

Hu Lane Associate Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hu Lane Associate Inc.

Opinion

We have audited the accompanying financial statements of Hu Lane Associate Inc. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Occurrence of Revenue

For the year ended December 31, 2022, the operating revenue amounted to \$2,671,927 thousand. Some single customers contributed more to the Company's revenue amounted to NT\$1,283,079 thousand. The operating revenue derived from some major customers amounted to \$281,593 thousand. Since some single customers contributed more to the Company's operating revenue and there was material change on the amount of operating revenue as compared with the same period last year, the occurrence of the operating revenue from the abovementioned customers was identified as a key audit matter.

Refer to Note 4 to the Company's financial statements for the accounting policy of revenue recognition.

Our audit procedures performed to verify the occurrence of revenue in respect of the above key audit matter included the following:

1. We obtained an understanding of the design and tested the operating effectiveness of the relevant internal controls.
2. We sampled the transaction documents and the bank collection records, and checked whether the recipients of the products were the same as the counterparties of the transactions.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), 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 supervisors) 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 maintain professional 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 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 Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 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 Jiun-hung Shih and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

Notice to Readers

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

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

HU LANE ASSOCIATE INC

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 279,550	3	\$ 128,222	1
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 24)	99,139	1	443	-
Notes receivable (Notes 4, 8 and 26)	41,521	1	44,510	1
Trade receivables from unrelated parties (Notes 4 and 8)	247,877	3	267,416	3
Trade receivables from related parties (Note 25)	1,519,001	16	965,702	11
Other receivables from unrelated parties	9,583	-	16,641	-
Other receivables from related parties (Note 25)	277,237	3	328,919	4
Current tax assets (Notes 4 and 20)	28,782	-	22,242	-
Inventories (Notes 4 and 9)	271,401	3	242,735	3
Other current assets	8,386	-	56,318	1
Total current assets	2,782,477	30	2,073,148	24
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 10)	4,083,078	44	4,295,872	49
Property, plant and equipment (Notes 4, 11 and 26)	2,271,660	25	2,213,228	26
Right-of-use assets (Notes 4 and 12)	12,823	-	12,773	-
Investment properties (Note 4)	2,486	-	2,490	-
Intangible assets (Note 4)	10,506	-	6,329	-
Deferred tax assets (Notes 4 and 20)	55,472	1	33,726	-
Other non-current assets	36,693	-	51,838	1
Total non-current assets	6,472,718	70	6,616,256	76
TOTAL	\$ 9,255,195	100	\$ 8,689,404	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 26)	\$ 770,000	8	\$ 2,111,000	24
Financial liabilities at fair value through profit or loss - current (Note 7)	2,400	-	-	-
Notes payable	27,810	-	26,111	1
Trade payables to unrelated parties	223,553	2	185,205	2
Trade payables to related parties (Note 25)	163,974	2	280,410	3
Other payables to unrelated parties (Note 15)	225,845	3	244,053	3
Other payables to related parties (Note 25)	1,070	-	9,103	-
Current tax liabilities (Notes 4 and 20)	175,312	2	68,660	1
Finance lease payables - current (Notes 4 and 12)	6,632	-	4,852	-
Other current liabilities	15,442	-	16,956	-
Total current liabilities	1,612,038	17	2,946,350	34
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 14 and 24)	1,385,635	15	-	-
Deferred tax liabilities (Notes 4 and 20)	150,799	2	153,012	2
Finance lease payables - non-current (Notes 4 and 12)	6,405	-	8,114	-
Net defined benefit liabilities - non-current (Notes 4 and 16)	33,076	-	28,676	-
Other non-current liabilities	20	-	20	-
Total non-current liabilities	1,575,935	17	189,822	2
Total liabilities	3,187,973	34	3,136,172	36
EQUITY (Notes 4 and 17)				
Share capital				
Ordinary shares	996,554	11	996,547	12
Capital surplus	1,088,799	12	934,183	11
Retained earnings				
Legal reserve	996,547	11	949,240	11
Special reserve	201,083	2	263,672	3
Unappropriated earnings	3,025,729	33	2,550,756	29
Total retained earnings	4,223,359	46	3,763,668	43
Other equity	(241,490)	(3)	(141,166)	(2)
Total equity	6,067,222	66	5,553,232	64
TOTAL	\$ 9,255,195	100	\$ 8,689,404	100

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

HU LANE ASSOCIATE INC

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 25)	\$ 2,887,430	100	\$ 2,671,927	100
OPERATING COSTS (Notes 9, 19 and 25)	<u>1,860,613</u>	<u>64</u>	<u>1,969,797</u>	<u>74</u>
GROSS PROFIT	1,026,817	36	702,130	26
(UNREALIZED) REALIZED GAIN WITH SUBSIDIARIES (Notes 4 and 25)	<u>(82,578)</u>	<u>(3)</u>	<u>(3,627)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>944,239</u>	<u>33</u>	<u>698,503</u>	<u>26</u>
OPERATING EXPENSES (Notes 4, 8, 19 and 25)				
Selling and marketing expenses	108,244	4	98,147	4
General and administrative expenses	189,788	7	186,170	7
Research and development expenses	117,529	4	81,962	3
Expected credit loss	<u>2,098</u>	<u>-</u>	<u>902</u>	<u>-</u>
Total operating expenses	<u>417,659</u>	<u>15</u>	<u>367,181</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>526,580</u>	<u>18</u>	<u>331,322</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 19)	1,418	-	338	-
Other income (Notes 19 and 25)	148,103	5	140,542	5
Other gains and losses (Note 19)	(10,918)	-	57,308	2
Finance costs (Note 4)	(34,876)	(1)	(16,590)	-
Share of profit of subsidiaries and associates (Note 4)	<u>525,260</u>	<u>18</u>	<u>580,678</u>	<u>22</u>
Total non-operating income and expenses	<u>628,987</u>	<u>22</u>	<u>762,276</u>	<u>29</u>
PROFIT BEFORE INCOME TAX	1,155,567	40	1,093,598	41
INCOME TAX EXPENSE (Notes 4 and 20)	<u>234,346</u>	<u>8</u>	<u>93,697</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>921,221</u>	<u>32</u>	<u>999,901</u>	<u>37</u>

(Continued)

HU LANE ASSOCIATE INC

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4, 16 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (4,310)	-	\$ 5,026	-
Share of other comprehensive income (loss) of subsidiaries and associates	1,754	-	(1,424)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>862</u>	<u>-</u>	<u>(1,005)</u>	<u>-</u>
Total items that will not be reclassified subsequently to profit or loss	<u>(1,694)</u>	<u>-</u>	<u>2,597</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(482)	-	1,708	-
Share of other comprehensive (loss) income of subsidiaries and associates	<u>(103,996)</u>	<u>(4)</u>	<u>62,305</u>	<u>3</u>
Total items that may be reclassified subsequently to profit or loss	<u>(104,478)</u>	<u>(4)</u>	<u>64,013</u>	<u>3</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(106,172)</u>	<u>(4)</u>	<u>66,610</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 815,049</u>	<u>28</u>	<u>\$ 1,066,511</u>	<u>40</u>
EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 9.24</u>		<u>\$ 10.03</u>	
Diluted	<u>\$ 9.04</u>		<u>\$ 10.00</u>	

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

(Concluded)

HU LANE ASSOCIATE INC

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity		Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2022	\$ 996,547	\$ 1,033,837	\$ 871,116	\$ 262,423	\$ 2,024,826	\$ (203,755)	\$ -	\$ 4,984,994
Appropriation of 2021 earnings								
Legal reserve	-	-	78,124	-	(78,124)	-	-	-
Special reserve	-	-	-	1,249	(1,249)	-	-	-
Cash dividends	-	-	-	-	(398,619)	-	-	(398,619)
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	(99,654)
Net profit for the year ended December 31, 2022	-	-	-	-	999,901	-	-	999,901
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	4,021	64,013	(1,424)	66,610
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,003,922	64,013	(1,424)	1,066,511
BALANCE AT DECEMBER 31, 2022	996,547	934,183	949,240	263,672	2,550,756	(139,742)	(1,424)	5,553,232
Appropriation of 2022 earnings								
Legal reserve	-	-	47,307	-	(47,307)	-	-	-
Special reserve	-	-	-	(62,589)	62,589	-	-	-
Cash dividends	-	-	-	-	(458,412)	-	-	(458,412)
Changes in percentage of ownership interests in subsidiaries	-	2,610	-	-	-	2,730	-	5,340
Equity component of convertible bonds issued by the Company	-	251,575	-	-	-	-	-	251,575
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	(99,654)
Convertible bonds converted to ordinary shares	7	85	-	-	-	-	-	92
Net profit for the year ended December 31, 2023	-	-	-	-	921,221	-	-	921,221
Other comprehensive loss for the year ended December 31, 2023, net of income tax	-	-	-	-	(3,448)	(104,478)	1,754	(106,172)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	917,773	(104,478)	1,754	815,049
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	330	-	(330)	-
BALANCE AT DECEMBER 31, 2023	<u>\$ 996,554</u>	<u>\$ 1,088,799</u>	<u>\$ 996,547</u>	<u>\$ 201,083</u>	<u>\$ 3,025,729</u>	<u>\$ (241,490)</u>	<u>\$ -</u>	<u>\$ 6,067,222</u>

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

HU LANE ASSOCIATE INC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,155,567	\$ 1,093,598
Adjustments for:		
Depreciation expenses	115,801	82,164
Amortization expenses	19,598	11,794
Expected credit loss recognized	2,098	902
Net gain (loss) on fair value change of financial assets and liabilities at fair value through profit or loss	(10,498)	83
Finance costs	34,876	16,590
Interest income	(1,418)	(338)
Dividend income	(2,826)	(31)
Share of profit of subsidiaries and associates	(525,260)	(580,678)
Gain on disposal of property, plant and equipment	(5,153)	(512)
Gain on lease modifications	(43)	(6)
Reversal of write-downs of inventories	(3,313)	(3,014)
Unrealized gain (loss) on transactions with subsidiaries	82,578	3,627
Gain from bargain purchase	-	(15,341)
Changes in operating assets and liabilities		
Notes receivable	4,343	6,398
Trade receivables from unrelated parties	47,490	(26,463)
Trade receivables from related parties	(553,158)	(288,554)
Other receivables from unrelated parties	7,211	(4,139)
Other receivables from related parties	51,682	(124,993)
Inventories	(13,585)	57,755
Other current assets	35,835	(19,914)
Other non-current assets	4,583	8,364
Notes payable	1,699	23,185
Trade payables from unrelated parties	26,047	2,266
Trade payables from related parties	(116,436)	55,088
Other payables from unrelated parties	61,405	29,878
Other payables from related parties	(8,033)	(213,740)
Other current liabilities	(29,208)	(9,894)
Net defined benefit liability	90	(95)
Cash generated from operations	381,972	103,980
Interest received	1,418	338
Interest paid	(20,294)	(15,206)
Income tax received	5,557	-
Income tax paid	(123,909)	(98,682)
Net cash generated from (used in) operating activities	244,744	(9,570)

(Continued)

HU LANE ASSOCIATE INC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	\$ (79,100)	\$ -
Proceeds from disposal of financial assets at fair value through profit or loss	7,575	-
Investments accounted for using the equity method	(14,689)	(16,608)
Payments for acquisition of subsidiary	-	(154,892)
Payments for property, plant and equipment	(225,317)	(285,763)
Proceeds from disposal of property, plant and equipment	23,744	33,397
Increase in refundable deposits	(1,665)	(674)
Payments for intangible assets	(8,880)	(5,430)
Cash inflow on combination	12,972	-
Dividends received	<u>471,175</u>	<u>31</u>
Net cash generated from (used in) investing activities	<u>185,815</u>	<u>(429,939)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	911,000
Repayment of short-term borrowings	(1,341,000)	-
Proceeds from issuance of bonds	1,623,855	-
Repayment of the principal portion of lease liabilities	(6,480)	(3,937)
Dividends paid to owners of the Company	(558,066)	(498,273)
Payment of ownership interests in subsidiaries	<u>-</u>	<u>(133,740)</u>
Net cash (used in) generated from financing activities	<u>(281,691)</u>	<u>275,050</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>2,460</u>	<u>(23,047)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	151,328	(187,506)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>128,222</u>	<u>315,728</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 279,550</u>	<u>\$ 128,222</u>

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

(Concluded)

HU LANE ASSOCIATE INC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Hu Lane Associate Inc. (the “Company”) was incorporated in July 1977 as Hu Lane Enterprise Co., Ltd. and renamed as Hu Lane Industry Co., Ltd. on January 29, 2001, and later renamed again as Hu Lane Associate Inc. in 2003. The Company established the Hong Kong Branch in October 2001. The Company is mainly engaged in the manufacturing and sale of terminal devices, terminal crimping, industrial rubber and plastic products.

The Company’s shares have been listed on the Taipei Exchange since November 26, 2003. The Company’s stockholders approved the planned merger with Jie Yun Industry Co., Ltd. on May 28, 2004 with the effective merger date on August 31, 2004, and the Company was the surviving entity. The Company’s board of directors approved the planned merger with I-hung Steel Co., Ltd. on April 10, 2014 with the effective merger date on May 12, 2014, and the Company was the surviving entity. Hu Lane Associate’s board of directors approved the planned merger with its 100%-owned subsidiary, Shang Ho Industry Co., Ltd. in May 2023 with the effective merger date on July 1, 2023, and Hu Lane Associate was the surviving entity.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. 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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have a material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: The amendments provide some transition relief regarding 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.

- c. The IFRS Accounting Standards in issue 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 by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the above 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

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

When preparing these 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 with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only 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.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

e. Foreign currencies

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 on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

For the purpose of presenting the financial statements, the functional currencies of the Company are translated into the presentation currency - the New Taiwan dollar, 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.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation (attributable to the owners of the Company) are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in equity transactions and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investment 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, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the 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 any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Company.

h. Investments in associates

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

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate 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 associate. The Company also recognizes the changes in the Company's share of equity of associates.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from 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 increases.

When an entity in the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent that interests in the associate are not related to the Company.

i. 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 in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Intangible assets

1) Intangible assets acquired separately

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. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or asset related to contract costs 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 for the asset, cash-generating unit or asset related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified as financial assets at fair value through profit or loss and financial assets at amortized cost.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

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

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

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

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

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables.

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 24.

b) Derecognition of financial liabilities

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

4) Convertible corporate bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

n. 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 entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of terminals and molds. Sales of terminals and molds are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

o. Leasing

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

1) The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) 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 short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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, which comprise fixed payments and in-substance fixed 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 Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

p. Borrowing costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense 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 and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plan. 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.

r. Taxation

The sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) 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 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. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the 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 are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 tax for the year

Current and deferred tax 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 tax 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 about 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 680	\$ 1,229
Checking accounts and demand deposits	229,742	126,993
Cash equivalents		
Time deposits with original maturities within three months	<u>49,128</u>	<u>-</u>
	<u>\$ 279,550</u>	<u>\$ 128,222</u>

The market rate intervals of demand deposits at the end of year were as follows:

	December 31	
	2023	2022
Demand deposits	0.01%-1.45%	0.01%-1.05%
Time deposits	5.20%-5.30%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 73
Non-derivative financial assets		
Domestic listed shares	91,805	370
Mutual funds	<u>7,334</u>	<u>-</u>
	<u>\$ 99,139</u>	<u>\$ 443</u>
<u>Financial liabilities at FVTPL - current</u>		
Derivative financial liabilities (not under hedge accounting)		
Redemption rights and put options (Note 14)	<u>\$ 2,400</u>	<u>\$ -</u>

At the end of the reporting period, outstanding foreign exchange swap contracts not under hedge accounting were as follows:

December 31, 2022

	Currency	Maturity Date	Notional Amount (In Thousands)
Foreign exchange swap contracts	NT\$/US\$	June 8, 2022 - March 8, 2023 (Note)	NT\$30,442/US\$1,000

Note: Extension from December 8, 2022 to March 8, 2023.

The Company entered into the foreign exchange swap to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

The above derivative transactions, the gain on financial assets at fair value through profit or loss amounted to \$73 thousand for the year ended December 31, 2022.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2023	2022
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 41,521</u>	<u>\$ 44,510</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 251,476	\$ 277,467
Less: Allowance for impairment loss	<u>(3,599)</u>	<u>(10,051)</u>
	<u>\$ 247,877</u>	<u>\$ 267,416</u>

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables.

The Company adopted a policy of only dealing with reputable entities, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the executive vice president, internal audit department and accounting department annually.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position at the reporting date. As the Company's historical credit loss experience show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Company's different customer base.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2023

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.06%-0.17%	0.30%-0.96%	1.73%-17.71%	24.41%-42.06%	100%	
Gross carrying amount	\$ 212,003	\$ 33,170	\$ 1,219	\$ 3,366	\$ 1,718	\$ 251,476
Loss allowance (Lifetime ECLs)	<u>(337)</u>	<u>(297)</u>	<u>(72)</u>	<u>(1,175)</u>	<u>(1,718)</u>	<u>(3,599)</u>
Amortized cost	<u>\$ 211,666</u>	<u>\$ 32,873</u>	<u>\$ 1,147</u>	<u>\$ 2,191</u>	<u>\$ -</u>	<u>\$ 247,877</u>

December 31, 2022

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.04%-0.05%	0.18%-0.34%	4.83%-19.27%	39.46%-51.13%	100%	
Gross carrying amount	\$ 212,819	\$ 51,417	\$ 3,796	\$ 552	\$ 8,883	\$ 277,467
Loss allowance (Lifetime ECLs)	<u>(105)</u>	<u>(147)</u>	<u>(634)</u>	<u>(282)</u>	<u>(8,883)</u>	<u>(10,051)</u>
Amortized cost	<u>\$ 212,714</u>	<u>\$ 51,270</u>	<u>\$ 3,162</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 267,416</u>

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

	2023	2022
Balance at January 1	\$ 10,051	\$ 9,118
Add: Acquisitions through business combinations	4	-
Add: Net remeasurement of loss allowance	2,098	902
Less: Amounts written off	(8,511)	-
Foreign exchange gains and losses	<u>(43)</u>	<u>31</u>
Balance at December 31	<u>\$ 3,599</u>	<u>\$ 10,051</u>

9. INVENTORIES

	<u>December 31</u>	
	2023	2022
Finished goods	\$ 141,441	\$ 154,049
Work in progress	44,679	38,902
Raw materials and supplies	70,109	43,617
Merchandise	<u>15,172</u>	<u>6,167</u>
	<u>\$ 271,041</u>	<u>\$ 242,735</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$1,860,613 thousand and \$1,969,797 thousand, respectively. The cost of goods sold included reversal of inventory write-downs from price recovery of inventory, which amounted to \$3,313 thousand and \$3,014 thousand in 2023 and 2022, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2023	2022
Investments in subsidiaries	\$ 4,069,295	\$ 4,283,343
Investments in associates	<u>13,783</u>	<u>12,529</u>
	<u>\$ 4,083,078</u>	<u>\$ 4,295,872</u>

a. Investments in subsidiaries

	December 31	
	2023	2022
<u>Non publicly quoted entity</u>		
Evervalue Investments Limited	\$ 3,352,026	\$ 3,567,422
Telford Investments Limited	183,970	174,727
Hu Lane Electronic (Vietnam) Co., Limited	229,200	213,317
PT. Hulane Tech Manufacturing (Note 1)	22,370	25,777
Shang Ho Industry Co., Limited (Note 4)	-	65,873
HuLane Associate Inc. Europe S.r.l. (Note 3)	13,541	-
Joywell Corporation Limited (Note 2)	<u>268,188</u>	<u>236,227</u>
	<u>\$ 4,069,295</u>	<u>\$ 4,283,343</u>

	Proportion of Ownership and Voting Rights December 31	
Subsidiaries	2023	2022
Evervalue Investments Limited	100%	100%
Telford Investments Limited	100%	100%
Hu Lane Electronic (Vietnam) Co., Limited	100%	100%
PT. Hulane Tech Manufacturing (Note 1)	12%	32%
Shang Ho Industry Co., Limited (Note 4)	-	100%
HuLane Associate Inc. Europe S.r.l.	90%	-
Joywell Corporation Limited (Note 2)	100%	100%

Note 1: PT. HULANE TECH MANUFACTURING resolved to increase cash capital by the board of directors in July 2022. The Company's board of directors resolved to participate in the capital increase in November 2022, and the capital increase was completed in June 2023.

Note 2: The subsidiary's 100% equity was acquired by the Company in June 2022.

Note 3: In November 2022, Hu Lane Associate's board of directors resolved to approve the investment proposal, and established HuLane Associate Inc. Europe S.r.l. in May 2023.

Note 4: Hu Lane Associate's board of directors approved the planned merger with its 100%-owned subsidiary, Shang Ho Industry Co., Ltd. in May 2023 with the effective merger date on July 1, 2023, and Hu Lane Associate was the surviving entity.

b. Investments in associates

	December 31	
	2023	2022
Associate that is not individually material		
Yangzhou Lear Hulane Automotive Parts Trading Co., Ltd.	\$ <u>13,783</u>	\$ <u>12,529</u>
	For the Year Ended December 31	
	2023	2022
The Company's share of:		
Loss from continuing operations	\$ 1,491	\$ (4,240)
Other comprehensive income	<u>(237)</u>	<u>161</u>
Total comprehensive loss for the year	\$ <u>1,254</u>	\$ <u>(4,079)</u>

In January 2022, The Group established Yangzhou Lear Hulane Automotive Parts Trading CO., Ltd. with Lear (China) Holding Limited with a capital of US\$600 thousand of which the Company holds 40%, and acquired a significant impact on the Company.

The calculation is based on the unaudited financial statements of Yangzhou Lear Hulane Automotive Parts Trading CO., Ltd. However, the management considers that the unaudited financial statements of the above investees do not have material impacts.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Furniture and Fixtures	Other Equipment	Prepayments for Equipment and Property under Construction	Total
Cost								
Balance at January 1, 2022	\$ 1,008,022	\$ 675,925	\$ 228,839	\$ 6,216	\$ 11,053	\$ 2,684	\$ 290,678	\$ 2,223,417
Additions	-	55,148	128,134	1,329	7,187	3,075	107,144	302,017
Disposals	-	-	(1,063)	(2,002)	-	-	(26,228)	(29,293)
Effect of foreign currency exchange differences	-	-	-	-	38	-	-	38
Reclassifications	-	203,420	53,415	-	5,359	1,494	(274,402)	(10,714)
Balance at December 31, 2022	<u>1,008,022</u>	<u>934,493</u>	<u>409,325</u>	<u>5,543</u>	<u>23,637</u>	<u>7,253</u>	<u>97,192</u>	<u>2,485,465</u>
Accumulated depreciation								
Balance at January 1, 2022	-	41,381	143,828	2,075	6,293	2,507	-	196,084
Depreciation expense	-	16,162	58,094	950	2,068	886	-	78,160
Disposals	-	-	(845)	(1,200)	-	-	-	(2,045)
Effect of foreign currency exchange differences	-	-	-	-	38	-	-	38
Balance at December 31, 2022	-	<u>57,543</u>	<u>201,077</u>	<u>1,825</u>	<u>8,399</u>	<u>3,393</u>	-	<u>272,237</u>
Carrying amounts at December 31, 2022	<u>\$ 1,008,022</u>	<u>\$ 876,950</u>	<u>\$ 208,248</u>	<u>\$ 3,718</u>	<u>\$ 15,238</u>	<u>\$ 3,860</u>	<u>\$ 97,192</u>	<u>\$ 2,213,228</u>
Cost								
Balance at January 1, 2023	\$ 1,008,022	\$ 934,493	\$ 409,325	\$ 5,543	\$ 23,637	\$ 7,253	\$ 97,192	\$ 2,485,465
Additions	-	22,778	84,920	257	2,111	1,170	80,082	191,318
Disposals	-	(1,236)	(69,429)	(931)	(587)	(2,940)	(18,812)	(93,935)
Acquisitions through business combinations	-	1,766	568	130	529	-	-	2,993
Effect of foreign currency exchange differences	-	-	-	-	2	-	-	2
Reclassifications	-	12,472	36,785	-	2,586	-	(54,056)	(2,213)
Balance at December 31, 2023	<u>1,008,022</u>	<u>970,273</u>	<u>462,169</u>	<u>4,999</u>	<u>28,278</u>	<u>5,483</u>	<u>104,406</u>	<u>2,583,630</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Furniture and Fixtures	Other Equipment	Prepayments for Equipment and Property under Construction	Total
<u>Accumulated depreciation</u>								
Balance at January 1, 2023	\$ -	\$ 57,543	\$ 201,077	\$ 1,825	\$ 8,399	\$ 3,393	\$ -	\$ 272,237
Depreciation expense	-	31,175	73,159	782	3,082	1,290	-	109,488
Disposals	-	(1,236)	(64,812)	(931)	(587)	(2,935)	-	(70,501)
Acquisitions through business combinations	-	115	386	115	128	-	-	744
Effect of foreign currency exchange differences	-	-	-	-	2	-	-	2
Balance at December 31, 2023	-	87,597	209,810	1,791	11,024	1,748	-	311,970
Carrying amounts at December 31, 2023	<u>\$ 1,008,022</u>	<u>\$ 882,676</u>	<u>\$ 252,359</u>	<u>\$ 3,208</u>	<u>\$ 17,254</u>	<u>\$ 3,735</u>	<u>\$ 104,406</u>	<u>\$ 2,271,660</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	5-50 years
Machinery equipment	2-11 years
Transportation equipment	5 years
Furniture and fixtures and other equipment	2-11 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 26.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Carrying amounts</u>		
Buildings	\$ 1,584	\$ 1,833
Office equipment	2,612	3,245
Transportation equipment	<u>8,627</u>	<u>7,695</u>
	<u>\$ 12,823</u>	<u>\$ 12,773</u>
	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 5,891</u>	<u>\$ 8,882</u>
Decrease to right-of-use assets	<u>\$ 94</u>	<u>\$ 570</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 716	\$ 671
Office equipment	666	756
Transportation equipment	<u>4,927</u>	<u>2,573</u>
	<u>\$ 6,309</u>	<u>\$ 4,000</u>

Except for the above additions, deductions and depreciation expense recognized, the Company's right-of-use assets were not significantly impaired in 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amounts</u>		
Current	\$ 6,632	\$ 4,852
Non-current	\$ 6,405	\$ 8,114

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2023	2022
Buildings	1.5336%-5.0000%	0.6719%-5.0000%
Office equipment	0.6627%-1.6500%	0.6627%
Transportation equipment	0.6667%-1.6500%	0.6667%-2.3800%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	\$ 898	\$ 1,071
Total cash outflow for leases	\$ (7,582)	\$ (5,176)

The Company's leases of certain building, office equipment and transportation equipment qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. BORROWINGS

	December 31	
	2023	2022
<u>Secured borrowings (Note 26)</u>		
Bank loans	\$ -	\$ 900,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	770,000	1,211,000
	<u>\$ 770,000</u>	<u>\$ 2,111,000</u>

The range of interest rate on short-term borrowings was 1.57%-1.70% and 1.38%-1.66% per annum as of December 31, 2023 and 2022, respectively.

14. BONDS PAYABLE

	December 31	
	2023	2022
Unsecured domestic convertible bonds	\$ <u>1,385,635</u>	\$ <u>-</u>

The Company was approved by letters of FSC No. 1120339981 on May 8, 2023 and Republic of China Securities OTC Trading Center No. 11200053862 on June 9, 2023 to issue the first unsecured domestic convertible bonds on June 14, 2023. The conditions of issuance were as follows:

- a. Approved issuance quota: \$1,500,000 thousand.
- b. Amount issued: \$1,500,000 thousand.
- c. Face value: \$100 thousand, issued at face value.
- d. Issuance period: The issuance period is 5 years, and from June 14, 2023 to June 14, 2028.
- e. Issuance price (NT\$100 thousand each): NT\$108.61 (issued at 108.61% of face value).
- f. Coupon rate: 0%.
- g. Principal repayment method: Except for the holders of the corporate bonds who has conversion right to convert bonds into ordinary shares of the Company at \$146.5 per share, or exercise the right to sell back, or the Company redeems it in advance, or the Company buys it back and cancels it by the business office of the securities firm, the Company shall repay the convertible bonds in cash at face value when they mature.
- h. Conversion period: From the day after the issuance of the convertible bonds for three months (September 15, 2023) to the maturity date (June 14, 2028). The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.8047% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,233 thousand)	\$ 1,623,855
Equity component	(251,575)
Financial liabilities - redemption rights and put options	(600)
Liability component at the date of issue	1,371,680
Interest charged at an effective interest rate of 1.8047%	14,047
Convertible bonds converted into ordinary shares	(92)
Liability component at December 31, 2023	\$ <u>1,385,635</u>

15. OTHER PAYABLES

	December 31	
	2023	2022
Accrued salaries and bonuses	\$ 114,343	\$ 102,764
Compensation of employees and remuneration of directors and supervisors	54,807	50,113
Payables for equipment	22,477	56,476
Payables for interest	535	1,216
Others	<u>33,683</u>	<u>33,484</u>
	<u>\$ 225,845</u>	<u>\$ 244,053</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. In addition, The branch in Hong Kong was defined contributions, under which the related contributions were made according to local regulations and monthly MPF payments to the MPFA.

The expense of 2023 and 2022 defined contribution plans is set out below:

	December 31	
	2023	2022
Defined contribution plans	<u>\$ 16,324</u>	<u>\$ 14,542</u>

b. Defined benefit plans

The defined benefit plan adopted by the Company with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 5% 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:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 122,984	\$ 124,955
Fair value of plan assets	<u>(89,908)</u>	<u>(96,279)</u>
Net defined benefit liabilities	<u>\$ 33,076</u>	<u>\$ 28,676</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 129,727</u>	<u>\$ (95,930)</u>	<u>\$ 33,797</u>
Service cost			
Current service cost	911	-	911
Net interest expense (income)	<u>843</u>	<u>(627)</u>	<u>216</u>
Recognized in profit or loss	<u>1,754</u>	<u>(627)</u>	<u>1,127</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,624)	(7,624)
Actuarial loss -changes in financial assumptions	(3,485)	-	(3,485)
Actuarial loss - experience adjustments	<u>6,083</u>	<u>-</u>	<u>6,083</u>
Recognized in other comprehensive income	<u>2,598</u>	<u>(7,624)</u>	<u>(5,026)</u>
Contributions from the employer	<u>-</u>	<u>(1,222)</u>	<u>(1,222)</u>
Benefits paid	<u>(9,124)</u>	<u>9,124</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 124,955</u>	<u>\$ (96,279)</u>	<u>\$ 28,676</u>
Balance at January 1, 2023	<u>\$ 124,955</u>	<u>\$ (96,279)</u>	<u>\$ 28,676</u>
Service cost			
Current service cost	726	-	726
Net interest expense (income)	<u>1,562</u>	<u>(1,211)</u>	<u>351</u>
Recognized in profit or loss	<u>2,288</u>	<u>(1,211)</u>	<u>1,077</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(798)	(798)
Actuarial loss -changes in financial assumptions	2,363	-	2,363
Actuarial loss - experience adjustments	<u>2,745</u>	<u>-</u>	<u>2,745</u>
Recognized in other comprehensive income	<u>5,108</u>	<u>(798)</u>	<u>4,310</u>
Contributions from the employer	<u>-</u>	<u>(987)</u>	<u>(987)</u>
Benefits paid	<u>(9,367)</u>	<u>9,367</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 122,984</u>	<u>\$ (89,908)</u>	<u>\$ 33,076</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau 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 risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the 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 used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	1.25%	1.25%
Expected rate of salary increase	2.50%	2.00%
Mortality rate	Taiwan actuarial life table	
Turnover rate	Note	Note

Note: Based on historical experience of the turnover rate for the past few years and consideration of future developments.

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

	December 31	
	2023	2022
Discount rate		
0.25% increase	\$ (1,215)	\$ (1,413)
0.25% decrease	\$ 1,249	\$ 1,452
Expected rate of salary increase/decrease		
1% increase	\$ 5,092	\$ 5,960
1% decrease	\$ (4,659)	\$ (5,436)

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.

	December 31	
	2023	2022
Expected contributions to the plan for the next year	\$ 987	\$ 1,222
Average duration of the defined benefit obligation	8.0 years	8.8 years

17. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>120,000</u>	<u>120,000</u>
Shares authorized	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and fully paid (in thousands)	<u>99,655</u>	<u>99,654</u>
Shares issued	<u>\$ 996,554</u>	<u>\$ 996,547</u>

The change in the share capital of the Company is mainly due to the exercise of conversion right of convertible bonds.

b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 780,705	\$ 880,359
Conversion of bonds	102	-
Consolidation excess	53,723	53,723
<u>May only be used to offset deficit</u>		
Recognizes changes in the ownership interests in subsidiaries	2,610	-
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	101	101
<u>May not be used for any purpose</u>		
Share options	<u>251,558</u>	<u>-</u>
	<u>\$ 1,088,799</u>	<u>\$ 934,183</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares), bonds conversion of excess, consolidation excess and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, please refer to Note 19 f: Compensation of employees and remuneration of directors and supervisors.

In consideration of the operating environment and business growth, the Company distributed dividends both by cash and by stock to meet the capital needs for the Company's present and future expansion plans and to satisfy stockholders' cash flow requirements. In principle, cash dividends should not be lower than 10% of total dividends distributed.

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

The appropriations of earnings for 2022 and 2021 had been approved in the shareholders' meetings on June 19, 2023 and June 17, 2022, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2022	2022	2022
Legal reserve	\$ 47,307	\$ 78,124		
Special reserve	(62,589)	1,249		
Cash dividends	458,412	398,619	\$ 4.6	\$ 4.0

The Company's shareholders also resolved in the shareholders' meeting on June 19, 2023 and July 17, 2022 to issue cash dividends of \$99,654 thousand, respectively, from the capital surplus.

d. Other equity items

Unrealized valuation loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (1,424)	\$ -
Recognized for the year		
Share of profit or loss of subsidiaries accounted for using equity method	<u>1,754</u>	<u>(1,424)</u>
Other comprehensive income (loss) recognized in the period	<u>1,754</u>	<u>(1,424)</u>
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	<u>(330)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ (1,424)</u>

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ (139,742)	\$ (203,755)
Exchange differences on translation of the financial statements of foreign operations	(482)	1,708
Share from subsidiaries and associates accounted for using the equity method	<u>(103,996)</u>	<u>62,305</u>
Other comprehensive (loss) income recognized for the year	<u>(104,478)</u>	<u>64,013</u>
Partial acquisition of interests in subsidiaries	<u>2,730</u>	<u>-</u>
Balance at December 31	<u>\$ (241,490)</u>	<u>\$ (139,742)</u>

18. NET REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from products sales	<u>\$ 2,887,430</u>	<u>\$ 2,671,927</u>

19. NET PROFIT AND OTHER COMPREHENSIVE INCOME

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits and loans to related parties	<u>\$ 1,418</u>	<u>\$ 338</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Rent income	\$ 816	\$ 223
Premium income	121,661	120,535
Dividend income	2,826	51
Others	<u>22,800</u>	<u>19,753</u>
	<u>\$ 148,103</u>	<u>\$ 140,542</u>

The unrealized gain on disposal of equipment to a subsidiary in prior years was reclassified to realized gain of \$5,523 thousand and \$5,339 thousand in 2023 and 2022, respectively, and was recognized as other income - other.

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain (loss) on financial instruments at FVTPL	\$ 10,498	\$ (83)
Loss on disposal of investments	(2,730)	-
Net foreign exchange (losses) gains	(17,694)	42,074
Gain from bargain purchases (Note 22)	-	15,341
(Loss) gain on disposal of property, plant and equipment	(25)	661
Other losses	<u>(967)</u>	<u>(685)</u>
	<u>\$ (10,918)</u>	<u>\$ (57,308)</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 109,488	\$ 78,160
Investment properties	4	4
Right-of-use assets	6,309	11,794
Intangible assets and others	<u>19,598</u>	<u>4,000</u>
	<u>\$ 135,399</u>	<u>\$ 93,958</u>
An analysis of depreciation by function		
Operating costs	\$ 89,445	\$ 68,380
Operating expenses	<u>26,356</u>	<u>13,784</u>
	<u>\$ 115,801</u>	<u>\$ 82,164</u>
An analysis of amortization by function		
Operating costs	\$ 9,011	\$ 5,373
Operating expenses	<u>10,587</u>	<u>6,421</u>
	<u>\$ 19,598</u>	<u>\$ 11,794</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term benefits	\$ 530,371	\$ 483,495
Post-employment benefits (Note 16)		
Defined contribution plans	16,324	14,542
Defined benefit plans	<u>1,077</u>	<u>1,127</u>
	<u>17,401</u>	<u>15,669</u>
Remuneration of directors	<u>20,953</u>	<u>19,595</u>
Other employee benefits	<u>29,114</u>	<u>26,735</u>
Total employee benefits expense	<u>\$ 597,839</u>	<u>\$ 545,494</u>

(Continued)

	For the Year Ended December 31	
	2023	2022
An analysis of employee benefits expense by function		
Operating costs	\$ 299,960	\$ 276,252
Operating expenses	<u>297,879</u>	<u>269,242</u>
	<u>\$ 597,839</u>	<u>\$ 545,494</u>
		(Concluded)

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of 1%-10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March 12, 2024 and March 24, 2023, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	3.61%	3.52%
Remuneration of directors	0.91%	0.86%

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 43,727	\$ 40,222
Remuneration of directors	11,075	9,891

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAX

- a. Major components of tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2023	2022
<u>Current tax</u>		
In respect of the current year	\$ 246,265	\$ 107,825
Income tax on unappropriated earnings	28,040	15,162
Adjustments for prior years	<u>(16,862)</u>	<u>(27,155)</u>
	257,443	95,832
<u>Deferred tax</u>		
In respect of the current year	<u>(23,097)</u>	<u>(2,135)</u>
Income tax expense recognized in profit or loss	<u>\$ 234,346</u>	<u>\$ 93,697</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before income tax	<u>\$ 1,155,567</u>	<u>\$ 1,093,598</u>
Income tax expense calculated at the statutory rate	\$ 231,113	\$ 218,720
Tax exempt income	(107,171)	(116,125)
Unrecognized deductible temporary differences	658	3,095
Income tax on unappropriated earnings	28,040	15,162
Repatriations of subsidiaries investment income	98,568	-
Adjustments for prior years' tax	<u>(16,862)</u>	<u>(27,155)</u>
Income tax expense recognized in profit or loss	<u>\$ 234,346</u>	<u>\$ 93,697</u>

- b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	<u>\$ 862</u>	<u>\$ (1,005)</u>

- c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	<u>\$ 28,782</u>	<u>\$ 22,242</u>
Current tax liabilities		
Income tax payable	<u>\$ 175,312</u>	<u>\$ 68,660</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 5,735	\$ 18	\$ 862	\$ 6,615
Allowance for inventory losses	4,327	615	-	4,942
Unrealized exchange losses	-	4,488	-	4,488
Others	<u>23,664</u>	<u>15,763</u>	<u>-</u>	<u>39,427</u>
	<u>\$ 33,726</u>	<u>\$ 20,884</u>	<u>\$ 862</u>	<u>\$ 55,472</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 150,799	\$ -	\$ -	\$ 150,799
Unrealized exchange gains	<u>2,213</u>	<u>(2,213)</u>	<u>-</u>	<u>-</u>
	<u>\$ 153,012</u>	<u>\$ (2,213)</u>	<u>\$ -</u>	<u>\$ 150,799</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 6,759	\$ (19)	\$ (1,005)	\$ 5,735
Allowance for inventory losses	4,927	(600)	-	4,327
Others	<u>22,967</u>	<u>697</u>	<u>-</u>	<u>23,664</u>
	<u>\$ 34,653</u>	<u>\$ 78</u>	<u>\$ (1,005)</u>	<u>\$ 33,726</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 150,799	\$ -	\$ -	\$ 150,799
Unrealized exchange gains	<u>-</u>	<u>2,213</u>	<u>-</u>	<u>2,213</u>
	<u>\$ 150,799</u>	<u>\$ 2,213</u>	<u>\$ -</u>	<u>\$ 153,012</u>

e. Income tax assessments

The Company's tax returns through 2021 have been assessed by the tax authorities. The Company includes Hong Kong branch's income in the calculation of its taxable income during tax declaration each year, and applied for tax refund after attestation by a local organization in Hong Kong recognized by the ROC. As of December 31, 2023, the Company applied for refund of tax through 2021, which was approved by the tax authorities through 2019. As of December 31, 2023 and 2022, tax refund receivables amounted to \$28,782 thousand and \$22,242 thousand, respectively.

21. EARNINGS PER SHARE

	For the Year Ended December 31	
	2023	2022
Basic earnings per share	<u>\$ 9.24</u>	<u>\$ 10.03</u>
Diluted earnings per share	<u>\$ 9.04</u>	<u>\$ 10.00</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Earnings used in the computation of basic earnings per share	\$ 921,221	\$ 999,901
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>11,237</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 932,458</u>	<u>\$ 999,901</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	99,656	99,654
Effect of potentially dilutive ordinary shares:		
Convertible bonds	3,114	-
Compensation of employees	<u>338</u>	<u>350</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>103,108</u>	<u>100,004</u>

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted 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.

22. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Shang Ho Industry Co., Limited	Manufacture of plastic connectors and molds	June 1, 2022	100	<u>\$ 63,500</u>
Joywell Corporation Limited	Investment	June 1, 2022	100	<u>\$ 91,392</u>

In June 2022, Shang Ho Industry and Eagle Good were acquired in order to continue the expansion of the Company's activities in automotive products

b. Consideration transferred

	Shang Ho Industry Co., Limited	Joywell Corporation Limited
Cash	<u>\$ 63,500</u>	<u>\$ 91,392</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Shang Ho Industry Co., Limited	Joywell Corporation Limited
Current assets		
Cash and cash equivalents	\$ 28,433	\$ 8,360
Financial assets at fair value through profit or loss - current	17,794	-
Trade and other receivables	29,588	107,451
Inventories	18,802	62,416
Prepayments and other current assets	1,408	26,332
Non-current assets		
Financial assets at fair value through other comprehensive income - non-current	5,668	-
Property, plant and equipment	384	13,989
Right-of-use assets	6,301	4,727
Other intangible assets	3,313	-
Deferred tax assets	9,010	-
Other non-current assets	1,178	28,226
Current liabilities		
Short-term borrowings	(20,000)	-
Trade payables and other payables	(22,052)	(119,281)
Other current liabilities	(250)	(30,540)
Non-current liabilities		
Lease liabilities	<u>(6,330)</u>	<u>(4,694)</u>
	<u>\$ 73,247</u>	<u>\$ 96,986</u>

The gain recognized in bargain purchase transaction from the acquisition of Shang Ho Industry and Eagle Good by the Group in June 2022, was \$1,498 thousand and \$5,594 thousand, respectively. In 2022, the Group revalued the fair value of the identifiable net assets acquired from the acquisition of Shang Ho Industry and Eagle Good, and the gain recognized in bargain purchase transaction was \$9,747 thousand and \$5,594 thousand, respectively. The bargain purchase benefit is the difference between the amount of consideration transferred and the fair value of identifiable net assets acquired, and is recognized in profit or loss in 2022.

d. Net cash outflow on the acquisition of subsidiaries

	Shang Ho Industry Co., Limited	Joywell Corporation Limited
Consideration paid in cash	\$ 63,500	\$ 91,392
Less: Cash and cash equivalent balances acquired	<u>(28,433)</u>	<u>(8,360)</u>
	<u>\$ 35,067</u>	<u>\$ 83,032</u>

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged in the reporting period.

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

The Company is not subject to any externally imposed capital requirements.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management believes the carrying amounts of financial assets and financial liabilities not carried at fair values approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 91,805	\$ -	\$ -	\$ 91,805
Mutual funds	<u>7,334</u>	<u>-</u>	<u>-</u>	<u>7,334</u>
	<u>\$ 99,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,139</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Redemption rights and put options	\$ -	\$ -	\$ 2,400	\$ 2,400 (Concluded)

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 370	\$ -	\$ -	\$ 370
Forward exchanges contracts	-	73	-	73
	\$ 370	\$ 73	\$ -	\$ 443

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial instruments

December 31, 2023

**For the Year
Ended
December 31,
2023**

Financial liabilities at FVTPL

Balance at January 1, 2023	\$ -
Additions due to issuance of corporate bonds	600
Recognized in profit or loss (included in other gains and losses)	<u>1,800</u>
Balance at December 31, 2023	<u>\$ 2,400</u>

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

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

Financial Instrument	Valuation Technique and Inputs
Redemption rights and put options	The binary tree convertible bond evaluation model is used for the evaluation of financial instruments, and the material unobservable inputs are the risk-free rate, stock price and volatility.

The risk-free rate applied on December 31, 2023 was 1.1373%, the stock price was \$159.00 and the volatility was 26.48%.

If all the other variables were held constant, the fair value would increase (decrease) as follows:

Significant Unobservables	Number of Changes (+/-)	Number of Influences
Risk-free interest rate	Rise 10 bp Fell 10 bp	\$ (20) 20
Shares	Rise 7% Fell 7%	140 (160)
volatility	Rise 1% Fell 1%	10 (40)

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 99,139	\$ 443
Financial assets at amortized cost (1)	2,383,782	1,758,303
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	2,400	-
Financial liabilities at amortized cost (2)	2,797,907	2,855,902

- 1) The balances include financial assets measured at amortized cost, which comprised cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and part of other non-current assets.
- 2) The balances include financial liabilities measured at amortized cost, which comprised short-term loans, notes payable, trade payables, trade payables from related parties, other payables, other payables from related parties, bonds payable and other non-current liabilities.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		RMB Impact	
	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31	For the Year Ended December 31
	2023	2022	2023	2022
Profit or loss	\$ 11,341	\$ 21,390	\$ 2,911	\$ 38,699

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates.

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	2022
Fair value interest rate risk		
Financial assets	\$ 49,128	\$ -
Financial liabilities	770,000	2,111,000
Cash flow interest rate risk		
Financial assets	229,742	126,993

Sensitivity analysis

The sensitivity analyses were determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The Company's floating-rate financial assets were demand deposits, which fluctuated moderately, and accordingly the Company was exposed to low interest rate risk. On the other hand, no floating-rate liabilities were held at the end of the reporting period, and no related sensitivity analysis was performed.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by related departments such as executive vice president, internal auditors, and financial accounting.

The Company performs ongoing credit evaluation on the financial condition of trade receivables.

Except for Dongguan Hulane Puguang Trading and Dongguan Hulane Electronics Technology, the Company does not have significant credit risk exposure to any single counterparty or any group of counterparties. When the counterparties are associates, the Company defines them as similar counterparties. As of December 31, 2023 and 2022, the trade receivables of Dongguan Hulane Puguang Trading amounted to \$1,474,440 thousand and \$629,502 thousand, respectively; the trade receivables of Dongguan Hulane Electronics Technology amounted to \$223 thousand and \$205,292 thousand, respectively. In 2023 and 2022, the Company's credit risk in Dongguan Hulane Puguang Trading amounted to 59% and 36% of total monetary assets, respectively; the Company's credit risk in Dongguan Hulane Electronics Technology amounted to 0% and 12% of total monetary assets, respectively; the Company's credit risk in other counterparties does not exceed 2% of total monetary assets.

The Company's credit risk is mainly in Dongguan Hulane Puguang Trading and Dongguan Hulane Electronics Technology. As of December 31, 2023 and 2022, the percentages of total receivables from related parties were 83% and 51% for Dongguan Hulane Puguang Trading and 0% and 17% for Dongguan Hulane Electronics Technology, respectively.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized financing facilities set out in (b) below.

a) Liquidity and interest risk rate tables

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

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2023

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 100,454	\$ 133,532	\$ 408,287	\$ 1,499,900	\$ -
Lease liabilities	599	1,198	4,984	6,482	-
Fixed interest rate liabilities	<u>300,808</u>	<u>200,806</u>	<u>270,962</u>	<u>-</u>	<u>-</u>
	<u>\$ 401,861</u>	<u>\$ 335,536</u>	<u>\$ 684,233</u>	<u>\$ 1,506,382</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 98,828	\$ 348,535	\$ 297,539	\$ -	\$ -
Lease liabilities	440	865	3,578	8,253	-
Fixed interest rate liabilities	<u>1,101,535</u>	<u>1,012,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,200,803</u>	<u>\$ 1,361,846</u>	<u>\$ 301,117</u>	<u>\$ 8,253</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unsecured bank overdraft facilities, reviewed annually		
Amount used	\$ 770,000	\$ 1,211,000
Amount unused	<u>1,164,583</u>	<u>315,390</u>
	<u>\$ 1,934,583</u>	<u>\$ 1,526,390</u>
Secured bank overdraft facilities		
Amount used	\$ -	\$ 900,000
Amount unused	<u>900,000</u>	<u>-</u>
	<u>\$ 900,000</u>	<u>\$ 900,000</u>

25. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in other notes, details of transactions between the Company and related parties are disclosed below.

a. Related parties and their relationships with the Company

<u>Related Party</u>	<u>Relationship with the Company</u>
Hu Lane Electronic (Nanjing) Co., Limited	Subsidiary
Hu Lane Electronic (Vietnam) Co., Limited	Subsidiary
Evervalue Investments Limited	Subsidiary
Telford Investments Limited	Subsidiary
Joywell Corporation Limited	Subsidiary
Dongguan Hu Lane Puguang Trading Co., Limited	Subsidiary
Dongguan Hu Lane Electronic Technology Co., Limited	Subsidiary
Fortune Master Development Limited	Subsidiary
PT.HULANE TECH MANUFACTURING	Subsidiary
Shang Ho Industry Co., Limited (has been merged and dissolved)	Subsidiary

(Continued)

Related Party	Relationship with the Company
Jiaxing Shangho Electrics Technology Co., Ltd	Subsidiary
HuLane Associate Inc. Europe S.r.l.	Subsidiary
Lear (China) Holding Limited	Association
Shenzhen Lianjie Industrial Co., Ltd	Related party in substance (became related party since the second quarter in 2023) (Concluded)

b. Operating revenue

Related Party	For the Year Ended December 31	
	2023	2022
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 1,627,766	\$ 626,713
Dongguan Hu Lane Electronic Technology Co., Limited	656	631,312
PT.HULANE TECH MANUFACTURING	52,499	40,926
Hu Lane Electronic (Vietnam) Co., Limited	20,514	85,259
Hu Lane Electronic (Nanjing) Co., Limited	-	2,358
Shang Ho Industry Co., Limited	2,950	2,280
HuLane Associate Inc. Europe S.r.l.	<u>584</u>	<u>-</u>
	<u>\$ 1,704,969</u>	<u>\$ 1,388,848</u>

The Company mainly sales connectors and terminals for related parties. The transaction prices are based on cost and are negotiated by both parties with reference to market conditions. Except for Dongguan Hulane Puguang Trading and Dongguan Hu Lane Puguang Trading, which have credit terms of 365 days per month, the average credit terms for the rest are 90 days, which are similar to 60 days per month for non-related parties.

The (unrealized) realized gross profit from sales was \$(82,578) thousand and \$(3,627) thousand in 2023 and 2022, respectively. The unrealized gross profit will be reclassified to realized gross profit from sales when the inventories are transferred to unrelated parties.

c. Purchases

Related Party	For the Year Ended December 31	
	2023	2022
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 117,401	\$ 51,711
Dongguan Hu Lane Electronic Technology Co., Limited	147,973	286,594
Hu Lane Electronic (Nanjing) Co., Limited	200,433	219,162
Hu Lane Electronic (Vietnam) Co., Limited	126,720	160,556
PT.HULANE TECH MANUFACTURING	10,968	4,477
Shang Ho Industry Co., Limited	<u>430</u>	<u>378</u>
	<u>\$ 603,925</u>	<u>\$ 722,878</u>

The Company mainly purchases connectors and terminals from related parties. The transaction prices are based on cost and are negotiated by both parties with reference to market conditions. The payment terms between the Company and the related parties are 90 days per month, which are similar to 60 days per month for non-related parties.

d. Trade receivables from related parties

Related Party	For the Year Ended December 31	
	2023	2022
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 1,474,440	\$ 629,502
Dongguan Hu Lane Electronic Technology Co., Limited	223	205,292
PT.HULANE TECH MANUFACTURING	23,451	33,238
Hu Lane Electronic (Vietnam) Co., Limited	20,306	96,238
Hu Lane Electronic (Nanjing) Co., Limited	-	59
Shang Ho Industry Co., Limited	-	1,373
HuLane Associate Inc. Europe S.r.l.	<u>581</u>	<u>-</u>
	<u>\$ 1,519,001</u>	<u>\$ 965,702</u>

e. Other receivables

Related Party	For the Year Ended December 31	
	2023	2022
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 11,882	\$ 12,359
Hu Lane Electronic (Nanjing) Co., Limited	68,174	58,227
PT.HULANE TECH MANUFACTURING	7,615	7,949
Hu Lane Electronic (Vietnam) Co., Limited	132,610	180,231
Dongguan Hu Lane Electronic Technology Co., Limited	56,692	69,889
Evervalue Investments Limited	8	-
Jiaxing Shangho Electrics Technology Co., Ltd	<u>256</u>	<u>264</u>
	<u>\$ 277,237</u>	<u>\$ 328,919</u>

Other receivables represent payments paid by the Company on behalf of related parties and other payments.

f. Trade payables to related parties

Related Party	For the Year Ended December 31	
	2023	2022
Shang Ho Industry Co., Limited	\$ -	\$ 191
Hu Lane Electronic (Nanjing) Co., Limited	67,031	78,666
Dongguan Hu Lane Electronic Technology Co., Limited	45,962	68,442
Hu Lane Electronic (Vietnam) Co., Limited	11,880	81,429
PT.HULANE TECH MANUFACTURING	2,849	27
Dongguan Hu Lane Puguang Trading Co., Limited	<u>36,252</u>	<u>51,655</u>
	<u>\$ 163,974</u>	<u>\$ 280,410</u>

g. Other payables

Related Party	For the Year Ended December 31	
	2023	2022
Hu Lane Electronic (Nanjing) Co., Limited	\$ 913	\$ 405
Dongguan Hu Lane Puguang Trading Co., Limited	61	83
Dongguan Hu Lane Electronic Technology Co., Limited	-	29
Hu Lane Electronic (Vietnam) Co., Limited	96	-
Evervalue Investments Limited	<u>-</u>	<u>8,586</u>
	<u>\$ 1,070</u>	<u>\$ 9,103</u>

Other payables represent payments received by the Company on behalf of related parties, other payments and borrowings to related parties.

h. Disposal of property, plant and equipment

Related Party Category/Name	Price of Disposal		Unrealized Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2023	2022	2023	2022
Hu Lane Electronic (Nanjing) Co., Limited	\$ 9,897	\$ 9,477	\$ 317	\$ 677
Hu Lane Electronic (Vietnam) Co., Limited	12,893	21,315	(40)	4,703
PT.HULANE TECH MANUFACTURING	<u>953</u>	<u>1,128</u>	<u>68</u>	<u>108</u>
	<u>\$ 23,743</u>	<u>\$ 31,920</u>	<u>\$ 345</u>	<u>\$ 5,488</u>

i. Borrowing from related parties

Related Party	For the Year Ended December 31	
	2023	2022
Evervalue Investments Limited	<u>\$ -</u>	<u>\$ 8,586</u>

Interest expense

Related Party	For the Year Ended December 31	
	2023	2022
Evervalue Investments Limited	<u>\$ 41</u>	<u>\$ 484</u>

The Company obtained loans from related parties at rates comparable to market interest rates.

j. Endorsements and guarantees

Related Party	For the Year Ended December 31	
	2023	2022
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 375,450	\$ 255,080
Hu Lane Electronic (Vietnam) Co., Limited	99,177	99,193
Evervalue Investments Limited	92,115	92,130
PT.HULANE TECH MANUFACTURING	32,854	32,860
Hu Lane Electronic (Nanjing) Co., Limited	<u>129,810</u>	<u>110,200</u>
	<u>\$ 729,406</u>	<u>\$ 589,463</u>

k. Other transactions with related parties

The Company received the income of patent rights of \$57,061 thousand and \$49,764 thousand; \$57,571 thousand and \$65,070 thousand; \$3,225 thousand, \$3,241 thousand, \$3,804 thousand and \$2,460 thousand by Hu Lane Electronic (Nanjing), Dongguan Hulane, Hu Lane Electronic (Vietnam) and PT.HULANE TECH MANUFACTURING in 2023 and 2022, respectively, and recognized in other income.

l. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel in 2023 and 2022, were as follows:

	For the Year Ended December 31	
	2023	2022
Salaries and short-term employee benefits	\$ 95,676	\$ 85,218
Post-employment benefits	<u>2,076</u>	<u>1,853</u>
	<u>\$ 97,752</u>	<u>\$ 87,071</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2023	2022
Land	\$ 961,465	\$ 961,465
Buildings	<u>654,034</u>	<u>667,996</u>
	<u>\$ 1,615,499</u>	<u>\$ 1,629,461</u>

Land and buildings were recorded as property, plant and equipment.

27. SIGNIFICANT EVENTS: NONE

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	December 31					
	2023			2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 8,320	30.7050	\$ 255,464	\$ 18,034	30.71	\$ 553,824
EUR	1,215	33.9800	41,284	1,235	32.72	40,409
RMB	13,932	4.3270	60,282	215,873	4.408	951,568
Non-monetary items						
Associates accounted for using the equity method						
RMB	3,185	4.3270	13,783	2,842	4.4080	12,529
IDR	15,781,042	0.0020	31,562	17,138,484	0.0020	34,277
VND	213,523,833	0.0011	234,876	170,770,054	0.0013	222,001
EUR	398	33.9800	13,540	-	-	-
<u>Financial liabilities</u>						
Monetary items						
USD	933	30.7050	28,636	4,104	30.71	126,034
EUR	277	33.9800	7,698	138	32.72	4,515
RMB	479	4.3270	2,072	40,289	4.408	177,594

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currency	2023		2022	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (18,175)	1 (NTD:NTD)	\$ 44,125
HKD	3.9290 (HKD:NTD)	<u>481</u>	3,938 (HKD:NTD)	<u>(2,051)</u>
		<u>\$ (17,694)</u>		<u>\$ (42,074)</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments: (Note 7)
 - 10) Information on investees. (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 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: (Note 25, Tables 1, 2 and 8)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses: Note 25
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

TABLE 1

HU LANE ASSOCIATE INC.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Evervalue Investments Limited	PT. Hulane Tech. Manufacturing	Other receivables from related parties	Yes	\$ 55,269 (US\$ 1,800)	\$ 55,269 (US\$ 1,800)	\$ 55,269 (US\$ 1,800)	5.85%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 354,003 (Note 2)	\$ 354,003 (Note 2)
		Hu Lane Associate Inc.	Other receivables from related parties	Yes	8,586	-	-	1%	Short-term financing	-	Operations	-	None	-	354,003 (Note 2)	354,003 (Note 2)
2	Evervalue Investments Limited	Hu Lane Electronics ((Vietnam) Limited	Other receivables from related parties	Yes	61,410 (US\$ 2,000)	61,410 (US\$ 2,000)	61,410 (US\$ 2,000)	6%	Short-term financing	-	Operations	-	None	-	354,003 (Note 3)	354,003 (Note 3)

Note 1: a. Issuer is numbered 0.

 b. The investee companies are numbered starting with 1.

Note 2: According to the operating procedures of Evervalue Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Evervalue Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Evervalue Investments Limited, the total amount of financing provided does not exceed 20% of net value of Evervalue Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Evervalue Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Evervalue Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Evervalue Investments Limited. The rest is limited by 10% of current net value of Evervalue Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided should not exceed 40% of the net value of Evervalue Investments Limited, and the financing amount of individual borrowers should not exceed 40% of the net value of Evervalue Investments Limited.

Note 3: According to the operating procedures of Telford Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Telford Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Telford Investments Limited, the total amount of financing provided does not exceed 20% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Telford Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Telford Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Telford Investments Limited. The rest is limited by 10% of current net value of Telford Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided does not exceed 100% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed 100% of net value of Telford Investments Limited.

TABLE 2

HU LANE ASSOCIATE INC.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	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
		Name	Nature of Relationship										
0	Hu Lane Associate Inc. (Note 1)	Evervalue Investments Limited	Subsidiary of which more than 50% of its shares is held by the investor	\$ 1,213,429	\$ 92,115 (US\$ 3,000)	\$ 92,115 (US\$ 3,000)	\$ -	\$ -	1.52	\$ 2,426,888	Y	N	N
		Dongguan Hulane Puguang Trading Co., Ltd.	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	606,715	375,450 (US\$ 8,000) (CNY 30,000)	375,450 (US\$ 8,000) (CNY 30,000)	112,502	-	6.19	2,426,888	Y	N	Y
		Hulane Electronics (Vietnam) Limited	Subsidiary of which more than 50% of its shares is held by the investor	1,213,429	99,177 (US\$ 3,230)	99,177 (US\$ 3,230)	13,242	-	1.63	2,426,888	Y	N	N
		PT. Hulane Tech Manufacturing	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	606,715	32,854 (US\$ 1,070)	32,854 (US\$ 1,070)	-	-	0.54	2,426,888	Y	N	N
1	Hulane Electronics (Nanjing) Limited (Note 2)	Hu lane Electronic (Nanjing) Co., Ltd.	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	606,715	129,810 (CNY 30,000)	129,810 (CNY 30,000)	103,308	-	2.14	2,426,888	Y	N	Y
		Jiaxing Shanghe Electronic Technology Co., Ltd.	Investee company of which up to 100% of its ordinary shares is held by the Hu Lane Associate Inc. and its subsidiaries	130,809	108,175 (CNY 25,000)	108,175 (CNY 25,000)	31,312	108,175	8.27	523,236	N	N	Y

Note 1: The amount of endorsements or guarantee of Hu Lane Associate Inc. does not exceed 20% of current net value on the financial statements to a single company, excluding the subsidiaries of which more than 90% of its shares is held by Hu Lane Associate Inc. The rest is limited by 10% of current net value of Hu Lane Associate Inc.

Note 2: The amount of endorsements or guarantee of Hulane Electronics (Nanjing) does not exceed 20% of current net value on the financial statements to a single company, excluding the subsidiaries of which more than 90% of its shares is held by Hulane Electronics (Nanjing). The rest is limited by 10% of current net value of Hulane Electronics (Nanjing).

Note 3: The cumulative amount of Hu Lane Associate Inc. and Hulane Electronics (Nanjing)’s endorsements does not exceed 40% of current net value on the financial statements.

TABLE 3

HU LANE ASSOCIATE INC.

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Hu Lane Associate Inc.	<u>Domestic listed shares</u>							
	Chia Chang Co., Limited	-	Financial assets at fair value through profit or loss - current	10,451	\$ 455	-	\$ 455	
	HD Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss - current	700,000	91,350	-	91,350	
	<u>Mutual funds</u>							
	Allianz Global Investors US Short Duration High Income Bond Fund	-	Financial assets at fair value through profit or loss - current	850,494	7,334	-	7,334	

TABLE 4

HU LANE ASSOCIATE INC.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Hu Lane Associate Inc.	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	\$ (1,627,766)	(56)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	\$ 1,474,440	81	
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	(1,621,251)	(88)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	924,217	77	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	(1,770,188)	(83)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	373,601	73	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Sale	(147,715)	(8)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	45,962	4	
Hulane Electronics (Nanjing) Limited	Hu Lane Associate Inc.	Parent company	Sale	(199,634)	(9)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	67,031	13	
Hu Lane Electronics (Vietnam) Limited	Hu Lane Associate Inc.	Parent company	Sale	(125,520)	(25)	90 days	Not significantly different from general customers	Credit conditions adjusted based on Vietnam's trading practices	10,474	8	
Dongguan Hulane Electronics Technology	Hulane Electronics (Nanjing) Limited	Subsidiary	Sale	(100,374)	(2)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	32,361	1	
Hu Lane Electronics (Vietnam) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	(217,038)	(43)	270 days	Not significantly different from general customers	Credit conditions adjusted based on Vietnam's trading practice	96,414	78	
Dongguan Hulane Puguang Trading Co., Ltd.	Hu Lane Associate Inc.	Parent company	Sale	(130,369)	(2)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practice	37,734	1	
	Dongguan Hulane Electronics Technology	Subsidiary	Sale	(129,717)	(2)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	54,248	2	
Jiaxing Shangho Electrics Technology Co., Ltd.	Hulane Electronics (Nanjing) Limited	Subsidiary	Sale	(134,323)	(19)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	11,556	6	
	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	(254,186)	(36)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	74,600	37	
Dongguan Hulane Puguang Trading Co., Ltd.	Shenzhen Lianjie Industrial Co., Ltd	Related party in substance	Sale	(139,298)	(2)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	-	-	

TABLE 5

HU LANE ASSOCIATE INC.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	\$ 373,601	3.02	\$ -	-	\$ 226,562	\$ -
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	924,217	1.75	-	-	218,511	-
Hu Lane Associate Inc.	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	1,474,440	2.21	-	-	220,526	-

TABLE 6**HU LANE ASSOCIATE INC.****INFORMATION ON INVESTEEES****FOR THE YEAR ENDED DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Hu Lane Associate Inc.	Evervalue Investments Limited	Offshore Chambers, P.O. Box 217, Apia, Samoa	Investment	\$ 467,557	\$ 467,557	15,220	100.00	\$ 3,352,026	\$ 426,075	\$ 426,075	Note 1
	Telford Investments Limited	"	Investment	38,490	38,490	1,034	100.00	183,970	9,242	9,242	
	Joywell Corporation Limited	"	Investment	225,132	225,132	10,680	100.00	268,188	36,858	36,858	
	Hulane Electronics (Vietnam) Limited	Vietnam	Manufacturing	182,033	182,033	6,300	100.00	229,200	55,580	55,580	
	Shang Ho Industry Limited	Taiwan	Manufacturing	-	63,500	-	-	-	(9,593)	(9,593)	Note 3
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	15,472	15,472	800	12.31	22,370	32,061	7,395	Note 2
	HuLane Associate Inc. Europe S.r.l.	Italy	Manufacturing	14,689	-	500	90.00	13,541	(1,987)	(1,788)	
Evervalue Investments Limited	Fortune Master Development Limited	Hong Kong	Investment	277,993	277,993	9,400	100.00	1,911,386	276,898	276,898	
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	143,164	36,286	3,474	71.91	196,896	32,061	18,867	

Note 1: The acquisition was made through a merger on June 1, 2022.

Note 2: Established in May 2023.

Note 3: Hu Lane Associate's board of directors approved the planned merger with its 100%-owned subsidiary, Shang Ho Industry Co., Ltd. in May 2023 with the effective merger date on July 1, 2023, and Hu Lane Associate was the surviving entity.

TABLE 7

HU LANE ASSOCIATE INC.

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Hulane Electronics (Nanjing) Limited	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,500	Note 1	\$ 275,946	\$ -	\$ -	\$ 275,946	\$ 106,067	100.00	\$ 106,067	\$ 1,308,089	\$ 280,804
Dongguan Hulane Electronics Technology	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,000	Note 1	236,287	-	-	236,287	261,851	100.00	261,851	1,475,891	178,959
Dongguan Hulane Puguang Trading Co., Ltd.	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,600	Note 1	41,706	-	-	41,706	10,417	100.00	10,417	393,858	-
Lear (China) Holding Limited	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,500	Note 2	16,608	-	-	16,608	3,728	40.00	1,491	13,783	-
Jiaxing Shangho Electrics Technology Co., Ltd.	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 10,500	Note 3	133,740	-	-	133,740	36,857	100.00	36,857	268,169	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
US\$26,090 thousand (NT\$704,287 thousand)	US\$26,090 thousand	NT\$6,110,232 thousand × 60% = NT\$3,666,138 thousand

Note 1: Investment through companies incorporated in a third region.

Note 2: Direct investment by the Company.

Note 3: The acquisition through merger of Eagle Good Limited.

TABLE 8

HU LANE ASSOCIATE INC.

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 FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Amount	Price	Payment Terms	Comparison with Normal Transaction	Ending Balance	%	Unrealized (Gain) Loss
Hulane Electronics (Nanjing) Limited	Sales Purchase	\$ 2,051,443 263,979	Not significantly different from general customers Not significantly different from general customers	90-270 days 90 days	Not significantly different from general customers Credit conditions adjusted based on China’s trading practices	\$ 455,811 (48,172)	89 (16)	Note 2 -
Dongguan Hulane Puguang Trading Co., Ltd.	Sales Purchase	471,992 5,518,118	Not significantly different from general customers Not significantly different from general customers	90-180 days 180-365 days	Not significantly different from general customers Credit conditions adjusted based on China’s trading practices	238,862 (2,983,667)	8 (99)	Note 2 -
Dongguan Hulane Electronics Technology	Sales Purchase	1,803,344 139,879	Not significantly different from general customers Not significantly different from general customers	90-270 days 90-365 days	Not significantly different from general customers Credit conditions adjusted based on China’s trading practices	974,756 (59,501)	81 (13)	Note 2 -
Jiaxing Shangho Electrics Technology Co., Ltd.	Sales Purchase	389,050 78,491	Not significantly different from general customers Not significantly different from general customers	270 days 270 days	Not significantly different from general customers Credit conditions adjusted based on China’s trading practices	86,504 (80,171)	43 (36)	- -
Lear (China) Holding Limited	Purchase	132,609	Not significantly different from general customers	270 days	Credit conditions adjusted based on China’s trading practices	(62,386)	(91)	-

Note 1: All unrealized gains and losses with investee companies in mainland China were eliminated in the consolidated financial statements.

Note 2: Hulane Electronics (Nanjing) Limited had an unrealized balance of \$22,454 thousand through December 31, 2023; the unrealized balance of Dongguan Hulane Puguang Trading Co., Ltd. is \$179,020 thousand; the unrealized balance of Dongguan Hulane Electronics Technology is \$68,655 thousand.

TABLE 9**HU LANE ASSOCIATE INC.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2023****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng-Ching Hu	5,775,315	5.79

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation 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 (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.