

# **Niching Industrial Corporation and Subsidiaries**

## **Consolidated Financial Statements and Independent Auditors' Report**

**For the Years Ended December 31,2023 and 2022**

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For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

NICHING INDUSTRIAL CORPORATION

By:

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Chang Chun-Hui

President

March 7, 2024

## **Independent Auditors' Report**

To the Board of Directors and Shareholders of  
NICHING INDUSTRIAL CORP. :

### **Opinion**

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

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

### **Basis for Opinion**

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

## **Key Audit Matters**

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

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 are described as follows:

### **Commission Revenue Recognition**

The group recognizes commission revenue based on the degree of completion of services provided under contracts. Commission revenue is recognized by the company as an agent upon fulfilling contractual obligations, based on the expected right to commission revenue calculated according to the commission rate stipulated in the contract upon transfer of goods at the sales price. Since the transfer of goods is arranged by another party, and commission revenue represents a significant proportion of total operating income, the recognition of commission revenue is classified as a key audit matter. Refer to Notes 4, to the consolidated financial statements.

Our key audit procedures performed in respect of commission revenue recognition included the following:

1. We conducted control testing to understand the commission revenue recognition process and the design and implementation of related control systems;
2. We obtained commission contracts, orders, and shipment records provided by suppliers to confirm the authenticity of commission revenue recognition;
3. We Conducted calculations to verify the accuracy of commission revenue recognition.

### **Other Matter**

We have also audited the parent company only financial statements of Niching Industrial Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Done-Yuin Tseng, and Ting-Chien Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 7, 2024

#### Notice to Readers

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

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

**NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2023 AND 2022**

**(In Thousands of New Taiwan Dollars)**

ASSET	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 398,797	28	\$ 327,431	23
Notes receivable (Notes 4 and 5)	41	-	301	-
Trade receivables from unrelated parties(Notes 4, 5 and 7)	397,705	28	452,365	32
Trade receivables from related parties(Notes 4, 5 , 7 and 25)	45,727	3	79,882	6
Other receivables (Notes 4 and 25)	1,875	-	969	-
Inventories (Notes 4 and 8)	67,008	5	60,048	4
Other current assets	<u>7,061</u>	<u>-</u>	<u>5,933</u>	<u>-</u>
Total current assets	<u>918,214</u>	<u>64</u>	<u>926,929</u>	<u>65</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	64,603	5	52,425	4
Investments accounted for using the equity method (Notes 4 and 11)	198,831	14	204,822	14
Property, plant and equipment (Notes 4, 12 and 26)	223,341	16	226,154	16
Right-of-use assets (Notes 4 and 13)	8,997	1	4,668	-
Other intangible assets (Notes 4)	623	-	670	-
Deferred tax assets (Notes 4 and 21)	7,081	-	6,261	1
Prepaid investments	1,726	-	1,788	-
Other non-current assets (Notes 4)	<u>6,884</u>	<u>-</u>	<u>5,949</u>	<u>-</u>
Total non-current assets	<u>512,086</u>	<u>36</u>	<u>502,737</u>	<u>35</u>
<b>TOTAL</b>	<u>\$ 1,430,300</u>	<u>100</u>	<u>\$ 1,429,666</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 14 and 26)	\$ -	-	\$ 150,000	10
Notes payable	942	-	381	-
Trade payables	233,559	16	227,968	16
Other payables (Notes 15 and 20)	50,741	4	68,343	5
Current tax liabilities (Notes 4 and 21)	20,727	2	23,571	2
Lease liabilities - current (Notes 4, 13)	4,131	-	2,299	-
Other current liabilities	<u>4,170</u>	<u>-</u>	<u>7,275</u>	<u>1</u>
Total current liabilities	<u>314,270</u>	<u>22</u>	<u>479,837</u>	<u>34</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 21)	2,871	-	3,597	-
Lease liabilities - non-current (Notes 4 and 13)	5,058	-	2,477	-
Net defined benefit liabilities - non-current (Notes 4 and 16)	20,833	2	22,689	2
Guarantee deposits	<u>799</u>	<u>-</u>	<u>803</u>	<u>-</u>
Total non-current liabilities	<u>29,561</u>	<u>2</u>	<u>29,566</u>	<u>2</u>
Total liabilities	<u>343,831</u>	<u>24</u>	<u>509,403</u>	<u>36</u>
<b>EQUITY</b>				
Ordinary shares	441,146	31	391,146	27
Capital surplus	261,106	18	56,611	4
Retained earnings				
Legal reserve	143,923	10	124,129	9
Unappropriated earnings	250,760	18	343,159	24
Other equity				
Exchange differences on translation of foreign financial statements	( 8,826)	( 1)	( 7,370)	( 1)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	<u>( 1,640)</u>	<u>-</u>	<u>12,588</u>	<u>1</u>
Total equity	<u>1,086,469</u>	<u>76</u>	<u>920,263</u>	<u>64</u>
<b>TOTAL</b>	<u>\$ 1,430,300</u>	<u>100</u>	<u>\$ 1,429,666</u>	<u>100</u>

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

# NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4, 18 and 25)				
Sales revenue	\$ 838,853	86	\$ 876,778	83
Service revenue	<u>137,544</u>	<u>14</u>	<u>183,620</u>	<u>17</u>
SALES	976,397	100	1,060,398	100
 COST OF GOODS SOLD (Notes 8 and 19)	<u>720,641</u>	<u>74</u>	<u>749,449</u>	<u>71</u>
 GROSS PROFIT	<u>255,756</u>	<u>26</u>	<u>310,949</u>	<u>29</u>
 OPERATING EXPENSES				
Selling and marketing expenses (Notes 19)	76,877	8	83,014	8
General and administrative expenses (Notes 19)	68,632	7	72,029	6
Research and development expenses (Notes 19)	34,714	3	31,249	3
Expected credit loss (Notes 4, 5 and 7)	<u>254</u>	<u>-</u>	<u>600</u>	<u>-</u>
Total operating expenses	<u>180,477</u>	<u>18</u>	<u>186,892</u>	<u>17</u>
 PROFIT FROM OPERATIONS	<u>75,279</u>	<u>8</u>	<u>124,057</u>	<u>12</u>
 NON-OPERATING INCOME AND EXPENSES (Notes 4)				
Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 11)	18,914	2	59,972	6
Interest income	7,323	1	2,517	-
Rental income	4,774	1	4,990	-
Dividend income	1,008	-	2,351	-
Other income (Note 25)	4,683	-	2,123	-
Net foreign exchange gain (Notes 27)	1,292	-	40,741	4
Finance costs (Notes 19)	( 1,066)	-	( 2,044)	-
Other expenses	<u>( 363)</u>	<u>-</u>	<u>( 583)</u>	<u>-</u>
Total non-operating income and expenses	<u>36,565</u>	<u>4</u>	<u>110,067</u>	<u>10</u>
 PROFIT BEFORE INCOME TAX	111,844	12	234,124	22
 INCOME TAX EXPENSE (Notes 4 and 21)	<u>18,299</u>	<u>2</u>	<u>38,148</u>	<u>4</u>
 NET PROFIT FOR THE YEAR	<u>93,545</u>	<u>10</u>	<u>195,976</u>	<u>18</u>

(Continued)



# NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
(LOSS) (Note 4)				
Items that will not be reclassified				
subsequently to profit or loss:				
Unrealized gain (loss) on investment				
in equity instruments at fair value				
through other comprehensive				
income	(\$ 15,008)	( 2)	\$ 2,508	-
Remeasurement of defined benefit				
plans (Note 16)	1,924	-	2,450	-
Income tax relating to items that will				
not be reclassified subsequently to				
profit or loss (Note 21)	341	-	(1,572)	-
	(12,743)	( 2)	3,386	-
Items that may be reclassified				
subsequently to profit or loss:				
Exchange differences on translating				
foreign operations	( 475)	-	2,974	1
Exchange differences on translation,				
associates and joint ventures				
accounted for using equity method	( 981)	-	727	-
	(1,456)	-	3,701	1
Other comprehensive income for the				
year	(14,199)	( 2)	7,087	1
TOTAL COMPREHENSIVE INCOME FOR				
THE YEAR	\$ 79,346	8	\$ 203,063	19
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	93,545	10	195,976	18
Non-controlling interests	-	-	-	-
	\$ 93,545	10	\$ 195,976	18
TOTAL COMPREHENSIVE INCOME				
(ATTRIBUTABLE TO:				
Owners of the Corporation	79,346	8	203,063	19
Non-controlling interests	-	-	-	-
	\$ 79,346	8	\$ 203,063	19
EARNINGS PER SHARE (Note 22)				
Basic	\$ 2.16		\$ 5.01	
Diluted	\$ 2.16		\$ 4.98	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

**NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

	Equity Attributable to Owners of the Corporation					Other Equity		Total Equity
	Ordinary Shares (Note 17)	Capital Surplus (Note 17)	Retained Earnings (Note 17)			Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4 and 11)	Unrealized Gain (Loss) on Financial Through Other Comprehensive Income (Note 4 and 9)	
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2022	\$ 391,146	\$ 56,611	\$ 110,643	\$ 5,711	\$ 242,962	(\$ 11,071)	\$ 11,162	\$ 807,164
Appropriation of 2021 earnings								
Legal reserve	-	-	13,486	-	(13,486)	-	-	-
Special reserve	-	-	-	(5,711)	5,711	-	-	-
Cash dividends	-	-	-	-	(89,964)	-	-	(89,964)
Net profit for the year ended December 31, 2022	-	-	-	-	195,976	-	-	195,976
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	1,960	3,701	1,426	7,087
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	197,936	3,701	1,426	203,063
BALANCE AT DECEMBER 31, 2022	391,146	56,611	124,129	-	343,159	(7,370)	12,588	920,263
Appropriation of 2022 earnings								
Legal reserve	-	-	19,794	-	(19,794)	-	-	-
Cash dividends	-	-	-	-	(167,635)	-	-	(167,635)
Issuance of ordinary shares for cash	50,000	198,995	-	-	-	-	-	248,995
Share-based payments arrangements	-	5,500	-	-	-	-	-	5,500
Net profit for the year ended December 31, 2023	-	-	-	-	93,545	-	-	93,545
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	1,539	(1,456)	(14,282)	(14,199)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	95,084	(1,456)	(14,282)	79,346
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(54)	-	54	-
BALANCE AT DECEMBER 31, 2023	\$ 441,146	\$ 261,106	\$ 143,923	\$ -	\$ 250,760	(\$ 8,826)	(\$ 1,640)	\$ 1,086,469

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

# NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 111,844	\$ 234,124
Adjustments for:		
Depreciation expenses	16,369	15,158
Amortization expenses	47	84
Expected credit loss	254	600
Finance costs	1,066	2,044
Interest income	( 7,323)	( 2,517)
Dividend income	( 1,008)	( 2,351)
Share-based compensation	5,500	-
Share of profit or loss of subsidiaries and associates accounted for using the equity method	( 18,914)	( 59,972)
Loss on disposal of property, plant and equipment	6	163
Impairment income recognized on non-financial assets	( 1,047)	( 2,046)
Unrealized foreign currency exchange loss	3,011	3,483
Amortization of prepayments	1,786	1,758
Changes in operating assets and liabilities		
Notes receivable	260	( 98)
Trade receivables	82,439	( 27,530)
Other receivables	( 796)	510
Inventories	( 5,913)	8,792
Prepayments	( 549)	( 1,973)
Other current assets	( 558)	116
Notes payable	561	( 461)
Trade payables	8,587	( 36,207)
Other payables	( 17,715)	11,172
Other current liabilities	( 3,103)	2,848
Net defined benefit liabilities	<u>68</u>	<u>303</u>
Cash generated from operations	174,872	148,000
Interest received	7,206	2,047
Interest paid	( 1,066)	( 2,044)
Income tax paid	<u>( 22,348)</u>	<u>( 35,068)</u>
Net cash generated from operating activities	<u>158,664</u>	<u>112,935</u>

(Continued)

# NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES

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

	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(\$ 27,200)	\$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	14	-
Proceeds from sale of financial assets at amortized cost	-	2,610
Payments for property, plant and equipment	( 6,900)	( 5,196)
Increase in refundable deposits	( 542)	( 1,237)
Payments for intangible assets	-	( 497)
Increase in other non-current assets	( 2,193)	( 2,026)
Increase in prepayments for machinery and equipment	( 2,525)	( 6,303)
Dividends received	<u>24,932</u>	<u>14,141</u>
Net cash generated from (used in) investing activities	( <u>14,414</u> )	<u>1,492</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	170,000
Decrease in short-term borrowings	( 150,000)	( 146,671)
Decrease in guarantee deposit received	( 4)	( 455)
Repayment of the principal portion of lease liabilities	( 3,862)	( 3,018)
Dividends paid	( 167,635)	( 89,964)
Proceeds from issuance of ordinary shares	<u>248,995</u>	<u>-</u>
Net cash used in financing activities	( <u>72,506</u> )	( <u>70,108</u> )
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	( <u>378</u> )	<u>3,347</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>71,366</b>	<b>47,666</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>327,431</b></u>	<u><b>279,765</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 398,797</b></u>	<u><b>\$ 327,431</b></u>

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

(Concluded)

**NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31,2023 AND 2022**

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

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**1. GENERAL INFORMATION**

Niching Industrial Corporation (the “Company”) was incorporated in May 1993. Its main business activities include the import, export, trading, and manufacturing of various raw materials, components, and equipment required for the semiconductor and optoelectronic industries.

The Company obtained approval from the Financial Supervisory Commission (the "FSC") Securities and Futures Bureau for public issuance in August 1993. In June 1997, it was approved for listing on the Taipei Exchange. Subsequently, in September 1997, the Company's shares were officially listed and traded on the exchange.

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

**2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on March 7, 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 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 Group’s accounting policies.

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

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 16 “Lease 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 will be 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 consolidated financial statements were authorized for issue, the Group has assessed that the application of the above standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC.

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of above standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

- a. Statement of compliance

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

#### b. Basis of preparation

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

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

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

#### 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; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

#### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Refer to Note 10, Tables 2 and 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of the entities in the Group, transactions in currencies other than the entity's functional currency (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 on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries or associates in other countries that use currencies which are different from the Corporation) are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories consist of merchandise 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. The net realizable value is the estimated selling price of inventories less selling and marketing expenses to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Investment in associates

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

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

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not



amortized. Any excess of the Group'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 entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset.

When assessing impairment, the Group treats the entire carrying amount of an investment as a single asset and compares its recoverable amount with the carrying amount to conduct impairment testing. Any impairment loss recognized is also considered as a component of the carrying amount of the investment.

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

#### h. Property, plant, and equipment

Property, plant and equipment are measured at cost less recognized accumulated depreciation.

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.

#### i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. 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 estimate accounted for on a prospective basis.

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

#### j. Impairment of property, plant, and equipment, right-of-use assets and intangible assets

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

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

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

#### k. Financial instruments

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

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

##### 1) Financial assets

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

##### a) Measurement categories

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

##### i. Financial assets at FVTPL

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

Interest generated from financial assets measured at FVTPL is recognized as interest income. Any gains or losses arising from remeasurement are recognized in profit or loss. 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, notes receivable, trade receivables, and refundable deposits 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 financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; 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.

Credit losses on financial assets are significant financial difficulty of the issuer or borrower, a breach of contract, it becoming probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for the 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.

### iii. Investments in equity instruments at FVTOCI

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

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

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

## b) Impairment of financial assets

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

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

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

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

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

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

## c) Derecognition of financial assets

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

## 2) Equity instruments

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

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

## 3) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

## 1. Revenue recognition

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

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

For contract where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

### 1) Sales revenue

Sales revenue from the sale of raw materials and components required for the electronic semiconductor and optoelectronic industries. Since customers have established pricing and usage rights for the goods at the time of shipment, and assume the risk of obsolescence of the goods, the Group recognizes revenue at that point in time.

### 2) Service revenue

Service revenue is derived from providing services to arrange the transfer of goods to customers on behalf of another party. The Group forwards accepted customer orders to suppliers, who then directly ship the goods to the customers' specified locations. As the obligation is to arrange for the provision of goods by another party, the Group recognizes as revenue any fees or commissions expected to be received upon fulfillment of the obligation.

m. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by 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. 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 Group 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, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

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

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

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.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Rereasurement, 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. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit 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.

p. Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options; the expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

#### q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### 1) Current tax

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 the 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 calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

##### 3) Current and deferred tax for the year

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



## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact on the cash flow projection, growth rates, discount rates, profit abilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

### Key Sources of Estimation Uncertainty - Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 7 "Trade receivables". Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 1,044	\$ 1,094
Checking accounts and demand deposits	219,030	218,824
Cash equivalents		
Time deposits (investments with original maturities of 3 months or less)	<u>178,723</u>	<u>107,513</u>
	<u>\$ 398,797</u>	<u>\$ 327,431</u>
<u>Rate of interest per annum (%)</u>		
Cash in bank	0.001-1.45	0.001-1.7
Time deposits in bank	1.09-5	1.5-4

## 7. TRADE RECEIVABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
At amortized cost		
Gross carrying amount	\$ 444,547	\$ 533,108
Less: Allowance for impairment loss	( <u>1,115</u> )	( <u>861</u> )
	<u>\$ 443,432</u>	<u>\$ 532,247</u>

The average collection period for selling products and rendering services of the Group is 75 to 150 days, excluding accounts receivable. The Group 's policy is to only engage in transactions with counterparties rated investment grade or higher (inclusive), and to obtain sufficient collateral, if necessary, to mitigate the risk of financial loss due to defaults. The Group evaluates the creditworthiness of its major customers using publicly available financial information and historical transaction records. It continuously monitors credit exposures and the credit ratings of counterparties, and diversifies total transaction amounts among credit-rated qualified customers. Additionally, the management annually reviews and approves credit limits for counterparties to manage credit exposures.

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

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	<b>Less than 150 days</b>	<b>151 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
<u>December 31, 2023</u>				
Expected credit loss rate (%)	-	0.01-8.71	100	
Gross carrying amount	\$ 439,349	\$ 5,198	\$ -	\$ 444,547
Loss allowance	-	( 1,115 )	-	( 1,115 )
Amortized cost	<u>\$ 439,349</u>	<u>\$ 4,083</u>	<u>\$ -</u>	<u>\$ 443,432</u>
<u>December 31, 2022</u>				
Expected credit loss rate (%)	-	5	100	
Gross carrying amount	\$ 515,249	\$ 17,859	\$ -	\$ 533,108
Loss allowance	-	( 861 )	-	( 861 )
Amortized cost	<u>\$ 515,249</u>	<u>\$ 16,998</u>	<u>\$ -</u>	<u>\$ 532,247</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 861	\$ 261
Net remeasurement of loss allowance	254	600
Balance at December 31	<u>\$ 1,115</u>	<u>\$ 861</u>

## 8. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Merchandise	<u>\$ 67,008</u>	<u>\$ 60,048</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$720,641 thousand and \$749,449 thousand, respectively.

Operating costs include the following items:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Inventory reversal of impairment losses	<u>(\$ 1,047)</u>	<u>(\$ 2,046)</u>

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

<u>Name of Investee Company</u>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unlisted ordinary shares		
Advanced Processing Equipment Technology Co., Ltd. ( APET )	\$ 21,328	\$ 23,523
Global Simmtech Co., Ltd. ( GST )	17,713	19,148
Precision Chemtech Company Limited ( PCCL )	14,949	-
Eliting Technology Corporation ( ELITING )	10,490	8,979
QiangFang Technology Co., Ltd. ( QiangFang )	123	775
Promos Technologies Inc. ( ProMOS )	-	-
	<u>\$ 64,603</u>	<u>\$ 52,425</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In March 2023, the Board of Directors of the Group passed a resolution to dispose of all shares of ProMOS at a price of \$10 dollar per share, with a net selling price of \$14 thousand, and accumulated fair value changes of \$54 thousand transferred directly to retained earnings.

## 10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership	
			2023	2022
The Corporation	Advanced Corporation (Advanced)	Holding company	100	100
Advanced	Niching Co., LTD (Niching Suzhou)	Trading industry	100	100

The subsidiaries included in the consolidated financial statements for the years 2023 and 2022 are non-significant subsidiaries, and their financial statements have been audited by accountants.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee	December 31			
	2023		2022	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Private entity</u>				
Enplas niching technology corporation (ENPLAS)	\$147,716	30	\$149,298	30
STNC Hong Kong Holdings Limited (STNC)	<u>51,115</u>	30	<u>55,524</u>	30
	<u>\$198,831</u>		<u>\$204,822</u>	

The summarized financial information of ENPLAS has been prepared on the basis of its consolidated financial statements prepared in accordance with IFRS, the rest reflects the adjustments the Group made for equity accounting purposes.

	December 31	
	2023	2022
Total assets	<u>\$ 651,545</u>	<u>\$ 858,858</u>
Total liabilities	<u>\$ 158,666</u>	<u>\$ 360,700</u>
	For the Year Ended December 31	
	2023	2022
Revenue for the year	<u>\$ 1,225,012</u>	<u>\$ 1,822,801</u>
Profit for the year	<u>\$ 74,622</u>	<u>\$ 167,282</u>
Other comprehensive income for the year	<u>(\$ 306)</u>	<u>\$ 612</u>

The summarized financial information of STNC has been prepared on the basis of its consolidated financial statements prepared in accordance with IFRS, the rest reflects the adjustments the Group made for equity accounting purposes.

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Total assets	\$ <u>180,683</u>	\$ <u>203,646</u>
Total liabilities	\$ <u>10,301</u>	\$ <u>18,565</u>
<b>For the Year Ended December 31</b>		
	<b>2023</b>	<b>2022</b>
Revenue for the year	\$ <u>24,755</u>	\$ <u>60,207</u>
Profit for the year	(\$ <u>11,736</u> )	\$ <u>33,360</u>
Other comprehensive income for the year	(\$ <u>2,963</u> )	\$ <u>1,816</u>

The share of profit or loss and other comprehensive income from associates accounted for using the equity method for the years 2023 and 2022 is recognized based on the audited financial statements of each associate during the respective periods.

Refer to Table 2 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the joint ventures.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Assets used by the Company	\$ 151,078	\$ 152,718
Assets subject to operating leases	<u>72,263</u>	<u>73,436</u>
	<u>\$ 223,341</u>	<u>\$ 226,154</u>

### a. Assets used by the Company

	<b>For the Year Ended December 31, 2023</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Translation Adjustments</b>	<b>Ending Balance</b>
<b>Cost</b>						
Land	\$ 42,733	\$ -	\$ -	\$ -	\$ -	\$ 42,733
Buildings and improvements	122,990	1,000	-	-	-	123,990
Machinery and equipment	27,393	4,927	( 5,803)	2,587	-	29,104
Transportation equipment	5,186	-	( 1,270)	-	( 32)	3,884
Office equipment	7,701	1,081	( 286)	-	( 59)	8,437
Miscellaneous equipment	<u>58</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>( 1)</u>	<u>97</u>
	<u>206,061</u>	<u>\$ 7,048</u>	<u>( \$ 7,359)</u>	<u>\$ 2,587</u>	<u>( \$ 92)</u>	<u>208,245</u>
<b>Accumulated depreciation</b>						
Buildings and improvements	34,870	\$ 3,638	\$ -	\$ -	\$ -	38,508
Machinery and equipment	12,799	5,518	( 5,803)	-	-	12,514
Transportation equipment	2,778	777	( 1,270)	-	( 29)	2,256
Office equipment	2,844	1,311	( 280)	-	( 42)	3,833
Miscellaneous equipment	<u>52</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>( 1)</u>	<u>56</u>
	<u>53,343</u>	<u>\$ 11,249</u>	<u>( \$ 7,353)</u>	<u>\$ -</u>	<u>( \$ 71)</u>	<u>57,167</u>
	<u>\$ 152,718</u>					<u>\$ 151,078</u>

**For the Year Ended December 31, 2022**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Reclassified d of assets as operating lease assets</b>	<b>Reclassified of assets leased out under operating leases</b>	<b>Translation Adjustments</b>	<b>Ending Balance</b>
<u>Cost</u>								
Land	\$ 46,243	\$ -	\$ -	\$ -	(\$ 3,510)	\$ -	\$ -	\$ 42,733
Buildings and improvements	110,279	-	-	529	-	12,182	-	122,990
Machinery and equipment	25,245	737	( 476)	1,887	-	-	-	27,393
Transportation equipment	5,440	-	( 2,480)	2,186	-	-	40	5,186
Office equipment	5,363	4,471	( 2,290)	110	-	-	47	7,701
Miscellaneous equipment	58	-	-	-	-	-	-	58
	<u>192,628</u>	<u>\$ 5,208</u>	<u>(\$ 5,246)</u>	<u>\$ 4,712</u>	<u>(\$ 3,510)</u>	<u>\$ 12,182</u>	<u>\$ 87</u>	<u>206,061</u>
<u>Accumulated depreciation</u>								
Buildings and improvements	30,043	\$ 3,568	\$ -	\$ -	\$ -	\$ 1,259	\$ -	34,870
Machinery and equipment	8,025	5,250	( 476)	-	-	-	-	12,799
Transportation equipment	4,132	1,002	( 2,392)	-	-	-	36	2,778
Office equipment	3,870	1,151	( 2,215)	-	-	-	38	2,844
Miscellaneous equipment	52	-	-	-	-	-	-	52
	<u>46,122</u>	<u>\$ 10,971</u>	<u>(\$ 5,083)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,259</u>	<u>\$ 74</u>	<u>53,343</u>
	<u>\$ 146,506</u>							<u>\$ 152,718</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

**Buildings and improvements**

Main buildings	50 years
Decoration equipment	5-10 years
Machinery and equipment	2-8 years
Transportation equipment	3-7 years
Office equipment	3-11 years
Miscellaneous equipment	3-9 years

The Board of Directors of the Company approved the acquisition of the corporate operational headquarters on March 7, 2024, with a total contract price of \$371,580 thousand. The Chairman of the Board was authorized to handle all matters related to the subsequent acquisition of assets.

Property, plant and equipment used by the Company pledged as collateral for bank borrowings are set out in Note 26.

b. Assets subject to operating leases

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<u>Cost</u>				
Land	\$ 27,567	\$ -	\$ -	\$ 27,567
Buildings and improvements	58,215	-	-	58,215
	<u>85,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>85,782</u>
<u>Accumulated depreciation</u>				
Buildings and improvements	12,346	\$ 1,173	\$ -	13,519
	<u>\$ 73,436</u>			<u>\$ 72,263</u>

<b>For the Year Ended December 31, 2022</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reclassificat ion from self-use assets</b>	<b>Converted to self-use assets</b>	<b>Ending Balance</b>
<u>Cost</u>					
Land	\$ 24,057	\$ -	\$ 3,510	\$ -	\$ 27,567
Buildings and improvements	<u>70,397</u>	<u>-</u>	<u>-</u>	<u>(12,182)</u>	<u>58,215</u>
	<u>94,454</u>	<u>\$ -</u>	<u>\$ 3,510</u>	<u>(\$ 12,182)</u>	<u>85,782</u>
<u>Accumulated depreciation</u>					
Buildings and improvements	<u>12,432</u>	<u>\$ 1,173</u>	<u>\$ -</u>	<u>(\$ 1,259)</u>	<u>12,346</u>
	<u>\$ 82,022</u>				<u>\$ 73,436</u>

The Group leases certain office space and parking lots under operating leases, with lease terms of 1 to 5 years. Upon the termination of the lease period, the lessee has no bargain purchase option for the contacts.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	
Main buildings	50 years
Decoration equipment	5-10 years

Property, plant and equipment subject to operating leases pledged as collateral for bank borrowings are set out in Note 25.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amounts</u>		
Land	\$ 270	\$ 337
Buildings and improvements	3,571	385
Transportation equipment	<u>5,156</u>	<u>3,946</u>
	<u>\$ 8,997</u>	<u>\$ 4,668</u>
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 8,334</u>	<u>\$ 2,707</u>
Depreciation charge for right-of-use assets		
Land	\$ 67	\$ 68
Buildings and improvements	1,627	1,596
Transportation equipment	<u>2,253</u>	<u>1,350</u>
	<u>\$ 3,947</u>	<u>\$ 3,014</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amounts</u>		
Current	\$ 4,131	\$ 2,299
Non-current	\$ 5,058	\$ 2,477

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	5.84%	5.84%
Buildings and improvements	4.45%-4.75%	4.75%
Transportation equipment	5.74%-5.84%	5.74%-5.84%

c. Material leasing activities and terms

The Group leases certain land and transportation equipment with lease terms of 3 to 10 years. Upon the termination of the lease period, the Group has no renewal and bargain purchase option for the contacts.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	\$ 600	\$ 1,668
Expenses relating to low-value asset leases	\$ 85	\$ 99
Total cash outflow for leases	(\$ 4,925)	(\$ 4,972)

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

#### 14. SHORT-TERM BORROWINGS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Line of credit borrowings	\$ -	\$ 90,000
Secured short-term borrowings	-	60,000
	<u>\$ -</u>	<u>\$ 150,000</u>
<u>Effective annual interest rate (%)</u>		
Line of credit borrowings	-	1.67-1.88
Secured short-term borrowings	-	1.55-1.68



## 15. OTHER PAYABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Salaries and rewards	\$ 29,145	\$ 35,704
Compensation of employees and remuneration of directors	8,548	19,330
Payables for annual leave	3,467	3,467
Others	9,581	9,842
	<u>\$ 50,741</u>	<u>\$ 68,343</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.

Niching Suzhou Company participates in a social insurance scheme managed and coordinated by the local government. This scheme is a defined contribution plan, and the pension insurance premiums paid under the social insurance scheme are recognized as expenses in the year they are contributed.

Advanced Company is registered in the Samoa Islands, where there is no requirement to establish retirement plans or systems.

### b. Defined contribution plans

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

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 35,300	\$ 36,405
Net defined benefit liabilities	( <u>14,467</u> )	( <u>13,716</u> )
Net defined benefit liabilities	<u>\$ 20,833</u>	<u>\$ 22,689</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2022	<u>\$ 37,093</u>	( <u>\$ 12,257</u> )	<u>\$ 24,836</u>
Service cost			
Current service cost	567	-	567
Net interest expense (income)	<u>260</u>	( <u>87</u> )	<u>173</u>
Recognized in profit or loss	<u>827</u>	( <u>87</u> )	<u>740</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 935 )	( 935 )
Actuarial gain - changes in financial assumptions	( 1,277 )	-	( 1,277 )
Actuarial gain - experience adjustments	( <u>238</u> )	<u>-</u>	( <u>238</u> )
Recognized in other comprehensive income	( <u>1,515</u> )	( <u>935</u> )	( <u>2,450</u> )
Contributions from the employer	<u>\$ -</u>	( <u>\$ 437</u> )	( <u>\$ 437</u> )
Balance at December 31, 2022	<u>36,405</u>	( <u>13,716</u> )	<u>22,689</u>
Service cost			
Current service cost	258	-	258
Net interest expense (income)	<u>437</u>	( <u>169</u> )	<u>268</u>
Recognized in profit or loss	<u>695</u>	( <u>169</u> )	<u>526</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 124 )	( 124 )
Actuarial gain - experience adjustments	( <u>1,800</u> )	<u>-</u>	( <u>1,800</u> )
Recognized in other comprehensive income	( <u>1,800</u> )	( <u>124</u> )	( <u>1,924</u> )
Contributions from the employer	<u>-</u>	( <u>458</u> )	( <u>458</u> )
Balance at December 31, 2023	<u>\$ 35,300</u>	( <u>\$ 14,467</u> )	<u>\$ 20,833</u>

Through the defined benefit plans under the Labor Standards Act, the Group 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 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 plans' 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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rates	1.20%	1.20%
Expected rates of salary increase	3.00%	2.50%

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Discount rate		
0.1% increase	( \$ <u>236</u> )	( \$ <u>246</u> )
0.1% decrease	<u>\$ 239</u>	<u>\$ 249</u>
Expected rate of salary increase/decrease		
0.1% increase	<u>\$ 200</u>	<u>\$ 210</u>
0.1% decrease	( \$ <u>198</u> )	( \$ <u>208</u> )

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Expected contributions to the plan for the next year	<u>\$ 444</u>	<u>\$ 564</u>
Average duration of the defined benefit obligation	6.6 years	6.7 years

## 17. EQUITY

### a. Ordinary shares and Capital surplus

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Number of shares authorized (in thousands)	<u>50,000</u>	<u>50,000</u>
Shares authorized	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Number of shares issued and fully paid (in thousands)	<u>44,115</u>	<u>39,115</u>
Shares issued	<u>\$ 441,146</u>	<u>\$ 391,146</u>

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

On November 3, 2022, the Company's board of directors resolved to issue 5,000 thousand ordinary shares, with a par value of \$10, and authorized the chairman to handle subsequent matters. On January 5, 2023, the above transaction was approved by the SFB and FSC and the subscription base date set March 7, 2023, with approval from the chairman on February 2, 2023, for a consideration of \$160 per share.

According to the Company Act, the issuance of ordinary shares shall appropriate 10% of the total amount of new shares for subscription by employees. According to IFRS 2 "Share-based Payment", the Company recognized salary expense and capital surplus amounted to \$5,500 thousand in 2023.

### b. Capital surplus

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Issuance of ordinary shares	\$ 261,040	\$ 56,611
Invalid employee shares	<u>66</u>	<u>-</u>
	<u>\$ 261,106</u>	<u>\$ 56,611</u>

The capital surplus generated from donations and the excess of the issuance price over the par value of capital stock 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 dividends policy

Under the dividends 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, except when the legal reserve equals the Company's total issued capital, and 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. When the distribution is made by issuing new shares, it shall be distributed upon resolution at the shareholders' meeting. When it is made in cash, it shall be distributed upon resolution by the board of directors.

Dividends and bonuses or all or part of the statutory surplus reserve and capital reserve to be distributed by the Company in cash shall be distributed upon resolution by the board of directors attended by two-thirds or more of the directors and approved by more than half of the directors present, as stipulated in Article 240, Paragraph 5 of the Company Law, and shall be reported to the shareholders' meeting.

The Company's dividend policy is to distribute dividends in consideration of the current and future development plans, investment environment, funding needs, and domestic and international competitive conditions, while also taking into account shareholders' interests. When distributing shareholders' dividends, at least 40% of the distributable surplus for the year shall be allocated as shareholders' dividends, which may be in cash or stock, with cash dividends not being less than 10% of the total dividends.

For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19.

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 Company specifies that when the special reserve is allocated from the net deduction of other equity accumulated in the previous period, if there is a reversal of the deduction in the current year, the amount can only be allocated from the previous period's undistributed earnings.

The Company held board of directors in May 2023 and regular shareholders' meetings in June 2022 respectively and passed the earnings distribution proposals as

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 19,794	\$ 13,486
Special reserve	-	( 5,711 )
Cash dividends	167,635	89,964
Cash dividend per share (NT\$)	3.8	2.3

The above appropriation for cash dividends for 2022 was resolved by the Company's board of directors on March 16,2023; the other proposed appropriations were resolved by the shareholders in their meeting on June 15,2023.

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

	<b>For the Year Ended December 31, 2023</b>
Legal reserve	\$ 9,503
Special reserve	10,466
Cash dividends	101,464
Stock dividends	8,823
Cash dividend per share (NT\$)	2.3
Stock dividends per share (NT\$)	0.2

The above-mentioned cash dividends were approved by the Company's board of directors for distribution, and the other appropriation of earnings is subject to the resolution of the shareholders in their meeting held on June 13, 2024.

## 18. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Sales revenue		
Semiconductor products	\$ 468,620	\$ 499,329
Optoelectronics products	354,264	365,349
Other	<u>15,969</u>	<u>12,100</u>
	838,853	876,778
Service revenue	<u>137,544</u>	<u>183,620</u>
	<u>\$ 976,397</u>	<u>\$ 1,060,398</u>

### Contract information

	<b>December 31</b>		<b>January 1</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
Notes receivable and trade receivables	<u>\$ 443,473</u>	<u>\$ 532,548</u>	<u>\$ 509,756</u>

## 19. NET PROFIT FROM CONTINUING OPERATIONS

### a. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 688	\$ 1,857
Interest on lease liabilities	<u>378</u>	<u>187</u>
	<u>\$ 1,066</u>	<u>\$ 2,044</u>

b. Employee benefits expense, depreciation and amortization expenses

	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
<u>For the Year Ended December 31, 2023</u>			
Employee benefits			
Salaries and bonuses	\$ 2,666	\$ 108,312	\$ 110,978
Defined contribution plans	127	4,419	4,546
Defined benefit plans	28	498	526
Other employee benefits	444	12,252	12,696
Depreciation expenses	1,956	14,413	16,369
Amortization expenses	-	47	47
<u>For the Year Ended December 31, 2022</u>			
Employee benefits			
Salaries and bonuses	2,682	122,897	125,579
Defined contribution plans	125	4,295	4,420
Defined benefit plans	28	712	740
Other employee benefits	386	10,249	10,635
Depreciation expenses	2,330	12,828	15,158
Amortization expenses	-	84	84

## 20. 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 rates of no less than 2% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and the 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 in March 2024 and 2023, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Accrual rate</b>	<b>Amount</b>	<b>Accrual rate</b>	<b>Amount</b>
Compensation of employees	5%	\$ 6,020	5%	\$ 12,673
Remuneration of directors	2.1%	2,528	2.63%	6,657

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only 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 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 20,940	\$ 36,827
Income tax on unappropriated earnings	-	1,299
Adjustment for prior years	( 1,436)	706
	<u>19,504</u>	<u>38,832</u>
Deferred tax		
In respect of the current year	( 1,205)	( 684)
Income tax expense recognized in profit or loss	<u>\$ 18,299</u>	<u>\$ 38,148</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Income tax expense calculated at the statutory rate (20%)	\$ 23,526	\$ 47,555
Tax-exempt income	( 2,634)	( 10,682)
Income tax on unappropriated earnings	-	1,299
Adjustments for prior year's tax	( 1,157)	( 730)
Income tax expense recognized in profit or loss	<u>( 1,436)</u>	<u>706</u>
Income tax expense calculated at the statutory rate (20%)	<u>\$ 18,299</u>	<u>\$ 38,148</u>

Advanced Company, according to the laws of the Independent State of Samoa, is exempt from tax on its offshore income.

Niching Suzhou Company, in accordance with the Enterprise Income Tax Law of the People's Republic of China, is subject to an income tax rate of 25%.



b. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31, 2023</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 4,538	\$ 14	(\$ 385)	\$ 4,167
Unrealized foreign exchange loss	475	1,404	-	1,879
Unrealized inventory loss	590	( 213)	-	377
Payables for annual leave	<u>658</u>	<u>-</u>	<u>-</u>	<u>658</u>
	<u>\$ 6,261</u>	<u>\$ 1,205</u>	<u>(\$ 385)</u>	<u>\$ 7,081</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Gain from bargain purchase	\$ 1,469	\$ -	\$ -	\$ 1,469
Unrealized gains (loss ) from financial assets measured at fair value through other comprehensive income	<u>2,128</u>	<u>-</u>	<u>( 726)</u>	<u>1,402</u>
	<u>\$ 3,597</u>	<u>\$ -</u>	<u>(\$ 726)</u>	<u>\$ 2,871</u>
	<b>For the Year Ended December 31, 2022</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 4,967	\$ 61	(\$ 490)	\$ 4,538
Unrealized foreign exchange loss	244	231	-	475
Unrealized inventory loss	304	286	-	590
Payables for annual leave	<u>552</u>	<u>106</u>	<u>-</u>	<u>658</u>
	<u>\$ 6,067</u>	<u>\$ 684</u>	<u>(\$ 490)</u>	<u>\$ 6,261</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Gain from bargain purchase	\$ 1,469	\$ -	\$ -	\$ 1,469
Unrealized gains (loss ) from financial assets measured at fair value through other comprehensive income	<u>1,046</u>	<u>-</u>	<u>1,082</u>	<u>2,128</u>
	<u>\$ 2,515</u>	<u>\$ -</u>	<u>\$ 1,082</u>	<u>\$ 3,597</u>

c. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$36,097 thousand and \$33,665 thousand, respectively.

d. Income tax assessments

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

## 22. EARNINGS PER SHARE

	Net Income	Number of Shares (Denominator In Thousands)	Earnings Per Share NT\$
<u>For the year ended December 31, 2023</u>			
Basic earnings per share			
Net income available to owners of the Company	\$ 93,545	43,224	<u>\$ 2.16</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>100</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Corporation plus effect of potentially	<u>\$ 93,545</u>	<u>43,324</u>	<u>\$ 2.16</u>
<u>For the year ended December 31, 2022</u>			
Basic earnings per share			
Net income available to owners of the Company	\$ 195,976	39,115	<u>\$ 5.01</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>241</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Corporation plus effect of potentially	<u>\$ 195,976</u>	<u>39,356</u>	<u>\$ 4.98</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group 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.

## 23. CAPITAL MANAGEMENT

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

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

The Group is allowed not to follow other external laws or regulations on capital.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key

management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 24. FINANCIAL INSTRUMENTS

### a. Financial instruments that are not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and liabilities that are not measured at fair value approximate its fair value or its fair value cannot be reliably measured.

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

#### 1) Fair value hierarchy

<u>December 31, 2023</u>	<b>Level 1</b>	<b>Leve2</b>	<b>Leve3</b>	<b>Total</b>
Financial assets at fair value through other comprehensive income				
Domestic unlisted shares	\$ _____ -	\$ _____ -	\$ 64,603	\$ 64,603
 <u>December 31, 2022</u>				
Financial assets at fair value through other comprehensive income				
Domestic unlisted shares	\$ _____ -	\$ _____ -	\$ 52,425	\$ 52,425

There was no transfer of fair value measurements between Level 1 and Level 2 for 2023 and 2022.

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

	<b>Financial assets at fair value through other comprehensive income</b>	
	<b>Equity instruments</b>	
	<b>For the Year Ended December 31</b>	
<u>Financial assets</u>	<b>2023</b>	<b>2022</b>
Balance at the beginning of the year	\$ 52,425	\$ 49,917
Unrealized gains (loss ) from financial assets measured at fair value through other comprehensive income	( 15,008 )	2,508
Purchase	27,200	-
Proceed	( 14 )	-
Balance at the end of the year	\$ 64,603	\$ 52,425

#### 3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The securities of emerging stocks held by the Group have no market price reference and thus are evaluated under the cost approach and market approach. Its fair value is computed in reference to investment assets.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 848,559	\$ 864,831
Financial assets at FVTOCI	64,603	52,425
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	243,999	388,172

Balance of financial assets measured at amortized cost includes cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits, and other financial assets measured at amortized cost.

Balance of financial liabilities measured at amortized cost includes short term bank borrowings, notes payable, accounts payable, other payables, 1 and guarantee deposits received and other financial liabilities measured at amortized cost.

d. Financial risk management objectives and policies

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

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

i. Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 54 %~55 % of sales revenue is not denominated in functional currency and approximately 42 %~45 % of the cost is not denominated in functional currency. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group utilizes foreign exchange forward contracts to hedge its currency exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group'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. Numbers below indicate the change in pre-tax profit or equity associated with the New Taiwan dollar strengthening 5% against the relevant currency:

	<b>Impact of fluctuations in exchange rate on profit or loss</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
USD	\$ 15,708	\$ 21,729

ii. Interest rate risk

The Group is exposed to interest rate risk because the Group borrowed funds at both fixed and floating interest rates. borrowed money at both fixed and variable rate. The Group maintains an appropriate fixed and floating rate for portfolio to manage interest rate risk. The hedge is evaluated on a regular basis, which makes its point of view and the established risk preference identical, to ensure the most efficient hedging strategy is adopted.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 178,723	\$ 107,513
Lease liabilities	9,189	4,776
Cash flow interest rate risk		
Financial assets	218,188	218,715
Lease liabilities	-	150,000

### Sensitivity analysis

If interest rates had been 5% basis points higher/lower and all other variables been held constant, the Group's pretax profits for the years ended December 31, 2023 and 2022 would have increased/decreased by \$545 thousand and \$172 thousand, respectively. A 5% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- i. The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- ii. The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group uses other publicly available financial information and mutual transaction records to rate major customers, continuously monitoring credit exposure and counterparties' credit ratings. The total transaction amount is distributed among customers with qualified credit ratings, and the credit limits for each counterparty are reviewed and approved annually by management to control credit risk.

As of December 31, 2023 and 2022, the balances of accounts receivable from the top two customers were \$176,669 thousand and \$199,486 thousand, respectively. During 2023 and 2022, the concentration of credit risk for these companies did not exceed 23% of the total monetary assets, and the concentration of credit risk for other counterparties did not exceed 30% of the total monetary assets.

### 3) Liquidity risk

The ultimate responsibility for liquidity risk management lies with the board of directors. The Group has established an appropriate liquidity risk management framework to meet short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank financing facilities, borrowing commitments, continuously monitoring forecasted and actual cash flows, and planning to settle liabilities with financial assets of similar maturities. As of December 31, 2023 and 2022, the undrawn loan amounts are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Undrawn loan amounts	\$ 565,000	\$ 465,000

Liquidity and interest rate risk tables

The Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods is based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

	<b>Less Than 1 Year</b>	<b>More than 1 Years</b>
<u>Non-derivative financial liabilities</u>		
<u>December 31, 2023</u>		
Non-interest bearing	\$ 243,999	\$ -
Lease liabilities	<u>4,518</u>	<u>5,312</u>
	<u>\$ 248,517</u>	<u>\$ 5,312</u>
<u>December 31, 2022</u>		
Non-interest bearing	\$ 238,172	\$ -
Lease liabilities	2,508	2,622
Variable interest rate liabilities	<u>150,000</u>	<u>-</u>
	<u>\$ 390,680</u>	<u>\$ 2,622</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>
<u>December 31, 2023</u>			
Lease liabilities	<u>\$ 4,518</u>	<u>\$ 5,312</u>	<u>\$ -</u>
<u>December 31, 2022</u>			
Lease liabilities	<u>\$ 2,508</u>	<u>\$ 2,622</u>	<u>\$ -</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties are disclosed below.

### 1) Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Simmtech Co., Ltd. (Simmtech)	Other related party
Simmtech Graphics Co., Ltd. (STG)	Other related party
Simmtech international pte., Ltd. (SI)	Other related party
ENPLAS	Associate

2) Service revenue

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
SI	\$ 56,629	\$ 3,581
Simmtech	39,580	125,479
STG	1,466	15,478
	<u>\$ 97,675</u>	<u>\$ 144,538</u>

The commission rates for intermediary services provided above are not significantly different from those charged to non-related parties; the payment terms are also not materially different.

3) Non-operating income - other income

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Associate	\$ <u>55</u>	\$ <u>43</u>

4) Receivables to related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
SI		
Gross carrying amount	\$ 36,444	\$ 3,690
Less: Allowance for impairment loss	( 10)	( 3)
	<u>36,434</u>	<u>3,687</u>
Simmtech		
Gross carrying amount	9,495	71,939
Less: Allowance for impairment loss	( 202)	( 798)
	<u>9,293</u>	<u>71,141</u>
Others		
Gross carrying amount	-	5,055
Less: Allowance for impairment loss	-	( 1)
	<u>-</u>	<u>5,054</u>
	<u>\$ 45,727</u>	<u>\$ 79,882</u>

The Group has not secured guarantees for the outstanding receivables from related parties. For the years 2023 and 2022, allowances for doubtful accounts of \$(590) thousand and \$ 638 thousand, respectively, were (reversed) provided.

5) Other receivables

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Other related party		
Simmtech	\$ <u>515</u>	\$ <u>216</u>



6) Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 27,671	\$ 38,793
Post-employment benefits	399	392
Share-based payments	<u>1,364</u>	<u>-</u>
	<u>\$ 29,434</u>	<u>\$ 39,185</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 had been pledged or mortgaged as collateral for long-term bank loans:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	<u>\$ 67,553</u>	<u>\$ 68,699</u>

**27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

	<b>December 31</b>					
	<b>2023</b>			<b>2022</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>						
Monetary items						
USD	\$ 13,866	30.705	\$ 425,761	\$ 17,622	30.71	\$ 541,182
RMB	288	4.311	1,242	1,198	4.392	5,264
<u>Financial liabilities</u>						
Monetary items						
USD	3,634	30.705	111,596	3,471	30.71	106,593

The realized and unrealized net foreign exchange gains for the Group in 2023 and 2022 were \$1,292 thousand and \$40,741 thousand, respectively. Due to the diversity of foreign currency transactions, it is not feasible to disclose exchange gains and losses by individual significant foreign currencies.

## 28. SEPARATELY DISCLOSED ITEMS

### a. Information on significant transactions and investees:

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

### b. Information on investees: Table 2

### c. 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, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 4.
- 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:
  - i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 3.
  - ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3.
  - iii. The amount of property transactions and the amount of the resultant gains or losses: None.

- iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
  - v. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
  - vi. 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 receiving of services: Table 3.
- d. 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 5.

## 29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

### a. Segment revenue and results

	Domestic	Asia	Others	Adjustments and Eliminations	Consolidated
<u>For the Year Ended December 31, 2023</u>					
Income from customers other than the Company and consolidated subsidiaries	\$ 964,394	\$ 5,971	\$ 6,032	\$ -	\$ 976,397
Income from the Company and consolidated subsidiaries	<u>137</u>	<u>7,709</u>	<u>-</u>	<u>( 7,846)</u>	<u>-</u>
Total departmental income	<u>\$ 964,531</u>	<u>\$ 13,680</u>	<u>\$ 6,032</u>	<u>(\$ 7,846)</u>	<u>\$ 976,397</u>
Department profit and loss	<u>\$ 112,767</u>	<u>(\$ 4,552)</u>	<u>(\$ 6,753)</u>	<u>\$ 11,448</u>	<u>\$ 112,910</u>
Interest expense					<u>( 1,066)</u>
Net profit before tax from continuing operations					<u>\$ 111,844</u>
<u>December 31, 2023</u>					
Non-current assets	<u>\$ 235,543</u>	<u>\$ 5,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,948</u>
<u>For the Year Ended December 31, 2022</u>					
Income from customers other than the Company and consolidated subsidiaries	\$1,026,300	\$ 20,485	\$ 13,613	\$ -	\$1,060,398
Income from the Company and consolidated subsidiaries	<u>8,465</u>	<u>5,721</u>	<u>-</u>	<u>( 14,186)</u>	<u>-</u>
Total departmental income	<u>\$1,034,765</u>	<u>\$ 26,206</u>	<u>\$ 13,613</u>	<u>(\$ 14,186)</u>	<u>\$1,060,398</u>
Department profit and loss	<u>\$ 236,113</u>	<u>(\$ 2,970)</u>	<u>(\$ 8,919)</u>	<u>\$ 11,944</u>	<u>\$ 236,168</u>
Interest expense					<u>( 2,044)</u>
Net profit before tax from continuing operations					<u>\$ 234,124</u>
<u>December 31, 2022</u>					
Non-current assets	<u>\$ 236,213</u>	<u>\$ 2,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,560</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs and interest expense. This is the amount reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Non-current assets do not include investments accounted for using the equity method, financial instruments, deferred tax assets, and other intangible assets.

b. Segment assets

The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.

c. Major Products and Service Revenue

The main business operations of the Company and its subsidiaries involve the import, export, and sales of raw materials, components, and equipment required by various semiconductor and optoelectronic industries. All of these fall under a single category of products.

d. Information about major customers

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	\$ 293,245	30	\$ 283,977	27
Customer B	120,304	12	123,638	12
Customer C	111,649	11	112,616	11
Customer D	39,580	4	125,479	12

**TABLE 1****NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES****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	
The Company	Shares							
	APET	None	Financial assets at FVTOCI - non current	282,700	\$ 21,328	6	\$ 21,328	
	GST	Other related party	Financial assets at FVTOCI - non current	147,972	17,713	1	17,713	
	PCCL	None	Financial assets at FVTOCI - non current	1,360,000	14,949	17	14,949	
	ELITING	None	Financial assets at FVTOCI - non current	335,925	10,490	12	10,490	
	QiangFang	None	Financial assets at FVTOCI - non current	225,000	123	15	123	

Note: For information on the investments in subsidiaries and associates, see Tables 2 and 4.

**TABLE 2****NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

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			
The Company	Advanced	Samoa	General investment business and import-export trade	\$ 45,496	\$ 45,496	1,800,293	100	\$ 44,974	(\$ 6,753)	(\$ 6,753)	(Note 1)
	ENPLAS	Hsinchu City	Import and sale of electronic materials	52,621	52,621	633,000	30	147,716	74,622	22,435	
	STNC	Hongkong	General investment business and import-export trade	8,878	8,878	300,000	30	51,115	( 11,736)	( 3,521)	

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: For information on investments in mainland China, see Table 4.

**NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31,2023  
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty (Note 3)	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	Terms % to Total Sales or Assets
0	The Company	Advanced Niching Suzhou	Note 1 Note 1	Other income	\$ 39	—	-
				Sales	137	90 days	-
				Cost of goods sold	7,709	—	1
				Trade receivables	6	—	-
				Trade payables	2,111	—	-
				Other payables	479	—	-

Note 1: Parent company to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

**TABLE 4**

**NICHING INDUSTRIAL CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Investee Company (Note 1)	Main Businesses and Products	Paid in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023	Net Income Loss of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain Loss (Note 3)	Carrying Amount as of December 31, 2023 (Note 3)	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Niching Co., LTD	Wholesale, import and export, commission agency (excluding auctions), and related supporting businesses for equipment, materials, and parts required for the manufacturing of semiconductor, optoelectronic, electronic, and mechanical products.	\$ 64,492 (USD 2,100)	(Note 2)	\$ 53,366 (USD 1,735)	\$	\$	\$ 53,366 (USD 1,735)	(\$ 4,695)	100%	(\$ 4,695)	\$ 26,178	\$ -
Simmtech Niching (Suzhou) Co., Ltd.	Wholesale, import and export, commission agency (excluding auctions), and related supporting businesses for equipment, materials, and parts required for the manufacturing of semiconductor, optoelectronic, electronic, and mechanical products.	29,570 (USD 1,000)	(Note 2)	8,878 (USD 300)			8,878 (USD 300)	( 10,867)	30%	( 3,260)	52,460	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA(Note4)
\$ 62,244 ( USD 2,035 )	\$ 66,381 ( USD 2,100 )	\$ 651,881

Note 1: This investment project has been approved by the Investment Commission, with an investment amount of USD \$2,100 thousand. However, as of December 31, 2023, USD \$2,035 thousand has been remitted.

Note 2: Investment in Mainland China companies through a company invested and established in a third region.

Note 3: In accordance with reports audited by the CPA from the parent company.

Note 4: Limitation is calculated under 'Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China'.

Note 5: Significant intercompany accounts and transactions have been eliminated.

**TABLE 5****NICHING INDUSTRIAL CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Jutai Investment Co., Ltd.	3,791,247	8.59%

Note 1: The information on major shareholders disclosed in the table above was calculated by the Taiwan Depository & Clearing Corporation based on the number of ordinary and preference shares held by shareholders with ownership of 5% or greater, that had completed dematerialized registration and delivery (including treasury shares) as of the last business day of the current quarter. The share capital recorded in the Corporation's consolidated financial statements may differ from the number of shares that have completed dematerialized registration and delivery due to differences in the basis of preparation.

Note 2: If the above information is related to shareholders who have delivered their shares held to a trust, the information is separately disclosed by each trustor's account opened by the trustee. As for the declaration of insider shareholdings exceeding 10% in accordance with the securities and exchange act, the shareholdings include the shares held by the shareholder as well as those that have been delivered to the trust and for which the shareholder has the right to determine the use of trust property. For information on the declaration of insider shareholdings, refer to the Market Observation Post System website of the TWSE.