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**TAIWAN KONG KING CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT
AUDITORS
FOR THE YEARS ENDED
31 DECEMBER 2023 AND 2022**

Address: 5F-1, No.66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan R.O.C.
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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

English Translation of the Representation Letter Originally Issued in Chinese

The companies that are required to be included in the combined financial statements of Taiwan Kong King Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Kong King Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby certify

Taiwan Kong King Co., Ltd.

Chairman: HO, SHU-CHAN

12 March, 2024

Independent Auditors' Report Translated from Chinese

To TAIWAN KONG KING CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of TAIWAN KONG KING CO., LTD. (the “Company”) and its subsidiaries as of 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Audit and Attestation of Financial Statement by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of the other auditor, 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 2023 consolidated financial statements. 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.

Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company and its subsidiaries amounted to NT\$243,650 thousand and NT\$449 thousand as of 31 December 2023, respectively. The net amount of accounts receivables was approximately 15% of total assets and which is significant to the Company. Considering the assessment of allowance for impairment losses is measured by lifetime expected credit loss; the process of measurement must appropriately divide accounts receivables into groups, determine and analyze the use of relevant assumptions in the process of measurement, including appropriate aging intervals, the aging loss rate for each interval and the use of forward-looking information, that reflected the measurement of the expected credit loss involving judgment, analysis and estimates, and the result of measurement affect the net amount of accounts receivables, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding and evaluating whether the internal control is appropriate; when performing internal control, randomly selecting sales orders and vouching them to aging schedule to ensure the accuracy of aging intervals of accounts receivables; confirming whether the customer properly grouped by significantly different loss types and evaluating the reasonableness of management's estimates of assumptions; testing provision matrix, including evaluating the appropriateness of aging intervals and the accuracy of raw data by vouching them to supporting evidences, testing statistical information for the credit loss rate computed by roll rate over a one-year period, considering the reasonableness of forward-looking information used on the credit loss rate, and evaluating whether such forward-looking information would affect credit loss rate. In addition, performing the analytical review procedure to identify whether any material unusual fluctuations between the two-period of accounts receivables turnover exist. Also, reviewing the collections of accounts receivables during the subsequent period for customers with material period-end balances.

We also assessed the adequacy of disclosures of accounts receivables. Please refer to Note 5, 6 and 12 to the Company's consolidated financial statements.

Valuation of inventories

Net inventories by the Company and its subsidiaries amounted to NT\$83,352 thousand, was approximately 5% of total assets as of 31 December 2023. Considering the possibility of impairment of the inventory driven by economic conditions, the industry competition, and the unexpected decrease of total sales, we determined this as a key audit matter.

Our audit procedures included, but not limited to, understanding the internal control of management's inventory valuation process. When performing internal control, sampling purchase orders and vouching them to supporting evidences to ensure the inventory aging and the calculation of write-downs from slow-moving inventories are accurate and reasonable; performing the analytical review procedure to assess whether any material unusual fluctuation of ending balances, inventory turnover and gross margin per product between the year ended 31 December 2023 and the prior year exists; sampling sales orders and purchase orders to verify the calculation of allowance for inventory valuation losses to evaluate whether the valuation of inventories is appropriate.

We also assessed the adequacy of disclosures of inventories. Please refer to Note 4, 5 and 6 to the Company's consolidated financial statement.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries 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 financial reporting process of the Company and its subsidiaries.

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 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 internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. 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 Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2023 and 2022, respectively.

CHANG, CHIH-MING

HSU, JUNG-HUANG

Ernst & Young, Taiwan

12 March 2024

Notice to Readers

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		As of 31 December	
	NOTES	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4,6&12	\$961,765	\$1,205,466
Notes receivable, net	4,6&12	3,724	4,384
Accounts receivable, net	4,6&12	243,201	312,882
Other receivables	12	4,974	5,775
Current tax assets	7&12	648	-
Inventories, net	4&6	83,352	162,812
Prepayments		37,212	57,169
Other current assets		3,972	2,482
Total Current Assets		1,338,848	1,750,970
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss, noncurrent	4,6&12	4,906	5,053
Financial assets at fair value through other comprehensive income, noncurrent	4,6&12	19,787	15,830
Property, plant and equipment	4&6	267,192	275,379
Right-of-use asset	4&6	3,860	6,213
Intangible assets	4&6	1,913	2,843
Deferred tax assets	4&6	24,784	28,492
Other noncurrent assets	4&12	6,392	8,987
Total Non-Current Assets		328,834	342,797
TOTAL ASSETS		\$1,667,682	\$2,093,767

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English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		As of 31 December	
	NOTES	2023	2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Contract liabilities, current	6	\$83,222	\$200,660
Notes payable	12	20	2,632
Accounts payable	12	117,908	194,355
Accounts payable-related parties	7&12	101,328	48,428
Other payables	12	170,516	224,975
Other payables-related parties	7	-	473
Current tax liabilities	4	13,852	91,670
Lease liabilities, current	4&6	2,382	2,304
Other current liabilities		419	1,653
Total Current Liabilities		489,647	767,150
NON-CURRENT LIABILITIES			
Non-current provisions	4&6	17,954	22,315
Deferred tax liabilities	4&6	595	474
Lease liabilities, noncurrent	4&6	1,464	3,884
Total Non-Current Liabilities		20,013	26,673
TOTAL LIABILITIES		509,660	793,823
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY			
Capital			
Common stock	6	362,888	362,888
Total Capital stock		362,888	362,888
Capital surplus	6	44,670	44,670
Retained earnings			
Legal reserve		356,933	308,741
Special reserve		47,632	52,405
Unappropriated earnings		393,298	578,872
Total Retained earnings		797,863	940,018
Other components of equity		(47,399)	(47,632)
TOTAL EQUITY		1,158,022	1,299,944
TOTAL LIABILITIES AND EQUITY		\$1,667,682	\$2,093,767

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

ITEM	NOTES	For the years ended 31 December	
		2023	2022
OPERATING REVENUES	4,6&7	\$1,802,085	\$2,565,379
COST OF GOODS SOLD	4&7	(1,112,556)	(1,579,337)
GROSS PROFIT		689,529	986,042
OPERATING EXPENSES	4&7		
Sales and marketing expense		(177,213)	(214,628)
General and administrative expense		(155,196)	(175,188)
Research and development expenses		(3,252)	(3,427)
Total Operating Expense		(335,661)	(393,243)
OPERATING INCOME		353,868	592,799
NON-OPERATING INCOME AND EXPENSES			
Interest income	6	16,986	8,308
Other income	6	1,818	3,417
Other gains and losses	6	(5,564)	(8,224)
Financial cost	6	(167)	(302)
Subtotal		13,073	3,199
INCOME BEFORE INCOME TAX		366,941	595,998
INCOME TAX EXPENSE	4&6	(74,359)	(117,614)
PROFIT FROM CONTINUING OPERATIONS		292,582	478,384
NET INCOME		292,582	478,384
OTHER COMPREHENSIVE (LOSS) INCOME	6		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		913	7,182
Unrealized gains (losses) from investments in equity instruments			
measured at fair value through other comprehensive income		3,966	(8,198)
Income tax related to items that will not be reclassified subsequently		(976)	203
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(2,940)	9,129
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		963	8,316
TOTAL COMPREHENSIVE INCOME		\$293,545	\$486,700
NET INCOME ATTRIBUTABLE TO:			
Stockholders of the parent		\$292,582	\$478,384
Non-controlling interests		-	-
		\$292,582	\$478,384
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Stockholders of the parent		\$293,545	\$486,700
Non-controlling interests		-	-
		\$293,545	\$486,700
Earnings per share (NTD)			
Basic earnings per share	6		
Basic earnings per share from continuing operations		\$2.02	\$3.30

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company								
	Retained earnings					Other components of equity			
	Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total	Total Equity
Balance as of 1 January 2022	\$362,888	\$44,670	\$282,175	\$43,967	\$360,569	\$(31,937)	\$(20,468)	\$1,041,864	\$1,041,864
Appropriation and distribution of 2021 retained earnings:									
Legal reserve	-	-	26,566	-	(26,566)	-	-	-	-
Special reserve	-	-	-	8,438	(8,438)	-	-	-	-
Cash dividends	-	-	-	-	(228,620)	-	-	(228,620)	(228,620)
Net income for the year ended 31 December 2022	-	-	-	-	478,384	-	-	478,384	478,384
Other comprehensive income (loss) for									
the year ended 31 December 2022, net of income tax	-	-	-	-	5,746	9,129	(6,559)	8,316	8,316
Total comprehensive income	-	-	-	-	484,130	9,129	(6,559)	486,700	486,700
Difference between consideration given/received and carrying									
amount interest in subsidiaries acquired/disposed of	-	-	-	-	(2,203)	-	2,203	-	-
Balance as of 31 December 2022	\$362,888	\$44,670	\$308,741	\$52,405	\$578,872	\$(22,808)	\$(24,824)	\$1,299,944	\$1,299,944
Balance as of 1 January 2023	\$362,888	\$44,670	\$308,741	\$52,405	\$578,872	\$(22,808)	\$(24,824)	\$1,299,944	\$1,299,944
Appropriation and distribution of 2022 retained earnings:									
Legal reserve	-	-	48,192	-	(48,192)	-	-	-	-
Special reserve	-	-	-	-	(435,467)	-	-	(435,467)	(435,467)
Cash dividends	-	-	-	(4,773)	4,773	-	-	-	-
Net income for the year ended 31 December 2023	-	-	-	-	292,582	-	-	292,582	292,582
Other comprehensive income (loss) for									
the year ended 31 December 2023, net of income tax	-	-	-	-	730	(2,940)	3,173	963	963
Total comprehensive income	-	-	-	-	293,312	(2,940)	3,173	293,545	293,545
Balance as of 31 December 2023	\$362,888	\$44,670	\$356,933	\$47,632	\$393,298	\$(25,748)	\$(21,651)	\$1,158,022	\$1,158,022

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 TAIWAN KONG KING CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the years ended 31 December 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

ITEM	For the years ended 31 December		ITEM	For the years ended 31 December	
	2023	2022		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			CASH FLOWS FROM INVESTING ACTIVITIES:		
Net income before tax	\$366,941	\$595,998	Disposal of financial assets at fair value through other comprehensive income	-	2,329
Adjustments to reconcile net income before tax to net cash provided by operating activities:			Disposal of financial assets at fair value through profit or loss	988	-
Depreciation expense	21,299	21,366	Acquisition of property, plant and equipment	(11,049)	(26,050)
Amortization expense	2,439	2,465	Disposal of property, plant and equipment	623	3,381
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(842)	4,791	Acquisition of intangible assets	(1,509)	(1,476)
Interest expense	167	302	Decrease (increase) in refundable deposits	2,706	(297)
Interest income	(16,986)	(8,308)	Increase in other non-current assets	(111)	(645)
Dividend income	(604)	(1,583)	Net cash used in investing activities	<u>(8,352)</u>	<u>(22,758)</u>
Gain on disposal of property, plant and equipment	<u>(470)</u>	<u>(3,304)</u>			
Total adjustments to reconcile profit (loss)	<u>5,003</u>	<u>15,729</u>	CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in operating assets and liabilities:			Repayment of lease principal	(2,466)	(2,909)
Notes receivable	660	28,467	Cash dividends	<u>(435,467)</u>	<u>(228,620)</u>
Accounts receivable	69,681	(8,877)	Net cash used in financing activities	<u>(437,933)</u>	<u>(231,529)</u>
Other receivables	2,315	(2,401)	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(2,669)</u>	<u>9,256</u>
Inventories	79,460	(56,223)	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(243,701)</u>	<u>284,821</u>
Prepayments	19,957	(4,103)	CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,205,466</u>	<u>920,645</u>
Other current assets	(1,490)	(163)	CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$961,765</u></u>	<u><u>\$1,205,466</u></u>
Contract liabilities	(117,438)	(4,856)			
Notes payable	(2,612)	(22,093)			
Accounts payable	(76,447)	7,094			
Accounts payable-related parties	52,900	(25,707)			
Other payables	(54,459)	73,432			
Other payables-related parties	(473)	123			
Provisions	(3,631)	(7,707)			
Other current liabilities	<u>(1,234)</u>	<u>22</u>			
Total changes in operating assets and liabilities	<u>(32,811)</u>	<u>(22,992)</u>			
Cash generated from operations	<u>339,133</u>	<u>588,735</u>			
Interest received	15,472	6,079			
Dividends received	604	1,583			
Interest expense paid	(167)	(302)			
Income taxes paid	<u>(149,789)</u>	<u>(66,243)</u>			
Net cash generated by operating activities	<u>205,253</u>	<u>529,852</u>			

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

Taiwan Kong King Co., Ltd. (“the Company”) was incorporated and commenced operations on 14 June 1977. The Company trades high-end technology equipment, sells raw materials, and provides customer services as an agent. The Company’s registered office and the main business location is at 5F-4, No.66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City, Taiwan (R.O.C.). Wong’s Kong King International (Holdings) Limited is the Company’s parent and the ultimate controlling entity of the Company.

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized for issued by the Company’s board of directors (hereinafter “Board of Directors”) on 12 March 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) IFRS 17 “Insurance Contracts”

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

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

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the FSC.

(2) 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. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary
- (b) derecognizes the carrying amount of any non-controlling interest
- (c) recognizes the fair value of the consideration received
- (d) recognizes the fair value of any investment retained
- (e) recognizes any surplus or deficit in profit or loss
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31 December 2023	31 December 2022
The Company	Hong Kong Taiwan Kong King Limited	Trading	100.00%	100.00%
The Company	Headway Holdings Limited	Investment holding	100.00%	100.00%
The Company	TKK Precision Co., Ltd.	Manufacturing	100.00%	100.00%
The Company	THT Technology Co., Ltd.	Manufacturing	100.00%	100.00%
Hong Kong Taiwan Kong King Limited	The Kong King Technology (Suzhou) Co., Ltd.	Trading	100.00%	100.00%
Headway Holdings Limited	Hiking International Co., Ltd.	Investment holding	100.00%	100.00%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of financial statements in foreign currency

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

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

(a) Financial instruments: recognition and measurement

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

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

- A. the Group's business model for managing the financial assets
- B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

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

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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

Financial asset measured at fair value through other comprehensive income

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

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

(b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

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

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

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(c) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(d) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(9) Fair value measurement

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

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(10) Inventories

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

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

Raw materials – Purchase cost on a weighted-average-method basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

(11) Property, plant and equipment

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

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

Buildings	3～56 years
Machinery and equipment	2～9 years
Transportation equipment	2～6 years
Office equipment	1～6 years
Leasehold improvements	2～5 years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12) Leases

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

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset
- (b) the right to direct the use of the identified asset

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

Group as a lessee

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

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

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- (c) amounts expected to be payable by the lessee under residual value guarantees
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

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

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

- (a) the amount of the initial measurement of the lease liability
- (b) any lease payments made at or before the commencement date, less any lease incentives received
- (c) any initial direct costs incurred by the lessee
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

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

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

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

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

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

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment and the practical expedient has been applied to such rent concessions.

Group as a lessor

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

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

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

(13) Intangible Assets

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

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

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

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

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

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	Finite
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(14) Impairment of non-financial assets

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

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

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

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

(15)Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(16) Revenue recognition

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

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is high-end machinery and revenue is recognized based on the consideration stated in the contract.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

The Group provides maintenance services and agency sales services for the sale of machinery and equipment. Such services are priced separately or negotiated on case-by-case basis. Maintenance services are provided based on the numbers of operation. Agency sales services require the completion of shipment and installation testing for the equipment to fulfill contractual obligations. Accordingly, the Group recognized revenues when the Group satisfied a performance obligation at a point in time.

Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arose.

Dividend income

Recognizes the dividend income when the Group has the right to receive.

(17) Post-employment benefits

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income taxes

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

Current income tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

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

Operating lease commitment — the Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

(c) Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(d) Accounts receivables—estimation of impairment loss

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

(e) Inventories

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	\$727	\$667
Checking and savings accounts	754,390	949,218
Time deposits	206,648	255,581
Total	<u>\$961,765</u>	<u>\$1,205,466</u>

(2) Financial assets at fair value through profit or loss,

	As of 31 December	
	2023	2022
Mandatorily measured at fair value through profit or loss:		
Foreign listed stocks	<u>\$4,906</u>	<u>\$5,053</u>

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income, noncurrent

	As of 31 December	
	2023	2022
Equity instrument investment measured at fair value through other comprehensive profit and loss:		
Unlisted stocks	<u>\$19,787</u>	<u>\$15,830</u>

Financial assets at fair value through other comprehensive income were not pledged.

(4) Notes receivable

	As of 31 December	
	2023	2022
Notes receivable arising from operating activities	<u>\$3,724</u>	<u>\$4,384</u>

Notes receivable were not pledged.

(5) Accounts receivable

	As of 31 December	
	2023	2022
Accounts receivable	\$243,650	\$313,331
Less: loss allowance	(449)	(449)
Total	<u>\$243,201</u>	<u>\$312,882</u>

Accounts receivables were not pledged.

Accounts receivable are generally on 30 to 150 day terms. As of 31 December 2023 and 2022, the book value amounted to NT\$243,650 thousand and NT\$313,331 thousand, respectively. Please refer to Note 6. (12) for more details on loss allowance of trade receivables for the years ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

	As of 31 December	
	2023	2022
Raw materials	\$36,839	\$60,767
Work in progress	8,135	10,323
Finished goods	29	38
Merchandise inventories	38,349	91,684
Total	<u>\$83,352</u>	<u>\$162,812</u>

The cost of inventories recognized in expenses amounted to NT\$1,011,785 thousand for the years ended 31 December 2023, including the reversal of write-down of inventory of NT\$7,095 thousand.

The cost of inventories recognized in expenses amounted to NT\$1,439,310 thousand for the years ended 31 December 2022, including the write-down of inventories of NT\$215 thousand.

No inventories were pledged.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Total
Cost:							
As of 1 January 2023	\$153,581	\$136,677	\$227,080	\$13,616	\$34,318	\$8,121	\$573,393
Additions	-	1,139	2,024	525	7,361	-	11,049
Disposals	-	(45)	-	(1,527)	(4,440)	-	(6,012)
Exchange differences	-	(63)	-	(73)	(151)	-	(287)
As of 31 December 2023	<u>\$153,581</u>	<u>\$137,708</u>	<u>\$229,104</u>	<u>\$12,541</u>	<u>\$37,088</u>	<u>\$8,121</u>	<u>\$578,143</u>
As of 1 January 2022	\$153,581	\$136,628	\$217,705	\$12,703	\$29,659	\$4,081	\$554,357
Additions	-	-	12,292	1,788	7,930	4,040	26,050
Disposals	-	-	(2,917)	(933)	(3,386)	-	(7,236)
Exchange differences	-	49	-	58	115	-	222
As of 31 December 2022	<u>\$153,581</u>	<u>\$136,677</u>	<u>\$227,080</u>	<u>\$13,616</u>	<u>\$34,318</u>	<u>\$8,121</u>	<u>\$573,393</u>
Depreciation and impairment:							
As of 1 January 2023	\$7,000	\$54,955	\$201,582	\$10,394	\$19,553	\$4,530	\$298,014
Depreciation	-	3,550	8,497	1,070	5,198	673	18,988
Disposals	-	(45)	-	(1,403)	(4,410)	-	(5,858)
Exchange differences	-	(40)	-	(46)	(107)	-	(193)
As of 31 December 2023	<u>\$7,000</u>	<u>\$58,420</u>	<u>\$210,079</u>	<u>\$10,015</u>	<u>\$20,234</u>	<u>\$5,203</u>	<u>\$310,951</u>
As of 1 January 2022	\$7,000	\$50,928	\$194,632	\$10,461	\$19,247	\$4,064	\$286,332
Depreciation	-	4,000	9,866	794	3,580	466	18,706
Disposals	-	-	(2,917)	(905)	(3,337)	-	(7,159)
Exchange differences	-	27	1	44	63	-	135
As of 31 December 2022	<u>\$7,000</u>	<u>\$54,955</u>	<u>\$201,582</u>	<u>\$10,394</u>	<u>\$19,553</u>	<u>\$4,530</u>	<u>\$298,014</u>
Net carrying amount as of:							
31 December 2023	<u>\$146,581</u>	<u>\$79,288</u>	<u>\$19,025</u>	<u>\$2,526</u>	<u>\$16,854</u>	<u>\$2,918</u>	<u>\$267,192</u>
31 December 2022	<u>\$146,581</u>	<u>\$81,722</u>	<u>\$25,498</u>	<u>\$3,222</u>	<u>\$14,765</u>	<u>\$3,591</u>	<u>\$275,379</u>

No property, plant and equipment were pledged.

(8) Intangible Assets

	Computer software	Other intangible assets	Total
Cost:			
As of 1 January 2023	\$14,006	\$667	\$14,673
Addition-acquired separately	1,509	-	1,509
Disposal	(840)	-	(840)
Exchange differences	(9)	(12)	(21)
As of 31 December 2023	<u>\$14,666</u>	<u>\$655</u>	<u>\$15,321</u>
As of 1 January 2022	\$12,622	\$657	\$13,279
Addition-acquired separately	1,476	-	1,476
Disposal	(99)	-	(99)
Exchange differences	7	10	17
As of 31 December 2022	<u>\$14,006</u>	<u>\$667</u>	<u>\$14,673</u>
Amortization and impairment:			
As of 1 January 2023	\$11,311	\$519	\$11,830
Amortization	2,291	148	2,439
Disposal	(840)	-	(840)
Exchange differences	(9)	(12)	(21)
As of 31 December 2023	<u>\$12,753</u>	<u>\$655</u>	<u>\$13,408</u>
As of 1 January 2022	\$9,161	\$292	\$9,453
Amortization	2,242	223	2,465
Disposal	(99)	-	(99)
Exchange differences	7	4	11
As of 31 December 2022	<u>\$11,311</u>	<u>\$519</u>	<u>\$11,830</u>
Net carrying amount as of:			
31 December 2023	<u>\$1,913</u>	<u>\$-</u>	<u>\$1,913</u>
31 December 2022	<u>\$2,695</u>	<u>\$148</u>	<u>\$2,843</u>

Amortization expense of intangible assets under the statement of comprehensive income:

	For the years ended 31 December	
	2023	2022
Operating costs	\$37	\$31
Selling expenses	\$-	\$-
Administrative expenses	\$2,257	\$2,287
Research and development expenses	\$145	\$147

(9) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries make monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of the subsidiaries in China are provided in accordance with the local regulations. The subsidiaries will make contributions of certain percentage of each individual employee's salaries to employee's pension accounts.

Pension benefits for employees of foreign subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were NT\$8,385 thousand and NT\$7,741 thousand, respectively.

Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group will make up for the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with Paragraph 142 of IAS 19. The Group expects to contribute NT\$4,694 thousand to its defined benefit plan during the 12 months beginning after 31 December 2023.

As of 31 December 2023 and 2022, the Group expects its defined benefits plan obligation to become due in 2037.

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2023	2022
Current period service costs	\$547	\$535
Net interest on the net defined benefit liabilities (assets)	230	176
Total	<u>\$777</u>	<u>\$711</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of 31 December	
	2023	2022
Defined benefit obligation	\$78,605	\$77,598
Plan assets at fair value	(61,776)	(55,928)
Funding	<u>\$16,829</u>	<u>\$21,670</u>
Noncurrent Provisions (net defined benefit liabilities)	<u>\$17,954</u>	<u>\$22,315</u>
Other noncurrent asset - net defined benefit asset	<u>\$755</u>	<u>\$645</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
As of 1 January 2022	\$81,454	\$(45,686)	\$35,768
Current period service costs	535	-	535
Net interest expense (income)	421	(245)	176
Subtotal	956	(245)	711
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(4,364)	-	(4,364)
Experience adjustments	260	-	260
Remeasurements of defined benefit asset	-	(3,078)	(3,078)
Subtotal	(4,104)	(3,078)	(7,182)
Payments from the plan	(708)	708	-
Contributions by employer	-	(7,627)	(7,627)
As of 31 December 2022	77,598	(55,928)	21,670
Current period service costs	547	-	547
Net interest expense (income)	939	(709)	230
Subtotal	1,486	(709)	777
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	58	-	58
Experience adjustments	(537)	-	(537)
Remeasurements of defined benefit asset	-	(434)	(434)
Subtotal	(479)	(434)	(913)
Payments from the plan	-	-	-
Contributions by employer	-	(4,705)	(4,705)
As of 31 December 2023	\$78,605	\$(61,776)	\$16,829

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of 31 December	
	2023	2022
Discount rates	1.25%	1.30%
Expected rates of salary increase	2.25%	2.25%

The following sensitivity analysis for significant assumption:

	For the year ended 31 December 2023	
	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.1%	\$-	\$548
Discount rate decreases by 0.1%	554	-
Future salary increases by 0.1%	467	-
Future salary decreases by 0.1%	-	463

	For the year ended 31 December 2022	
	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.5%	\$-	\$603
Discount rate decreases by 0.5%	611	-
Future salary increases by 0.5%	524	-
Future salary decreases by 0.5%	-	519

The sensitivity analysis above is based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(10)Equities

(a) Common stock

As of 31 December 2023 and 2022, the Company's registered capital was both NT\$450,000 thousand and the issued capital was NT\$362,888 thousand, each par value of NT\$2.5.

On 28 September 2022, the shareholders resolved to amend the Company's Articles of Incorporation to change the par value of each share from NT\$10 to NT\$2.5. The change has been approved by the competent authority and has been registered. Upon the completion of the stock exchange, the number of shares issued by the Company is 145,156 thousand shares. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As of 31 December	
	2023	2022
Additional paid-in capital	\$36,000	\$36,000
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired / disposed of	8,670	8,670
Total	<u>\$44,670</u>	<u>\$44,670</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Group. When a Group incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Group. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- A. Pay all taxes and dues
- B. Offset prior years' operation losses
- C. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve
- D. Set aside or reverse special reserve in accordance with law and regulations
- E. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting.

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

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

The appropriation of earning for 2023 was approved at the board meeting held on 12 March 2024, while the distribution of dividend for 2022 was approved at the stockholder’s meeting held on 13 June 2023. The details of distribution are as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2023	2022	2023	2022
Legal reserve	\$29,331	\$48,192		
Special reserve	(233)	(4,773)		
Cash dividend	261,280	435,467	\$1.80	\$3.00

Please refer to Note 6. (14) for details on employees’ compensation and remuneration to directors and supervisors.

(11) Operating revenues

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Sale of goods	\$1,399,258	\$2,017,644
Revenue arising from rendering of services	402,827	547,735
Total	<u>\$1,802,085</u>	<u>\$2,565,379</u>

Analysis of revenue from contracts with customers for the years ended 31 December 2023 and 2022 are as follows:

(a) Disaggregation of revenue

For the year ended 31 December 2023

	Equipment Division	Production	Total
Sales revenue	\$1,248,444	\$150,814	\$1,399,258
Rendering of services	401,927	900	402,827
Total	<u>\$1,650,371</u>	<u>\$151,714</u>	<u>\$1,802,085</u>
Timing of revenue recognition:			
At a point in time	<u>\$1,650,371</u>	<u>\$151,714</u>	<u>\$1,802,085</u>

For the year ended 31 December 2022

	Equipment Division	Production	Total
Sales revenue	\$1,797,164	\$220,480	\$2,017,644
Rendering of services	547,630	105	547,735
Total	<u>\$2,344,794</u>	<u>\$220,585</u>	<u>\$2,565,379</u>
Timing of revenue recognition:			
At a point in time	<u>\$2,344,794</u>	<u>\$220,585</u>	<u>\$2,565,379</u>

(b) Contract balances

Contract liabilities - current

	2023.12.31	2022.12.31	2022.01.01
Sales of goods	<u>\$83,222</u>	<u>\$200,660</u>	<u>\$205,516</u>

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

	For the years ended 31 December	
	2023	2022
The opening balance transferred to revenue	\$180,030	\$208,498
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	62,592	203,642

(12) Expected credit losses/(gains)

	For the years ended 31 December	
	2023	2022
Operating expenses – Expected credit losses/(gains)	<u>\$-</u>	<u>\$-</u>

The Group does not expect that any significant losses will occur because the counterparty fails to fulfill the agreement. Please refer to Note 12 for information of credit risks.

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

- (a) the loss allowance of accounts receivables is measured at an amount equal to lifetime expected credit losses, details are as follows:

	As of 31 December	
	2023	2022
Total carrying amount	\$247,374	\$317,715
Expected credit loss rates	0.18%	0.14%
Loss allowance	449	449
Total	<u>\$246,925</u>	<u>\$317,266</u>

- (b) based on past experience, the Group considers its accounts receivables as a single group and its loss allowance is measured by using a provision matrix, details are as follows:

For the year ended 31 December 2023

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$247,374	\$-	\$-	\$-	\$-	\$-	\$247,374
Loss ratio	0.18%						0.18%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	<u>\$246,925</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$246,925</u>

For the year ended 31 December 2022

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$317,715	\$-	\$-	\$-	\$-	\$-	\$317,715
Loss ratio	0.14%						0.14%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	<u>\$317,266</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$317,266</u>

(13) Leases

- (a) Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery and other equipment. The lease terms range from 1 to 4 years.

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

A. Amounts recognized in the balance sheet

I. Right-of-use assets

The carrying amount of right-of-use assets

	As of 31 December	
	2023	2022
Buildings	\$3,860	\$6,213

During the ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounting to NT\$0 thousand and NT\$3,695 thousand, respectively.

II. Lease liabilities

	As of 31 December	
	2023	2022
Lease liabilities	\$3,846	\$6,188
Current	\$2,382	\$2,304
Non-current	\$1,464	\$3,884

Please refer to Note 6. (15) d. for the interest on lease liabilities recognized during the year ended 31 December 2023 and refer to Note 12. (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2023	2022
Buildings	\$2,311	\$2,660

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	\$1,451	\$1,370
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	79	82

D. Cash outflow relating to leasing activities

During the years ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounting to NT\$3,996 thousand and NT\$4,361 thousand, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended 31 December 2023 and 2022:

	2023			2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$53,368	\$238,697	\$292,065	\$59,888	\$304,804	\$364,692
Labor and health insurance	3,732	14,510	18,242	3,751	13,044	16,795
Pension	1,890	7,272	9,162	1,953	6,499	8,452
Other employee benefits expense	2,786	10,355	13,141	2,487	9,799	12,286
Depreciation	10,612	10,687	21,299	11,640	9,726	21,366
Amortization	37	2,402	2,439	31	2,434	2,465

According to the Articles of Incorporation, 1% to 8% of profit of the current year is distributable as employees' compensation, and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash and as remuneration to directors and supervisors only in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2023 to be 1% of profit of the current year, recognized as the employees' compensation and remuneration to directors and supervisors were both NT\$3,672 thousand. The amounts of the employees' compensation and remuneration to directors and supervisors recognized for the year ended 31 December 2022 were both NT\$5,872 thousand. The estimated amounts were based on the profit of current period and were recognized as salaries.

A resolution was passed at the board meeting held on 20 March 2023 to distribute NT\$5,872 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2022, respectively. No material differences existed between the estimated amount and the actual distribution passed at the board meeting.

(15) Non-operating income and expenses

(a) Interest income

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost	<u>\$16,986</u>	<u>\$8,308</u>

(b) Other income

	For the years ended 31 December	
	2023	2022
Rental income	\$253	\$282
Dividend income	604	1,583
Others	961	1,552
Total	<u>\$1,818</u>	<u>\$3,417</u>

(c) Other gains and losses

	For the years ended 31 December	
	2023	2022
Gains on disposal of property, plant and equipment	\$470	\$3,304
Foreign exchange losses, net	(5,896)	(4,629)
Gains (losses) on financial assets at fair value through profit or loss (Note)	842	(4,791)
Others	(980)	(2,108)
Total	<u>\$(5,564)</u>	<u>\$(8,224)</u>

Note: Balance in current period resulted from financial assets mandatorily measured at fair value through profit or loss.

(d) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on borrowings from bank	\$-	\$11
Interest on lease liabilities	167	291
Total finance costs	<u>\$167</u>	<u>\$302</u>

(16) Components of other comprehensive income

For the year ended 31 December 2023

		Reclassification	Other	Income tax relating to	Other
	Arising during	adjustments	comprehensive	components of	comprehensive
	the period	during the	income, before	other	income, net of
		period	tax	comprehensive	tax
				income	
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$913	\$-	\$913	\$(183)	\$730
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	3,966	-	3,966	(793)	3,173
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(2,940)	-	(2,940)	-	(2,940)
Total	\$1,939	\$-	\$1,939	\$(976)	\$963

For the year ended 31 December 2022

		Reclassification	Other	Income tax relating to	Other
	Arising during	adjustments	comprehensive	components of	comprehensive
	the period	during the	income, before	other	income, net of
		period	tax	comprehensive	tax
				income	
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	\$7,182	\$-	\$7,182	\$(1,436)	\$5,746
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	(8,198)	-	(8,198)	1,639	(6,559)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	9,129	-	9,129	-	9,129
Total	\$8,113	\$-	\$8,113	\$203	\$8,316

(17) Income tax

The major components of income tax expense (income) for the years ended 31 December 2023 and 2022 are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense (income):		
Current income tax charge	\$71,837	\$122,615
Adjustments in respect of current income tax of prior periods	(331)	(830)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	2,853	(4,171)
Total income tax expense	<u>\$74,359</u>	<u>\$117,614</u>

Income tax recognized in other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	\$793	\$(1,639)
Gains on remeasurement of defined benefit plan	183	1,436
Income tax relating to components of other comprehensive income	<u>\$976</u>	<u>\$(203)</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2023	2022
Accounting profit before tax from continuing operations	<u>\$366,941</u>	<u>\$595,998</u>
Tax at the domestic rates applicable to profits in the country concerned	\$76,745	\$135,527
Tax effect of revenues exempt from taxation	(6,462)	(17,208)
Tax effect of expenses not deductible for tax purposes	47	-
Corporate income surtax on undistributed retained earnings	152	125
Adjustments in respect of current income tax of prior periods	(331)	(830)
Income tax related to changes in tax rates or the introduction of new tax items	2,140	-
Tax effect of deferred tax assets/liabilities	2,068	-
Total income tax expense recognized in profit or loss	<u>\$74,359</u>	<u>\$117,614</u>

Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Pension	\$7,592	\$(780)	\$(183)	\$6,629
Allowance for inventory valuation losses	3,376	(1,393)	-	1,983
Unrealized exchange losses	1	-	-	1
Unrealized exchange gains	(250)	(53)	-	(303)
Unrealized salaries	10,767	(560)	-	10,207
Revaluations of financial assets at fair value through profit or loss	(191)	(67)	-	(258)
Revaluations of financial assets at fair value through other comprehensive income	6,756	-	(793)	5,963
Others	(33)	-	-	(33)
Deferred tax income		<u>\$(2,853)</u>	<u>\$(976)</u>	
Deferred tax assets/(liabilities), net	<u>\$28,018</u>			<u>\$24,189</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$28,492</u>			<u>\$24,784</u>
Deferred tax liabilities	<u>\$(474)</u>			<u>\$(595)</u>

For the year ended 31 December 2022

	Beginning balance	Recognized in profit or loss	Recognized in other Comprehensive income	Ending balance
Temporary differences				
Pension	\$10,411	\$(1,383)	\$(1,436)	\$7,592
Allowance for inventory valuation losses	3,345	31	-	3,376
Unrealized exchange losses	1	-	-	1
Unrealized exchange gains	(969)	719	-	(250)
Unrealized salaries	6,921	3,846	-	10,767
Revaluations of financial assets at fair value through profit or loss	(1,149)	958	-	(191)
Revaluations of financial assets at fair value through other comprehensive income	5,117	-	1,639	6,756
Others	(33)	-	-	(33)
Deferred tax income		<u>\$4,171</u>	<u>\$203</u>	
Deferred tax assets/(liabilities), net	<u>\$23,644</u>			<u>\$28,018</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$25,795</u>			<u>\$28,492</u>
Deferred tax liabilities	<u>\$(2,151)</u>			<u>\$(474)</u>

Unrecognized deferred tax assets

Total unrecognized deferred income tax assets were NT\$2,068 thousand and NT\$0 thousand as of December 31, 2023 and 2022, respectively.

The assessment of income tax returns

As of 31 December 2023, the assessment of the income tax returns of the Company and its subsidiaries was as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2021
TKK Precision Co., Ltd	Assessed and approved up to 2021
THT Technology Co., Ltd	Assessed and approved up to 2021

(18) Earnings per share

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

Given that the Group does not have potential common shares which have dilutive effects outstanding, the Group is not required to adjust basic earnings per share for dilution.

	For the years ended 31 December	
	2023	2022
Basic earnings per share		
Profit attributable to ordinary equity holders of the Group (in thousand NT\$)	\$292,582	\$478,384
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	145,156	145,156
Basic earnings per share (NT\$)	\$2.02	\$3.30

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
WKK Japan Limited	Other related parties
Wong's Kong King Holdings Limited	Other related parties
WKK (THAILAND) LTD.	Other related parties
Taiwan WKK Distribution Co., Ltd.	Other related parties

Significant transactions with related parties

(1) Sales

	For the years ended	
	31 December	
	2023	2022
Other related parties		
WKK (THAILAND) LTD.	\$227	\$220

The sales of the Group to the related parties reference to no similar transactions. The terms of the transactions were agreed upon by both sides based on the market condition. The collection period for sales to related parties was 1 to 2 months.

(2) Purchases

	For the years ended	
	31 December	
	2023	2022
Other related parties		
WKK Japan Limited	\$295,996	\$745,322
Taiwan WKK Distribution Co., Ltd.	15	111
Total	\$296,011	\$745,433

The purchase of the Group from related parties was not on discounted price. The terms of the transactions were agreed upon by both sides based on the market condition. The collection period for sales to related parties was 1 to 2 months.

(3) Amounts owed to related parties

(a) Accounts Payable

	As of 31 December	
	2023	2022
Other related parties		
WKK Japan Limited	\$101,328	\$48,386
Taiwan WKK Distribution Co., Ltd.	-	42
Total	<u>\$101,328</u>	<u>\$48,428</u>

(b) Other payables

	As of 31 December	
	2023	2022
Other related parties		
WKK Japan Limited	<u>\$-</u>	<u>\$473</u>

(4) Service revenue

	For the years ended 31 December	
	2023	2022
Other related parties		
WKK Japan Limited	<u>\$310,739</u>	<u>\$469,529</u>

(5) Cost of services

	For the years ended 31 December	
	2023	2022
Other related parties		
WKK Japan Limited	<u>\$9,625</u>	<u>\$2,763</u>

(6) Operating expenses

	For the years ended 31 December	
	2023	2022
Other related parties		
WKK Japan Limited	\$3	\$14
Wong's Kong King Holdings Limited	-	20
Total	<u>\$3</u>	<u>\$34</u>

(7) Property transaction

For the year ended 31 December 2023 : None.

For the year ended 31 December 2022

Trading partners	Transaction Subject	Price	Gain (loss) on sale of assets
Purchase			
Other related persons:			
WKK Japan Limited	Equipment	\$11,291	not applicable

(8) Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	\$61,206	\$60,397
Post-employment benefits	831	810
Total	\$62,037	\$61,207

8. ASSETS PLEDGED AS SECURITY

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

None.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

<u>Financial assets</u>	As of 31 December	
	2023	2022
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss	\$4,906	\$5,053
Financial assets at fair value through other comprehensive income	19,787	15,830
Financial assets measured at amortized cost (Note 1)	1,218,573	1,536,182
Total	<u>\$1,243,266</u>	<u>\$1,557,065</u>
<u>Financial liabilities</u>	As of 31 December	
	2023	2022
Financial liabilities at amortized cost:		
Notes payable and accounts payables	\$389,772	\$470,863
Lease liabilities	3,846	6,188
Total	<u>\$393,618</u>	<u>\$477,051</u>

Note 1: Including cash and cash equivalents (excluding cash on hand), notes receivable, accounts receivable, other receivables and refundable deposits.

(2) Financial risk management objectives and policies

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

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

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and other price risk (such as equity risk).

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

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency). The Group opened savings accounts for some foreign currency receivables and payments to manage foreign currency risk by adjusting exchange rate immediately. Also, the Group considered currency factors when making sales quotation to ensure a reasonable profit.

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

- (a) When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased/increased by NT\$1,652 thousand and NT\$4,407 thousand, respectively.
- (b) When NTD strengthens/weakens against foreign currency RMB by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased/increased by NT\$1,315 thousand and NT\$1,715 thousand, respectively.
- (c) When NTD strengthens/weakens against foreign currency JPY by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased/increased by NT\$3,125 thousand and NT\$1,643 thousand, respectively.
- (d) When NTD strengthens/weakens against foreign currency EUR by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased/increased by NT\$225 thousand and NT\$137 thousand, respectively.

Equity price risk

The fair values of the Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

The group does not hold the listed company's stocks equity securities for trading.

For the year ended 31 December 2023 and 2022, a change of 1% in the price of the listed company stocks classified as equity instruments investments measured at fair value through profit or loss could have an impact of NT\$49 thousand and NT\$51 thousand on the equity attributable to the Group, respectively.

(4) Credit risk management

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

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

As of 31 December 2023 and 2022, amounts receivables from top ten customers represented 68.88% and 79.60% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses, for the loss allowance of accounts receivables is measured at lifetime expected credit losses.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and industrial information, the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
As of 31 December 2023					
Notes payable	\$20	\$-	\$-	\$-	\$20
Trade and other payables	389,752	-	-	-	389,752
Lease liabilities	2,382	1,464	-	-	3,846
As of 31 December 2022					
Notes payable	\$2,632	\$-	\$-	\$-	\$2,632
Trade and other payables	468,231	-	-	-	468,231
Lease liabilities	2,304	3,884	-	-	6,188

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	Leases liabilities	Total liabilities from financing activities
As of 1 January 2023	\$6,188	\$6,188
Cash flows	(2,466)	(2,466)
Non-cash changes	-	-
Foreign exchange movement	124	124
As of 31 December 2023	<u>\$3,846</u>	<u>\$3,846</u>

Reconciliation of liabilities for the year ended 31 December 2022:

	Leases liabilities	Total liabilities from financing activities
As of 1 January 2022	\$5,029	\$5,029
Cash flows	(2,909)	(2,909)
Non-cash changes	3,695	3,695
Foreign exchange movement	373	373
As of 31 December 2022	<u>\$6,188</u>	<u>\$6,188</u>

(7) Fair value of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

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

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

- (b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12. (8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measure hierarchy

- (a) Fair value measurement hierarchy

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

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

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

Level 3: unobservable inputs for the asset or liability

For assets and liabilities measured at fair value on a recurring basis, the Group re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

- (b) Fair value measurement hierarchy of the Group's assets

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of 31 December 2023				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Stocks	\$4,906	\$-	\$-	\$4,906
Financial assets at fair value through other comprehensive income				
Investments in equity instruments designated at fair value through other comprehensive income	-	-	19,787	19,787

As of 31 December 2022				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
Stocks	\$5,053	\$-	\$-	\$5,053
Financial assets at fair value through other comprehensive income				
Investments in equity instruments designated at fair value through other comprehensive income	-	-	15,830	15,830

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of 1 January 2023	\$15,830
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	3,966
Disposition/liquidation for the current period	-
Foreign exchange movement	(9)
Ending balances as of 31 December 2023	\$19,787

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of 1 January 2022	\$26,285
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(8,198)
Disposition/liquidation for the current period	(2,329)
Foreign exchange movement	72
Ending balances as of 31 December 2022	\$15,830

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2023				
Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:				
At fair value through other comprehensive income				
Stocks	Market approach discount for lack of marketability	30~80%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$ 3,276 thousand

As of 31 December 2022				
Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:				
At fair value through other comprehensive income				
Stocks	Market approach discount for lack of marketability	30~80%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group's equity by NT\$ 2,519 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Accounting Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

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

As of 31 December 2023			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$7,705	30.7200	\$236,698
JPY	2,089,270	0.2172	453,789
EUR	961	33.9900	32,664
RMB	30,995	4.3250	134,053
HKD	27	3.9320	106
<u>Financial liabilities</u>			
Monetary items:			
USD	2,327	30.7200	71,485
JPY	650,671	0.2172	141,326
EUR	301	33.9900	10,231
RMB	597	4.3250	2,582
HKD	449	3.9320	1,765
As of 31 December 2022			
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$17,924	30.7200	\$550,625
JPY	1,427,142	0.2325	331,811
EUR	688	32.7100	22,504
RMB	40,529	4.4070	178,611
HKD	51	3.9400	201
<u>Financial liabilities</u>			
Monetary items:			
USD	3,580	30.7200	109,978
JPY	720,373	0.2325	167,487
EUR	269	32.7100	8,799
RMB	1,619	4.4070	7,135
HKD	51	3.9400	201

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

For the years ended 31 December 2023 and 2022, the Group's foreign exchange losses were NT\$5,896 thousand and NT\$4,629 thousand, respectively.

(10) Capital management

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

13. OTHER DISCLOSURES

(1) Information at significant transactions

- A. Financing provided to others: Attachment 1
- B. Endorsements/guarantees provided: None
- C. Marketable securities held: Attachment 2
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- G. Total sales to or purchases from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Attachment 3
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- I. Trading in derivative instruments: None
- J. Significant intercompany transactions and amounts between consolidated entities: Attachment 4

(2) Information on investees: Please refer to Attachment 5

(3) Information on investments in Mainland China: Please refer to Attachment 4 and 6

(4) Information on major shareholders: Please refer to Attachment 7

14. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

- (1) Equipment Division Segment: Installation and related warranty of machinery, after-sales service and the control of inventories, marketing for SMT, semiconductor and solar equipment, marketing for PCB equipment and materials, market research, business activities, market development plans and implementation.
- (2) Production Segment: Control of machinery and its related products' manufacturing.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Reportable on departmental profit and loss, assets and liabilities :

For the year ended 31 December 2023

	Equipment Division	Production	Adjustment and elimination	Consolidated
Revenue				
External customer	\$1,650,371	\$151,714	\$-	\$1,802,085
Inter-segment	94,628	43,258	(137,886)	-
Total revenue	<u>\$1,744,999</u>	<u>\$194,972</u>	<u>\$(137,886)</u>	<u>\$1,802,085</u>
Segment profit	<u>\$376,986</u>	<u>\$21,968</u>	<u>\$(32,013)</u>	<u>\$366,941</u>

For the year ended 31 December 2022

	Equipment Division	Production	Adjustment and elimination	Consolidated
Revenue				
External customer	\$2,344,794	\$220,585	\$-	\$2,565,379
Inter-segment	147,557	83,823	(231,380)	-
Total revenue	<u>\$2,492,351</u>	<u>\$304,408</u>	<u>\$(231,380)</u>	<u>\$2,565,379</u>
Segment profit	<u>\$616,354</u>	<u>\$60,914</u>	<u>\$(81,270)</u>	<u>\$595,998</u>

Inter-segment revenue was eliminated on consolidation and recorded under the "adjustment and elimination" column, all other adjustments and eliminations are disclosed below.

(3) Regional information

Region	For the years ended December 31,	
	2023	2022
Asia	\$1,800,804	\$2,563,930
Other	1,281	1,449
Total	\$1,802,085	\$2,565,379

Revenue is classified based on the country of shipment specified by the customer.

(4) Important customer information

Client	Sales amount
As of December 31, 2023:	
None	
As of December 31, 2022:	
Client A	\$455,386
Client B	271,301

Attachment 1 (Financing provided to others as of 31 December 2023)

Unit: Amount in thousands of NTD

No (Note 1)	Creditor	Borrower	General Leger account	Related party	Maximum outstanding balance during the year ended 31 December 2023	Balance at 31 December 2023 (Credits approved by the Boards)	Actual amount	Interest rate%	Nature for Financing	Reason for Financing	Loss Allowance	Collateral	Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 3)
0	Taiwan Kong King Co., Limited	Headway Holdings Limited	Other Receivables	yes	\$100,000	\$50,000	\$-	0.80%	Due to short- term financing	Need for operating	\$-	-	\$115,802	\$463,209

Note 1 : The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded starting from "1" in the order.

Note 2 : The limits and the calculation is based on the 10% of equity of report audited by the auditors.

Note 3 : The limits and the calculation is based on the 40% of equity of report audited by the auditors.

Unit: Amount in thousands of NTD

(Except for the shares or units)

Holding Company Name	Type and Name of the Securities	Relationship	Financial statement account	As of 31 December 2023				Notes
				Shares	Carrying amount	Percentage of ownership(%)	Fair value/ Net assets value	
Taiwan Kong King Co., Limited	Foreign listed stocks	-	Financial assets at fair value through profit or loss, noncurrent	21,700	\$4,906	0.54%	\$4,906	-
	Inspec Limited							
Taiwan Kong King Co., Limited	Unlisted stock	-	Financial assets at fair value through other comprehensive income, noncurrent	3,056,689	18,524	2.55%	18,524	(Note 1)
	Raytek Semiconductor, Inc.							
Hong Kong Taiwan Kong King Limited	Unlisted stock	-	Financial assets at fair value through other comprehensive income, noncurrent	1,516,606	1,263	9.03%	1,263	(Note 1)
	Top Range Machinery Co., Ltd.							

Note 1: No market price.

Attachment 3 (Total sales to or purchases from related parties amounting to at least NT\$100 million or 20% of the paid-in capital)

Unit: Amount in thousands of NTD

Purchaser / Seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Taiwan Kong King Co., Limited	WKK Japan Limited	Other related parties	Purchases	\$258,660	47.86%	30 days	Note	Note	\$96,130	57.30%	
Taiwan Kong King Co., Limited	WKK Japan Limited	Other related parties	Sales	\$(310,739)	(25.23%)	30 days	Note	Note	\$-	-	

Note : No material differences between other transactions.

Attachment 4 (Significant intercompany transactions between consolidated entities)

Unit: Amount in thousands of NTD

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Collection periods (Note 5)	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
0	Taiwan Kong King Co., Limited	Headway Holdings Limited	1	Commission income	\$36,135	-	2.01%
0	Taiwan Kong King Co., Limited	Headway Holdings Limited	1	Other income	1,868	-	0.10%
0	Taiwan Kong King Co., Limited	Hong Kong Taiwan Kong King Limited	1	Commission income	9,115	-	0.51%
0	Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	1	Prepayment for purchases	1,610	-	0.10%
0	Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	1	Commission income	3,568	-	0.20%
0	Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	1	Rental income	1,563	-	0.09%
0	Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	1	Cost of services	9,168	-	0.51%
0	Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	1	Purchase	1,721	-	0.10%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Accounts payable	9,276	-	0.56%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Purchase	26,856	-	1.49%
0	Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	1	Cost of services	1,291	-	0.07%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou)	1	Sales revenue	9,192	-	0.51%
0	Taiwan Kong King Co., Limited	The Kong King Technology (Suzhou)	1	Cost of services	38,653	-	2.14%
1	TKK Precision Co., Ltd.	The Kong King Technology (Suzhou)	3	Sales revenue	3,310	-	0.18%

Note 1: The numbers above are identified as follows:

- 1."0" for the Company.
- 2.The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The flow of transactions was as follows:

- 1.From the Company to the subsidiary.
- 2.From the subsidiary to the Company.
- 3.Between subsidiaries.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The transaction terms with the related party are not significantly different from those to third parties.

Note 5: The sales prices and payment terms of intercompany sales are not significantly different from those to third parties.

For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Unit: Amount in thousands of NTD

(Except for the shares or units)

Investor Company	Investee company	Location	Main Businesses and Products	Initial Investment		Investment as of 31 December 2023			Net income (loss) of investee company	Investment income(loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Carrying Amount			
Taiwan Kong King Co., Limited	Hong Kong Taiwan Kong King Limited	Hong Kong	Electronic components trading etc.	\$114,505	\$114,505	26,210,000	100.00%	\$155,531	\$10,370	\$10,320	Subsidiary
Taiwan Kong King Co., Limited	TKK Precision Co., Ltd.	R.O.C	Electronic components manufacturing, electronic materials trading and testing, and machinery and equipment retailing	90,530	90,530	6,237,000	100.00%	109,422	(10,996)	(10,680)	Subsidiary
Taiwan Kong King Co., Limited	Headway Holdings Limited	Samoa	Electronic components trading etc.	36,076	36,076	1,100,000	100.00%	78,950	6,415	6,415	Subsidiary
Taiwan Kong King Co., Limited	THT Technology Co., Ltd.	R.O.C	Machinery, equipment retailing and electronic components manufacturing etc.	50,953	50,953	5,000,000	100.00%	88,352	26,224	26,253	Subsidiary
Headway Holdings Limited	Hiking International Co. Ltd.	Hong Kong	Investment holding	27,764	27,764	12,636,000	100.00%	41,482	1,719	(Note 1)	Second-tier Subsidiary

Note 1 : Subsidiaries and investments accounted for under the equity method were not invested directly by the Company is not required to disclose.

Attachment 6 (Investment in Mainland China as of December 31, 2023)

Unit: Amount in thousands of NTD

Investee Company	Main Businesses and Products	Total amount of paid-in capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated outflow of investment from Taiwan as of 31 December 2023	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying amount as of 31 December 2023	Accumulated inward remittance of earnings as of 31 December 2023
					Outflow	Inflow					
The Kong King Technology (Suzhou) Co., Ltd.	Electronic materials, machinery and precision equipment retailing, information software service and international trade business	\$82,038	(Note 1.(1))	\$49,538	\$-	\$-	\$49,538	100%	\$6,086 (Note 2.(2).c)	\$141,773	\$-

Accumulated investment in Mainland China as of 31 December 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$49,538	\$108,264	\$694,813

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Others.

Note 2 : Information of the investment income (loss) recognized in current period include the following:

- (1) Noted when investment income (loss) was not showed as the financial statement is not yet prepared.
- (2) The investment income (loss) were determined based on the following basis:
 - a. The financial report was audited by an international certified public accounting firm in cooperation with an R.O.C accounting firm.
 - b. The financial statements were audited by the auditors of the parent company.
 - c. Others.

2. Significant transactions with directly investment in Mainland China or indirectly investment in Mainland China through companies registered in a third region:

(1) The amounts and percentage of the sales and the balance and percentage of the accounts receivable:

Year	Company	Sales Amounts	Percentage of the Company's Sales	Balance of Accounts Receivable	Percentage of the Company's Accounts Receivable
2023	The Kong King Technology (Suzhou) Co., Ltd	\$9,192	1.16%	\$-	-

(2) The amounts and percentage of the purchase and the balance and percentage of the accounts payable:

Year	Company	Purchase Amounts	Percentage of the Company's Purchase	Balance of Accounts Payable	Percentage of the Company's Accounts Payable
2023	The Kong King Technology (Suzhou) Co., Ltd	\$127	0.02%	\$-	-

(3) Provision of services:

Year	Company	Amounts of Service Revenue	Percentage of the Company's Service Revenue	Balance of Accounts Receivable	Percentage of the Company's Accounts Receivable
2023	The Kong King Technology (Suzhou) Co., Ltd	\$63	0.01%	\$-	-

(4) Receipt of services:

Year	Company	Amounts of Service Costs	Percentage of the Company's Service Costs	Balance of Accounts Payable	Percentage of the Company's Accounts Payable
2023	The Kong King Technology (Suzhou) Co., Ltd	\$38,653	54.99%	\$-	-

(5) The ending balance and purpose of the endorsement, guarantee or securities: None.

(6) Maximum outstanding balance during the year, ending balance, interest rate range and interest of the financing provided: None.

(7) Other significant transactions impacted the net income or the financial performance for the year: None.

Attachment 7 (Information on Major Shareholders as of 31 December 2023)

Shareholders	Shares			
	Common Shares	Preference Shares	Total Shares Owned	Ownership Percentage
Wong's Kong King International (Holdings) Ltd	97,895,344	-	97,895,344	67.44%

<Note 1> The attachment disclosing the information on major shareholders is provided by the Taiwan Depository & Clearing Corp. based on the calculation of shareholders with over 5% ownership of the Company's total common stock delivered without physical registration on the last business day at the end of each quarter. The number of shares recorded in the Company's financial statements and the actual number of shares delivered without physical registration may be different due to the basis of preparation.

<Note 2> The information above is disclosed by the individual trustee's trust account opened by the trustee if the shares held are delivered to the trust by the shareholder. For shareholders holding more than 10% of their shares in accordance with the Securities and Exchange Act, their shareholdings include their own shares plus their shares delivered to the trust and have the right to exercise the use of the trust property. Please refer to the MOPS for information on the reporting of insider shares.