</u>	<u>7,414</u>
Income tax recognized in profit or loss	<u>\$ 35,690</u>	<u>\$ 71,365</u>

(2) Changes in deferred tax assets and liabilities

2023	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 22,171	\$ 9,554	\$ -	\$ 31,725
Defined benefit plan	2,807	(63)	(493)	2,251
Inventory valuation losses	2,021	(150)	-	1,871
Others	657	(602)	3,261	3,316
	<u>\$ 27,656</u>	<u>\$ 8,739</u>	<u>\$ 2,768</u>	<u>\$ 39,163</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 31,944	\$ 30,406	\$ -	\$ 62,350
Others	1,423	(1,423)	-	-
	<u>\$ 33,367</u>	<u>\$ 28,983</u>	<u>\$ -</u>	<u>\$ 62,350</u>
2022	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
<u>Deferred tax assets</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 27,294	(\$ 5,123)	\$ -	\$ 22,171
Defined benefit plan	3,667	(86)	(774)	2,807
Inventory valuation losses	859	1,162	-	2,021
Others	2,141	(1,484)	-	657
	<u>\$ 33,961</u>	<u>(\$ 5,531)</u>	<u>(\$ 774)</u>	<u>\$ 27,656</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 1,599	\$ 30,345	\$ -	\$ 31,944
Others	324	(1,686)	2,785	1,423
	<u>\$ 1,923</u>	<u>\$ 28,659</u>	<u>\$ 2,785</u>	<u>\$ 33,367</u>

(3) Income tax assessments

Income tax returns of the Company through 2021 have been assessed by the tax authorities.

22. Earnings per share

	Net profit	Number of shares (in thousand shares)	Earnings per share (NTD)
<u>2023</u>			
Basic earnings per share			
Net profit attributable to common shareholders	\$ 80,809	60,616	\$ <u>1.33</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	-	199	
Diluted earnings per share			
Net profit attributable to common shareholders plus the effect of potential common shares	\$ <u>80,809</u>	<u>60,815</u>	\$ <u>1.33</u>
<u>2022</u>			
Basic earnings per share			
Net profit attributable to common shareholders	\$ 289,757	57,765	\$ <u>5.02</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	-	294	
Diluted earnings per share			
Net profit attributable to common shareholders plus the effect of potential common shares	\$ <u>289,757</u>	<u>58,059</u>	\$ <u>4.99</u>

The impact of stock dividends has been adjusted retrospectively in calculating earnings per share, and the record date of the stock dividends was set at July 7, 2023. Changes in basic and diluted earnings per share for 2022 due to retrospective adjustments were as follows:

Unit: NTD per share

	Before retrospective adjustment	After retrospective adjustment
Basic earnings per share	\$ <u>5.73</u>	\$ <u>5.02</u>
Diluted earnings per share	\$ <u>5.70</u>	\$ <u>4.99</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. Cash flow information

(1) Non-cash transactions

In addition to disclosures made in other notes, the Company conducted the following non-cash investment and financing activities in 2023 and 2022:

Cash paid by the Company for the purchase of property, plant and equipment in 2023 and 2022, respectively, was as follows:

	2023	2022
Increase in property, plant and equipment	\$ 2,498	\$ 4,040
Net change in equipment payable	662	(33)
Amount of cash paid	<u>\$ 3,160</u>	<u>\$ 4,007</u>

(2) Changes in liabilities from financing activities

2023	Beginning balance	Cash flows from	Non-cash changes		Ending balance
			New leases	Finance costs	
Short-term borrowings	\$ 258,000	\$ 15,000	\$ -	\$ -	\$ 273,000
Long-term borrowings	62,137	(21,442)	-	-	40,695
Lease liabilities	<u>7,120</u>	<u>(6,465)</u>	<u>5,648</u>	<u>107</u>	<u>6,410</u>
	<u>\$ 327,257</u>	<u>(\$ 12,907)</u>	<u>\$ 5,648</u>	<u>\$ 107</u>	<u>\$ 320,105</u>
<u>2022</u>					
Short-term borrowings	\$ 320,295	(\$ 62,295)	\$ -	\$ -	\$ 258,000
Long-term borrowings	63,851	(1,714)	-	-	62,137
Lease liabilities	<u>8,470</u>	<u>(6,562)</u>	<u>5,051</u>	<u>161</u>	<u>7,120</u>
	<u>\$ 392,616</u>	<u>(\$ 70,571)</u>	<u>\$ 5,051</u>	<u>\$ 161</u>	<u>\$ 327,257</u>

24. Capital management

The Company manages its capital to ensure its ability to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of the net debt (i.e., borrowings less cash and cash equivalents) and equity (i.e., ordinary share capital, capital reserves, retained earnings, and total other equity interest) of the Company.

The senior management of the Company regularly reviews the capital structure of the Group, including consideration of the cost of each type of capital and the associated risk. Based on recommendations of the key management, the Company may balance its overall capital structure by the

means of dividend payment, issuance of new shares, shares buyback, issuance of new debts or repayment of existing debts.

25. Financial instruments

(1) Information on fair value

1. Financial instruments measured at fair value - Financial instruments measured at fair value on a recurring basis

Fair value hierarchy

The following table provides an analysis of the financial instruments measured at fair value after initial recognition. The measurement is based on the extent to which the fair value is observable, and is divided into Levels 1 to 3.

<u>Fair value hierarchy</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2023</u>				
Financial assets at fair value through other comprehensive income				
Domestic listed stocks	\$ 11,457	\$ -	\$ -	\$ 11,457
<u>December 31, 2022</u>				
Financial assets at fair value through other comprehensive income				
Domestic listed stocks	\$ 10,196	\$ -	\$ -	\$ 10,196

The Company made no transfers between Level 1 and Level 2 measurements at fair value in 2023 and 2022.

2. Financial instruments not measured at fair value

The fair value of financial assets and financial liabilities is determined by the following means:

- (1) For total investment in financial instruments such as cash and cash equivalents, financial assets measured at amortized cost, notes receivable and payable, other receivables, refundable deposits, short-term borrowings, other payables, and refundable deposits where date of expiration or future payment price is similar to the carrying amount, the carrying amount on the parent company only balance sheet date is used to estimate the fair value.

(2) The fair value of long-term borrowings (including maturities within one year) is estimated based on the discounted value of their future cash flows. The Company's long-term borrowings are mainly at floating interest rates, and the carrying value constitutes the fair value.

(2) Categories of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial asset</u>		
At amortized cost (Note 1)	\$ 723,197	\$ 745,042
Financial assets at fair value through other comprehensive income	11,457	10,196
<u>Financial liability</u>		
At amortized cost (Note 2)	614,411	754,190

Note 1: Balances include financial assets measured at cost after amortization, including cash and cash equivalents, notes receivable and accounts receivable, other receivables, financial assets measured at cost after amortization, and refundable deposits.

Note 2: Balances constitute measured at amortized cost including short-term borrowings, notes payable, trade payable, other payables, and long-term borrowings.

(3) Financial risk management objectives and policies

The Company's primary financial instruments include cash and cash equivalents, equity investments, accounts receivable, trade payable, borrowings, and lease liabilities. The Financial Management Department of the Company provides services for each business unit, engages in overall planning and coordination of entry into financial market operations, and monitors and manages financial risks related to the operations of the Company by analyzing internal risk reports according to the degree and breadth of the risk. Such risks include market risk, credit risk, and liquidity risk.

1. Market risk

The main financial risks borne by the Company due to its operating activities are the risk from foreign currency exchange rate change and interest rate change risk.

The Company's exposure to market risks of financial instruments and the management and measurement of such exposures have not changed.

(1) Foreign currency risk

The Company engages in sales and purchase transactions denominated in foreign currencies, resulting in exchange rate risk.

For carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currencies on the balance sheet date, please refer to Note 28.

Sensitivity analysis

The Company is mainly exposed to the risk of exchange rate fluctuation of the US Dollar.

The following table shows a sensitivity analysis of the Company when the exchange rate of the NTD changes by 1% against each relevant foreign currency. 1% is the sensitivity ratio used by the Company to report exchange rate risk to the senior management, and also represents the management's assessment of the reasonable possible range of changes in foreign currency exchange rate. The sensitivity analysis includes only the outstanding monetary items in foreign currencies, and the translation at the end of the year is adjusted based on a 1% change in exchange rates. The positive numbers in the table below represent the amounts that would reduce net profit before tax when the before tax will be a negative number of the same amount.

Currency type	2023	2022
USD	\$ 1,222	\$ 1,509

Management believes that the sensitivity analysis cannot represent the inherent risk of exchange rates, as the exposure to the foreign currency risk at the balance sheet date cannot reflect the risk exposure during the year.

(2) Interest rate risk

The Company's interest rate risk mainly arises from fixed and floating interest rate bank deposits, cash equivalents, financial assets measured at cost after amortization, bank loans, and lease liabilities, which generate interest rate exposure.

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

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
Financial asset	\$ 134,698	\$ 33,232
Financial liability	6,410	7,120
Cash flow interest rate risk		
Financial asset	398,547	449,692
Financial liability	313,695	320,137

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the non-derivative instruments at the balance sheet date. The rate of change used in the Company's internal reporting of interest rates to senior management is 25 basis points, which also represents management's assessment of the reasonably possible range of interest rates.

If interest rates had changed, and all other variables remained unchanged, the Company's net profit before tax for 2023 and 2022 would have changed by NTD 212 thousand and NTD 324 thousand, respectively.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As of the balance sheet date, the maximum credit risk exposures of the Company that may cause financial losses due to the performance failure of the counterparty and the financial guarantee provided by the Company are mainly derived from the book value of financial assets recognized in the balance sheet.

The Company uses other publicly available financial information and mutual transaction records to rate major customers, continuously monitors credit risk exposure and the credit ratings of counterparties, and distributes the total transaction amount among customers with qualified credit ratings. Credit risk is controlled through the counterparty's credit limits that are reviewed and approved by the management each year.

3. Liquidity risk

The Company has established an appropriate liquidity risk management framework in order to respond to the needs for funding and liquidity management in the short, medium and long term. The Company manages liquidity risk by maintaining sufficient bank financing facilities, continuously monitoring expected and actual cash flows, and matching the maturities of financial assets and liabilities. As of December 31, 2023 and 2022, the unused bank facilities of the Company totaled NTD 210,000 thousand and NTD 145,000 thousand, respectively.

The following liquidity and interest rate risk tables illustrate the remaining contractual maturities of the Company's non-derivative financial liabilities with agreed repayment periods. The tables are based on the earliest possible dates on which the Company may be required to repay and are prepared based on the undiscounted cash flows of financial liabilities, which includes cash flows of interest and principal.

Non derivative financial liabilities	Within 3 months	3 months~1 year	1~5 years
<u>December 31, 2023</u>			
Non-interest bearing liabilities	\$ 300,716	\$ -	\$ -
Floating rate instruments	45,417	246,750	21,528
Lease liabilities	1,549	4,648	296
	<u>\$ 347,682</u>	<u>\$ 251,398</u>	<u>\$ 21,824</u>
<u>December 31, 2022</u>			
Non-interest bearing liabilities	\$ 434,053	\$ -	\$ -
Floating rate instruments	22,595	281,529	16,013
Lease liabilities	1,723	3,678	1,802
	<u>\$ 458,371</u>	<u>\$ 285,207</u>	<u>\$ 17,815</u>

26. Transactions with related parties

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

(1) Related parties and relationship

Related parties	Relationship with the Company
RAYSTAR	Subsidiary
Winstar Display (Changshu) Co., Ltd. (WINSTAR CHANGSHU)	Subsidiary
KENSTAR DISPLAY COMPANY LIMITED (KENSTAR)	Subsidiary
WINCAELUM	Subsidiary
WINSTAR USA	Subsidiary
Yu-Pin Liao	Senior management (Chairman)
Yao-Wen Tsai	Senior management (directors)
I-Feng Liao	Other related parties (first-degree relatives of the Chairman)

(2) Operating revenue

Related parties category/name	2023	2022
Subsidiary		
RAYSTAR	\$ 21,884	\$ 30,616
WINSTAR CHANGSHU	19,490	16,323
WINSTAR USA	4,355	6,175
	<u>\$ 45,729</u>	<u>\$ 53,114</u>

The Company's sale of finished goods to subsidiaries and the purchase of raw materials on behalf of the Company are determined based on internal transfer pricing policies, and the payment collection period is between 30 to 90 days after monthly settlement. The Company has no transactions with non-related parties to purchase raw materials on behalf of others. Amounts purchased on behalf of the Company are offset by the relevant sales revenues and costs and presented as a net amount. The offsetting amounts are as follows:

Related parties category/name	2023	2022
Subsidiary		
WINSTAR CHANGSHU	\$ 196,977	\$ 427,703
RAYSTAR	<u>7,063</u>	<u>13,624</u>
	<u>\$ 204,040</u>	<u>\$ 441,327</u>

(3) Purchases

Related parties category/name	2023	2022
Subsidiary		
WINSTAR CHANGSHU	\$ 1,283,631	\$ 1,757,165
RAYSTAR	<u>24,575</u>	<u>30,724</u>
	<u>\$ 1,308,206</u>	<u>\$ 1,787,889</u>

The Company's purchases from subsidiaries through triangular trade are determined based on product differentiation, market conditions, and internal transfer pricing policies. There are no similar transactions with non-related parties. The purchase prices of other related parties are determined based on market conditions on an individual basis. The payment terms are not materially different from those of non-related parties.

(4) Trade receivables

Related parties category/name	December 31, 2023	December 31, 2022
Subsidiary		
WINSTAR CHANGSHU	\$ 29,778	\$ 70,206
RAYSTAR	<u>3,573</u>	<u>6,179</u>
WINSTAR USA	<u>161</u>	<u>333</u>
	<u>\$ 33,512</u>	<u>\$ 76,718</u>

There is no guarantee or allowance for uncollectable accounts on outstanding accounts receivable.

(5) Trade payables

Related parties category/name	December 31, 2023	December 31, 2022
Subsidiary		
WINSTAR CHANGSHU	\$ 183,705	\$ 243,011
RAYSTAR	<u>6,263</u>	<u>1,351</u>
	<u>\$ 189,968</u>	<u>\$ 244,362</u>

There is no guarantee on the balance of trade payable outstanding.

(6) Other receivables

Related parties category/name	December 31, 2023	December 31, 2022
Subsidiary		
WINSTAR USA	\$ 3,683	\$ 2,355
RAYSTAR	<u>1,345</u>	<u>953</u>
	<u>\$ 5,028</u>	<u>\$ 3,308</u>

Receivables include processing and brand marketing revenues.

(7) Other payables

<u>Related parties category/name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary		
RAYSTAR	<u>\$ 5,979</u>	<u>\$ 4,791</u>

This refers to payment for management, water, and electricity related expenses.

(8) Other current liabilities

<u>Related parties category/name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiary		
KENSTAR	<u>\$ 4,281</u>	<u>\$ 5,434</u>

This is a temporary payment collection item.

(9) Manufacturing overhead

<u>Related parties category/name</u>	<u>2023</u>	<u>2022</u>
Subsidiary		
RAYSTAR	<u>\$ 9,553</u>	<u>\$ 6,778</u>

This constitutes payment of processing expenses.

(10) Administrative expenses - other expenses

<u>Related parties category/name</u>	<u>2023</u>	<u>2022</u>
Subsidiary		
RAYSTAR	<u>\$ 5,061</u>	<u>\$ 5,061</u>

This refers to payment for management, water, and electricity related expenses.

(11) Other income

<u>Related parties category/name</u>	<u>2023</u>	<u>2022</u>
Subsidiary		
WINSTAR USA	<u>\$ 2,603</u>	<u>\$ 2,181</u>

This represents revenue collected from brand marketing.

(12) Lease agreements

Related parties category/name		2023	2022
<u>Acquisition of right-of-use assets</u>			
Other related parties			
I-Feng Liao		\$ 149	\$ -
Financial Statement			
Account	Related parties category/name	December 31, 2023	December 31, 2022
Lease liabilities	Other related parties		
	I-Feng Liao	\$ 83	\$ 12
Related parties category/name		2023	2022
<u>Finance costs</u>			
Other related parties			
I-Feng Liao		\$ 3	\$ 1

This is primarily for warehouse rental. The rent is negotiated by both parties with reference to the neighboring market prices and the leased area.

(13) Acquisition of endorsements/guarantees

Related parties	December 31, 2023	December 31, 2022
Yu-Pin Liao and Yao-Wen Tsai		
Guaranteed amounts	\$ 204,028	\$ 423,356
Actual Amount Borrowed	\$ 84,028	\$ 298,357
Yu-Pin Liao		
Guaranteed amounts	\$ 319,667	\$ 41,780
Actual Amount Borrowed	\$ 229,667	\$ 21,780

The Company's borrowings are jointly and severally guaranteed by the above-mentioned senior management personnel.

(14) Remuneration of senior management

	2023	2022
Short-term employee benefits	\$ 31,241	\$ 33,627
Post-employment benefits	778	810
Share-based Payment	99	55
	\$ 32,118	\$ 34,492

The remuneration to directors and other senior management is determined based on individual performance and market trends.

27. Assets pledged as collateral or for security

The following assets have been provided as collateral for the Company's borrowings and endorsements/guarantees for subsidiaries:

	December 31, 2023	December 31, 2022
Investment property	\$ 83,259	\$ 83,538
Financial assets at amortized cost	54,643	70,883
Property, plant and equipment	-	829
	\$ 137,902	\$ 155,250

28. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

		December 31, 2023		
Financial assets	Foreign currency	Exchange rate		NTD
<u>Monetary items</u>				
USD	\$ 10,135	30.66	(USD:NTD)	\$ 310,739
<u>Non-monetary items</u>				
Subsidiaries accounted for using equity method				
USD	21,529	30.66	(USD:NTD)	660,065
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	6,150	30.66	(USD:NTD)	188,559

		December 31, 2022		
Financial assets	Foreign currency	Exchange rate		NTD
<u>Monetary items</u>				
USD	\$ 14,659	30.66	(USD:NTD)	\$ 449,445
<u>Non-monetary items</u>				
Subsidiaries accounted for using equity method				
USD	17,720	30.66	(USD:NTD)	543,303
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	9,736	30.66	(USD:NTD)	298,506

Material foreign currency exchange gains and losses (realized and unrealized) are as follows:

Foreign currency	2023		2022	
	Exchange rate	Net exchange loss	Exchange rate	Net exchange gain
USD	31.10 (USD:NTD)	(\$ 50)	29.74 (USD:NTD)	\$ 25,664

29. Separately disclosed items

(1) Information about significant transactions

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held at the end of the year (excluding investments in subsidiaries and associates): Table 3.
4. Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
9. Trading in derivative instruments: None.

(2) Information on investees: Note 6.

(3) Information on investments in mainland China

1. Name of mainland China investee company, major operating items, paid-in capital amount, investment method, capital remittance in and out, shareholding ratio, profit or loss for the current year and recognized investment gains or losses, investment book amount at year end, repatriated investment gains and losses, and investment limit in mainland China: Table 7.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) Amounts and percentages of purchases and the balance and percentages of relevant payables at the end of the year: Table 4.
 - (2) Amounts and percentages of sales and the balance and

- percentages of relevant receivables at the end of the year: Table 4.
- (3) The amount of property transactions and the amount of the resultant gains or losses: None.
 - (4) Ending balance of note endorsement/guarantee or provision of collateral and its purpose: Table 2
 - (5) Maximum balance, ending balance, interest rate range, and total interest of the current year for capital financing: Table 1.
 - (6) Other transactions having material impact on current year profit or loss or financial status, such as the provision or receipt of labor services, etc.: None.
- (4) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 8.

Winstar Display Co., Ltd. and Subsidiaries

Financing provided to others

For the year ended December 31, 2023

Table 1

Units: NTD and foreign currency, in thousands

Serial No.	Lending company	Borrower	Associated items	Whether a related party	Highest balance in the current year	Ending balance	Actual Amount Borrowed	Range of interest rates	Nature of loan	Business transaction amount	Reasons for short term financing	Amount of provision for losses	Collateral		Limit of loans to individual borrowers	Total loan limit
													Item	Value		
1	WINSTAR CHANGSHU	VANSTAR TECHNOLOGY CO., LTD. (VANSTAR)	Other payables - related parties	Yes	\$ 17,440 (CNY 4,000)	\$ 17,148 (CNY 4,000)	\$ 4,287	4.6%	Necessity of short-term financing	\$ -	Operating turnover	\$ -	—	\$ -	\$ 134,366 (Note 1)	\$ 226,906 (Note 2)

Note 1: The total amount of loans to a single company shall not exceed 40% of the net worth of the borrower in its latest financial statements, and shall be limited to the amount of paid-in capital.

Note 2: The amount shall not exceed 40% of the net worth of the borrower in its latest financial statements.

Winstar Display Co., Ltd. and Subsidiaries
Endorsements/guarantees provided
For the year ended December 31, 2023

Table 2 Units: NTD and foreign currency, in thousands

Serial No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	The maximum balance of endorsements/ guarantees in the current year	Balance of endorsements/ guarantees at the end of the year	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on behalf of Companies in Mainland China
		Company Name	Relationship										
0	The Company	RAYSTAR	(Note 1)	(Note 2)	\$ 129,778	\$ 129,083	\$ 32,083	\$ -	11	\$ 1,162,904	Y	—	—
		WINSTAR CHANGSHU	(Note 1)	(Note 2)	195,791 (CNY 44,700)	191,629 (CNY 44,700)	43,786	8,788	17	1,162,904	Y	—	Y

Note 1: Please refer to Note 11.

Note 2: The cumulative amount of endorsements made by the Company and its subsidiaries for a single enterprise shall not exceed 10% of the Company's net worth, except when the counterparty of the endorsement or guarantee is a company directly or indirectly held by the Company with 100% of voting rights.

Note 3: The Company and its subsidiaries as a whole may make endorsements/guarantees for the total amount up to the net amount stated in the Company's most recent financial statements.

Winstar Display Co., Ltd. and Subsidiaries
Marketable securities held at the end of the year
December 31, 2023

Table 3

Unit: NT\$ thousand

Name of holding company	Type and name of marketable securities	Relationship with the holding company	Financial Statement Account	Year-end			
				Shares	Carrying amount	Percentage of ownership (%)	Fair value
The Company	<u>Stock</u> Tradetool Auto Co., Ltd.	—	Financial assets at fair value through other comprehensive income -non-current	445,638	\$ 9,804	-	\$ 9,804
	Orange Electronic Co., Ltd.	—	Financial assets at fair value through other comprehensive income -non-current	55,089	1,653	-	1,653

Winstar Display Co., Ltd. and Subsidiaries

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

For the year ended December 31, 2023

Table 4

Unit: NT\$ thousand

Purchaser or seller	Counterparty	Relationship	Transaction Details				Trading terms that differ from general transactions and the causes and circumstances thereof		Notes/Trade receivables (payables)		Remarks
			Purchase/sale	Amount	Percentage of total purchase (sale) %	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes and accounts receivable (payable) %	
The Company	WINSTAR CHANGSHU	(Note 1)	Purchases of goods	\$ 1,283,631	84	60 days end of month	(Note 2)	No significant difference from other general manufacturers	(\$ 183,705)	(78)	
RAYSTAR	WINSTAR CHANGSHU	(Note 1)	Purchases of goods	205,288	69	60 days end of month	(Note 2)	No significant difference from other general manufacturers	(17,678)	(40)	
WINSTAR CHANGSHU	The Company	(Note 1)	(Sale)	(158,103)	(32)	90 days end of month	(Note 2)	No significant difference from other general customers	33,166	61	
		(Note 1)	(Sale)	(1,283,631)	(73)	60 days end of month	(Note 2)	No significant difference from other general customers	183,705	73	
		(Note 1)	(Sale)	(205,288)	(12)	60 days end of month	(Note 2)	No significant difference from other general customers	17,678	7	
		(Note 1)	Purchases of goods	158,103	16	90 days end of month	(Note 2)	No significant difference from other general manufacturers	(33,166)	(13)	

Note 1: Please refer to Note 11.

Note 2: The prices of purchases and sales transactions with related parties are negotiated separately based on product differences, market conditions, and internal transfer pricing policies.

Winstar Display Co., Ltd. and Subsidiaries

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

December 31, 2023

Table 5Unit: NT\$ thousand

Company recognizes the receivables	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate (times)	Overdue		Amount collected in subsequent period	Amount of provision for losses
					Amount	Action taken		
WINSTAR CHANGSHU	The Company	(Note)	Trade receivables \$183,705	6.02	\$ -	—	\$ 183,705	\$ -

Note: Please refer to Note 11.

Winstar Display Co., Ltd. and Subsidiaries
Investee company information, locations, and other related information
For the year ended December 31, 2023

Table 6 Units: NTD and foreign currency, in thousands

Investor	Investee	Location	Principle business activity	Initial investment		Year-end holdings			Investee company current year profit (loss)	Investment profit (loss) recognized by the Company	Remarks
				Current year end	Prior year end	Number of shares (in thousand shares)	Shares %	Carrying amount			
The Company	RAYSTAR	Republic of China	Engaged in research and development, manufacturing, and trading of OLED display modules	\$ 321,471	\$ 321,471	32,147	100	\$ 288,783	(\$ 59,896)	(\$ 52,678)	Subsidiary
	WINBEST	United States	Operation of reinvestment business	204,630	204,630	-	100	565,059	149,966	149,966	Subsidiary
	WINCAELUM	Samoa	Operation of reinvestment business	159,782	159,782	8,000	100	87,379	(4,060)	(4,060)	Subsidiary
	FAIRLINK	Hong Kong	Operation of reinvestment business	173,883	173,883	20,000	100	1,726	(14,627)	(14,627)	Subsidiary
	WINSTAR USA	United States	Import and export of electronic components	2,721	2,721	90	90	5,901	2,215	1,993	Subsidiary
	WINSTAR GER	Germany	Import and export of electronic components	837	-	25	100	826	(17)	(17)	Subsidiary
	MIDAS	United Kingdom	Trading of electronic components	9,148	9,148	-	30	12,661	241	72	Associates accounted for using the equity method
WINCAELUM	KENSTAR	Myanmar	Manufacturing, processing, and trading of various liquid crystal displays and modules	155,138 (USD 4,956)	155,138 (USD 4,956)	496	100	87,190 (USD 2,844)	(4,061) (USD 131)	(Note)	Subsidiary

Note: May be omitted as per the regulations.

Winstar Display Co., Ltd. and Subsidiaries
Information on investments in mainland China
For the year ended December 31, 2023

Table 7

Units: NTD and foreign currency, in thousands

Investee	Principle business activity	Total paid-in capital	Method of investment	Accumulated investment amount remitted from Taiwan at the beginning of the current year	Investment amount remitted or recovered during the current year		Accumulated investment amount remitted from Taiwan at the end of the current year	Investee company current year profit (loss)	The Company's direct or indirect percentage of ownership	Investment profit (loss) recognized in the current year (Note 2)	Book value of investments at the end of the year	Investment income repatriated by the end of the year
					outflow	inflow						
WINSTAR CHANGSHU	Manufacturing and processing of various LCD displays and modules	\$ 126,964 (CNY 31,958)	Note 1	\$ 203,281 (USD 6,557)	\$ -	\$ -	\$ 203,281 (USD 6,557)	\$ 149,966 (CNY 34,215)	100%	\$ 149,966 (CNY 34,215)	\$ 567,269 (CNY 132,322)	\$ -
Winstar Dongguan	Manufacturing and processing of various LCD displays and modules	170,045 (CNY 36,955)	Note 1	170,045 (USD 5,670)	-	-	170,045 (USD 5,670)	(14,627) (CNY 3,337)	100%	(14,627) (CNY 3,337)	1,726 (CNY 403)	-

Cumulative amount of investment remitted from Taiwan to mainland China at the end of the current year	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 3)
\$ 373,326 (USD 12,227)	\$ 373,326 (USD 12,227)	(Note 4)

Note 1: This refers to the reinvestment in companies in mainland China through reinvestment in an existing company in a third region.

Note 2: Investment gains and losses are recognized based on the financial statements audited by the same CPA firm as that engaged by the parent company in Taiwan.

Note 3: The limit is calculated in accordance with the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China.

Note 4: In accordance with the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" issued by the Investment Review Commission on August 29, 2008, the Company has obtained certification documents issued by Industrial Development Bureau, Ministry of Economic Affairs attesting that it complies with the operation scope of the operational headquarters. There is no upper limit on the amount of investment in the Mainland China area.

Winstar Display Co., Ltd.
Information of major shareholders
December 31, 2023

Table 8

Unit: shares

Name of major shareholder	Share	
	Number of shareholding	Percentage of ownership (%)
Kenstar Investment Co., Ltd.	10,636,783	15.75
Jastar Investment Co., Ltd.	8,527,909	12.63
Yu-Pin Liao	6,005,672	8.89
Huatsen Investment Co., Ltd.	4,949,392	7.33
Sunglowed International Ltd.	4,581,988	6.78
Chienchuang Investment Co., Ltd.	4,095,000	6.06

Note 1: The information of major shareholders is based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2023. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

The contents of statements of major accounting items

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Winstar Display Co., Ltd.
Statement of cash and cash equivalents
December 31, 2023

Statement 1

Units: NTD and foreign currency, in thousands

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and petty cash		<u>\$ 306</u>
Deposits		
Demand deposits		302,404
Foreign currency deposits (Note 1)		<u>50,665</u>
		<u>353,069</u>
Cash equivalents		
Time deposits		39,900
Foreign time deposits (Note 2)		<u>70,518</u>
		<u>110,418</u>
		<u>\$ 463,793</u>

Note 1: Including USD 1,652 thousand (USD 1: NTD 30.66).

Note 2: Including USD 2,300 thousand (USD 1: NTD 30.66) maturing incrementally before January 2024.

Winstar Display Co., Ltd.
Statement of notes receivable
December 31, 2023

Statement 2

Unit: NT\$ thousand

Client name	Amount
Non-related party	
Uniphone Telecommunication Co., Ltd.	\$ 374
Controlnet International Inc.	189
Dynamic Trends Enterprise Inc.	104
Yizhibang Industrial Ltd.	95
Standard Electric Works Ltd.	84
Monicon Instrument Ltd.	70
Pin Ching Automatic Valves Ltd.	63
Sinletai Ltd.	62
Others (Note)	<u>166</u>
	<u>\$ 1,207</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

Winstar Display Co., Ltd.
Statement of trade receivable – non-related parties, net
December 31, 2023

Statement 3

Unit: NT\$ thousand

Client name	Amount
Non-related party	
FIRST Components SRL	\$ 11,675
VISHAY DALE CORP.	10,960
Gemtek Electronics (Kunshan) Co., Ltd.	9,077
Melchioni s.p.a.	8,260
Others (Note)	<u>103,053</u>
	143,025
Less: Allowance for impairment loss	(<u>176</u>)
	<u>\$ 142,849</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

Winstar Display Co., Ltd.

Statement of inventories

December 31, 2023

Statement 4

Unit: NT\$ thousand

Item	Cost	Market price (Note)
Raw materials	\$ 11,306	\$ 13,511
Work in progress	11,155	11,217
Finished good	15,790	20,145
Inventory in transit	<u>4,810</u>	<u>4,810</u>
	<u>\$ 43,061</u>	<u>\$ 49,683</u>

Note: Net realizable value is used in the valuation of inventories.

Winstar Display Co., Ltd.
Statement of investments accounted for using the equity method
For the year ended December 31, 2023

Statement 5

Unit: NT\$ thousand

Investee	Beginning balance		Increase in the current year		Capital surplus (Note 1)	Share of profit or loss of subsidiaries and associates accounted for using the equity method	Exchange difference on translating foreign operations	Realized gains	Ending balance			Net equity at the end of the year
	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount					Number of shares (in thousand shares)	Shareholding %	Amount	
Investments in subsidiaries												
WINBEST	-	\$ 431,445	-	\$ -	\$ -	\$ 149,966	(\$ 16,368)	\$ 16	-	100	\$ 565,059	\$ 567,143
RAYSTAR	32,147	340,821	-	-	640	(52,678)	-	-	32,147	100	288,783	294,003
WINCAELUM	8,000	91,381	-	-	-	(4,060)	58	-	8,000	100	87,379	87,379
FAIRLINK	20,000	16,532	-	-	-	(14,627)	(179)	-	20,000	100	1,726	1,726
WINSTAR USA	90	3,945	-	-	-	1,993	(37)	-	90	90	5,901	7,937
WINSTAR GER	-	-	25	837	-	(17)	6	-	25	100	826	826
		884,124		837	640	80,577	(16,520)	16			949,674	959,014
Investments in Associates												
MIDAS	-	12,376	-	-	-	72	213	-	-	30	12,661	3,997
		<u>\$ 896,500</u>		<u>\$ 837</u>	<u>\$ 640</u>	<u>\$ 80,649</u>	<u>(\$ 16,307)</u>	<u>\$ 16</u>			<u>\$ 962,335</u>	<u>\$ 963,011</u>

Note 1: Constitutes share-based payments made by the Company to its subsidiaries.

Note 2: Net equity value is calculated based on the investee company's financial statements audited by accountants as well as the Company's shareholding ratio.

Note 3: None of the above investee companies have provided guarantees or pledges.

Winstar Display Co., Ltd.
Statement of changes in right of use assets
For the year ended December 31, 2023

Statement 6

Unit: NT\$ thousand

Item	Beginning balance	Increase	Decrease	Ending balance
Cost				
Buildings	\$ 24,866	\$ 4,323	\$ 20,027	\$ 9,162
Transportation	<u>3,535</u>	<u>1,325</u>	<u>3,535</u>	<u>1,325</u>
Equipment	<u>28,401</u>	<u>\$ 5,648</u>	<u>\$ 23,562</u>	<u>10,487</u>
Accumulated depreciation				
Buildings	18,302	\$ 5,460	\$ 20,027	3,735
Transportation	<u>3,044</u>	<u>878</u>	<u>3,535</u>	<u>387</u>
Equipment	<u>21,346</u>	<u>\$ 6,338</u>	<u>\$ 23,562</u>	<u>4,122</u>
	<u>\$ 7,055</u>			<u>\$ 6,365</u>

Winstar Display Co., Ltd.
Statement of short-term borrowings
December 31, 2023

Statement 7

Unit: NT\$ thousand

Borrowing type and bank	Maturity date	Annual interest rates (%)	Amount
Secured borrowings			
Taiwan Cooperative Bank	113.05	2.19	\$ 148,000
Mega International Commercial Bank	113.05	2.09	70,000
Taishin International Bank	113.02	2.77	30,000
E.SUN Commercial Bank	113.02-113.05	2.20	20,000
First Commercial Bank	113.05	2.20	<u>5,000</u>
			<u>\$ 273,000</u>

Winstar Display Co., Ltd.
Statement of trade payable—non-related parties
December 31, 2023

Statement 8

Unit: NT\$ thousand

Vendor name	Amount
Non-related party	
Neotec Semiconductor Co., Ltd.	\$ 10,480
Professional Computer Technology Limited.	7,070
Sitronix Technology Corp.	5,762
Integrated Solutions Technology, Inc.	4,729
Supermax Global Co., Ltd.	3,548
Others (Note)	<u>13,898</u>
	<u>\$ 45,487</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance

Winstar Display Co., Ltd.
Statement of long-term borrowings
December 31, 2023

Statement 9

Unit: NT\$ thousand

<u>Borrowing type and bank</u>	<u>Borrowing period</u>	<u>Repayment method</u>	<u>Annual interest rates (%)</u>	<u>Portion maturing within one year</u>	<u>Portion maturing after one year</u>	<u>Total</u>
Secured borrowings						
Taipei Fubon Commercial Bank	112.08-115.08	Average monthly amortization	2.85	\$ 10,000	\$ 16,667	\$ 26,667
The Shanghai Commercial & Savings Bank, Ltd.	111.07-114.07	Average monthly amortization	2.90	8,334	4,861	13,195
The Shanghai Commercial & Savings Bank, Ltd.	110.01-113.01	Average monthly amortization	3.35	<u>833</u>	<u>-</u>	<u>833</u>
				<u>\$ 19,167</u>	<u>\$ 21,528</u>	<u>\$ 40,695</u>

Winstar Display Co., Ltd.
Statement of net operating revenue
For the year ended December 31, 2023

Statement 10

Unit: NT\$ thousand

Item	Quantity (approximate thousand PCS)	Amount
STN display module	Approx. 4,796	\$ 791,455
TFT display modules	Approx. 800	471,101
OLED display modules	Approx. 1,917	339,979
Others		<u>49,307</u>
Gross sales		1,651,842
Less: Sales returns		(4,797)
Less: Sales discounts and allowances		(<u>2,127</u>)
Net operating revenue		<u>\$ 1,644,918</u>

Winstar Display Co., Ltd.
Statement of operating costs
For the year ended December 31, 2023

Statement 11

Unit: NT\$ thousand

Item	Amount
Raw materials, beginning of year	\$ 18,522
Raw material purchased	40,032
Sale of raw material	(3,833)
Raw materials, end of year	(13,747)
Other adjustments	(<u>2,021</u>)
Direct raw material costs	38,953
Direct labor	4,787
Manufacturing expenses	<u>28,081</u>
Manufacturing cost	71,821
Work in process, beginning of year	14,136
Work in process purchased	2,576
Work in process, end of year	(13,511)
Other adjustments	(<u>2,773</u>)
Cost of work in process	72,249
Semi-finished products, beginning of year	191
Semi-finished products purchased	3,154
Sales of semi-finished products	(1,185)
Semi-finished products, end of year	(174)
Other adjustments	(<u>732</u>)
Cost of semi-finished products	73,503
Finished goods, beginning of year	30,524
Finished goods purchased	3,764
Finished goods, end of year	(24,918)
Other adjustments	(<u>2,932</u>)
Cost of finished goods	79,941
Cost of triangular trade	1,269,169
Sale of raw materials and semi-finished products	<u>5,018</u>
Cost of merchandise	1,354,128
Inventory valuation losses	1,040
Other costs	<u>6,955</u>
Operating cost	<u><u>\$ 1,362,123</u></u>

Winstar Display Co., Ltd.
Statement of operating expenses
For the year ended December 31, 2023

Statement 12

Unit: NT\$ thousand

	Selling and marketing expenses	Administrative expenses	Research and Development expenses	Expected credit loss reversed	Total
Salaries	\$ 56,944	\$ 57,915	\$ 33,952	\$ -	\$ 148,811
Insurance expense	6,069	5,782	3,437	-	15,288
Utilities expense	5	10,044		-	10,049
Depreciation expense	143	6,737	-	-	6,880
Expected credit loss reversed	-	-	-	(1,017)	(1,017)
Others	<u>20,705</u>	<u>39,557</u>	<u>7,948</u>	<u>-</u>	<u>68,210</u>
	<u>\$ 83,866</u>	<u>\$ 120,035</u>	<u>\$ 45,337</u>	<u>(\$ 1,017)</u>	<u>\$ 248,221</u>