Stock code：3093

TAIWAN KONG KING CO., LTD.

Annual Report
2023

Edited by: Taiwan Kong King Co., Ltd.

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Annual report is available at:
（http://mops.twse.com.tw/）

1. Spokesman

   Name: LIAO HUNG-YING

   Title: General Manager

   Tel: 03-352-9332

   E-mail: smale_liao@tkk.com.tw

2. Deputy Spokesman

   Name: CHEN MEI-FEN

   Title: Vice General Manager of the Management Division

   Tel: 03-352-9332

   E-mail：may_chen@tkk.com.tw

3. Company address and tel.

   Head office: 5F.-4, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City, Taiwan (R.O.C.)

   Tel: 03-352-9332

   Hsinchu office: No. 78, Guangming 3rd Rd., Zhubei City, Hsinchu County, Taiwan (R.O.C.)

   Tel: 03-553-0377

   Tainan office: No. 6, Ln. 1, Liantan S. 1st Ln., Xinshi Dist., Tainan City 744, Taiwan (R.O.C.)

   Tel: 06-585-0678

   Kaohsiung office: No. 46, Ln. 128, Daxue 32nd St., Nanzi Dist., Kaohsiung City 811, Taiwan (R.O.C.)

   Tel: 07-366-3308

4. The stock transfer agency

   SinoPac Securities co., ltd.

   Address: 3F, No. 17, Bo’ai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

   Tel: 02-2381-6288

   Website: www.sinopac.com.tw

5. Recent annual report accountant

   Ernst & Young

   Accountant Chih-Ming Chang and Jung-Huang Hsu

   Address: 9F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.) (TWTC International Trade Building)

   Tel: 02-2757-8888

   Website: www.ey.com/taiwan

6. The name of the trading place where Company’s listed overseas securities are listed for trading and the way to inquire about the overseas securities information: not applicable

Company Website: http://www.tkk.com.tw

TAIWAN KONG KING CO., LTD.

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I. Letter to Shareholders

Dear shareholders and distinguished guests:

Major industry in Taiwan anticipated the prosperity this year as follows: Global coronavirus epidemic (COVID-19) and general environmental uncertainties has made a considerable impact on global macroeconomy. In addition to the continued expansion of investment in the semiconductor industry、solar equipment、Optical communication market high-end equipment and PCB high-end carrier boards, the sales market for end products in the electronics industry has been significantly reduced and the proportion of investment has slowed down; However, the Company is expected to maintain a stable growth trend this year. To become the staunchest backing of our customers, the Company as a professional agent of high-end products for the electronics industry has maintained existing advanced equipment, materials and general agent of key components and parts and actively crossed to new production field in the electronics industry to grow jointly with customers and suppliers.

The performance in 2023 remained stable and profitable. In the future, we will continue to adhere to the solid operation, and endeavor to maintain profitability by controlling operating costs and improving business performance. The results of the 2023 business are as follows:

The consolidated operating income of the Company as of December 31, 2023 was NTD 1,802,085 thousand, a decrease of 29.75% compared with NTD 2,565,379 thousand in 2022. The net profit attributable to owners of the parent company was NTD 292,582 thousand, which was 38.84% decrease from NTD 478,384 thousand in 2022.The earnings per share was NTD 2.02, an decrease of 38.79% from NTD 3.30 in 2022.

1. 2023 Consolidated Business Results:

A. Operational implementation results

Units: NT$ in thousands, %

Item	2022	2023	Diff	Diff%
Operating income	2,565,379	1,802,085	(763,294)	(29.75)
Operating gross profit	986,042	689,529	(296,513)	(30.07)
Operating net income	592,799	353,868	(238,931)	(40.31)
Net rofit before tax	595,998	366,941	(229,057)	(38.43)
Net profit	478,384	292,582	(185,802)	(38.84)
Net profit attributable to owners of the parent company	478,384	292,582	(185,802)	(38.84)
Basic earnings per share (NT$)	3.30	2.02	(1.28)	(38.79)

B. Consolidated Financial income and expenditures

Units: NT$ in thousands

Item	2022	2023
Cash flow from operating activities	529,852	205,253
Cash flow from investment activities	(22,758)	(8,352)
Cash flow from financing activities	(231,529)	(437,933)
Gains (losses) on cash and cash equivalents	284,821	(243,701)
Cash and cash equivalents at the beginning of the period	920,645	1,205,466
Cash and cash equivalents at the end of the period	1,205,466	961,765

C. Profitability

Item		2022	2023
Return on assets (%)		24.79	15.56
Return on equity (%)		40.86	23.81
Ratio to paid-in capital (%)	Operating profit margin	163.36	97.51
	Income before Tax	164.24	101.12
Net Profit Margin (%)		18.65	16.24
EPS (NT$)		3.30	2.02

2. 2024 Business Plan

   A. Enhance customer satisfaction and provide instant service.

   B. Develop new product distributorship that respond to customer needs.

   C. Update information architecture and process optimization continuously to improve management performance with computer systems.

   D. Strengthen employee education and training to serve customers with professional employees.

   E. Steady operation and increase shareholders' equity.

3. The Future Development Strategy of The Company

   A. Seeking local and international strategic alliance partners, and distribute products in high-tech fields.

   B. Establish a talent network in the high-tech field and find talented employees to serve customers.

   C. Strict and reasonable implementation of credit control and continuous strengthening of risk control.

4. The influence of external competitive environment, regulatory environment and overall business environment:

   Under the global concern about corporate social responsibility and environmental protection issues, Taiwan Kong King will fulfill its corporate social responsibility with a sense of mission to society. In order to protect the earth, we will continue to introduce the most advanced green energy equipment, materials and key technologies from the electronics industry to the Taiwan market to provide products with low energy consumption and high production value.

   Finally, I would like to thank all the shareholders of Taiwan Kong King. With the long-term support of the shareholders and the efforts of the company's employees, I believe Taiwan Kong King can continue to grow in stability. I wish you good health and good luck!

Chairman HO SHU-CHAN

General Manager LIAO HUNG-YING

II. Company Profile

1. Date of incorporation: June 14, 1975

2. Company history

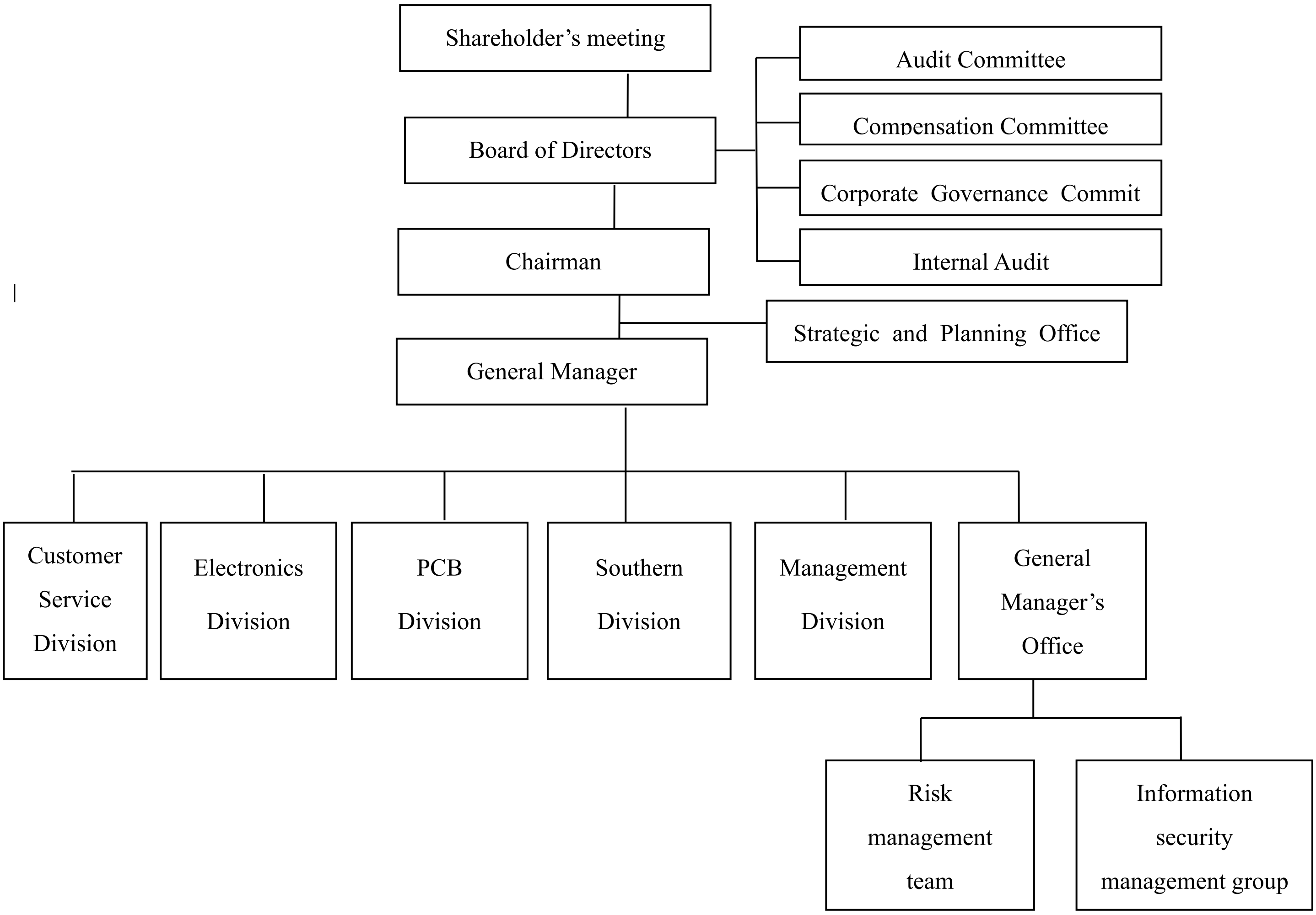
1977	Taiwan Kong King was established and entered into the PCB industry.
1983	The Taipei office moved to Luzhu, Taoyuan.
1989	Established Kaohsiung Office.
1994	Entered into SMT industry.
1995	Purchased and moved to the new office building (Zhongzheng International Building, Luzhu, Taoyuan)
1996	Expanded the services for semiconductor industry equipment
1998	ISO 9002 certified
1998	Established Hsinchu Office.
1999	Developed photoelectric industry equipment business.
2000	Public issuance. Developed new precision printed circuit board testing business
2001	Established TKK HIOKI Co., Ltd. with Japanese company Hioki E.E. Corp.
2002	Expanded HDI board testing business.. Re-investmented Hiking Technology Co., Ltd.
2002	Verified by ISO 9001:2000.
2003	Re-investmented Technology Kong King Electronics Co., Ltd. (Shanghai)
2004	Established Southern Taiwan Science Park Office
2005	Listed in the OTC market on June 17, with the stock code 3093 and capital of NT$272,734,000.
2006	Introduced ERP system. Established THT Technology Co., Ltd. with Japanese company Hioki E.E. Corp.
2007	Introduced CSM system.
2008	Re-investmented The Kong King Technology Co., Ltd. (Suzhou) Awarded Evergreen Enterprise "Special Contribution Award" by Taoyuan City Government.
2009	The capital increased NT$17,280,420, total paid-up capital became NT$362,888,940.
2010	Verified by ISO 9001:2008.
2011	Awarded "A+ Club" by Global Views Monthly for the third year in a row, and was promoted as a five-star company.
2012	Hiking Technology Co., Ltd. added a new precision printed circuit board fixture manufacturing business.
2013	Received “Happy Enterprise Award” from Taipei City Government and “Service Quality Excellence Award” from Taoyuan City Government.

2015	Ranked top 5% of all OTC companies from the first corporate governance review.
2015	Selected as one of the top 100 giants in the 2015 CSR Corporate Citizenship Awards of the CommonWealth Magazine
2016	Selected as one of the top 100 giants in the 2016 CSR Corporate Citizenship Awards of the CommonWealth Magazine.
2018	The subsidiary TKK HIOKI Co., Ltd. was renamed to TKK Precision Co., Ltd.
2019	Awarded the 2019 Outstanding Business Entity in Taoyuan area by National Taxation Bureau of the Northern Area, Ministry of Finance.
2020	Selected as one of the top 100 fast-growing companies in CommonWealth Magazine in 2020.
2022	Selected as one of the 50 fastest growing companies in the service industry by Commonwealth Magazine
2022	Ranked 6%~20% of all OTC companies from the Eighth corporate governance review.
2022	The change in par value per share from NT$10 to NT$2.5.
2024	Won the seventh "Potential Backbone Enterprise Award" and the "Outstanding Backbone Enterprise Award for Creating a Friendly Workplace" from the Ministry of Economic Affairs

III. Corporate Governance Report

1. Organizational Structure

(1) Organizational Chart



(2) Department functions

Department	Functions
General Manager's Office	Includes secretary, MIS, development team, project development and overseas development department. Secretary: Assist in handling the day-to-day administrative business. MIS: Related operations such as company computer maintenance and information system management. Development team, project team: New product introduction and market development, project equipment distribution negotiation. Overseas Development Department: Responsible for overseas market sales and after-sales service related business.
Internal Audit	Formulate the company's annual audit plan, audit the implementation of the company's various departments' rules and regulations, check and evaluate whether the company's internal operations are appropriate and sound, in order to obtain effective internal control at a reasonable cost.
Management Division	The division includes the Finance Department, Management Department, Procurement Department and Sales and Marketing Department. Finance Department: Cashier and accounting matters. Management Department: Import and export operations, general affairs and personnel management operations. Procurement Department: Responsible for company procurement matters. Sales and sales department: Sales management of inventory sales and warehouse management.
PCB Division	PCB equipment and materials sales planning, market research, operating activities and market development plans, development and implementation.
Electronics Division	SMT, semiconductor and optical communications sales planning, market research, operating activities and market development plans, development and implementation.
Customer Service Division	Equipment installation and related warranty, after-sales service and control of inventories.
Southern Division	PCB equipment, SMT, semiconductor and optical communications sales planning, market research, operating activities and market development plans, development and implementation.

2. Information on the company's directors, supervisors, general manager, assistant general managers, associates, and the supervisors of all the company's divisions and branch units

A. Information of thedirector and supervisor

April 20, 2024

Title	Name	Gender Age	Nationality or Place of Registration	Inauguration date	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Wong's Kong King International (Holdings) Limited	-	Bermuda	110.08.10	3	66.06.14	24,473,836	67.44	97,895,344	67.44	0	0.00	0	0.00	-	-	-	-	-	-
Chairman	Wong's Kong King International (Holdings) Limited Representative：HO SHU-CHAN	Male 71-80	Hong Kong	110.08.10	3	66.06.14	24,473,836	67.44	97,895,344	67.44	0	0.00	0	0.00	Wong's Kong King International (Holdings) Limited	TKK: Chairman： Other companies: CFO of Wong's Kong King International (Holdings) Limited	-	-	-	-
Director	Wong's Kong King International (Holdings) Limited, Representative：HSU HUNG-CHIEH	Male 71-80	R.O.C.	110.08.10	3	90.03.11	24,473,836	67.44	97,895,344	67.44	0	0.00	0	0.00	TKK's Chairman and general manager	TKK: None Other companies: None	-	-	-	-
Director	Wong's Kong King International (Holdings) Limited Representative：SENTA WONG	Male 71-80	Canada	110.08.10	3	66.06.14	24,473,836	67.44	97,895,344	67.44	0	0.00	0	0.00	2000 chairman of Tung Wah Group of Hospitals	TKK: None Other companies: Chairman of Wong's Kong King International (Holdings) Limited	Director	CHANG JUI-SHUM	son in law	-
Director	Wong's Kong King International (Holdings) Limited Representative：TSUI YING-CHUN	Male 71-80	Hong Kong	110.08.10	3	66.06.14	24,473,836	67.44	97,895,344	67.44	0	0.00	0	0.00	Wong's Kong King International (Holdings) Limited	TKK: None Other companies: Group President and CEO of Wong's Kong King International (Holdings) Limited	-	-	-	-
Director	Wong's Kong King International (Holdings) Limited Representative：CHANG JUI-SHUM	Male 41-50	Hong Kong	110.08.10	3	97.06.16	24,473,836	67.44	97,895,344	67.44	0	0.00	0	0.00	General Manager of WKK distribution ltd.	TKK: None Other companies: Director and President of WKK Distribution Limited Director of The Kong King Technology Co., Ltd, (Suzhou)	Director	SENTA WONG	father in law	-
Director	LIAO HUNG-YING	Male 51-60	R.O.C.	110.08.10	3	97.01.18	188,798	0.52	1,426,000	0.98	32,448	0.02	0	0.00	TKK General Manager The 31st NCCU entrepreneurship academy	TKK: General Manager Other companies: Chaiman of The Kong King Technology Co., Ltd, (Suzhou) Chaiman ofTHT Technology Co., Ltd. Chaiman ofTKK Precision Co., Ltd.	-	-	-	-
Director	CHEN MEI-FEN	Female 61-70	R.O.C.	110.08.10	3	90.03.11	287,035	0.79	1,003,140	0.69	1,864	0.00	0	0.00	TKK Deputy General Manager Department of Business AdministrationChung	TKK: Deputy General Manager Other companies: Supervisor of TKK Precision Co., Ltd. Supervisor of THT Technology Co.,	-	-	-	-

Title	Name	Gender Age	Nationality or Place of Registration	Inauguration date	Term (year)	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Yuan Christian University	Ltd. Supervisor of The Kong King Technology Co., Ltd, (Suzhou)				
Independent Director	HUANG WEN-YUEAN	Male 71-80	R.O.C.	110.08.10	3	98.06.16	1,050	0.00	4,200	0.00	4,200	0	0	0.00	EMBA of Electronics Engineering, NCTU Director of the plant of Taiwan Semiconductor Manufacturing Company, Limited	TKK: None Other companies: None	-	-	-	-
Independent Director	CHEN CHAO-HUANG	Male 61-70	R.O.C.	110.08.10	3	110.08.10	0	0.00	0	0.00	0	0.00	0	0.00	Mechanical design team leader, MICROTEK INTERNATIONAL INC. Senior engineer, plant construction and plant affair, AT&T R&D and Manufacturing Manager, UMAX Computer Corporation Deputy General Manager/Director, AVISION INC. Master of EMBA, National Jiaotong University	TKK: None Other companies: Independent Director, Feedback Technology Corp. Director, Andatek Technology Ltd. Responsible person, Jiaying International Investment Co., Ltd. Founder/Director, Seongnam Organic Farm Associate course teacher of Tsio Hai Waldorf Education Consultant of Zhi Yang Education Foundation	-	-	-	-
Independent Director	WEI HSING-HAI	Male 61-70	R.O.C.	110.08.10	3	110.08.10	0	0.00	0	0.00	0	0.00	0	0.00	Accountant of Auditing Department, KPMG Bachelor of Business, Accounting, Department of Business, National Taiwan University Master of EMBA, National Jiaotong University	TKK: None Other companies: Accountant of Auditing Department ,Chuan Zhi He Shu Independent Director, ADLINK Technology Inc. Remuneration Committee Members, Unizyx Holding Corporation	-	-	-	-

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and more than half of the directors shall not serve as employees or managers, etc.).

Table 1: Major shareholders of institutional shareholders

April 20, 2024

Name of Institutional Shareholder	Major Shareholders	Shareholdings (%)
Wong's Kong King International (Holdings) Limited	Greatfamily Inc.[Note]	28.48
	Greatguy(PTC) Inc.[Note]	28.48
	Senta Wong (BVI) Limited	16.72
	Cantrust (Far East) Limited	6.99
	Mr. Wong Chung Yin	5.85

Note: Greatfamily Inc. is registered in the name of Rewarding Limited, which is wholly-owned by a discretionary trust owned by Greatfamily Inc. (a wholly owned by Greatguy (PTC) Inc.). The shares owned by Greatfamily Inc. refer to the same shares as the shares owned by Greatguy (PTC) Inc.

Table 2： Major shareholders of the Company's major institutional shareholders in table 1

April 20, 2024

Name of Institutional Shareholder	Major Shareholders	Shareholdings (%)
Greatfamily Inc.	Greatguy(PTC) Inc.	100.00
Senta Wong (BVI) Limited	Mr. Senta Wong	50.25
	Ms. Wong Wu Lai Ming Lily	49.75

Information about director and supervisor (2)

1. Disclosure of professional qualifications of directors and supervisors and independence of independent directors:

April 15, 2023

Criteria / Name	Professional Qualification and Work Experience (Note1)	Independence Attribute	Number of Holding Concurrent Independent Director Position in Other Public Companies
HO SHU-CHAN	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	-	None
HSU HUNG-CHIEH	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	-	None
SENTA WONG	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	-	None
TSUI YING-CHUN	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	-	None
CHANG JUI-SHUM	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	-	None
LIAO HUNG-YING	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	-	None
CHEN MEI-FEN	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	-	None
HUANG WEN-YUEAN	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company Work Experience: Director of the plant of Taiwan Semiconductor Manufacturing Company, Limited	(Note2)	None
CHEN CHAO-HUANG	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company Work Experience: Deputy General Manager/Director, AVISION INC.	(Note2)	1
WEI HSING-HAI	A Certified Public Accountant (CPA), or other professional or technical specialist who has passed a national certification and been awarded a certificate in a specific professional field, and with at leaset five years of CPA experience. Work Experience: Accountant of Auditing Department, KPMG	(Note2)	1

Note 1: None of the directors has any of the circumstances specified in Article 30 of the Company Act.

Note 1: Independent status is as follows:

(1) Not an employee of the Company or its affliates.

(2) Not a director or supervisor of the Company or its affliates.

(3) Natural person shareholders who are not themselves, their spouses, minor children or who hold more than 1% of the total issued shares of the Company in the name of others or who hold the top 10 shares.

(4) Not the spouse, relatives within the second degree of kinship or lineal relatives by blood within the third degree of kinship of the persons listed in the preceding three paragraphs.

(5) Not serving as a director, supervisor or employee of a company with a specific relationship with the Company.

(6) For the last two years, there was no remuneration for business, legal, financial or accounting services provided by the Company or its affiliates.

2. Diversity and independence of the Board of Directors:

(1) Diversification of the Board of Directors:

The Company has formulated the "Principals of Corporate Governance" and formulated a diversified policy in Chapter III "Strengthen the Powers of the Board of Directors" and published it on the Company's website. The nomination and selection of the members of the Board of Directors of the Company adopts the candidate nomination system in accordance with the provisions of the Articles of Association. In addition to evaluating the qualifications of each candidate's academic experience, and referring to the opinions of interested parties, the Company abides by the "Procedures for Election of Directors " and the "Principals of Corporate Governance " to ensure the diversity and independence of directors.

The Company has considered the demands from all aspects for the composition of the board members. The composition of the board members is diversified and has at least one female participating in the board. Among the list of the 10 board members of the Company, foreign directors accounted for 40%; independent directors accounted for 30%; directors with employee identity accounted for 20%; female directors accounted for 10%. 5 directors are above the age of 70, 4 directors are within the age of 60~70 and 1 director is below the age of 60.

The company attaches great importance to the professional knowledge and skills of the board of directors, and there is at least one accounting professional director.

In addition, in order to implement the policy of diversification of the composition of the board of directors to improve the overall performance of the company, and in response to the "Code of Practice for Governance of Listed Companies" that the consecutive term of independent directors should not exceed three terms, the company plans to gradually improve the composition of the board of directors. After the election, the company has two (more than half) independent directors consecutively. The term of office shall not exceed three terms.

(2) Independence of the Board of Directors:

Among the 10 directors of the company, 3 are independent directors, accounting for 30%, and the directors and directors or independent directors have no spouse or family relationship within the second degree, accounting for 80%, and only two directors have company managers. Therefore, the Board of Directors of the Company is independent.

B. Information of the general manager, assistant general manager, senior managers of departments and branches:

April 20, 2024

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Current Positions at Other Companies	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Remarks (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	LIAO HUNG-YING	Male	96.10.04	1,426,000	0.98	32,448	0.02	0	0.00	St. John's University The 31st NCCU entrepreneurship academy Supervisor of the Taiwan Printed Circuit Association Managing Director of the TPCA Environment Foundation	Chairman of The Kong King Technology Co., Ltd, (Suzhou) Chairman of THT Technology Co., Ltd. Chairman of TKK Precision Co., Ltd.	-	-	-	-
Senior deputy general Manager of Customer Service	R.O.C.	FAN DING-CHI	Male	86.05.01	0	0.00	4,000	0.00	0	0.00	Department of Electronics Engineering of Lunghwa University of Science and Technology	General Manager of TKK Precision Co., Ltd. Director of The Kong King Technology Co., Ltd, (Suzhou) Director of THT Technology Co., Ltd.	-	-	-	-
Senior deputy general Manager of the Management Division	R.O.C.	CHEN MEI-FEN	Female	96.03.01	1,003,140	0.69	1,864	0.00	0	0.00	Department of Business Administration Chung Yuan Christian University	Supervisor of TKK Precision Co., Ltd. Supervisor of TKK Precision Co., Ltd. Supervisor of THT Technology Co., Ltd. Supervisor of The Kong King Technology Co., Ltd, (Suzhou)	-	-	-	-
Senior deputy General Manager of the PCB Division	R.O.C.	LIAO DE-HSIANG	Female	109.02.01	502,360	0.35	58,048	0.04	0	0.00	Chemical engineering of the Ta Hwa University of Science and Technology	Director of TKK Precision Co., Ltd. General Manager of THT Technology Co., Ltd.	-	-	-	-
Deputy General Manager of the PCB Division	R.O.C.	CHENG FU-WEN	Male	96.03.01	0	0.00	0	0.00	0	0.00	Department of Electronics Engineering of Chung Yuan Christian University	General Manager of The Kong King Technology Co., Ltd, (Suzhou)	-	-	-	-
Deputy General Manager of the South Office	R.O.C.	CHUANG HONG-YI	Male	109.02.01	0	0.00	0	0.00	0	0.00	Electrical, electronics, instrument and control department of National United University	-	-	-	-	-
Senior manager of customer service	R.O.C.	LIU REN-JIEN	Male	103.04.01	35,680	0.02	0	0.00	0	0.00	Electronics Engineering of the NCU	-	-	-	-	-
Senior manager of Management Division	R.O.C.	CHOU TSUI-HSIA	Female	93.11.01	0	0.00	0	0.00	0	0.00	Accounting and statistics department of Ling Tung University	-	-	-	-	-
Senior manager of PCB Division	R.O.C.	TSOU REN-ZHE	Male	94.06.01	0	0.00	0	0.00	0	0.00	EMBA of NCU	-	-	-	-	-
Senior manager of PCB Division	R.O.C.	HSU JI-TSUN	Male	97.06.01	0	0.00	0	0.00	0	0.00	Masters degree on chemical engineering of Chung Yuan Christian University	-	-	-	-	-
Senior manager of PCB Division	R.O.C.	HSU YUAN-HSUN	Male	103.04.01	0	0.00	0	0.00	0	0.00	Department of Business Administration Chung Yuan Christian University	-	-	-	-	-
Senior manager of PCB Division	R.O.C.	YANG ZHU-HONG	Male	105.04.01	0	0.00	0	0.00	0	0.00	Japanese language department of Tamkan University	-	-	-	-	-
Senior manager of Electronics Division	R.O.C.	WU SHANG-WEN	Male	96.04.01	0	0.00	0	0.00	0	0.00	Business Mathematics of the Soochow University	-	-	-	-	-

Note 1: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of the Company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and more than half of the directors shall not serve as employees or managers, etc.).

C. Remuneration paid during the most recent fiscal year to directors (including independent directors), supervisors, the general manager, and assistant general managers

(1) Remunerations of Directors (including independent directors)

December 31, 2023/Unit: NT$Thousand

Title	Name	Remunerations of Directors: Compensation (A) (Note 2): The Company	Compensation (A) (Note 2): All companies in the consolidated financial statement (Note 7)	Severance Pay (B): The Company	Severance Pay (B): All companies in the consolidated financial statement (Note 7)	Directors Compensation (C)(Note 3): The Company	Directors Compensation (C)(Note 3): All companies in the consolidated financial statement (Note 7)	Allowances (D)(Note 4): The Company	Allowances (D)(Note 4): All companies in the consolidated financial statement (Note 7)	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10): The Company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10): All companies in the consolidated financial statement (Note 7)	Relevant remuneration received by directors who are also employees: Salary, Bonuses and Allowances (E) (Note 5): The Company	Salary, Bonuses and Allowances (E) (Note 5): All companies in the consolidated financial statement (Note 7)	Severance Pay (F): The Company	Severance Pay (F): All companies in the consolidated financial statement (Note 8)	Employee Compensation (G) (Note 6): The Company: Cash	Employee Compensation (G) (Note 6): The Company: Stock	Employee Compensation (G) (Note 6): All companies in the consolidated financial statement (Note 8): Cash	Employee Compensation (G) (Note 6): All companies in the consolidated financial statement (Note 8): Stock	Ratio of total compensation (A+B+C+D+E+F + G) to net income (Note 10): The Company	Ratio of total compensation (A+B+C+D+E+F + G) to net income (Note 10): All companies in the consolidated financial statement (Note 7)	Compensation paid to directors from non- consolidated affiliates or parent company (Note 11)
Chairman	HO SHU-CHAN	0	0	0	0	2,570	2,870	0	0	2,570 0.88%	2,870 0.98%	19,906	25,003	0	0	0	0	0	0	22,476 7.68%	27,873 9.53%	-
Director	SENTA WONG																					
Director	TSUI YING-CHUN																					
Director	HSU HUNG-CHIEH																					
Director	CHEN MEI-FEN																					
Director	LIAO HUNG-YING																					
Director	CHANG JUI-SHUM																					
Independent Director	HUANG WEN-YUEAN	0	0	0	0	1,102	1,102	0	0	1,102 0.38%	1,102 0.38%	0	0	0	0	0	0	0	0	1,102 0.38%	1,102 0.38%	-
Independent Director	CHEN CHAO-HUANG																					
Independent Director	WEI HSING-HAI																					

1.ease state the payment policy, system, standards and structure of the remuneration of the independent directors, and explain the relevance to the amount of remuneration according to their responsibilities, risks, time invested, etc.: accordance with Article 19 of the Articles of Incorporation, the Company shall allocate below 1% of the balance by subtracting the profit before tax by employees' remuneration and directors' and supervisors' remuneration in the current year as the remuneration for directors and supervisors. The remuneration of directors and supervisors will be subject to the changes in profit before tax. The aforementioned measures shall be reasonable.

2. Except as disclosed in the above table, the remuneration received by the directors of the Company for providing services to all companies in the financial report in the most recent year (such as serving as consultants to non employ of the parent company / all companies in the financial report / reinvestment enterprises): none

Note :1. The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2023, of which the surplus distribution reveals the proposed number of surplus distribution in 2023.

2. The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2023.

Range of Remunerations

Range of remuneration	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 8)	Companies in the consolidatedfinancial statements (Note 9)H	The company(Note 8)	Companies in the consolidated financial statements (Note 9)I
Under NT$ 1,000,000	Wong's Kong King (SENTA WONG ,HSU HUNG-CHIEH , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM), CHEN MEI-FEN , LIAO HUNG-YING, HUANG WEN-YUEAN , CHEN CHAO-HUANG, WEI HSING-HAI	Wong's Kong King (SENTA WONG , HSU HUNG-CHIEH , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM), CHEN MEI-FEN , LIAO HUNG-YING, HUANG WEN-YUEAN , CHEN CHAO-HUANG, WEI HSING-HAI	Wong's Kong King (SENTA WONG , TSUI YING-CHUN , HO SHU-CHAN , CHANG JUI-SHUM , HSU HUNG-CHIEH) , HUANG WEN-YUEAN , CHEN CHAO-HUANG, WEI HSING-HAI	Wong's Kong King (SENTA WONG , TSUI YING-CHUN ,HO SHU-CHAN , CHANG JUI-SHUM , HSU HUNG-CHIEH), HUANG WEN-YUEAN , CHEN CHAO-HUANG, WEI HSING-HAI
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	-	-	-	-
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	-	-	-	-
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)	-	-	-	-
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	-	-	CHEN MEI-FEN	CHEN MEI-FEN
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	-	-	LIAO HUNG-YING	-
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	-	-	-	LIAO HUNG-YING
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	-	-	-	-
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	10	10	10	10

Note 1: The names of directors should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment. If the director is also the general manager or assistant general manager, the above table and table 3 should be filled out.

Note 2: This table refers to the remuneration of directors in the most recent year (including directors' salary, professional allowance, severance pay, various awards and bonuses).

Note 3: The amount of directors' remuneration distributed by the board of directors in the most recent year is included.

Note 4: This table refers to the relevant business execution expenses of directors in the most recent year (such as traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration.

Note 5: This table refers to the salary, professional allowance, severance pay, various awards and bonuses, traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies of the directors as concurrent employees in most recent years (including concurrent general manager, assistant general manager, other managers and employees). In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration. The salary expenses recognized in accordance with the "Share-based payment" of IFRS 2, which includes obtaining employee stock option certificates, new restricted employee shares and participating in the subscription shares of cash capital increase, shall also be included in the remuneration.

Note 6: This table refers to the directors as concurrent employees in most recent years (including concurrent general manager, assistant general manager, other managers and employees) who obtain employee compensation (including stocks and cash), and should disclose the amount of compensation paid by the board of directors in the most recent year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the proportion of the actual distribution amount last year, and should be added to table (1-3).

Note 7: The total amount of emoluments paid by all companies (including our company) to the directors of the company should be disclosed.

Note 8: The table shows the total amount of each director's remuneration paid by the company, and exposes the name of the director in the ownership rank.

Note 9: The total remuneration of each director of all the companies (including our company) in the consolidated report should be disclosed, and the name of the director should be exposed in the ownership rank.

Note 10: The "net profit after tax" is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 11: a. This column should clearly state the amount of remuneration for directors of the company to receive the remuneration from non- consolidated affiliates or parent company.

b. If the director of the company receives remuneration from non-consolidated affiliates or parent company, the director shall incorporate the remuneration into the "I" column of the remuneration scale, and change the name of the column to "parent company and all re-invested companies".

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the directors of the company serve as directors, supervisors or managers of the non- consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

(2) Remunerations of General manager and assistant general manager

December 31, 2023/Unit: NT$Thousand

Title	Name	Salary(A) （Note 2）		Severance Pay (B)		Bonuses and Allowances (C) （Note 3）		Profit Sharing- Employee Bonus (D) （Note 4）				Ratio of total compensation (A+B+C+D) to net income (%) （Note 8）		Compensation paid to the President and Vice President from non-consolidated affiliates or parent company (Note 9)
		The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company		Companies in the consolidated financial statements (Note 6)		The company	Companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	LIAO HUNG-YING	12,228	18,428	831	831	30,591	34,626	0	0	0	0	43,650 14.92%	53,885 18.42%	-
Senior vice president	FAN DING-CHI													
Senior vice president	CHEN MEI-FEN													
Senior vice president	LIAO DE-HSIANG													
Deputy General Manager	CHENG FU-WEN													
Deputy General Manager	CHUANG HONG-YI													

＊Regardless of the title, if the position is equivalent to the general manager, assistant general manager (for example: president, CEO, director...etc.), then they should be disclosed in the above table.

Further Explanation:

- The above mentioned figures has included the emoluments of the Company's directors and supervisors in 2023, of which the surplus distribution reveals the proposed number of surplus distribution in 2023.
- The ratio of the total amount to the net profit after tax is calculated based on the net profit o after tax in 2023.
- The actual amount of retired pension in 2023 or the amount of retirement pension recognized or distributed:
  - The actual amount of retirement pension in 2023: NT$0
  - The number of retired pension expenses or the number of withdrawals: old pension NT$440,268, new pension NT$390,312, distribution to the manager NT$0.

Range of Remuneration

Range of Remuneration for General Manager and Deputy General Manager	General Manager and Deputy General Manager Manager姓名	
	The company（Note 6）	Companies in the consolidated financial statements (Note 7)E
Under NT$ 1,000,000	-	-
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	-	-
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	CHUANG HONG-YI	CHUANG HONG-YI
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)	CHENG FU-WEN	-
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	CHEN MEI-FEN , FAN DING-CHI	CHEN MEI-FEN, CHENG FU-WEN, FAN DING-CHI
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	LIAO HUNG-YING, LIAO DE-HSIANG	LIAO DE-HSIANG
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	-	LIAO HUNG-YING
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	-	-
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	-	-
Over NT$100,000,000	-	-
Under NT$ 1,000,000	-	-
Total	6	6

Note 1: The names of the general manager and assistant general manager should be separately listed (institutional shareholders should list their names and their representatives separately), and disclose the total amount of each payment. If the director is also the general manager or assistant general manager, the above table and table 1 should be filled out.

Note 2: This table refers to the salary, professional allowance, severance pay of the general manager and assistant general manager.

Note 3: This table refers to the traveling expenses, special expenses, various allowances, housing expenses, car and other physical supplies of the general manager and assistant general manager in the most recent year. In the case of expenditures of housing, motor vehicles and other means of transport or for exclusive individuals, the nature and cost of the assets, the actual or fair market price, rents, fuel cost and other payments should be disclosed. If there is a driver, please note the company's payment for the driver without remuneration. The salary expenses recognized in accordance with the “Share-based payment” of IFRS 2, which includes obtaining employee stock option certificates, new restricted employee shares and participating in the subscription shares of cash capital increase, shall also be included in the remuneration.

Note 4: The amount of remuneration (including stocks and cash) of the general manager and assistant general manager distributed by the board of directors in the most recent year is included.

Note 5: The total amount of emoluments paid by all companies (including our company) to the general manager and assistant general manager of the company should be disclosed.

Note 6: The table shows the total amount of remuneration of the general manager and assistant general manager paid by the company, and exposes the name of the general manager and assistant general manager in the ownership rank.

Note 7: The total remuneration of the general manager and assistant general manager of all the companies (including our company) in the consolidated report should be disclosed, and the name of the general manager and assistant general manager should be exposed in the ownership rank.

Note 8: The “net profit after tax” is the after tax net profit of an individual or an individual financial report in the most recent year.

Note 9: a. This column should clearly state the amount of remuneration for the general manager and assistant general manager of the company to receive the remuneration from non-consolidated affiliates or parent company.

b. If the general manager and assistant general manager of the company receives remuneration from non-consolidated affiliates or parent company, the general manager and assistant general manager shall incorporate the remuneration into the “E” column of the remuneration scale, and change the name of the column to “all re-invested companies”.

c. Remuneration is the bonus (including bonuses of employees, directors and supervisors) and business execution expenses of the when the general manager and assistant general manager of the company serve as directors, supervisors or managers of the non-consolidated affiliates or parent company.

* The contents of the remuneration disclosed in this table are different from the concept of the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not taxable.

(3) The distribution of employees' compensation and the name of managers who are responsible: not applicable.

(4) The name, title and employee compensation of the top ten employees who have obtained employee compensation: not applicable.

D. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance

(1) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and assistant general managers paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years：

Total remuneration as a percentage of net profit after tax of the directors, supervisors, general managers and assistant general managers of the company in 2022 and 2023 are as follows:

Year	The company	Companies in the consolidated financial statements
2022	10.94%	13.23%
2023	16.54%	20.14%

(2) Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

i. The remuneration of the directors and supervisors of the company is stipulated in the company's regulations: the remuneration of directors and supervisors shall be paid in less than one percent.

ii. In addition to the salary, the remuneration of the general manager and the assistant general manager are distributed according to the profit performance of the profit center. “Performance” is the most appropriate decision-making plan made under the risk factors that the company may face. It refers to the performance of the operating sector and is also reflected in profitability. Thus the remuneration of the general manager and the assistant general manager are related to future risks.

iii. The profit or loss after the tax in the denominator is the number in individual financial statements.

3. The state of the company’s implementation of corporate governance

A. The state of operations of the board of directors

Board of directors held 4 meetings in the recent year, the attendance of the Committee are shown as follows:

Title	Name	Company name	In person attendance	By proxy	In person attendance rate (%)	Remarks
Chairman	HO SHU-CHAN	Wong’s Kong King	4	0	100%	None
Director	SENTA WONG	Wong’s Kong King	1	0	25%	None
Director	HSU HUNG-CHIEH	Wong’s Kong King	4	0	100%	None
Director	TSUI YING-CHUN	Wong’s Kong King	4	0	100%	None
Director	CHANG JUI-SHUM	Wong’s Kong King	4	0	100%	None
Director	LIAO HUNG-YING	-	4	0	100%	None
Director	CHEN MEI-FEN	-	4	0	100%	None
Independent Director	HUANG WEN-YUEAN	-	4	0	100%	None
Independent Director	CHEN CHAO-HUANG	-	4	0	100%	None
Independent Director	WEI HSING-HAI	-	4	0	100%	None

Other mentionable items:

1. During operations of the Board of Directors, the meeting date, period, content, the qualified opinions/resolutions made by any independent director shall be specified:
   (1) Matters specified in Article 14.3 of the Taiwan Securities and Exchange Act.
   (2) Unless otherwise stated, other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing:

   For matters of the board of directors that are subject to Article 14-3 of the Securities Exchange Act, please refer to page 64 for details; on the above-mentioned major issues and other matters, the three independent directors have not expressed any objection or reservation to the resolutions passed.
2. To avoid conflict of interest among directors, the Director’s name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded: None.
3. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and conducting performance assessment:
   1. The Company has formulated the "Regulations Governing Procedure for the Board of Directors Meetings of Public Companies" of the Company in accordance with the "Rules of Procedure for Board of Directors Meetings" to comply with. The members of the Board of Directors adhere to a high degree of self-discipline and abide by the relevant rules and regulations of corporate governance.
   2. Set up the Remuneration Committee and the Audit Committee, and formulate the "Remuneration Committee Charter" and "Audit Committee Charter", independent directors make professional and objective suggestions to the Board of Directors for reference in decision-making, and strengthen corporate governance.
   3. Establishment of independent directors: The Company has established three independent directors in accordance with the law to strengthen the independent and objective functions of professional directors the operation of the board of directors.No objections or reservations have been raised against the proposals.
   4. Since July 28, 2017, there was at least one independent director who personally attended the board of directors’ meeting.
   5. Communication of related parties: The company has a spokesman and a deputy spokesman, which can be used as a way of communication by interested parties. Each year, the shareholders' meeting accepts the shareholder proposal according to the time schedule, and the shareholders who have the right to make the proposal can apply for it during the acceptance period. The company will convene the board of directors for review according to relevant regulations. In addition, the website has a shareholder Q & A section, which will answer on shareholder’s problems.

[Note] the actual attendance rate (%) is calculated based on the number of meetings of the Board of Directors and the actual number of attendance (sit in) during his tenure.

B. The implementation of assessment of the board of directors

Frequency	Period	Scope	Method	Content
Yearly	Evaluation is made according to the performance of the board of directors from January 1, 2023 to December 31, 2023	Performance evaluation of individual directors	Self-assessment of directors	Performance assessment of individual directors: including management of the Company's goals and tasks, recognition of directors' responsibilities, level of participation in the operation of the Company, internal relationship management and communication, professional and continuing education of directors, and internal control.
		Overall Board of Directors' performance evaluation	Internal Self-Assessment by the Board of Directors	This includes the extent of participation in the Company's operations, the quality of decisions made by the Board of Directors, the composition and structure of the Board of Directors, the election and continuing education of directors, and internal control.
		Performance Evaluation of the Functional Committees	Self-Evaluation of the Functional Committees	Including the degree of participation in the Company's operation, the understanding of the responsibilities of the Functional Committee, improving the decision-making quality of the Functional Committees, the composition and selection of members of the Functional Committees, and internal control.

C. The state of the audit committee or the supervisor's participation in the operation of the board:

(1) The Audit Committee met 4 in the most recent year, and the attendance of independent directors is as follows:

Title	Name	Number of Attendance	Number of Attendance by proxy	Actual attendance rate (%)	Remarks
Independent Director	HUANG WEN-YUEAN	4	0	100%	None
Independent Director	CHEN CHAO-HUANG	4	0	100%	
Independent Director	WEI HSING-HAI	4	0	100%	

Other mentionable items:

1. In case of any of the following circumstances in the operation of the Audit Committee, the date and period of the Audit Committee, the contents of the proposal, the objections, reservations or major suggestions of the independent directors, the resolution results of the Audit Committee and the Company's handling of the opinions of the Audit Committee shall be stated.

   (1) Matters listed in Article 14.5 of the Securities and Exchange Act:

Meeting Date	Content of Motion	Resolution	The Company's response to the Audit Committee's The Company's handling of the Audit Committee's comments
2023.03.20	1. The company's 2022 annual individual and consolidated financial report 2. The 2022 Earnings Distribution 3. Proposal of the 2022 Internal Audit Statement	The committee agreed and approved.	The Board of Directors shall propose to the Board of Directors for approval by all Directors present. Approved by agreement of all directors present.
2023.05.09	Consolidated financial statements for the first quarter of fiscal 2023		
2023.08.08	1. Consolidated financial statements for the second quarter of fiscal 2023 2. Fund accommodation of the subsidiary, Headway Holdings Ltd. (Samoa)		
2023.11.07	1. Consolidated financial statements for the third quarter of fiscal 2023 2. Extension of banking facilities and application for such facilities in 2024 3. Formulation of audit plan for 2024		

   (2) Except for the preceding matters, other matters not approved by the Audit Committee and resolved by two-thirds or more of all directors: None.

2. The implementation of the withdrawal of interest related proposals by independent directors shall state the name of the independent director, the content of the proposal, the reasons for the withdrawal of interest and the voting situation: the Company does not have such situation.
3. The communication between the independent directors and the head of internal audit and the CPAs (including the major matters, methods and results of the communication on the Company's financial and business conditions).

(1) The communication between the independent director and the internal audit supervisor is as follows:

Meeting Date	Communication key points	Communication results
2023.03.20 Audit Committee	1. Internal audit business report 2. Proposal of the 2022 Internal Audit Statement	The Committee agreed and approved.
2023.05.09 Audit Committee	Internal audit business report	
2023.08.09 Audit Committee	Internal audit business report	
2023.11.07 Audit Committee	1. Internal audit business report 2. Formulate 2024annual audit plan	

(2) The communication between independent directors and accountants is as follows:：

Meeting Date	Communication key points	Communication results
2023.03.20	1. Report on the scope of audit and audit issues for the 4Q 2022 financial report 2. Reported the latest update of the Securities and Exchange Act 3. Reported the latest update of tax laws and regulations 4. Reported amendments to the Corporate Governance Evaluation System	The committee agreed and approved.
2023.05.09	1. Reported the scope of review and conclusion of the financial report for the Q1 of 2023 2. Reported recent legal updates	
2023.11.07	1. Reported the scope of review and conclusion of the financial report for the Q3 of 2023 2. Reported audit plan for 2023 annual financial report 3. Reported recent legal updates 4. Report on recent IFRS updates 5. Report on latest Sustainability Disclosure Standards updates	

[Note]the account attendance rate (%) is calculated based on the number of meetings of the Board of Directors and the actual number of attendance (sit in) during his tenure.

(2) Board of directors held __ meetings in the recent year, the attendance of the Committee are shown as follows: The company has replaced the supervisor with the audit committee since August 10, 2021.

D. The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and the reason for any such departure:

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
1. Does the company implement and disclose corporate governance in accordance with the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies?	V		The company has implemented corporate governance in accordance with the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and disclosed in the company's website (www.tkk.com.tw).	No Difference
2. Company shareholding structure and shareholders' equity (1) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures? (2) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual controlling company? (3) Does the company establish, implement and control the risk control and firewall mechanism between the enterprises? (4) Does the company stipulate internal regulations to prohibit insiders from using the undisclosed information on the market to buy and sell securities?	V V V V		(1) Taiwan Port Construction Company has a spokesman to deal with shareholders' rights. The remaining subsidiaries are dealt with by the chairman; if there is any dispute, they will be appointed by the legal counsel. Shareholders who have any shareholder issues (opening accounts, stock transfer, change of address, etc.) can contact the company's stock agency or the company's management office, and the contact information are disclosed in the company's website and annual report. (2) Wong's Kong King International (Holdings) Ltd., a major shareholder of the Company, holds 67.44% of the shares. The ultimate controller of this company is the director Mr. SENTA WONG and his family; subsidiary major shareholder details, special items - matters of related companies. (3) The management rights and responsibilities of personnel, assets and finance between the Company and its subsidiaries are clearly distinguished and controlled by relevant personnel such as the Management division and the Audit	No Difference

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Descriptions	
			department. (4) The Company has established “Information and Rules for the Prevention of Insider Trading”.	
3. Composition and duties of the board of directors (1) Does the Board of Directors have a diversity policy, specific management objectives and implementation?	V		(1) The Company established “Corporate Governance Principles” on Oct. 27, 2014. The Company stipulated diversified strategies (disclosed in the Company’s website) in Chapter 3, “Strengthening the Competency of Board of Directors”. The nomination and election of members of the board are in compliance with the provisions in Articles of Incorporation. The Company adopted candidate nomination system. In addition to evaluating the academic background and experiences of each candidate, the Company also referenced the opinions from the stakeholders and complied with the “Rules for the Election of Directors and Supervisors” and “Corporate Governance Principles” to ensure the diversification and independency of members of the board. (2) The Company has considered the demands from all aspects for the composition of the board members. The composition of the board members is diversified and has at least one female participating in the board. Among the list of the 10 board members of the Company, foreign directors accounted for 40%; independent directors accounted for 30%; directors with employee identity accounted for 20%; female directors accounted for 10%. 5 directors are above the age of 70, 4 directors are within the age of 60~70 and 1 director is below the age of 60. The Company values the professional knowledge	No Difference

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Descriptions	
			and skills of the Board of Directors and has at least one director who is CPA. The Company also aims to have at least two independent directors who will not serve more than three consecutive terms. (3) Among the list of 10 board members, for skills in leadership, business judgement, business management, crisis handling, industrial knowledge and international market view, we have SENTA WONG, HO SHU-CHAN, TSUI YING-CHUN, HSU HUNG-CHIEH, CHANG JUI-SHUM, LIAO HUNG-YING and CHEN MEI-FEN; for capabilities in accounting and financial analysis, we have HO SHU-CHAN and CHEN MEI-FEN. Our 2 independent directors have industrial knowledge and 1 has accounting speciality ; and LIAO HUNG-YING has contributed to TPCA Environment Foundation.	
(2) Does the company voluntarily set up other functional committees in addition to the remuneration committee and the audit committee?	V		In addition to setting up a Remuneration Committee and an Audit Committee according to law, the Company also voluntarily sets up a Corporate Governance Committee.	No Difference
(3) Does the Company establish the regulations and methods for the performance assessment of the board of directors, conduct performance assessment each year on a regular basis, report the results of the performance assessment to the board of directors, and apply it as a reference to individual directors' remuneration, nomination and reappointment?	V		On May 11, 2010, the Board of Directors approved the "Rules for Performance Evaluation of Board of Directors " and implemented the internal performance self-evaluation of the Board of Directors every year. The self-assessment has been completed by self-assessment questionnaire in 2023. The assessment included the mastery of the company's goals and tasks, the cognition of directors' duties, degree of participation in operations of the company, the internal relationship communication and management, director's professionalism and continuing education and	No Difference

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Descriptions	
			internal control are all aspects of the evaluation. The scores were 4.95 (each out of a total of 5). All the directors are competent and in compliance with the company's practical needs. The self-assessment has been completed by self-assessment questionnaire by the Board of Directors in 2023. The assessment included the extent of participation in the Company's operations, the quality of decisions made by the Board of Directors, the composition and structure of the Board of Directors, the election and continuing education of directors, and internal control. The scores were 4.69 (each out of a total of 5). In the year of 2023, the performance evaluation of the Functional Committee has been completed by means of Self-Evaluation Questionnaire, including the degree of participation in the Company's operation, the understanding of the responsibilities of the Functional Committee, improving the decision-making quality of the Functional Committee, the composition and member selection of the Functional Committee, and internal control. The scores for the Audit Committee, the Remuneration Committee and the Corporate Governance Committee were 4.95, 4.94 and 4.98 respectively (each out of a total of 5). The Company has completed the evaluation of the performance of the Board of Directors, board members, the Remuneration Committee, the Audit Committee and the Corporate Governance Committee at the end of 2023, and the results of the evaluation were presented at the Board of Directors' meeting held on January 26,	

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			2024. The evaluation score for the year was positive. The Company's Board of Directors resolved to amend the "Overall Board of Directors' performance evaluation" on August 8, 2023, whereby the external Board of Directors' performance evaluation is to be carried out at least once every three years. The Company appointed Chainye Management Consultancy to carry out the external Board of Directors' performance evaluation in February 2023 (for the period from 2023/1/1 to 2023/12/31), whereby the Firm and its executives have no business relationship with the Company and are independent. The firm evaluated the composition of the Board of Directors, the extent of participation in the Company's operations, the improvement of the quality of the Board's decision-making, internal control, the operation of functional committees, and sustainability by means of on-site audits, respectively, and Chainye Management Consultancy has issued an evaluation report of the Board of Directors' performance on December 25, 2023, and has been presented to the January 26, 2024 Board of Directors' meeting.	
(4) Does the company regularly assess the independence of the visa accountant?	V		The company shall review the independence of the accountant at least once a year by the audit office in accordance with the relevant provisions of the "CPA code of professional ethics No.10", together with the statement of the accountant's declaration of non-compliance with independence. The independence assessment process includes financial interests, guarantees, business relationships, personal and family relationships, and employment relationships. After comprehensive evaluation, no violations of	No Difference

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			independence have been found. The Board of Directors and the Audit Committee of the Company evaluate the independence and appropriateness of the Company's CPAs on an annual basis by requesting the CPAs to provide the "Statement of Independence" and the "(AQIs)" in accordance with the 13 AQI Indicators. It was confirmed that the CPAs and the Company have no other financial interests or business relationships except for the fees for certification and taxes, and that the family members of the CPAs are not in violation of the independence requirements. With reference to the AQI indicators, it was confirmed that the CPAs and the Firm's audit experience and training hours are above the average of their peers, and that the Firm will continue to improve the quality of the audits by introducing digital auditing tools. On January 26, 2024, the Audit Committee discussed and approved the evaluation results for 2023, which was then submitted to and approved by the Board of Directors on January 26, 2024.	

Items	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Descriptions	
4. Do TWSE / TPEx listed companies appoint an adequate number of corporate governance personnel with appropriate qualifications and appoint a chief corporate governance officer to be in charge of corporate governance affairs, including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, disposition matters relating to board meetings and shareholders meetings according to laws and producing minutes of board meetings and shareholders meetings?	V		The Company's Management Division is responsible for matters related to corporate governance. The Board of Directors approved Ms. Chen, Mei-fen, SeniorVice President of the Management Division, as the Director for corporate governance on November 11, 2021. The previously mentioned corporate governance related matters shall at least include the following: 1. Handle matters related to meetings of the Board of Directors and shareholders in accordance with the law. 2. Prepare minutes of the Board of Directors and shareholders' meetings. 3. Assist directors in taking office and continuing education. 4. Provide the information required by the directors to carry out their business. 5. Assist directors to comply with laws and regulations.	No Difference

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			6. Other matters stipulated in the Articles of Association or contract of the Company. The 2023 executive items of the Company's corporate governance unit is as follows: 1. Draft the agenda of the Board of Directors, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee, and prepare the discussion materials. In 2023, it completed the convening of four meetings for board meetings, four meetings for Audit Committee meeting, two meetings for Remuneration Committee, and two meetings for Corporate Governance Committee. 2. Convene the shareholders' meeting on June 13, 2023 and assist in the convening of the shareholders' meeting. 3. Be responsible for the announcement of major information on important resolutions of the Board of Directors and the shareholders' meeting, and publish major information according to law.	

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			4. Arrange continuing education courses for directors and independent directors. 5. Arrange for the independent directors to communicate with the internal audit director and the certified public accountant at the Audit Committee meeting. Please see the Company's website for a summary of the communication. 6. Arrange to report the work plan of corporate social responsibility for the current year to the Board of Directors on March 20, 2023. 7. Arrange to report to the Board of Directors on March 20, 2023 on the implementation of the Company's promotion of good faith operation in the current year and its plan to ensure the implementation of the code of good faith operation.	
5. Does the company establish communication channels with related parties (including but not limited to shareholders, employees, customers and suppliers), set up regions for related parties on the company's website, and respond appropriately to important corporate social responsibility issues concerning related parties?	V		The company has a spokesman to handle matters related to the spokesman regulations, and the chairman is responsible for communicating with related parties of the subsidiary. A region for related parties is set up on the company's website and the ESG Report is exposed to respond to issues concerning related parties.	No Difference
6. Does the company appoint a professional stock agency to handle the proceedings of the shareholders' meeting?	V		It is appointed to SinoPac Securities Corporation to on handling the proceedings of the shareholders' meeting.	No Difference
7. Information disclosure (1) Does the company set up a website to expose financial business and corporate governance information? (2) Does the company adopt other methods of information disclosure (such as setting up an English website, designating a person to	 V V		(1) The Company has set up a website for investors to inquire about business and financial status. (2) The language of choice on the company's website includes Chinese, Japanese, English and Simplified Chinese. The designated person shall, according to the regulations of the competent	No Difference

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
be responsible for the collection and disclosure of company information, implementing the spokesman system, and expose the legal person briefing process on the company website)? (3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the financial reports of the first, second, and third quarter and the monthly operating situation in advance within the prescribed time limit?	V		authority, place the information disclosed on the Market Observation Post System or irregularly on the company website for inquiry. (3) The Company has completed the announcement of the financial report and the monthly operating situation within the prescribed period.	
8. Does the company have other important information that helps to understand the operation of corporate governance (including but not limited to employee benefits, employee care, investor relations, supplier relationships, rights of related parties, director and supervisor training, risk management) The implementation of policy and risk measurement standards, the implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, etc.)	V		(1) Employees' Rights and Interests: The Company has always treated employees with integrity and attached great importance to labor relations, and established good relationships with employees through various welfare measures, education and training. (2) Employee care: The company pays great attention to the safety and health of employees, provides the most comfortable and safe working environment for employees, and regularly performs disinfection to improve the quality of the working environment. Provide free health checkups for employees every year and pays attention to the health of employees. (3) Investor Relations: The Company has a spokesman, an agent spokesman and the company's stock agent "Securities Trading Agency department of the SinoPac Securities Corporation" to provide consultation for shareholders and investors. (4) Supplier Relationship: The Company maintains a good relationship with its suppliers to maintain cost and supply stability.	No Difference

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			(5) Relevant information on the continuing education of directors is disclosed in detail in the Market Observation Post System and the annual report. (6) The Company formulated the "Risk Management Policy" on August 10, 2021, which was approved by the Board of Directors as the highest guiding principle of risk management of the Company. The risk management team of the Company is under the President's Office, please refer to the Company's website for the organization structure. From the perspective of sustainable operation, the Company evaluates the risk situation that the Company may face in the short, medium and long term, and divides the risks into four categories: operational risk, financial risk, environmental risk and operational risk. The Company's risk management team reported its operation to the Board of Directors once a year and submitted a report to the Board of Directors on November 7, 2023, including the risks faced in the current year and response measures. (7) Succession planning and operation of board members and important management: The nomination and selection of members of the board of directors of the company is in compliance with the provisions of the "Articles of Association", adopts the nomination system for candidates, and follows the "Director Election Method", and in accordance with the "Corporate Governance Code of Practice", there is a policy of diversification of the composition of the board of directors. The professional knowledge and skills, experience, gender and age,	

Items	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			nationality and other standards required by the board members to ensure the diversity and independence of the board members. The succession planning of the company's important management ranks, in addition to annual inventory of talents, and matching personal development plans and departmental goals, supplemented by training courses, including a yearly MTP corporate executive management ability development training course, to cultivate the talents needed in the future , and establish a sound backup preparation.	

9. Please explain the improvement of the company's corporate governance evaluation results released by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the most recent year, and propose priorities and measures for those who have not yet improved. (Not required for companies not being evaluated).

Item No.	**Improved Items**	**Improvement Status**
2.23	Does the Company's Board of Directors' performance evaluation plan have been approved by the Board of Directors? Does it specify that external evaluations are to be conducted at least once every three years and that the evaluations are to be conducted in accordance with the deadlines provided for in the regulations, and that the status of implementation and evaluation results are to be disclosed on the Company's website or in the annual report?	The Company appointed the external experts to conduct the performance evaluation of the Board of Directors in FY2023.
4.14	Did the company disclose on its website or in its annual report the identities, issues of concern to, channels of communication with, and means for responding to, stakeholders that it has identified?	The information has been made available on the Company's website and is updated regularly.
Item No.	**First Priority Improvement Items**	**First Priority Improvement Measures**
2.25	Did all of the company's independent directors complete the number of hours of continuing education required by the Directions for the Implementation of "Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies?" 【If all of the directors completed the required hours of continuing education, one additional point will be added to the total score】	To promote and plan for the completion of continuing education for all Directors in accordance with the regulations.

Note: Regardless of whether the implementation status is "Yes" or "No", it should be stated in the summary description column.

E. If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed:

i. Information on members of the Compensation Committee

Identity	Criteria / Name	Professional qualification and Work Experience	Indenpident Attribute	Number of Holding Concurrent Remuneration Committee in Other Public Companies
convener / Independent Director	HUANG WEN-YUEAN	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company Work Experience: Director of the plant of Taiwan Semiconductor Manufacturing Company, Limited	(Note1)	None
Independent Director	WEI HSING-HAI	A Certified Public Accountant (CPA), or other professional or technical specialist who has passed a national certification and been awarded a certificate in a specific professional field, and with at leaset five years of CPA experience. Work Experience: Accountant of Auditing Department, KPMG	(Note1)	1
Director	CHEN MEI-FEN	Have work experience in the fields of Commerce, Law, Finance, or Accounting, and with at least five years work experience, or otherwise required by the Company	(Note1)	None

Note1：Please refer to page 7 for information on directors and supervisors (II) for related content.

ii. Operation status of the Compensation Committee

- There are 3 members in the Company's Compensation Committee.
- Current Term: From August 10, 2021 to August 9, 2024.

2. Compensation Committee held 2 meetings in the recent year up to the date of printing of the annual report, the qualifications and attendance of the Committee are shown as follows:

Title	Name	In person attendance	By proxy	In person attendance rate (%) (Note)	Remarks
convenor	HUANG WEN-YUEAN	2	0	100%	None
members	WEI HSING-HAI	2	0	100%	None
members	CHEN MEI-FEN	2	0	100%	None

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (note: the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): The board of directors passed all the recommendations of the remuneration committee.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. The discussion and resolution made by the Remuneration Committee in the most recent year, and the disposition of members' opinions made by the Company:

Date of meeting	Resolution content and subsequent disposition	Resolution	The Company's disposition of the opinions proposed by the Remuneration Committee
First meeting in 2023 2023.03.20	1. 2022 allocation standard of director compensation and employee compensation. 2. The company's annual salary adjustment benchmark proposal	Approved by all members of the committee	Submitted to the board of directors, and approved by all attending directors
Second meeting in 2023 2023.05.09	1. Payment standards of annual rewards of the Company's executive officers		

[Note] the actual attendance rate (%) is calculated based on the number of meetings of the Board of Directors and the actual number of attendance (sit in) during his tenure.

F. Member information and operation information of Corporate Governance Committee:

i. In order to strengthen corporate governance and improve the efficiency of the Board of Directors, the Company established a Corporate Governance Committee on August 10, 2021. The Committee shall consist of at least three directors, at least half of whom shall be independent directors, and the competence of the Committee is as follows:

(1) Review of corporate governance code of practice, relevant regulations and implementation effectiveness.

(2) Formulation, supervision and review of corporate social responsibility policies, systems or relevant management policies.

(3) Formulation, supervision and review of integrity management policies and prevention plans.

(4) Establishment, supervision and review of environmental sustainability system and objectives.

(5) Formulation, supervision and review of risk management policies and management mechanisms.

(6) Other matters directed by the Board of Directors to be handled by the Committee.

ii. Professional qualifications, experience and operation of the members of the Corporate Governance Committee：

- There are 4 members in the Company's Corporate Governance Committee.
- The term of office of the current member: from August 10, 2021 to August 9, 2024, the Corporate Governance Committee held 2 meetings in the recent year. The professional qualifications, experience, attendance and discussion items of the Committee members are as follows:

Title	Name	Professional qualification and Work Experience	In person attendance	By proxy	In person attendance rate (%)	Remarks
convenor	LIAO HUNG-YING	Operation Management Corporate Governance	2	0	100%	None
members	CHEN MEI-FEN	Operation Management Corporate Governance	2	0	100%	None
members	HUANG WEN-YUEAN	Operation Management	2	0	100%	None
members	WEI HSING-HAI	Financial Accounting	2	0	100%	None

Other mentionable items:

Date of meeting	Resolution content and subsequent disposition	Resolution	The Company's disposition of the opinions proposed by the Corporate Governance Committee
First meeting in 2023 2023.05.09	1. 2022 Corporate Governance Evaluation Results Report 2. Information Security Report	Approved by all members of the committee	Submitted to the board of directors, and approved by all attending directors
Second meeting in 2023 2023.11.07	1. Information Security Report 2. Risk management report	Approved by all members of the committee	Submitted to the board of directors, and approved by all attending directors

G. The promotion of sustainable development and the differences with respect to the Principals of Practice for Sustainable Development of public companies and listed companies and the reasons::

Promotional Items	Impletmentation			Differences and reasons between the Principals of Practice for Sustainable Development of listed and OTC companies.
	Yes	No	Descriptions	
1. Has the Company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the Board of Directors reports on the supervision situation?	V		The Company's management office is responsible for promoting and executing the implementation of sustainable development. The Company established a Corporate Governance Committee in 2021, chaired by the President, to examine the Company's core operating capabilities with senior executives and directors from different areas and to formulate a medium to long-term ESG development plan. "The Corporate Governance Committee serves as a communication platform for top-down integration and horizontal coordination. The Committee identifies sustainability issues of concern to the Company's operations and stakeholders at each meeting, plans response strategies and work directions, prepares budgets for each organization related to its sustainable development, plans and implements annual programs, and follows up on the effectiveness of implementation to ensure that sustainable development strategies are fully implemented in the Company's daily operations. The Board of Directors reports quarterly to the Board of Directors on the results of the implementation of sustainable development and future work plans. The Board of Directors held four meetings in FY2023, and the resolutions covered (1) the revision of goals and policies on sustainability-related issues; and (2) the monitoring of the implementation of sustainable development issues and the evaluation of the implementation performance. The Board of Directors receives quarterly reports from the operating team, and the management must propose the	No Difference

<table>
<tr><th rowspan="2">Promotional Items</th><th colspan="3">Impletmentation</th><th rowspan="2">Differences and reasons between the Principals of Practice for Sustainable Development of listed and OTC companies.</th></tr>
<tr><th>Yes</th><th>No</th><th>Descriptions</th></tr>
<tr><td></td><td></td><td></td><td>Company's strategies to the Board of Directors. The Board of Directors must evaluate the possibility of success of these strategies, and must regularly review the progress of the strategies and urges the operating team to make adjustments when necessary.</td><td></td></tr>
<tr><td>2. Does the Company conduct risk evaluations on environmental, social and corporate governance issues related to the operation of the Company and establish relevant risk management policies or strategies based on the concept of materiality?</td><td>V</td><td></td><td>This disclosure covers the Company's sustainability performance in key points of presence for this period from January 2023 to December 2023. The risk assessment boundary is based on the Company.
Based on the communication with internal and external stakeholders and the integration of various assessment information to assess ESG issues of significance, the following strategies were developed after assessing the risks: .
<table>
<tr><th>Major Issues</th><th>Risk Assessment Items</th><th>Description</th></tr>
<tr><td>Environment</td><td>Environmental Impact and Management</td><td>Regular stocktaking of quantitative indicators related to climate, including electricity consumption, water consumption, waste and greenhouse gas emissions.</td></tr>
<tr><td>Social</td><td>Occupational Safety</td><td>Regularly conduct annual fire drills and industrial safety education training to develop employees' emergency response and self-safety management skills.</td></tr>
<tr><td>Corporate Governance</td><td>Social Economy and Legal</td><td>Ensure that all employees and operations of the Company</td></tr>
</table></td><td>No Difference</td></tr>
</table>

<table>
<tr><th rowspan="2">Promotional Items</th><th colspan="3">Impletmentation</th><th rowspan="2">Differences and reasons between the Principals of Practice for Sustainable Development of listed and OTC companies.</th></tr>
<tr><th>Yes</th><th>No</th><th>Descriptions</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td></td><td>Compliance</td><td>comply with relevant laws and regulations by establishing a governance organization and implementing internal control mechanisms.</td></tr>
<tr><td></td><td>Enhancing the functions of directors</td><td>1. Plan relevant training issues for directors and provide them with the latest regulations, system development and policies every year.
2. Insure directors' liability insurance to protect them from lawsuits or compensation claims.</td></tr>
<tr><td></td><td>Communication with Stakeholders</td><td>Establish various communication channels, communicate actively, and reduce confrontation and misunderstanding.
Set up an investor mailbox, which will be handled and responded to by the spokesperson.</td></tr>
</table></td><td></td></tr>
<tr><td>3. Environmental issues
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?
(2) Does the Company is committed to improving energy efficiency and using recycled materials that</td><td>V

V</td><td></td><td>(1) There is no large amount of waste generated by the company's related products, and the remaining wastes are classified according to the relevant regulations of the Management Committee of the Building.
(2) The company improves resource utilization efficiency</td><td>No Difference

No Difference</td></tr>
</table>

Promotional Items	Impletmentation			Differences and reasons between the Principals of Practice for Sustainable Development of listed and OTC companies.
	Yes	No	Descriptions	
have a low impact on the environment (3) Does the Company assess the potential risks and opportunities of climate change for the company now and in the future, and take response measures for issues? (4) Does the Company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, as well as establish Company strategies for carbon reduction, greenhouse gas reduction, reduction of water consumption or other waste management.	V V		and reduces environmental load by comprehensively replacing energy-saving lighting T5 and LED lamps, promoting waste sorting, oil subsidies to encourage energy-saving vehicles, and promoting comprehensive resource recovery and rewarding employees' energy-saving proposals. (3) The management office is responsible for environmental maintenance and management of electricity 、water 、waste and greenhouse gas used by the company to achieve energy conservation, carbon reduction and greenhouse gas reduction. (4) Each year, the Company regularly takes stock of quantitative indicators related to climate, including electricity consumption, water consumption, and greenhouse gas emissions, and has also set medium- and long-term reduction targets.	No Difference No Difference
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Does the Company establish and implement reasonable employee benefit plans (including compensation, vacation and other benefits), and appropriately reflect the operating performance or results in the compensation of employees? (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? (4) Does the company setup a communication channel	V V V V		(1) The company's management office pays attention to the update of labor regulations and provides the latest information to the subsidiaries. (2) The Company has established "Regulations for Merit Management" and "Regulations for Class Table and Salary Structure Management". The employee performance assessment system shall be combined with the Company's Social Responsibility Best Practice Principles. The company's year-end and performance bonus system is based on business interests. After considering their seniority and annual performance appraisal, they are allocated to all colleagues to motivate everyone to work hard for the company's goals.	No difference

Promotional Items	Impletmentation			Differences and reasons between the Principals of Practice for Sustainable Development of listed and OTC companies.
	Yes	No	Descriptions	
with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? (5) Does the Company follow relevant laws and regulations and international standards, and has a policy and complaint procedure to protect the rights of consumers or customers regarding customer health and safety, customer privacy, marketing and labeling of products and services? (6) Does the Company establish supplier management policies to require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and how was the implementation?	 V V		Employee remuneration is calculated based on the company's annual profit of not less than 1% in accordance with the Articles of Association. Realize that men and women have equal pay for equal work and equal opportunities for promotion, and maintain more than 6% of female executive positions to promote sustainable and inclusive economic growth. In 2023, the average proportion of female employees was 31%, and the average proportion of female supervisors was 6%. The company refers to the market salary survey every year, and adjusts the salary according to the market salary level, economic trend and personal performance, in order to maintain the overall salary competitiveness. In 2023, the company's Taiwan region includes supervisory and non-supervisory positions, and there are salary adjustments in 2023. (3) A staff for labor and environmental safety are set up in responsible for planning, education, training and supervision. In addition, employee health checks are regularly implemented and group insurance is insured for each employee. In 2023, the company had no employee occupational accidents or fires. (4) Regularly evaluate the educational training needs of each department, and find internal and external lecturers to train according to the needs to promote the development of staff capabilities. (5) As an equipment agent, the Company introduced the ISO system to implement the sales and service processes, and provided customer message service on the website for customers to leave comments or	

<table>
<tr><th rowspan="2">Promotional Items</th><th colspan="3">Impletmentation</th><th rowspan="2">Differences and reasons between the Principals of Practice for Sustainable Development of listed and OTC companies.</th></tr>
<tr><th>Yes</th><th>No</th><th>Descriptions</th></tr>
<tr><td></td><td></td><td></td><td>complaints.
(6) All products sold by the Company have been approved by relevant product certifications, and all the labels comply with relevant regulations.
(7) Before signing contracts with suppliers, the company would collect relevant information and make annual assessment to suppliers.
(8) Contracts made between the Company and the suppliers are annual contracts, and the relevant terms on the left will be noted when renewing contracts; in addition, the Company also signs a Corporate Social Responsibility Statement with suppliers.</td><td></td></tr>
<tr><td>5. Does the Company refer to the internationally-prepared reporting standards or guidelines for preparing Sustainability Reports and other reports which disclose the Company's non-financial information? Did the said reports obtain the assurance or assurance opinion of the verification unit of a third-party?</td><td>V</td><td></td><td>Timely disclosure of company information on the MOPS and company website and compilation of corporate social responsibility reports. The report was also disclosed in the investor section of the company's website (www.tkk.com.tw).</td><td>No Difference</td></tr>
<tr><td colspan="5">6. If the Company has established the Principals of Practice for Sustainable Development based on “the Principals of Practice for Sustainable Development for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation: No difference.</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the critical information on the implementation of sustainable development: In addition to the regular donation charity group (Youth Care Foundation), the company's general manager also serves as the standing director of the TPCA Environment Foundation, and actively participate in related public welfare projects.</td></tr>
</table>

G-1 Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	1. The company will adopt the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify climate risks.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	2. The company's climate risk management will be supervised by the board of directors as the highest governance body.
3. Describe the financial impact of extreme weather events and transformative actions.	3. The company will introduce the TCFD climate risk assessment framework to formulate risk response and emergency response management measures for the potential impacts that climate change may bring.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	4. In the future, environmental safety, factory affairs, procurement and other departments will be integrated to implement integrated risk assessment, mitigation and adjustment actions.
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	5. In view of the increase in electricity charges that will increase operating costs, we will implement power-saving operations in the future to reduce carbon emissions and reduce operating costs.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	6. In the future, low-carbon transformation will be the main axis to formulate climate change response strategies and set climate-related strategies and goals.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	7. N/A
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	8. N/A
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan.	9. N/A

H. Fulfillment of ethical corporate management and the differences and causes with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Items	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
1. Establishment of ethical corporate management policies and programs				
(1) Does the Company establish its ethical corporate management policies approved by the board of directors and declare them in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(1) Since the establishment of the company, we have adopted the "Honest" and "Trust" policies and signed an "Integrity Letter of Commitment" with our suppliers. We also promoted the management of "Honest" and "Trust" in various conferences and education training policies.	No Difference
(2) Does the company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish appropriate precautions against unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(2) For the Directors and Managers, there is the "Ethical Corporate Management Best-Practice Principles" and the "Internal Major Information Processing and Prevention of Internal Transactions Management Regulations" to prevent conflicts of interest from avoiding self-interest and fair trade. The company is committed to providing a safe and healthy working environment, a fair opportunity, and will strive to maintain a fair and legal long-term relationship between customers and suppliers to achieve a win-win partnership.	No Difference
(3) Does the Company clearly and thoroughly prescribe the specific operational procedures, guidelines, penalty and complaint system for violations to forestall unethical conduct ("prevention programs"), and review the said program on a regular basis?	V		(3) The company has established an "Ethical Behaviour Principles" (the full text of the guidelines, please refer to the company's website http:// http://tkk.com/tw), the "Ethical Corporate Management Best-Practice Principles" and the "Practice principles for	No Difference

Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Descriptions	
			Corporate Social Responsibility" as an employee. Guidelines and specifications for performing company operations. The employees of the Company and its subsidiaries comply with this standard regardless of their position, rank and location. To prevent all illegal activities inside and outside the company.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the Company set up a specific unit under the board of directors to promote the ethical corporate management, and report its ethical corporate management policies and plans to prevent unethical conducts and the supervision of its implementation to the board of directors on a regular basis (at least once a year)? (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and the internal audit unit has establish relevant audit plans in accordance with the assessment results of being involved in unethical conducts, and checked the compliance with the plan to prevent unethical conducts or entrust an accountant to perform the audit? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	V V V V V		(1) The company signs the " Letter of Commitment for Social Responsibility and Code of Conduct " with the supplier。 (2) The Management Division of the Company is responsible for promoting the concept and policy of the Company's good-faith operation, promoting the good faith operation, prohibiting bribery and accepting bribes, abiding by laws and regulations, signing commitments with suppliers and customers and other corporate governance matters, and regularly reporting the implementation to the Board of Directors. In 2023, the implementation of good faith operation in this year was reported to the Board of Directors on March 20, 2023. (3) If the directors are interested in the proposals listed in the board of directors, they should be able to make comments and answer questions, and should be avoided in discussions and votings. When employees encounter conflicts of interest in the execution of their business, they should report to the supervisor directly.	No Difference No Difference No Difference No Difference

Items	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
			(4) The Company has established an accounting system and an internal control system in accordance with relevant laws and regulations, including paying attention to related party transactions, establishing a bargaining system, and a multiple authorization review system. The Audit Office also regularly reviews the compliance of the accounting system and the internal control system and reports to the Board of Directors. (5) The Company regularly educated the employees on integrity management during supervisors' meetings and staff meetings, and published this information on the electronic bulletin board to all employees, with a total of 145 visitors. In addition, to facilitate directors, managers and employees' understanding of integrity and ethical standards, the Company signed the "Statement of Integrity Management" at the end of 2023, which includes compliance with laws and regulations, prohibition of accept any improper benefits, customer commitment and confidentiality, etc. The sign-up rate was 100% in 2023.	No Difference
3.Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) The company has an integrity hotline and a mailbox, and any complaints can be directly submitted to the head of the management department and receive a reply.	No Difference
(2) Has the Company established the standard operating procedures for the investigation of the whistle-blowing, the	V		(2) A specific reporting and reward system has been established in the Ethical Corporate	No Difference

Items	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Descriptions	
follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism? (3) Does the company provide proper whistleblower protection?	 V		Management Best-Practice Principles, and if applicable, it will be handled in accordance with the regulations. (3) The complaints mailbox can be chosen to be undisclosed. This can prevent the prosecutor from being improperly disposed of due to incorrect accusations.	 No Difference
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	 V		 (1) On the company's website (http://www.tkk.com.tw), a designated person regularly collects and update information related to the Ethical Corporate Management Best-Practice Principles on the website.	 No Difference
5. the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: No Difference, descriptions are in the company's website.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (such as review and revision of regulations): In line with the amendments to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies, the contents of the Ethical Corporate Management Best-Practice Principles were revised in early 2016, and the ethics-related clauses was added in accordance with regulations in 2019.				

I. If the company has established provisions for corporate governance and related regulations, it should disclose its method of inquiry:

(1) The Company has established the following relevant rules and regulations in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies":

1. Shareholders'meeting procedure rules
2. Rules of procedure for the board of directors' meetings.
3. Procedures for the election of directors and supervisors
4. Regulations of Acquisition or Disposal of Assets
5. Regulations of making Endorsements and Guarantees
6. Operating Procedures for the loaning of funds.
7. Operating Procedures for the supervision on re-investment
8. TKK regulations on transaction between related parties
9. Regulations on Financial and non-financial information
10. Information and Rules for the Prevention of Insider Trading
11. Ethical Corporate Management Best Practice Principles
12. Self-Inspection and Statement on Internal Control
13. Best Practice Principles for Corporate Social Responsibility
14. Codes of Ethical Conduct.

J. The Company has established "Information and Rules for the Prevention of Insider Trading" and its announcement methods:

The "Information and Rules for the Prevention of Insider Trading" are approved by the Board of Directors on April 30, 2009. The Board of Directors announced the procedures to all the directors and supervisors, and requests them to abide by the relevant provisions of the Regulation. For internal aspects of the company, after the board of directors is acknowledged, this procedure and precautions are placed on the company's internal network announcement area and the company website, available for company's managers and colleagues, in order to avoid violations or internal transactions.

K. Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be disclosed as follows:

(1)The Company's new incumbent directors, managers and other internal personnel have allotted the latest edition of "The relevant laws and regulations and the precautions for the internal ownership of GTSM Listed Companies and Unlisted Companies".

(2)MOPS: http://newmops.tse.com.tw

(3)Company Website: http://www.tkk.com.tw/, for investors.

L. Internal Control System Execution Status:

(1) Statement of Internal Control System:

Taiwan Kong King Co., Ltd.
Statement of Internal Control System

Date: March 12, 2024

Based on the findings of a self-assessment, Taiwan Kong King Co., Ltd.states the following with regard to its internal control system during the year 2023:

a. The Company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, and has already established it. Its purpose is: i. to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets); ii. The report has reliability, timeliness, transparency; iii. It is compliance with applicable rulings, laws and regulations.

b. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

c. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: i. Control environment. ii. Risk assessment. iii. Control activities. iv. Information and communication. v. Monitoring activities.

d. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

e. Based on the findings of such evaluation, the Company believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

f. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

g. This statement was passed by the board of directors in their meeting held on March 12, 2024, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Kong King Co., Ltd

Chairman: HO SHU-CHAN General Manager: LIAO HUNG-YING

(2) If CPA was engaged to conduct a Special Audit of Internal Control System, its Audit Report should be provided: None.

M. From 2023 to the date of publication of the annual report, the Company and its employees are punished according to laws, or the Company punishes its employees for the violation of the internal control system, and if the punishment may create a significant impact on shareholders' equity or securities prices, the content of the punishment, major deficiencies and improvements shall be listed: None.

N. Material resolutions of a shareholders meeting or a board of directors meeting from 2023 to the date of publication of the annual report:

(1) Stockholders' meetings

Date of meeting	Major Resolutions
2023.6.13	1. Business Report and Financial Statements of 2022. 2. Appropriation of 2022 earnings.

(2) Board of Directors' meetings

Date of meeting	Major Proposals	Resolutions
2023.03.20	**1. Approval of the company's 2022 annual individual and consolidated financial report (subject to Article 14 paragraph 3 of The Securities Exchange Act)** 2. Approved the 2022 compensation distribution plan and annual salary benchmark for employees and directors. 3. Proposal of the 2022 Internal Audit Statement 4. Approved the 2022 Earnings Distribution. 5. Cash dividend distribution proposal and determination of ex-dividend base date 6. Proposed process and general policy for prior consent for non-confirmation of services by Ernst & Young and its affiliates. 1. Approval of the date and matters of the Company's 2023 annual shareholders' meeting.	Approved by all attendees with no objection.
2023.05.09	1. **Approval of the consolidated financial report for the first quarter of 2023 (subject to Article 14-3 of the Securities and Exchange Act)** 2. The criteria for granting annual bonuses to managers	Approved by all attendees with no objection.
2023.08.08	1. **Approval of the consolidated financial report for the second quarter of 2023 (subject to Article 14-3 of the Securities and Exchange Act)** 2. **Fund accommodation of the subsidiary, Headway Holdings Ltd. (Samoa) (subject to Article 14-3 of the Securities and Exchange Act)** 3. Partial amendment to the articles of the "Overall Board of Directors' performance evaluation"	Approved by all attendees with no objection.
2023.11.07	**1. Approval of the consolidated financial report for the third quarter of 2023 (subject to Article 14-3 of the Securities and Exchange Act)** **2.** CO-MS Co., Ltd. (Korea) Investment Appraisal Case **3. 2024 Budget and Annual Operation Plan (subject to Article 14-3 of the Securities and Exchange Act)** 4. Extension and application of banking facilities in 2024. 5. Establishment of 2024 annual audit plan	Approved by all attendees with no objection.
2024.01.26	1. To reconfirm the agreed process, general policies and list of non-assurance services for Ernst & Young and its affiliates. 2. To review the reference on (AQIs) for evaluating the independence and	

Date of meeting	Major Proposals	Resolutions
	appropriateness of CPAs 3. Audit of the Company's CPA fees 4. The change of CPA by Ernst & Young for the Company's financial statements audit 5. Compensation and annual bonus payout criteria for managers	
2024.03.12	**1. Approval of the company's 2023 annual individual and consolidated financial report (subject to Article 14 paragraph 3 of The Securities Exchange Act)** 2. Approved the 2023 compensation distribution plan and annual salary benchmark for employees and directors. 3. Proposal of the 2023 Internal Audit Statement 4. Approved the 2023 Earnings Distribution. 5. Cash dividend distribution proposal and determination of ex-dividend base date 6. Full re-election of directors upon expiry of directors' term 7. The Board of Directors nominated and considered candidates for election as directors (including independent directors) 8. Release of the Company's new directors and their representatives from the prohibition of working in competing companies 9. Approval of the date and matters of the Company's 2024 annual shareholders' meeting.	Approved by all attendees with no objection.

O. From the most recent fiscal year to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

P. From the most recent fiscal year to the date of publication of the annual report, an independent director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

Q. Resignations and dismissals of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, corporate governance personnel, and principal research and development officer, from the most recent fiscal year to the date of publication of the annual report: None

R. The implementation of the resolutions of the 2023 shareholders' meeting:

Meeting	Resolution Items	Implementation
Annual Shareholders' Meeting	Approval of the 2022 business report and final accounts.	Announced in the MOPS after the resolution of the shareholders' meeting.
	Approval of the 2022 surplus distribution proposal.	According to the resolution of the shareholders' meeting: Cash dividend of NT$435,466,728 was distributed to the shareholders. The company has distributed remunerations according to the content of the resolution, and distributed cash dividend to shareholders on July 28, 2023.

4. Information on CPA professional fees

Audit Fee Information

Units: NT$ Thousand

CPA Firm	Name of accountant		Period Covered by CPA's Audit	Audit Fee	Non-audit Fee (Note)	Total	Remarks
Ernst and Young	CHANG, CHIH-MING	HSU JUNG-HUANG	Jan 01, 2023~ Dec 31, 2023	1,870	476	2,346	

Note：Non-audit service content: individual and consolidated English financial statements service fee: NT$176,000, Tax Compliance Audit: NT$300,000.

A. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: N/A

B. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None

C. The audit fee is reduced by over 10% compared with the previous year, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None

5. Information on replacement of certified public accountant

A. About the Former CPA: None.

B. About Successor CPAs: None.

C. The Reply of Former CPAs on Article 10.5.1 and Article 10.5.2.3 of the Standards: None.

6. Information on Service of the Company's Chairman, President, and Financial or Accounting Managers at the Accounting Firm or Its Affiliates : None

7. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the period from the most recent fiscal year to the date of publication of the annual report:

A. Changes of directors, supervisors, managers or shareholders holding greater than a 10 percent stake in the company:

Title	Name (Note 1)	2023 (Note 2)		Current year to April 20,2024 (Note 3)	
		Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledged Shares Increase/ Decrease
Chairman	Wong's Kong King-HO SHU-CHAN	0	0	0	0
Director	Wong's Kong King-SENTA WONG	0	0	0	0
Director	Wong's Kong King-TSUI YING-CHUN	0	0	0	0
Director	Wong's Kong King-HSU HUNG-CHIEH	0	0	0	0
Director	Wong's Kong King-CHANG JUI-SHUM	0	0	0	0
Director	LIAO HUNG-YING	64,000	0	30,000	0
Director	CHEN MEI-FEN	(81,000)	0	0	0
Independent Director	HUANG WEN-YUEAN	0	0	0	0
Independent Director	CHEN CHAO-HUANG	0	0	0	0
Independent Director	WEI HSING-HAI	0	0	0	0
Manager	FAN DING-CHI	0	0	0	0
Manager	ZHENG FU-WEN	0	0	0	0
Manager	LAIO DE-HIANG	25,000	0	30,000	0
Manager	CHUANG HONG-YI	0	0	0	0
Shareholder	Wong's Kong King International (Holdings) Ltd.	0	0	0	0

Note1: Shareholders holding more than 10% of the company's shares should be identified as major shareholders and presented separately.

Note 2: The increase (decrease) in shareholding by the listed internal personnel from December 2022 to December 2023.

Note 3: The increase (decrease) in shareholding by the listed internal personnel from December 2023 to April 2024.

B. Information on counterparties of equity transfer that are related parties: None.

C. Information on counterparties of share pledges that are related parties: None.

8. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

April 20, 2024; Units: Shares, %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		The names and relationships of the top ten shareholders who are related to each other or who are related to each other as spouses or second degree relatives.		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Wong's Kong King	97,895,344	67.44	0	0.00	0	0.00	-	-	
Wong's Kong King Representative：HSU HUNG-CHIEH	714,460	0.49	18,864	0.01	0	0.00	-	-	
Wong's Kong King Representative：SENTA WONG	4	0.00	0	0.00	0	0.00	Wong's Kong King	Chairman	
							Wong's Kong King Representative：CHANG JUI-SHUM	Son in law	
Wong's Kong King Representative：TSUI YING-CHUN	4	0.00	0	0.00	0	0.00	Wong's Kong King	Director	
Wong's Kong King Representative：HO SHU-CHAN	4	0.00	0	0.00	0	0.00	Wong's Kong King	Director	
Wong's Kong King Representative：CHANG JUI-SHUM	0	0.00	0	0.00	0	0.00	Wong's Kong King Representative：SENTA WONG	Father in law	
Top Range Machinery	1,513,936	1.04	0	0.00	0	0.00	-	-	
Top Range Machinery Representative：KEN CHOU	0	0.00	0	0.00	0	0.00	Top Range Machinery	Chairman	
LIAO HUNG-YING	1,426,000	0.98	32,448	0.02	0	0.00	-	-	
CHEN MEI-FEN	1,003,140	0.69	1,864	0.00	0	0.00	-	-	
SinoPac Securities Co., Ltd. was entrusted with LIAO HUNG-YING 's trust property	1,000,000	0.69	0	0.00	0	0.00	-	-	
LI CHAO YUAN	821,000	0.57	0	0.00	0	0.00	LI KUAN RE	Grand daughter	
CAI ZHI WEI	765,000	0.53	4,000	0.00	0	0.00	-	-	
Chainye Management Consulting Co., Ltd.	764,000	0.53	0	0.00	0	0.00	-	-	
Chainye Management Consulting Co., Ltd. Representative：CAI ZHI WEI	765,000	0.53	4,000	0.00	0	0.00	-	-	
HSU HUNG-CHIEH	714,460	0.49	18,864	0.01	0	0.00	-	-	
LI KUAN RE	644,468	0.44	0	0.00	0	0.00	LI CHAO YUAN	Grandson	

9. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company:

Dec. 31, 2023; Units: Shares, %

Affiliated Enterprise（Note 1）	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
TKK Precision Co., Ltd.（Note 2）	6,237,000	100.00%	0	0.00%	6,237,000	100.00%
Hong Kong Taiwan Kong King Ltd.	26,210,000	100.00%	0	0.00%	26,210,000	100.00%
Headway Holdings Ltd.	1,100,000	100.00%	0	0.00%	1,100,000	100.00%
THT Technology Co., Ltd.	5,000,000	100.00%	0	0.00%	5,000,000	100.00%

Note 1: Company's long-term equity investment by the equity method
Note 2: Renamed after the share buyback, the original name is「TKK Precision Co., Ltd.」

IV. Capital Raising Activities

1. Capital and Shares

A. Source of capital stock

April 20, 2024; Units: Shares/NT$

Year/month	Par Value	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital (NT$1,000)	Capital Increased by Assets Other Than Cash	Others
1977/06	10	200,000	2,000,000	200,000	2,000,000	established	-	-
1985/12	10	210,000	2,100,000	210,000	2,100,000	Capital increase 100 by cash	-	-
1986/05	10	1,000,000	10,000,000	1,000,000	10,000,000	Capital increase 7,900 by cash	-	-
1988/10	10	1,450,000	14,500,000	1,450,000	14,500,000	Capital increase 4,500 by cash	-	-
1995/12	10	2,175,000	21,750,000	2,175,000	21,750,000	Capital increase 7,250 by cash	-	-
1995/12	10	2,900,000	29,000,000	2,900,000	29,000,000	Capital increase 7,250 by cash	-	-
1997/10	10	4,350,000	43,500,000	4,350,000	43,500,000	Capital increase 14,500 by capital reserve	-	-
1998/11	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase 27,800 by capital reserve. Capital increase 28,700 by earnings	-	-
2000/08	10	13,000,000	130,000,000	13,000,000	130,000,000	Capital increase 30,000 by earnings	-	-
2001/01	10	30,000,000	300,000,000	17,500,000	175,000,000	Capital increase 45,000 by cash	-	-
2001/10	10	30,000,000	300,000,000	20,125,000	201,250,000	Capital transfer 26,250 by earnings	-	-
2002/10	10	30,000,000	300,000,000	22,137,500	221,375,000	Capital transfer 20,125 by earnings	-	-
2003/10	10	30,000,000	300,000,000	24,351,250	243,512,500	Capital transfer 22,137 by earnings	-	-
2004/09	10	30,000,000	300,000,000	27,273,400	272,734,000	Capital transfer 29,221.5 by earnings	-	-
2005/09	10	38,000,000	380,000,000	30,000,740	300,007,400	Capital transfer 27,273.4 by earnings	-	-
2006/09	10	38,000,000	380,000,000	34,560,852	345,608,520	Capital transfer 45,601.12 by earnings	-	-
2009/09	10	45,000,000	450,000,000	36,288,894	362,888,940	Capital transfer 17,280.42 by earnings	-	-
2022/12	2.5	180,000, 000	450,000,000	145,155,576	362,888,940	The change in par value	-	-

Type of Stock	Authorized Capital			Remarks
	Issued Shares (Note 1)	Un-issued Shares	Total	
Common Stock	145,155,576	34,844,424	180,000,000	

Note 1: Shares of GTSM Listed Companies.

General information about the reporting system:

Type of Stock	Estimated Issuance		Issued Shares		Purpose and expected benefits of issued shares	Estimated issue date for un-issued shares	Remarks
	Total Shares	Authorized Amount	Shares	Price			
None							

B. Shareholder structure

April 20, 2024

Shareholder structure	Government Agencies	Financial Institutions	Local Institutions	Other Juridical Persons	Local Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	22	6	5,240	20	5,289
Shareholding (shares)	0	11,000	3,597,780	1,227,364	41,749,936	98,569,496	145,155,576
Percentage	0	0.01%	2.48%	0.85%	28.76%	67.90%	100%

C. Diffusion of ownership

(1) Common stock (Par value of NT$10)

April 20, 2024

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	854	147,980	0.10
1,000 ~ 5,000	3,233	7,097,403	4.89
5,001 ~ 10,000	544	4,317,556	2.97
10,001 ~ 15,000	179	2,284,458	1.57
15,001 ~ 20,000	141	2,613,760	1.80
20,001 ~ 30,000	109	2,778,159	1.91
30,001—40,000	49	1,726,648	1.19
40,001 ~ 50,000	36	1,624,444	1.12
50,001 ~ 100,000	79	5,380,388	3.71
100,001 ~ 200,000	39	5,500,652	3.79
200,001 ~ 400,000	12	3,131,420	2.16
400,001 ~ 600,000	4	2,005,360	1.38
600,001 ~ 800,000	4	2,887,928	1.99
800,001 ~ 1,000,000	2	1,821,000	1.25
1,000,001 or over	4	101,838,420	70.17
Total	5,289	145,155,576	100.00

(2) Preferred Share: None.

D. Major Shareholders

April 20, 2024

Shareholding / Shareholder's Name	Shares	Percentage
Wong's Kong King International (Holdings) Ltd.	97,895,344	67.44
Top Range Machinery Co., Ltd.	1,513,936	1.04
LIAO HUNG-YING	1,426,000	0.98
CHEN MEI-FEN	1,003,140	0.69
SinoPac Securities Co., Ltd. was entrusted with LIAO HUNG-YING 's trust property	1,000,000	0.69
LI CHAO YUAN	821,000	0.57
CAI ZHI WEI	765,000	0.53
Chainye Management Consulting Co., Ltd.	764,000	0.53
HSU HUNG-CHIEH	714,460	0.49
LI KUAN RE	644,468	0.44

Note: List of names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list.

E. Information on share prices, net worth per share, earnings per share and dividends per share:

Item			2022 (Note 9)	2023	For Year Ending Mar. 31, 2024 (Note 8)
Market Price per Share (Note 1)	Highest Market Price		162.00	43.45	31.80
	Lowest Market Price		25.80	26.65	29.60
	Average Market Price		98.18	36.84	30.70
Net Worth per Share (Note 2)	Before Distribution		8.96	7.98	6.40
	After Distribution		5.96	6.18	-
Earnings per Share	Weighted Average Shares(Note 9)		145,155,576	145,155,576	145,155,576
	Earnings Per Share (Note 3) (Note 9)		3.30	2.02	0.16
Dividends per Share	Cash Dividends		3.00	1.8	-
	Bonus Shares	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)		29.75	18.24	-
	Price / Dividend Ratio (Note 6)		32.73	20.47	-
	Cash Dividend Yield Rate (Note 7)		3.06	4.89	-

＊If there is a capital transfer by surplus or capital reserve, the company shall disclosed the market price and cash dividend information that is adjusted retrospectively based on the number of shares to be issued.

Note 1: List the highest and lowest market prices of common stock for each year, and calculate the average market price for each year by the annual turnover and volume.

Note 2: Please fill in the number of shares that have been issued at the end of the year and the allocation according to the resolution of the Board of Directors' meetings or the shareholders' meeting of the next year.

Note 3: If there are retrospective adjustments due to reasons such as free allotments, the pre-adjusted and adjusted earnings per share should be presented.

Note 4: For equity issuance, if dividends that are not distributed in the current year are allowed to be accrued to a year of surplus, the accumulated unpaid dividends should be disclosed separately.

Note 5: P/E ratio = current year average closing price per share /earnings per share

Note 6: Price-dividend ratio= current year average closing price per share / cash dividend per share

Note 7: Cash dividend yield= cash dividend per share/ current year average closing price per share

Note 8: The net value per share and earnings per share should be filled in with the information reviewed (audited) by the accountant in the most recent quarter of the date of publication of the annual report. The remaining fields should be filled in with information in the most recent year of the date of publication of the annual report.

Note 9: The Company changed par value of the shares from NT$10 to NT$2.5 in December, 2022.

F. Company's dividend policy and implementation thereof

(1) Dividend Policy provided in the Articles of Incorporation

Article 18:

a. If the company is profitable, it should be deducted from the employee's remuneration and the remuneration of the directors and supervisors in advance of the pre-tax profit, and the employee's remuneration shall be 1% to 8% and the director and supervisor's remuneration shall be less than 1%. However, when the company still has accumulated losses, the amount of compensation should be retained in advance.

b. The company shall, after its losses have been covered and all taxes and dues have been paid and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. The balance is calculated by accumulating undistributed earnings, and after accumulating or reversing the special reserve, it is the accumulated distributable earnings. The preceding accumulated distributable earnings is used to measure the necessity of the earnings to support the capital demand. According to the basic principles of the company's dividend policy, the amount of earnings reserve or distribution and the distribution are determined. According to the plan, the earnings distribution is proposed and submitted to the shareholders' meeting for resolution.

c. The company's dividend policy is based on the consideration of the best capital budget and the dilution of earnings per share. The amount of dividend from shareholders should be 50%~100% of the distributable earnings for the year.， And in the dividends for the year, cash dividends are issued at a rate of not less than 30%. The cash dividend distribution rate depends on the profit and capital status of the year. After the board of directors proposes a distribution plan, it will be adjusted after the resolution of the shareholders' meeting.

(2) 2023 Distribution of stock dividends at the Shareholders' Meeting

2023 Earnings Distribution

Units: NT$

2023 net profit	
2023 after-tax net profit	292,581,919
Less: Legal reserve	(29,331,230)
Plus: Reverse special reserve	233,153
Plus: Other consolidated profit or loss (Actuarial profit or loss on the defined benefit) plan)	730,385
2023 distributable earnings	264,214,227
Plus: Beginning distrubutable earnings	99,985,438
Accumulated Distrubutable Earnings	364,199,665
Distributable items	
Less: Shareholder bonus - cash (NTD 1.80/shares)	(261,280,037)
Unappropriated retained earnings	102,919,628

Chairman: HO SHU-CHAN , General Manager: LIAO HUNG-YING, Accountant Manager: CHOU TSUI-HSIA

G. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The company does not need to disclose the 2023 annual financial forecast according to the regulations, so the changes in business performance, the proposed earnings per share and the P/E ratio are not applicable.

H. Compensation of employees, directors, and supervisors

(1) Ratio or scope of compensation for employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation: If there is a balance, it will be handled in accordance with the following arrangements for employees' compensation and directors' reward:

a. Tax Payment.

b. Make up for past losses.

c. After deducting paragraphs (A) and (B), a 10% is required for legal reserves and, if necessary, a special reserve is required in accordance with the Securities Exchange Act.

d. After deducting paragraphs (A) to (C), the compensation of the directors and supervisors is less than 1%, employees' compensation is 1% to 8%, and the remaining proportion is for shareholder dividends.

Note: Employees' compensation is distributed according to the performance bonus system of the Company and its subsidiaries, performance bonus is based on the recent year's profit and loss and the contribution of each profit center, and the bonus is distributed according to the employee performance appraisal.

(2) The estimated amount of compensation for employees, directors, and supervisors for

the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure: Employee compensation and rewards of directors and supervisors are based on the amount of money that may be disbursed based on past experience and are calculated by multiplying net profit (after deducting the employee's remuneration and rewards of directors and supervisors) by 1%. After the end of the year, if there is a significant change in the amount of the resolutions of the board of directors, the change will be adjusted to the original annual cost. If the amount still changes at the resolution date of the shareholders' meeting, it will be handled according to the accounting estimates and adjusted in the resolution of the shareholders' meeting. If the shareholders' meeting decides to distribute stock as employee compensation, the bonus shares are determined by dividing the amount of dividends by the fair value of the stock. The fair value of the stock refers to the closing price at the day before resolution of the shareholders' meeting (after considering the impact of the ex-right and ex-dividend).

(3) Information on the amount of compensation for distribution as approved by the Board of Directors:

The compensation of employees, directors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed. The amount of employees’ compensation approved by the Board of Directors was NT$3,671,555, and compensation to directors was NT$3,671,555. There was no discrepancy with the actual amount in 2023.

The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or separate financial report for the current period: The company's current employee compensation is all in cash, thus it is not applicable.

In consideration of the proposed distribution of employee compensation and the earnings per share of the directors after the remuneration: The employee compensation and the rewards of directors have been expensed, thus they have no impact on earnings per share.

(4) The actual distribution of compensation for employees and directors in the previous fiscal year (including number of shares, monetary amount, stock price, shares distributed) and any discrepancy between the actual distributed amount and amount of compensation for employees or directors. The discrepancy, cause, and response should be stated:

Unit: NT$Thousand

	2023			
	Number of distributed shares according to the resolution of the shareholders meeting	Number of distributed shares according to the approval of the board of directors meeting	Diff	Reasons for diff.
Distribution status：				
a.Employee cash bonus	3,672	3,672	-	-
b. Employee stock bonus				
(a)Share (Thousand Shares)	-	-	-	-
(b)Amount	-	-	-	-
(c)Percentage of total outstanding company shares %	-	-	-	-
c.Compensation to directors and spervisors	3,672	3,672	-	-

I. Share repurchases: None.

2. Corporate Bonds: None
3. Preferred Shares: None
4. Global Depository Receipts (GDR) : None
5. Employee Stock Warrants: None.
6. New Restricted Employee Shares: None.
7. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None
8. The Status of Implementation of Capital Allocation Plans:
   A. Plan: Previously issued or privately held securities that have not been completed or have been completed in the last three years but planned benefits have not yet been revealed in the latest quarter to the date of publication of the annual report: None.
   B. Implementation: For the purposes of the various plans in the preceding paragraph, the analysis and comparisons of the implementation situation and the original expected benefit as of the first quarter to the date of publication of the annual report: None.

V. Operational Highlights

1. Business Activities

A. Scopes of the business:

(1) The main operational categories of the company

a. Electronic parts and their products (except pipe products), garments, textiles, hardware machinery, etc. and the import and export business.

b. Sales and the import and export of electroplating chemicals (excluding pipe products), electronic printing materials (except pipe products), and electronic printing machinery (excluding pipe products).

c. Factory automation computer software and computer integration design, manufacturing, sales and service.

d. Production of negative films for industrial printed circuit boards.

e. Test computer program and fixture manufacturing for automated test equipment of printed circuit boards.

f. The quotation and bidding of the products of Local and foreign manufacturers before the agency.

g. Electronic assembly processing and sales (except pipe products).

h. CB01010 Machinery and equipment manufacturing.

i. CB01020 Office Machines Manufacturing.

j. CC01030 Electrical appliance manufacturing.

k. CC01050 Data Storage Media Units Manufacturing.

l. CC01060 Wired Communication Equipment and Apparatus Manufacturing.

m. CC01070 Wireless Communication Equipment and Apparatus Manufacturing.

n. CC01080 Electronic Parts and Components manufacturing.

o. CD01050 Manufacture of Bicycles and Parts.

p. CE01010 Precision Instruments Manufacturing.

q. C802120 Industrial Catalyst Manufacturing.

r. C802030 Paints and Varnishes Manufacturing.

(2) Sales proportion

(3) UNIT: NT$ thousand

Business Item	Sales in 2023	2023 (%) of Total Sales
Electronic components, equipment and materials	1,399,258	77.65%
Service revenue + Maintenance revenue	57,262	3.18%
Commissions revenue	345,565	19.17%
Total	1,802,085	100%

(3) The company's current product (service) collections

The business model of the Company and its subsidiaries is to introduce new process equipment and application technology sales to the electronic technology industry and to provide customer service, electronic parts production, machine equipment manufacturing and assembly.

Main business items: Printed circuit board equipment and technical services, chemical materials, semiconductor packaging test equipment, electronic assembly equipment, optoelectronic production equipment, solar energy industry related equipmen. Also, the assembly, production, sales and customer service of the above equipment and components. The main commodities and related industries of the company and its subsidiaries of the end of the year are described as follows:

a. Printed circuit board

AOI automatic optical inspection machine, AVI automatic visual inspection machine, Exposure machine, Wet film coating (inner layer/anti-welding), Vacuum Laminator、Laminator、Mylar Peeler, Belt sander, Scrubber machine and other wet process equipment, Ceramic brush, Inductive bonding machine, Hot press, Short/Break tester, High-density test fixture, Solder ball inspection equipment, Short circuit/open circuit test OEM and patent and IC Analysis services, Chemical liquid analysis equipment, Clean & non-oxidation automation oven, Thermal Analyzer / XRF Elements Analyzer, etc.

b. Semiconductor package

Transfer type hot plate reflow/baking equipment, circulating electroplating liquid analyzer, near-infrared light concentration monitor, wafer surface cleaner, wafer coater, wafer surface contaminant inspection machine, X-Ray inspection equipment, wafer surface organic inspection machine, chip package inspection machine, high-end package die bonding machine, automated wafer transfer arm, high-end package precision printer, high-end package precision ball mounter, Short/Break tester, SMD Chip Counter, dust-free and oxygen-free ovens, Cassette cleaning machine, atomic force microscope, dispensing machine and tape crystal grain rework machine, Wafer Cleaner, BG Tape Laminator, Wafer Mounter, LC Tape Laminator , BG Tape Remover.

c. Optical communication

Precision placement machine, automatic coupling equipment, photoelectric test equipment, optical lens.

d. Solar industry

Fully automatic screen printer line.

e. SMT electronic assembly

Selective soldering furnace, reflow oven, placement machine, fully automatic solder paste printer, automatic optical inspection machine, X-RAY inspection machine, solder paste inspection equipment, Automated IC Programming System.

(4) New product (services) development projects:

High-end packaging process equipment.

Green energy and industrial automation related equipment.

New process and high-end process equipment that meet customer needs.

Materials that meet customer needs.

Continuous tracking of new products in the market (not limited to the electronics industry)

B. Brief description on industries of the company’s main products:

The business model of the Company and its subsidiaries introduces new process equipment and application technology to Taiwan's electronic technology industry. With the printed circuit board as the main axis, it will be extended upwards and downwards to form a complete sales service system. It will also span the semiconductor packaging and testing equipment, electronic assembly industry, optoelectronic industry and solar energy industry related equipment. Current status and development of industries of the company’s main products (the printed circuit board industry, semiconductor industry and optical communication industry) are as follows:

1. <u>Printed circuit board industry</u>

Industry overview

(1) Global PCB industry

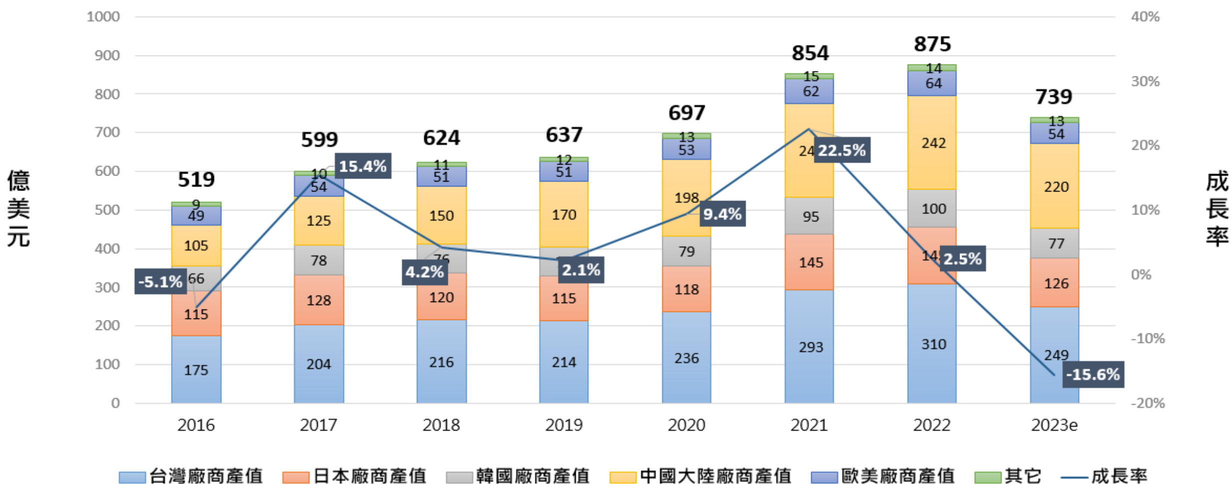
Global PCB industry responded conservatively to the impact of the economic recession

1. Revision of output value in 2023 following excessive demand

   Driven by the pandemic and high-end products, global PCBs in 2021 and 2022 experienced a rare prosperity, with the upstream and downstream supply chains showing a rather optimistic outlook due to high demand and orders, which in turn led to companies adopting a more aggressive strategy in terms of spending, capacity expansion, and inventory control, as well as lowering their alertness to possible concerns about the prosperity. However, as we look back, the decline in real purchasing power caused by a persistent period of high inflation occurred at the same time, and the increased spending by both companies and consumers in the past has in fact led to a loss of momentum in 2023, coupled with the fact that manufacturers continue to actively stockpile inventories even though the momentum of consumer spending has begun to diminish and closing inventories are rising, all of which are negative factors unfavorable to the continuous growth of output value.

   In conclusion, the wave of rebound, from consumers to end brands, all the way to the upstream supply chain and eventually spread to the PCB manufacturers, has led to differences in the timeline and level of impact depending on the product types. In the end, the global PCB in 2023 ended up with a decline of approximately 15.6%, with an output value of US$73.9 billion, and the substantial decline in 2023 may also be regarded as the result of excessive demand.

Graph 1: Trend of global PCB production scale



Source: TPCA; IEK, ITRI

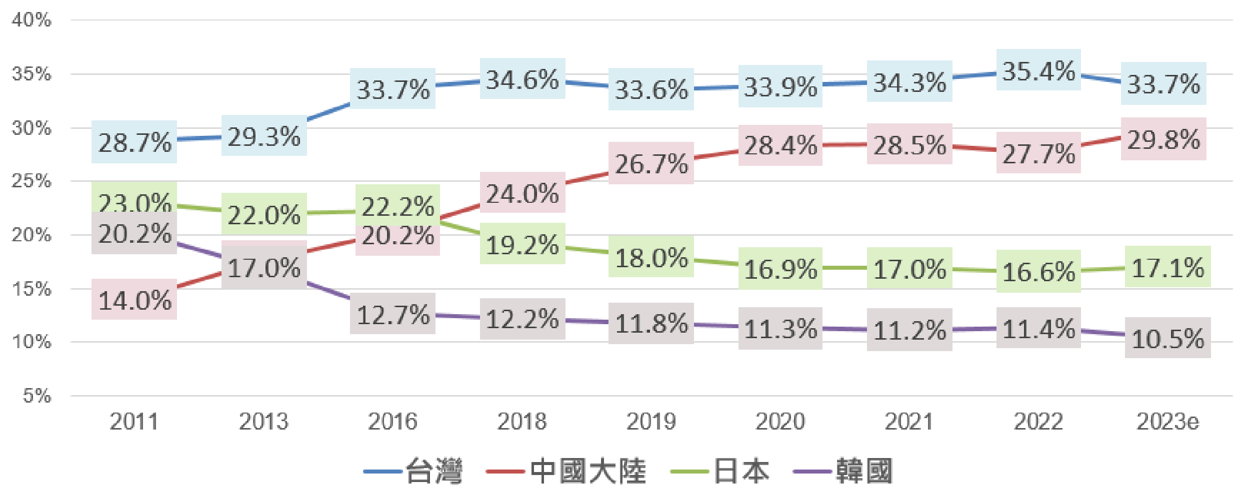
Note: The estimates for 2023 were based on Q1-Q3 data

2. PCB market share funded by Mainland China will soon exceed 30%

Judging from the market share cycle, despite the overall downturn in 2023, the results of different suppliers varied substantially due to the differences in products and application structures. Owing to the lower proportion of substrates used, coupled with the support of vehicle applications growth against the odds, the decline of manufacturers funded by Mainland China remained single-digit, which was significantly better than the global average; in contrast, South Korea, due to its highest proportion of substrates, coupled with over concentration of applications in the memory of the consumer electronics, the decline was more than 20%; on the other hand, despite the considerable proportion of substrates, the product structures of Japan and Taiwan were relatively balanced, part of which were vehicle applications, and the decline was somewhere in the middle of the range.

Market share is an important indicator of global status. PCB manufacturers funded by Mainland China have been focusing on hardboards over the past few years, which is not favorable in the general environment, and the growth rate was relatively low, which in turn prevented its market share from growing as it used to be. However, as the nature of competitiveness of PCB manufacturers funded by Mainland China has not declined, and there have been no significant withdrawal of product lines from the market, most of the stagnant market shares were attributable to the economic cycle factors. Based on the above, from the perspective that the growth driver of output value tends to return to the long-term average, PCB manufacturers funded by Mainland China instead became the least affected group in 2023, even with a remarkable increase in market share to nearly 30%.

Graph 2: Change in market share of major global PCB suppliers

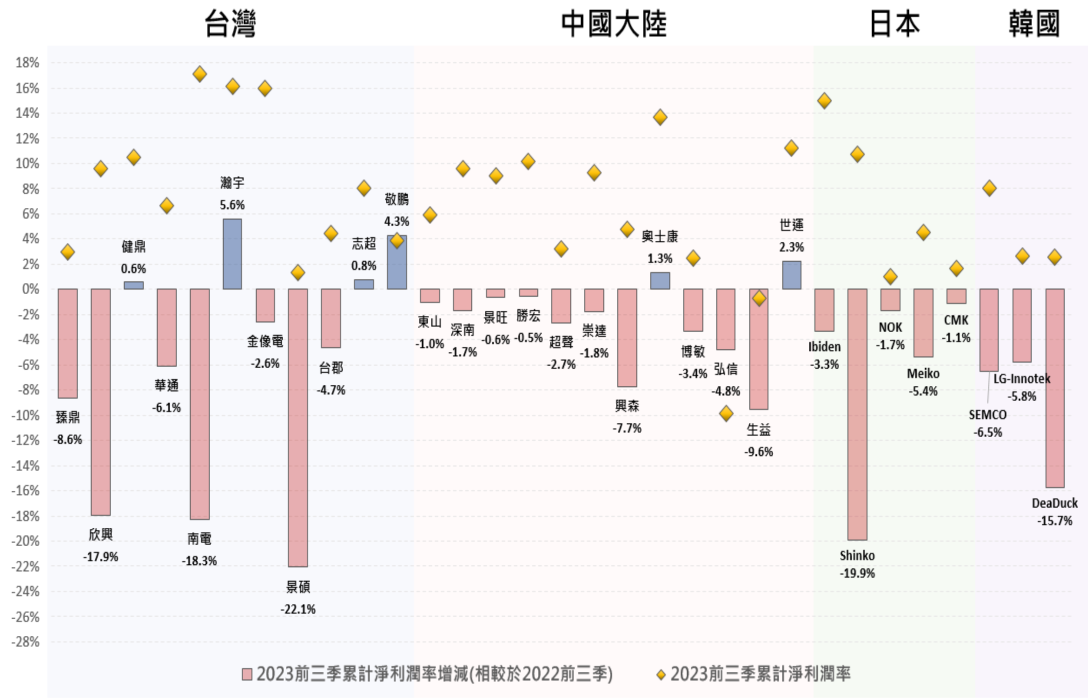


Source: TPCA; IEK, ITRI

3. Huge decline in profitability and generally lower profit margins for manufacturers

The overall weak market conditions have also impacted the profitability of manufacturers, if we take the first to three quarters as a statistical period, the accumulated net profit margin of the world's major PCB manufacturers of 2023 compared with the same period last year was generally reduced by 1 to 20 percent, which was a rare magnitude of change throughout the years, showing that the decreased in orders has impacted the overall product prices, production costs and operating expenses for the manufacturers. However, in terms of funding, the impact on Mainland China manufacturers was unsurprisingly less significant, while Taiwan, Japan and Korea showed considerable differences due to the different products they offer.

Accumulated net profit margins for the first three quarters of 2023 for the global major PCB manufacturers



Source: IEK, ITRI

Note: The first three quarters refer to the period from January to September. Accumulated net profit margin = Accumulated net profit / Accumulated operating income.

4. Overall investments were reduced, with the exception of Thailand, where resources were concentrated

Due to the substrates fever in 2021 and 2022, in addition to Mainland China's enterprises, most of the investments in Taiwan, Japan and Korea were directed to this particular segment. While Mainland China was also actively developing substrates, many manufacturers still focused on hardboards and continued to invest additional capital. However, the uncertainty of the economic cycle, coupled with the relatively intense investment in the past, has reduced the overall number and amount of enterprises' newly-planned investments in 2023.

On the other hand, the trend of supply chain shift has made Thailand a popular region for PCB industry to set up new plants or expand production capacity, but this has also led to an even more noticeable resource crowding in 2023, which was already relatively conservative in terms of investment. For example, Mainland China, which has always been aggressively expanding its plants, has observed that more than 70% of the major listed companies and enterprises that have major investment plans in the past year have their investment projects located in Thailand. Even though it takes time to increase production capacity, as far as the medium to long term is concerned, if most of the production facilities set up by major suppliers around the world are concentrated in Southeast Asia, it can be expected that the distribution of PCB production capacity globally will undergo considerable changes in the future.

Key issues affecting the PCB industry development in 2024

1. Major countries around the world are strengthening their semiconductor supply chains, indirectly affecting the substrate market

   Ever since semiconductors became strategic supplies, the United States, China, Japan, India, Vietnam, Malaysia, and Europe have been actively developing semiconductors. However, due to the varying objective conditions in different regions, the emphasis and pace of development are also different. Mainland China is well known mainly by the national policy to support the comprehensive development of semiconductor upstream, midstream and downstream; Japan's development is based on the foundation of materials and equipments as well as the experience of semiconductor development in the past; the U.S. has attracted numerous renowned semiconductor suppliers to set up their plants based on the strategic planning and their own global influence; India is also driven by the government, albeit it is still at the initial stage; Vietnam and Malaysia are mainly focused on packaging, and the latter was originally a key investment area for the development of the packaging industry in Southeast Asia.

Even though PCBs are not the direct development subjects and targets of most regional policies, the supply chain of substrates for semiconductor chips may be indirectly altered due to differences in the location of downstream customers or other geopolitical considerations, which in turn affects the business performance of the manufacturers. In addition, given the U.S. government's aggressive approach in building the local semiconductor supply chain, the National Advanced Packaging Manufacturing Program (NAPMP) may encourage the development of substrates and allow manufacturers to move their substrate production to the U.S. at some point in the future, which would be another significant event for the substrate industry if it were to happen. In conclusion, the efforts of major countries around the world to strengthen the semiconductor supply chain will have an indirect impact on substrate production.

2. With the launch of carbon-neutral products, the pressure on the supply chain to reduce carbon emissions has increased dramatically

There is no doubt that the supply chain of the electronics industry will have to reduce carbon emissions in line with the general environment, with the only difference being the intensity and pressure generated by the different customers. Apple, for example, not only has already achieved carbon neutrality in its global operations by 2020, it also announced its "Apple 2030" strategy, which seeks to realize carbon neutrality in its entire value chain by 2030. With 2015 as the base year, the strategy sets a 75% reduction in overall carbon emissions, with the Supplier Clean Energy Program serves as the key to promoting carbon reduction in the supply chain. Apple's carbon reduction progress has been reflected in the new products launched in 2023, such as the Apple Watch Series 9, which is the first Apple Watch to achieve carbon neutrality.

While brand customers such as Apple are still considered to be in the minority at this stage in terms of their aggressive supply chain requirements, the number of customers who will follow suit is bound to increase in the future as the global trend towards carbon reduction continues. From a supply chain perspective, the pressure from customers will also drive companies to actively seek solutions to achieve their goals. Therefore, from a stricter perspective, 2030 can be regarded as a challenge to the supply chain, and companies that fail to keep up with the pace of carbon reduction will be inevitably phased out.

3. Supply chain accelerates globalization, new PCB settlements are forming in Southeast Asia

   Be it system assembly or component supply chain, they both have been affected by the global supply chain shift in recent years and have had varying degrees of relocations, with Southeast Asia, India, Mexico, and the U.S. all being popular options for relocations. In terms of the PCB manufacturers, in addition to the aforementioned Thailand, a small number of enterprises have chosen Vietnam or Malaysia, and overall, Southeast Asia will be the next emerging settlement for the PCB industry.

4. No more robust growth in point of sales, instead product specification iterations and updates will take over as the main growth drivers

   While it is expected that the shipment of major end products will show a small growth in 2024, the main reason for this is that the base period volume is relatively low, instead of a significant rebound in consumer demand, and even if we look at the long term, it is generally believed that no substantial growth is likely to occur in point of sales of major PCB applications such as smartphones, notebooks, and vehicles, most notably smartphones, which have long since entered a plateau period. In other words, the expansion of global PCB output value in the next few years will be more dependent on the improvement of product specifications.

   By identifying the development trend of various types of end-products and screening them based on the principle of having greater impact and will continue to grow in the next few years, we have determined that advanced packaging, autonomous driving, and AI servers will be the products that will have a remarkable impact on the output value of PCBs around the globe.

(2) Taiwan Circuit board industry

Taiwan PCB Material and Equipment Market Development Overview

1. Taiwan PCB materials production and sales statistics in 2023

The output value of Taiwan's PCB materials in 2023 (including foreign production in Taiwan) was approximately NT$305.3 billion, a decline of 14.7% from 2022, with all statistical items in decline.

Taiwan's PCB materials industry can be divided into hardboard materials, flexible board materials, raw materials and other custom products. Hardboard materials (including copper foil baseboards, films, etc.) account for 46.5% of the total output value. Raw materials accounted for roughly 43.1%, including copper foil (22.9%), glass fabric (12.9%), and resin materials (7.3%), followed by flexible board materials (3.9%) and other customized products (4.5%), such as dry films, inks, and solutions. (Figures in brackets represent the proportion of the item in the overall output value, and will not be further elaborated unless otherwise specified).

Over the first half of last year, in the face of the global economic recession, the continuous adjustment of end-product inventories, and the decline in the demand of the end-consumer market, the base board materials and raw materials experienced excess supplies and price declines, which impacted the industry's performance. However, the negative trend appeared to have faded away in the second half of the year, and the change was not only due to the relief of the above mentioned challenges, but also attributed to the key role played by AI. With the rapid advancement of AI technology, the AI server market is developing rapidly, and the demand for high-frequency and high-speed materials is also increasing. In addition, the successful deployment of high-end materials by Taiwan manufacturers in such field has resulted in the continuous increase of their products' market share, and has provided solid backing for the industry performance in the second half of the year.

Looking forward to 2024, in spite of the persistent global economic and political uncertainties, the PCB manufacturing industry is expected to return to growth in 2024 following the relief of inventory pressures in the end markets and the gradual recovery of key markets such as mobile phones, computers, semiconductors, etc., which will also drive the performance of the PCB materials industry. In addition, as the AI phenomenon continues to grow, the PCB materials market is likely to grow at a higher rate than PCB manufacturing and PCB equipment, taking into account the strong competitiveness of the relevant manufacturers in this niche market, as well as the leading position of the manufacturers in the entire PCB materials industry in Taiwan. It is estimated that by 2024, Taiwan's PCB materials will resume growth at a rate of 10.4% annually, with an output value of approximately NT$337 billion.

2. Taiwan PCB equipment statistics in 2023

Taiwan's PCB equipment output value (including foreign production in Taiwan) was approximately NT$56 billion in 2023, a decline of 16.8% from 2022.

In terms of product structure, the top five process equipment are drilling/laser drilling/forming machining tools (19.2%), wet process (including DES, pre-treatment, washing line, etc.) (15.0%), needles/tools (drilling needles, end mills, etc.) (12.2%), conveyor and automation (11.3%), and solder mask (9.1%) (including coating machines, ovens, etc.).

Against the declining pressure of the market, PCB manufacturers were either forced to cut down their capital expenditure or delay the implementation schedule of their machines, and the equipment manufacturers had no other option but to endure the struggle. Such trend was reflected in the income performance, virtually all types of equipment were in decline, with the exception of anti-soldering, thanks to the fact that Taiwan's solder mask equipment has successfully entered the substrate and semiconductor market, and was able to break through and retain a certain market share in the markets, particularly against the Mainland brands that emphasize the price-performance ratio, and Japan and South Korea's brands that adopt a higher-end strategy. In the future, it will be inevitable for PCB products to move toward higher-end and higher-value development, particularly in the process of the traces, which will be the most critical field. As technology advances, PCB manufacturers will be driven to replace their equipment with new ones, which will then shape a positive cycle for the equipment market and promote long-term development. Looking back, the underperforming equipment categories in 2023 were mostly related to high-end traces process, indicating that Taiwan's inadequate development of high-end applications, which was a major concern for Taiwan's PCB equipment industry.

Looking into 2024, with the gradual stabilization of the global economy and end-market, coupled with the driving force of AI and electric vehicles, the outlook of the PCB industry as a whole is optimistic. As a result, some PCB manufacturers have begun to increase capital expenditures in preparation for future market expansion. Meanwhile, the plant construction process in Southeast Asia also continues to progress, and is expected to enter the equipment installation boom from 2024 onwards, which will undoubtedly be a positive driving force for the development of Taiwan's PCB equipment market. However, while taking advantage of this wave of business opportunities for plant expansion, Taiwan manufacturers should also be aware of the challenges posed by their international competitors, most notably the equipment manufacturers funded by Mainland China with similar product positioning, which will be the most direct and fierce competitors and may adversely affect the industry's development. Therefore, it is estimated that the growth rate of Taiwan's PCB equipment market will be slightly lower than the growth rate of PCB manufacturing and PCB materials. Taiwan's PCB equipment market is expected to return to a positive growth in 2024, with an annual growth rate of 5.4% and a output value of approximately NT$59 billion.

Key market outlook for 2024

By looking at the dynamics of the PCB supply chain, AI and electric vehicles will be the very next markets to be aggressively pursued by all of us, and their rapid growth will be a source of new vibrancy for the PCB industry. Since the shocking debut of ChatGPT in late 2022, AI technology has quickly become the focus of the technology field, particularly for the AI server market, which has brought unprecedented growth opportunities. According to the estimation of research organizations, the AI server market will continue to grow by 33% in 2024, with the shipment volume reaching 1.6 million units, accounting for about 12% of the overall server market.

Yet, the development of AI is not only limited to cloud devices, but is also expanding to end devices, such as AI PCs and AI mobile phones. The global PC and mobile phone markets have been in a decline for two consecutive years as a result of inflation and component inventory pressures. International brands are actively exploring new growth drivers for these two mature markets, and the introduction of the "AI" concept is expected to be the highlight of their product promotions this year. However, due to the bottleneck of energy consumption and performance, most of the AI mobile phones and AI PCs launched so far are merely periodic product updates, and there is still a long way ahead in realizing in-depth AI applications. Nevertheless, the repackaging and promotion of AI technology is expected to bring a new wave of sales to the PC and mobile phone markets.

As for the electric vehicle market, its rapid growth has not only represented the transformation of the vehicle industry, but has also brought significant growth opportunities for the PCB industry. As opposed to conventional fuel vehicles, electric vehicles require PCB products with greater size and more advanced features to support the development of advanced technologies such as autonomous driving, battery management systems, smart cabins, and so on, making electric vehicles yet another key PCB niche market following personal computers and smartphones. According to the statistics by the research organization GlobaData, the sales volume of electric vehicles worldwide in 2023 (including battery electric, hybrid, green energy models) amounted to about 17.96 million units, with an annual growth rate of 60.4%, accounting for 20% of the overall vehicle shipments, and the growth rate is expected to continue in 2024 at a rate of 21.9%. Among them, Mainland China is the leading market for electric vehicles with a market share of approximately 47%, which was driven by the government's subsidy policy and price competition among vehicle manufacturers, this was particularly the case in Q4 2023, when BYD's sales of electric vehicles surpassed Tesla's for the first time, reflecting Mainland China's increasing influence in the global vehicle industry.

However, the Mainland China government has clearly emphasized the importance of supply chain independency through the launch of the "Vehicle Industry Steady Growth Project (2023~2024)", which requires Mainland China-funded vehicle manufacturers to utilize a certain percentage of domestically-produced chips and components, which will limit the room for Taiwan-based companies to develop in the Mainland China market. In addition, the price competition in the electric vehicle market is getting more and more intense, and the continuous reduction of manufacturing costs has also brought challenges to the profit margins of vehicle PCBs. In such an environment, Taiwan manufacturers are advised to make timely adjustments to their market strategies and seek a more diversified customer base beyond Mainland China, not only for the purpose of hedging against the uncertainties brought about by policy changes, but also to help Taiwan manufacturers find new growth points in the global market. While this may imply a relatively smaller market share in the short term, in the long term, such a strategy will be more beneficial to the stable development of the enterprise and profitability.

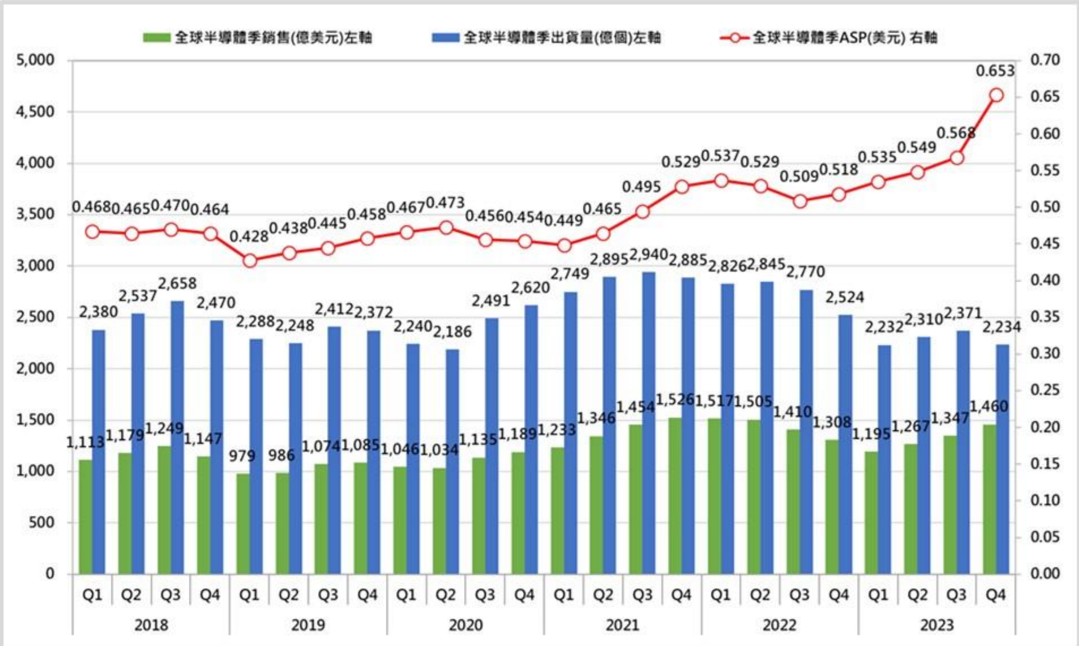
2. <u>Semiconductor industry</u>

Industry Overview

(1) Global semiconductor industry

According to the statistics by WSTS, the global semiconductor market in 23Q4 recorded a sales value of USD$146 billion, an increase of 8.4% from the previous quarter (23Q3) and an increase of 11.6% from the same period in 2022 (22Q4); the sales volume amounted to 223.4 billion units, a decline of 5.8% from the previous quarter (23Q3) and a decline of 11.5% from the same period in 2022 (22Q4); and the ASP was US$0.653, an increase of 15.0% from the previous quarter (23Q3) and an increase of 26.1% from the same period in 2022 (22Q4).

Global semiconductor market quarterly growth trend



註：數據源自於 WSTS 於 2024 年 02 月所發布全球半導體逐月市場值
資料來源：工研院產科國際所

(2) The IC industry in Taiwan

IEK, ITRI estimated that the output value of Taiwan's IC industry will reach NT$4,342.8 billion (US$139.2B) for the year 2023, a decline of 10.2% from 2022. Among them, the output value of IC design industry is NT$1,096.5 billion (US$3.51B), a decline of 11.0% from 2022; the output value of IC manufacturing industry is NT$2,662.6 billion (US$8.53B), a decline of 8.8% from 2022, of which, foundry industry amounted to

NT$2,492.5 billion (US$79.9B), a 7.2% decline from 2022; memory and other manufacturing industry amounted to NT$170.1 billion (US$5.5B), a 27.8% decline from 2022; and IC packaging industry amounted to NT$393.1 billion (US$12.6B), a 15.6% decline from 2022; while the IC testing industry amounted to NT$190.6 billion (US$6.1B), a decline of 12.8% from 2022. The exchange rate of NT$ to US$ is calculated at the rate of 31.2.

Taiwan IC industry output value, 2020~2024(e)

億新臺幣	2020	2020 成長率	2021	2021 成長率	2022	2022 成長率	2023	2023 成長率	2024(e)	2024(e) 成長率
IC產業產值	32,222	20.9%	40,820	26.7%	48,370	18.5%	43,428	-10.2%	50,116	15.4%
IC設計業	8,529	23.1%	12,147	42.4%	12,320	1.4%	10,965	-11.0%	12,570	14.6%
IC製造業	18,203	23.7%	22,289	22.4%	29,203	31.0%	26,626	-8.8%	31,038	16.6%
晶圓代工	16,297	2.1%	19,410	19.1%	26,847	38.3%	24,925	-7.2%	29,060	16.6%
記憶體與其他製造	1,906	19.4%	2,879	51.0%	2,356	-18.2%	1,701	-27.8%	1,978	16.3%
IC封裝業	3,775	9.0%	4,354	15.3%	4,660	7.0%	3,931	-15.6%	4,362	11.0%
IC測試業	1,715	11.1%	2,030	18.4%	2,187	7.7%	1,906	-12.8%	2,146	12.6%
IC產品產值	10,435	22.4%	15,026	44.0%	14,676	-2.3%	12,666	-10.2%	14,548	14.9%
全球半導體市場(億美元)及成長率(%)	4,404	6.8%	5,559	26.2%	5,741	3.3%	5,268	-8.2%	5,958	13.1%

資料來源：工研院產科國際所
說明：
(e)表示預估值(estimate)。
IC 產業產值=IC 設計業+IC 製造業+IC 封裝業+IC 測試業。
IC 產品產值=IC 設計業+記憶體與其他製造。
IC 製造業產值=晶圓代工+記憶體與其他製造。
上述產值計算是以總部設立在臺灣的公司為基準。

Future development trend

In the first half of 2023, the overall semiconductor market underperformed due to the weak global economy, low end-market demand, and ongoing inventory adjustments in the supply chain. In the second half of 2023, with the stabilization of inventories, the rebound of end-market demand, and the rise of emerging applications such as generative AI, the performance of the semiconductor industry has been gradually recovering from the decline. In general, however, it was still unable to offset the severe impact of the weak demand in the first half of the year, and the global semiconductor market has shown a significant decline in operating performance throughout the year of 2023. Among them, memory manufacturers were the most affected. According to Gartner's estimation, the global memory market size will suffer a 37.0% decline in 2023, and memory manufacturers have also reduced production to cope with the economic recession in an effort to establish a better market environment for 2024. With the inventory gradually improved in the second half of the year and the rebound in end-market demand, it is expected that memory demand will recover in 2024 and become the main driving force for the overall semiconductor market growth.

In terms of Taiwan's IC industry, the output value of Taiwan's IC industry reached NT$1,203.3 billion in Q4 2023, a 7.8% growth from the previous quarter and a 0.5% annual growth, while the supply chain inventory gradually returned to the normal level in Q4 2023, benefiting from the AI-related trends and the recovery of end-market demand (PCs, smartphones, etc.), as well as the continued growth of high-performance computing and high-end smartphones that drove the foundry operating income, all of which have led to a positive growth in Q4 2023.

Looking forward to Q1 2024, with the gradual recovery of demand in end markets such as mobile phones and PCs, as well as the continued increase in demand for AI, HPC, etc., the output value performance of Taiwan's IC industry in Q1 2024 is expected to grow compared to the same period last year, and the quarterly decline rate will also be favorable compared to that of the same period last year. However, since this quarter coincides with the Lunar New Year, with fewer working days, and combined with the fact that Q1 is the quarter with the lowest demand in the global market cycle, it is estimated that Taiwan's IC design, manufacturing, and testing industries will show a quarterly decline. Taiwan's IC industry output value is estimated at NT$1,140.9 billion, a 5.2% decline from the previous quarter with a 13.1% annual growth.

3. <u>Optical Communication Industry</u>

Overview

The rise of super mega data centers has prompted enterprises to pursue the demand for high-speed data transmission. With the introduction of INTC's silicon photonic transceiver, the data exchange bottleneck and energy consumption can be effectively solved by its miniature, high-speed and low-power features. Current products can transmit information at speeds of up to 400GB per second, which will solve the bottleneck that has put data centers in a difficult position in terms of transmission capacity. Gartner estimates that the share of silicon photonics in high-bandwidth data center communication channels will increase from less than 5% in 2020 to more than 20% in 2025, with an overall potential market size of $2.6 billion. The growing demand for low-power, high-bandwidth and higher-speed data transmission is driving the demand for silicon photonics to support data centers and other further applications.

According to industry research firm Yole, silicon photonics chips are forecast to be worth approximately US$151 million in 2021 and grow to US$972 million in 2027, representing a compound annual growth rate (CAGR) of nearly 36%, with applications ranging from 5G, data centers, bio-sensing, quantum computers or consumer healthcare.

According to Yole's report, data center transceivers will still dominate the silicon photonic chip market in 2021, with an output value of US$148 million. However, with the future development of silicon photonics technology, the share of data centers is expected to decline to less than half of US$468 million by 2027, to be replaced by the rise of photonic processing and consumer healthcare. Due to the sheer scale of data processing required for machine learning, photonic processing can collect, process and store data at a much faster rate, and with the combination of 5G and edge computing, can be more efficient than normal processors. It is estimated to reach US$244 million by 2027. In the health care segment, silicon photonics can be used to monitor, detect and quantify biomarkers by shining light on tissues and blood vessels, creating non-invasive medical monitoring solutions for low-cost, small-size medical devices and wearables, with an estimated production value of US$240 million by 2027.

Optical computing is a new attraction

Since the late 1970s, fibre optic infrastructure has been used for long-distance communications signals because of its greater bandwidth capacity, higher data rates and lower latency than copper-based cables. Since then, energy-efficient optical interconnects have continued to penetrate critical telecommunications networks, right through to rack-to-rack data connections in data centre environments. But more and more research has since shown that silicon photonic chips can be used not only for optical communications, but also in computing areas such as neural network computing and quantum computing, which are becoming the arena of their appeal.

Silicon photonics for neural networks

Much like silicon photonics for communication transmission, all-optical computing can also be used to achieve much faster computing at a fraction of the power budget of traditional digital computing architectures.

Today's digital computers are based on transistors, which turn electronic signals on and off to form a basic logic gate circuit. But transmitting data and computing data through light is completely different, as optical components are so linear that by cascading different levels of linearly integrated photonic components, the corresponding layers of an Optical Neural Network (ONN) can be formed. In this way, a sequential matrix can be multiplied or transposed simply by the light flowing from one end of the ONN to the other.

Silicon photonics for quantum information processing

Quantum technology is now developing into a new field of application. The possibility of encoding, then processing, storing and transmitting information in quantum mechanics systems will lead to huge breakthroughs in various technological fields such as computing, communication, metrology, sensing and even manufacturing technology. At the same time, a large number of quantum solution start-ups, as well as industry giants such as Google, IBM, Intel, Microsoft and Toshiba, are investing in quantum technology in tandem.

Collaborative packaging and wafer integration

Silicon photonic chips have the potential to become one of the most important technological innovations of our time, and high power efficiency, low latency and high throughput are keys to the continued growth of optical matrix computing beyond Moore's Law. The core challenges for silicon photonic chips today are mainly in the industry chain and process standards. For example, the design, mass production and packaging of silicon photonic chips have not yet been standardized and scaled up, resulting in a lack of productivity, cost and yields. The challenge in the field of optical computing is that its accuracy is lower than that of electronic chips, which limits its applications.

If these bottlenecks are to be removed as soon as possible, the future of silicon photonic components will be characterized by two major trends: synergistic packaging and wafer integration. The former is the integration of CMOS wafers with optical wafers in the form of TSV packages, while the latter is a complete single-chip solution that does not require any copper connections and is mainly used for optical input and output applications.

Of course, not every company has the ability to "Integrate Silicon Photonics and CMOS on the same chip in one step", so the use of co-packaged optics (CPO) technology to integrate silicon photonic modules with CMOS chips has become a more preferred option.

Prior to the rise of CPO technology, the current conventional technology was to separate the silicon photonic module and the CMOS chip into two separate modules, which were then linked together on a PCB board. The advantage of this was that the design was more modular and could be replaced if there was a problem with the CMOS chip or the silicon photonics module alone, but the power consumption, size and cost were all unfavorable and CPO solved these problems. Currently, companies such as Nvidia, AMD, Intel, Ranovus, Broadcom, Marvell, etc. are all working on CPO technology.

C. Relevance of upstream, midstream and downstream companies

In the agency equipment industry, the upstream is the supplier, and the function of the agent is to study the equipment needed for the manufacturing process of downstream terminal customers in each industry. TKK’s main business is similar to the above.

It would find the most suitable equipment specially designed for the downstream customers’ manufacturing process, and introduce new equipment for the customer's new manufacturing process or introduce the next-generation processing equipment for the industry to enhance the customer's competitiveness.

D. Various development trends and competition of products

Electronic products continue its development towards light, thin, short, and small products, the quality requirements are further improved, and advanced countries are more demanding for green energy and lead-free environmental protection processes. This would again promote equipment upgrades.

The entry barrier of the agency equipment industry is not very strong, and the ability of Taiwanese manufacturers to make their own equipment gets better day by day. In the case of fierce competition and reduced demand, the life cycle of agent equipment would continue to shorten. And in this highly competitive industry, TKK would continue to grow with the introduction of higher-order and new-process technologies and equipment to enhance its competitiveness.

E. Technology and R & D Overview:

a. Successfully developed technologies or R & D products from the most recent year to the end of publication of the annual report:

With the technical support by suppliers, the products represented, manufactured or assembled by TKK and its subsidiaries are committed to developing new process equipment, materials and technologies for the existing electronics industry according to the needs of customers. In addition, TKK is also actively developing new products in the semiconductor, solar energy, optoelectronics, and chemical materials industries. The company provides customers with the most advanced future technologies and demonstrate its channel distribution system through the technical support by suppliers.

b. Expected future R&D plans and expenses from the most recent year to the end of publication of the annual report:

The subsidiary has many years of practical experience in R & D, production and assembly of electrical test fixtures and equipment, and has independently trained a R & D team with innovation and improvement capabilities. This team is highly competitive in the market. The R & D expenses in 2023 are close to NT$3.25million, and it is expected that there will continue to be 0.1%~0.5% of R & D expenses this year and next year.

R & D expenses from the most recent year to the end of publication of the annual report:

Year / Item	2022	2023	For Year Ending Mar. 31, 2024
R & D expenses (A)	3,427	3,252	859
Net Operating Revenue (B)	2,565,379	1,802,085	207,807
(A)/(B) ％	0.13%	0.18%	0.41%

F. Long-term and short-term business development plans:

(1) Short-term plan

a. Enhance the quality and efficiency of existing customer support services and improve customer satisfaction.

b. Introduce more advanced equipment and materials depending on customer and industry needs.

c. Develop agency for new products with high added value.

d. Increase the number of foreign strategic alliance partners to enter new technology fields.

e. Improve production and assembly processes and shorten delivery times.

(2) Long-term plan

a. Introduce advanced and sophisticated process equipment, materials and technologies from all industries based on the customer and industry needs.

b. Continue to develop universal electronic components.

c. Develop a low-pollution and high-performance product line.

d. Introduce high-end products targeted at the High End product line.

e. Improve the professional quality of employees and increase the efficiency of business operations.

f. Stabilize credit, reduce the possibility of bad debts, and cooperate with the Group's long-term business development plan to make sound planning and control of funds.

2. TKK Market and Sales Overview

A. Market analysis:

(1) Sales areas of TKK's main product

Year / Type	2022		2023	
	Sales	%	Sales	%
Local sales	1,028,961	40.11	857,585	47.59
Export sales	1,536,418	59.89	944,500	52.41
Net Operating Income	2,565,379	100	1,802,085	100

(2) Market share

Due to the success in capturing market trends and the R & D of advanced processes, the company has established a good reputation in the market for more than 40 years and has built up the excellent ability as an agent, thus it has priority to be the agent of high-end products. After obtaining the agency rights, these advanced equipments or technologies will be actively introduced to the electronics industries in Taiwan through exhibitions, technical seminars and new product briefings, which would enhance the technical level of customers, increase competitiveness and create a win-win solution on creativity for Taiwan's electronics industry.

Although the highly competitive industry would reduce the market share of the TKK's agency products, the company continues its strategy on introducing high-end products and to become the professional agent with the highest market share in high-tech products in the Greater China Region.

(3) Competitive niche, favorable development prospects, unfavorable factors and countermeasures

a. Competitive niche and favorable factors:

■ Continuous development of quality products

Over the years, the electronics industry has been continuously upgraded and transformed. The company has penetrated the industry and accurately grasped the transformation of the industry. Its agent products have been closely related to the development of the industry and market trends.

- Experience in establishing a channel marketing network

  Since the company was established in 1977, it has adapted sales channels to Taiwan, China, Japan, Hong Kong, Philippines, Singapore, Thailand and other countries, and has formed a stable marketing network with excellent international competitiveness.

- Long-term customer and supplier relationships

  The company's business philosophy is "integrity". TKK has an intimate relationship with its customers and suppliers as they have grown together over the years, and experienced the difficult times and development of the Taiwan’s electronics industry.

- Excellent and experienced service team

  In addition to having a deep understanding of the industry, the company also cooperates with professional technical and logistics personnel to form a strong service team, so it can provide customers with high efficiency and high quality professional services.

- Stable financial policy

  The company adopts a stable financial policy that does not expand credit and does not invest in industries that are unfamiliar or unrelated to the industry.

b. Unfavorable factors and countermeasures

- Short technology life cycles:

  The process or technology of the electronics industry is progressing rapidly, with a short life cycle on equipment or technology. In addition, the improvement of the ability of Taiwanese manufacturers on self-made products is also a major problem for the company.

  <u>Countermeasures</u>:

  Continuously improve the technical capabilities of the new product development team, and quickly collect market intelligence and negotiable agency contracts through the alliance of companies that set up subsidiaries in the United States and Japan.

In addition, the company has also established subsidiaries in Taiwan and China, reducing the geographical restrictions and time differences in providing services. At the same time, through the recruitment of consultants from the United States, Germany and Japan, we regularly provide the latest developments in the industry and market information, so that the company can keep abreast of the latest technological pulse and grasp the opportunities of market development.

- Offshore migration of the manufacturing industry:

Since China and Vietnam have relatively low-cost labor and land resources, manufacturers who want to reduce production costs will set up factories in these countries.

Countermeasures:

Establish a subsidiary in China to build a complete technical support service network, in order to provide services to existing customers, and have the opportunity to serve customers in China. The assessment on whether to establish service centers in Vietnam and other regions is based on the needs of downstream customers.

B. TKK Market and Sales Overview

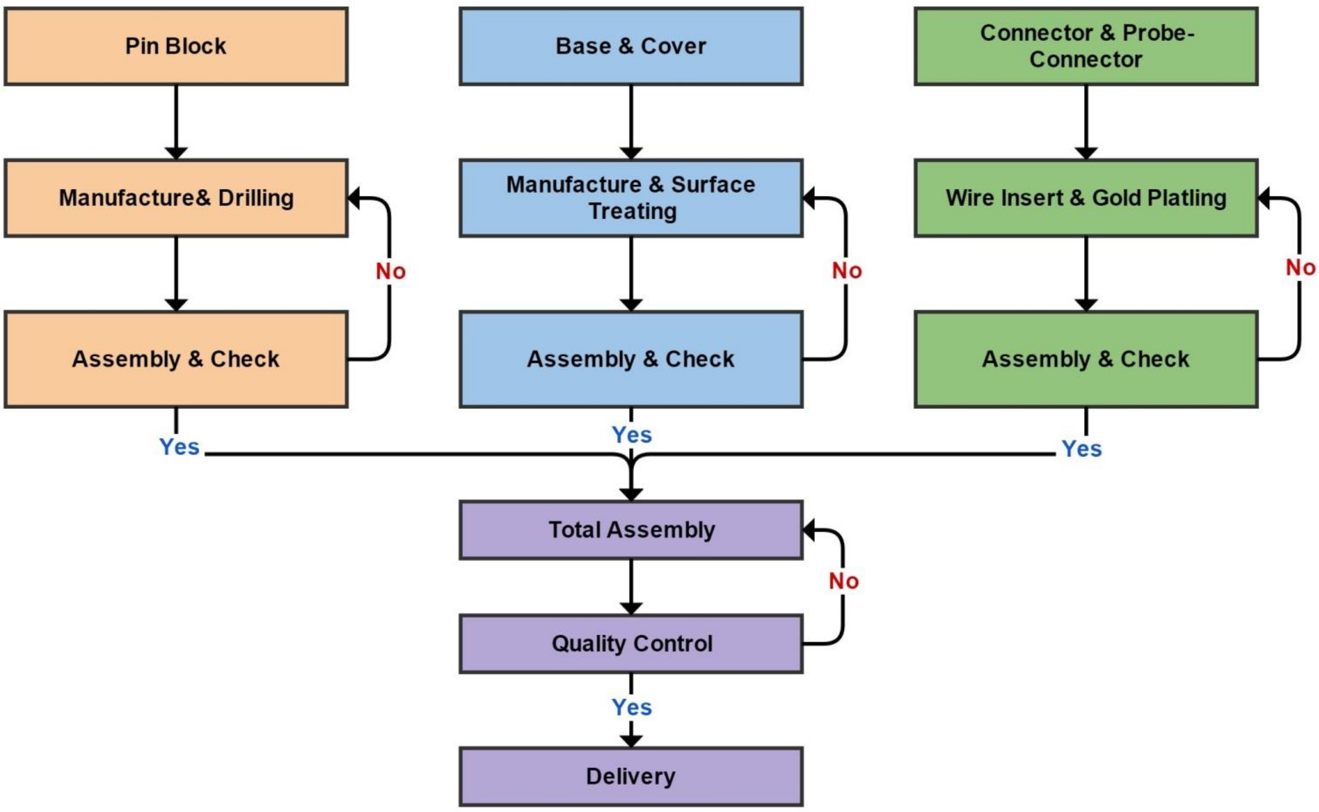
(1) Main products' important functions

Main product type	Main products	Functions
Electronic components, equipment and materials	AOI automatic optical inspection machine, AVI automatic visual inspection machine, Exposure machine, Wet film coating (inner layer/anti-welding), Vacuum Laminator 、 Laminator 、Mylar Peeler, Belt sander, Scrubber machine and other wet process equipment, Ceramic brush, Inductive bonding machine, Hot press, Short/Break tester, High-density test fixture, Solder ball inspection equipment, Short circuit/open circuit test OEM and patent and IC Analysis services, Chemical liquid analysis equipment, Clean & non-oxidation automation oven, Thermal Analyzer / XRF Elements Analyzer, etc.	Printed circuit manufacturing
Semiconductor package and manufacturing equipment, and electronics assembly.	Transfer type hot plate reflow/baking equipment, circulating electroplating liquid analyzer, near-infrared light concentration monitor, wafer surface cleaner, wafer coater, wafer surface contaminant inspection machine, X-Ray inspection equipment, wafer surface organic inspection machine, chip package inspection machine, high-end package die bonding machine, automated wafer transfer arm, high-end package precision printer, high-end package precision ball mounter, Short/Break tester, SMD Chip Counter, dust-free and oxygen-free ovens, Cassette cleaning machine, atomic force microscope, dispensing machine and tape crystal grain rework machine, Wafer Cleaner, BG Tape Laminator, Wafer Mounter, LC Tape Laminator , BG Tape Remover.	Semiconductor package and manufacturing, and electronics assembly.
Assembly equipment, components and materials for optical communications module	Precision placement machine, automatic coupling equipment, photoelectric test equipment, optical lens.	Optical communication industry, high-power laser module, precision optical assembly, extreme sensor assembly
Solar energy production process	Fully automatic screen printer line.	Solar industry

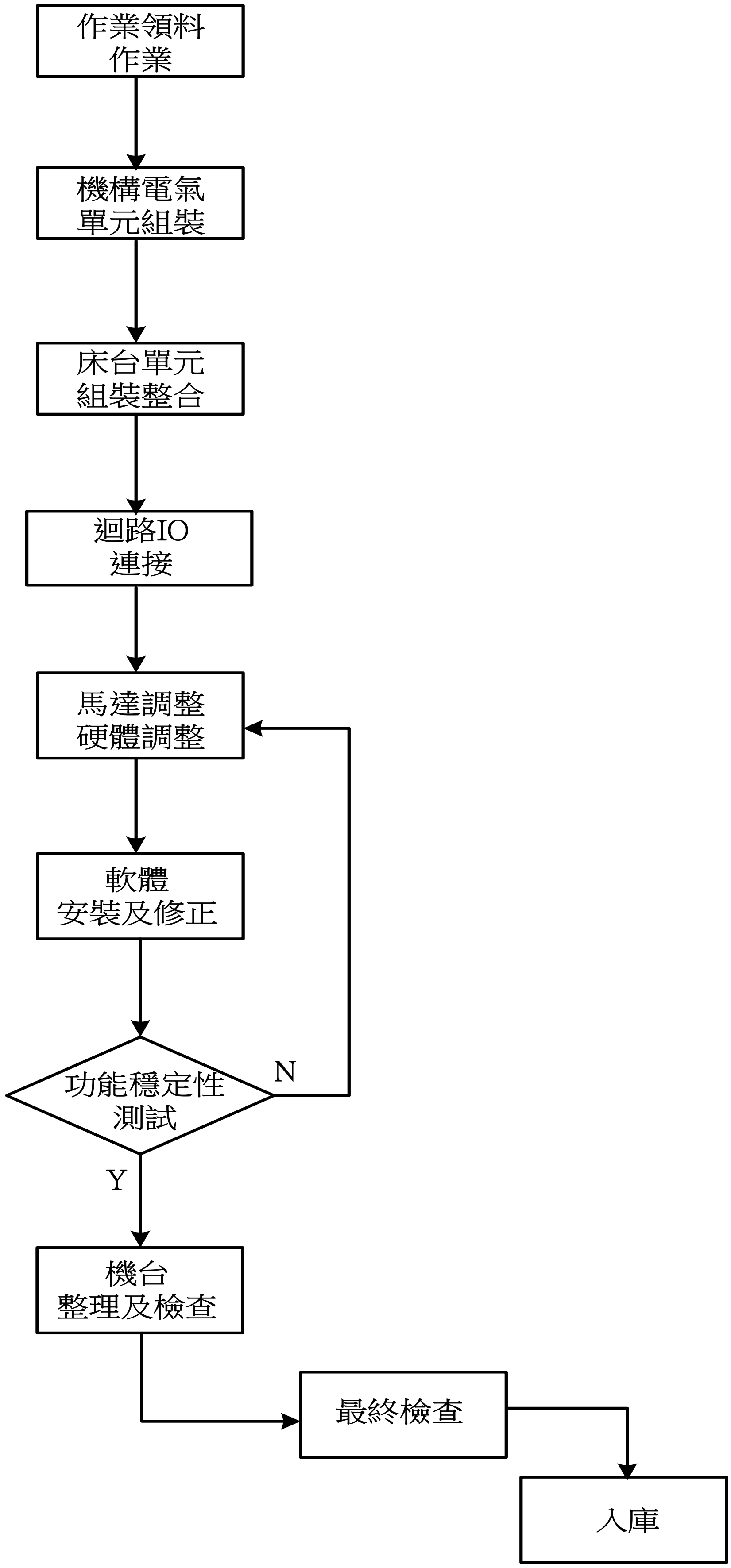
SMT electronic assembly	Selective soldering furnace, reflow oven, placement machine, fully automatic solder paste printer, automatic optical inspection machine, X-RAY inspection machine, solder paste inspection equipment, Automated IC Programming System.	SMT assembly
Others	Export business for Taiwan's sophisticated equipment products, Electrical testing of the generation of processing	

(2) Main products' production process

Production process of the electrical test fixture:



Equipment assembly process:



C. Primary raw materials of main products

(1) Primary raw materials

Most of the raw material suppliers of the Company and its subsidiaries are well-known domestic and foreign manufacturers. The source of supply is quite stable with little price fluctuations. The company developed a close relationship with various suppliers and established a high level of cooperation.

Domestic suppliers mainly provide processing of metal raw materials, and the supply is sufficient.

(2) List of major suppliers

Supplier name	**Main shipping items**
WKK JAPAN LTD.	Printed circuit board processing equipment and components.
C supplier	Solar energy production process
A supplier	Semiconductor electronic equipment and components

D. The number of clients and their purchase amount and ratio that accounted for more than 10% of the total sales in the last two fiscal years:

(1) The clients that accounted for more than 10% of the total sales in the last two fiscal years:

	2022				2023				As of end of Q1 2024(Note 2)			
Item	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	E customer	469,642	18.31	-	E customer	156,878	8.71	-	H customer	32,721	15.75	-
2	F customer	217,571	8.48	-	F customer	148,911	8.26	-	B customer	23,878	11.49	-
3	A customer	211,237	8.23	-	-	-	-	-	-	-	-	-
	Others	1,666,929	64.98		Others	1,496,296	83.03		Others	151,208	72.76	
	Net Total Supplies	2,565,379	100.00		Net Total Supplies	1,802,085	100.00		Net Total Supplies	207,807	100.00	

Reasons for change: The difference between the two years is mainly due to the large reduction in the purchase of PCB inspection devices by customer E.

Note 1：The number of clients and their purchase amount and ratio that accounted for more than 10% of the total sales in the past two years is listed in the above table. However, due to the contractual agreement, the name of the supplier or the counterparty may be disclosed as an individual and non-related party.

Note 2：Up the date of publication of the annual report, the companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified or reviewed by the accountant.

(2) The suppliers that accounted for more than 10% of the total purchases in the last two fiscal years

	2022				2023				As of end of Q1 2024(Note 2)			
Item	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	WKK JAPAN LTD.	745,322	49.58	Interested Party	WKK JAPAN LTD.	295,996	31.65	Interested Party	E supplier	24,994	23.20	-
2	C supplier	140,931	9.37	-	C supplier	181,193	19.38	-	WKK JAPAN LTD.	16,833	15.63	Interested Party
3	D supplier	107,358	7.14	-	D supplier	101,574	10.86	-	F supplier	11,335	10.52	-
	Others	509,668	33.91		Others	356,384	38.11		Others	54,567	50.65	
	Net Total Supplies	1,503,279	100.00		Net Total Supplies	935,147	100.00		Net Total Supplies	107,729	100.00	

Reasons for change: The difference between the two years is mainly due to the decrease in the purchase of printed circuit board equipment from WKK JAPAN LTD.

Note 1：The number of suppliers and their purchase amount and ratio that accounted for more than 10% of the total sales in the past two years is listed in the above table. However, due to the contractual agreement, the name of the supplier or the counterparty may be disclosed as an individual and non-related party.

Note 2：Up the date of publication of the annual report, the companies that have been listed or whose stocks have been traded in the securities firm's business premises should be disclosed if they have the most recent financial information verified or reviewed by the accountant.

E. Output analysis for the last two years:

Unit: NT$ thousand; Set

Year / Divisions	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Manufacturing division	900	430	187,777	900	248	119,851
Total	900	430	187,777	900	248	119,851

Note 1: Capacity refers to the quantity that can be produced under normal operation after the company has measured the necessary temporary shutdowns, holidays, etc., using the company's existing production equipment.

Note 2: The production of each product is substitutable. It is necessary to calculate the consolidated production capacity, and it shall be listed in the note.

F. Sales value for the last two years:

Unit: NT$ thousand

Year	2022				2023			
	Local Sales	%	Export Sales	%	Local Sales	%	Export Sales	%
Equipment Division	811,390	78.86	1,533,404	99.80	709,404	82.72	940,967	99.63
Manufacturing Division	217,571	21.14	3,014	0.20	148,181	17.28	3,533	0.37
Total	1,028,961	100	1,536,418	100	857,585	100	944,500	100

G. Historical performance indicators:

Year / Analysing Item		2019	2020	2021	2022	2023
Historical performance indicators	Return On Assets (%)	7.01	14.52	17.49	24.79	15.56
	Return On Equity (%)	9.28	19.99	27.25	40.86	23.81
	Pre-tax net profit as a percentage of paid-in capital (%)	27.32	57.90	91.96	164.24	101.12
	Net profit margin (%)	6.60	12.74	13.34	18.65	16.24
	EPS (NT$)	2.11	4.86	7.41	3.30	2.02

Note：The Company changed par value of the shares from NT$10 to NT$2.5 in December, 2022.

H. Key performance indicators：

Item \ Year		2019	2020	2021	2022	2023
Performance indicators	Accounts receivable turnover (times)	6.29	7.88	7.79	7.83	6.38
	Average collection period	58.03	46.32	46.85	46.62	57
	Inventory turnover (times)	13.49	11.51	13.88	11.72	9.04
	Accounts payable turnover (times)	7.24	6.84	6.19	5.94	4.79
	Average Sales Period	27	32	26	31	40

3. Information on the employees employed (during the current quarter up to the date of publication of the annual report)

Item／Year		**2022**	**2023**	**For Year Ending Mar. 31, 2024**
Number of Employees	Managers	46	38	39
	Technical service	124	119	118
	Business Marketing	24	29	29
	Administrative	55	58	57
Total		249	244	243
Average Age		40.11	41.32	41.20
Average Years of Service		9.69	11.35	11.47
Education (%)	Masters	5.85%	6.33%	6.36%
	Bachelor’s Degree	84.07%	83.43%	83.04%
	Senior High School	9.39%	9.80%	9.92%
	Below Senior High	0.44%	0.44%	0.44%

4. Disbursements for environmental protection

As of the latest fiscal year and the date of printing and publishing the annual statement, all losses caused by polluted environment (included liability and the audit result of the environmental protection bureau showed violation of related laws and regulations) and disclosure of potential estimates and countermeasures currently and in the future.: Not applicable

5. Labor Relations

A. Various aspects of employee welfare measures, continuing education, job training, retirement system and its implementation, as well as labor agreements, labor rights and employment protection measures.

(1) Employee benefits:

a. Labor insurance, health insurance and group insurance.

b. Organize employee travel depending on business conditions.

c. Employee’s birthday reward.

d. Three bonuses or rewards for employees.

e. Gifts or condolence money for employees' wedding or mourning ceremonies.

f. Organize recreational and group activities for employees.

(2) Continuing education and training

The Company and its subsidiaries provide staff education and training to enhance their professional competence and reserve technical and management talents, and to cooperate with the company's business development and seek effective labor utilization. The Company and its subsidiaries have established educational training management methods.

In the year of 2023, 2,364 people participated in internal training, with a total expenditure of NT$154,000 and 283 people participated in external training, with a total expenditure of NT$194,000.

(3) Retirement system and its implementation

The company has established a retirement management regulation, and employees can apply for their own retirement when the following conditions are met:

a. Employed for more than 15 years and is over 55 years old.

b. Employed for more than 25 years.

c. Employed for more than 10 years and over 60 years old

The method of providing pensions is clearly set out in the management method and is described as follows:

i. Old pension allocation systems

In accordance with relevant laws and regulations, the company allocates no more than 2% every month employee’s pension reserve based on the total salary of employees.

ii. New pension allocation systems

The new Labor Pension Regulations went into effect on July 1, 2005, and the company allocates no less than 6% of the monthly salary of employees who are deemed qualified base on relevant laws and regulations. This amount shall be deposited to the employee's pension account, which was appointed by the central competent authority.

In addition, the Company also holds quarterly pension management committee meetings to review the status of pensions and implementation. The participants in the meeting include representatives of management and the employees within the company. Since the beginning of 2022, a total of 5 meetings have been held:

Date of Meeting	Attendance (4 employees representatives and 2 management representatives)	New pension allocation %	Old pension allocation	Calculation end date of old pension allocation
Feb 22, 2023	10	6%	50,378,115	112/01/01
May 17, 2023	6	6%	51,687,907	112/03/31
Aug 16, 2023	6	6%	52,523,707	112/06/30
Nov 15, 2023	5	6%	53,361,949	112/09/30
Feb 23, 2024	5	6%	54,787,186	113/01/01

(4) Mnagers' annual participation of education and training related to corporate governance

Title	Name	Training Date	Organizer	Training Course	Training Hours
General Manager	LIAO HUNG-YING	Nov 24, 2023	Taiwan Investor Relations Institute	Using Excel for Enterprise Valuation and IR Job Management	3.0
		Dec20, 2023	Corporate Operating and Sustainable Development Association	Ethical Management and Criminal Breach of Trust: Theory and Practice	3.0
Deputy General Manager of the Management Division	CHEN MEI-FEN	April 12, 2023	Taiwan Institute of Directors	PCB Industry's Strategy on Energy Saving, Carbon Reduction and Green Power Procurement	3.0
		Aug 31, 2023	Taiwan Project Management	Continuing Education Course	3.0

Title	Name	Training Date	Organizer	Training Course	Training Hours
			Association	for Supervisors and Directors of TWSE/TPEx Listed Companies - Big Data Analysis and Corporate Governance	
		Nov 24, 2023	Taiwan Investor Relations Institute	Using Excel for Enterprise Valuation and IR Job Management	2.0
		Oct 5, 2023	Accounting Research and Development Foundation	Tax Planning Practice and Case Analysis for International Diversified Management	3.0

(5) Relevant certifications of the personnel involved in the transparency of the company's financial information:

Certification	Number of people	
	Financial Personnel	Auditor
Taiwan's Certified Public Accountant CPA	0	0
Certified Internal Auditors CIA	0	0

(6) Retirement system and its implementation: Provide monthly pension preparations in accordance with the Labor Retirement Regulations, and apply for a pension according to the provisions of the Labor Standards Act in order to encourage long term services of employees and professionals. The company regularly holds meetings of the Organization of Supervisory Committee of Business Entities.

(7) Labor agreements: TKK holds labor meetings on a regular basis, and discuss the resolution of employee opinions in a timely manner in order to maintain harmonious labor relation. Since it is established in 1977, it has not suffered any losses due to labor disputes, and will continue to maintain a more harmonious labor relationship in the future. The subsidiary also communicates with staff member maintain a good relationship between the management and employees.

B. Working environment and employee safety protection measures

The establishment of the group for planning and promoting the safety and health policies and management systems of the Company and its subsidiaries, and auditing the relevant implementation results, their main tasks are as follows:

(1) Conduct labor safety and health education and training according to the Occupational Safety and Health Act to prevent occupational disasters and ensure the safety and health of employees.

(2) In order to prevent occupational disasters, the company conducts an annual employee health check to ensure the physical and mental health of employees.

(3) Conduct water quality testing of drinking water at least once a year to ensure water sanitation and employee health.

(4) Test the carbon dioxide concentration of the indoor office environment at least once a year to ensure a comfortable working environment and employee health.

(5) Purchasing protective equipment for work safety according to the operational needs of the department to prevent occupational disasters and ensure the safety and health of employees.

(6) Provide employees with at least 3 hours of labor safety and health education and training twice a year to establish the correct occupational safety and health knowledge of employees to avoid occupational disasters.

(7) Strengthen the training of first-aid personnel and strengthen the initial first-aid knowledge and technology of the company's colleagues, so as to be able to play the role of self-saving and saving others in the event of a disaster.

(8) Coordinate with the relevant contracting requirements of the customer and the management requirements of the factory to make appropriate publicity to ensure the safety and health of the relevant colleagues in the customer's workplace to prevent occupational disasters.

C. Employee behavior or ethical rules:

In order to let all employees understand employee behavior and ethics, the relevant regulations are set up for the management of the company and all employees to follow. It is announced in the company's internal network announcement area to provide all colleagues with any inquiries at any time. The rules are briefly described as follows:

(1) Rules of Employee Ethics: The “TKK&YOU” Employee Ethics Rules are summarized as follows:

a. The core values are integrity, professionalism, diligence, unity and harmony.

b. Adhere to the Company with integrity, diligence, unity and professionalism. ◦
c. Service the Company with a spirit of enthusiasm.
d. The Company's intellectual property and business secrets should be protected, and the information obtained in the professional relationship should be kept confidential.
e. Professional skills should be continuously enriched to improve service quality.
f. Abiding by the law and taking the best interests of the company as a priority.
g. Never seek personal interests or personal matters to influence the company.
h. Treat colleagues with respect, courtesy and sincerity.
i. Abide by the Company's regulations and fulfill the powers and responsibilities assigned by the company.
j. Commitment to improving the Company's policies, service procedures and service effectiveness.

(2) Establish relevant rules to conduct for the safety and health management of the work environment and the personal safety protection of employees to ensure the safety and sustainable development of the company and enhance the corporate image:

k. Establish rules for safety and health working.
l. Establish a checklist for general safety and health facilities.
m. Establish traffic safety rules.
n. Establish rules of office safety and health.
o. Establish electrical safety rules.
p. Establish computer operating safety rules.
q. Establish rules of safety and hygienefor hand tools.
r. Establish fire safety rules.
s. Establish material handling and storage rules.
t. Establish safety rules for overhead operations.
u. Establish practice rules for hazardous chemicals.

v. Establish practice rules for organic solvents.

w. Set up a fire extinguisher checklist.

x. Set up an automatic inspection schedule.

D. As of the latest fiscal year and the date of printing and publishing the annual statement, all losses caused by polluted environment (included liability and the audit result of the environmental protection bureau showed violation of related laws and regulations) and disclosure of potential estimates and countermeasures currently and in the future:

The labor relations between the company and its subsidiaries are harmonious, and no labor disputes have occurred. The Company and its subsidiaries attach great importance to the welfare of employees, and always pay attention to changes in the main and objective environment and revise various welfare measures to meet the needs of employees. It is estimated that there will be no losses due to labor disputes in the coming year.

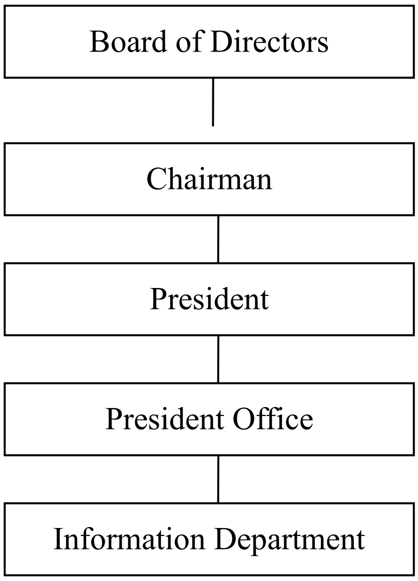
6. Information Security Management

In order to ensure the continuous operation of the Company, establish a safe and reliable operating environment, ensure the security of data, systems, equipment and networks, and protect the rights and interests of customers, the Company has formulated information security management measures as the basis for the implementation of various information security measures.

A. Information Security Risk Management structure, Information security policy, specific management scheme and resources invested in Information security management:

(1) Information Security risk management framework

In order to improve information security management, the Company's colleagues in the information department are responsible for the information security governance, planning, supervision and implementation of the whole company, so as to build a comprehensive asset security defense ability and good information security awareness of colleagues. The organization chart of information security management is as follows:



(2) Information security policy

The Company is committed to operational security to achieve the goals of reducing the impact of information security risks on our operations, avoiding internal negligence that could harm our reputation and image, insisting on high quality information security requirements, and maintaining customer trust and protecting customer rights.

(3) Specific management plan

a. Computer system security management:

- The server & client service pack needs to be updated to the latest.
- All connected computers need to install anti-virus software and update the virus code every day.
- Do not arbitrarily select files with unknown execution origin.
- It is prohibited to install any unauthorized copyrighted software.

b. Access control:

- Access to the Company's resources must join the Company's domain and be subject to authority control.
- Controls access rights on the file server.
- Financial data and company data are stored on different hosts and controlled with authority.
- The internal wireless environment of the Company is managed by

network card number + password.

- The network must be separate from the company's internal network and must not be connected to each other.

c. External threats:

- The Company signs a maintenance contract for the firewall every year, updates the firmware and pays attention to the attack alarm at any time.
- External e-mail attacks are increasing every year, and whether there are better spam improvement schemes will still be evaluated every year.
- Outside the firewall, bind specific IP and specific port numbers for domestic needs to prevent attacks. Other port numbers are not open to the outside world.
- For internal and external abnormal attacks, IP will be intercepted and blocked.
- A separated line is provided for visitors to use the wireless network, which is not mixed with the company network.

d. Back-ups:

- Use more than one ISP (line provider) for external lines.
- DNS is managed by IPS to avoid intrusion and attacks on your own DNS.
- File server and database data are backed up offsite once a week.
- Annual off-site data recovery exercise.

(4) Resources devoted to information and communications security management

a. Manpower: Including one chief information security officer and one information security officer.

b. Costs: Prepare a budget every year to invest in information security expenses

c. Education and training: The staff of the information department has attended external information security. In addition, the information department conducts information security publicity, education and training for colleagues throughout the company every year.

d. A total of 4 related information security meetings in 2023.

B. List down the losses, possible impacts and countermeasures suffered by major information security incidents in the most recent year and as of the date of publication of the annual newspaper, and if it is impossible to reasonably estimate them, the facts that they cannot reasonably estimate should be explained: there were no major information security incidents in 2023.

7. Important sales contracts and sales agency agreements

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales Agency	Cedatec srl (Italy)	2016.01.20~2017.01.19 (Automatic extension)	High-frequency hot melt machineand press equipment sales agent	Restricted to:：Taiwan, China
Sales Agency	ficonTEC Service GmbH (Germany)	2015.02.01~2024.03.31 (Automatic extension)	Distributor of Optical Component Laminating Machine	Restricted to:：Taiwan,
Sales Agency	Furnace Co., Ltd. (Japan)	2005.12.20~2006.12.19 (Automatic extension)	Roller Coater & Oven's sales agent	Restricted to:Taiwan, Hong Kong, China
Sales Agency	HIOKI E.E. Corporation (Japan)	1999.06.30~2021.12.31 (Automatic extension)	Sales agent of flying needle testers	Restricted to:：Taiwan, China
Sales Agency	Inspec Inc. (Japan)	2011.06.02~2022.04.30 (Automatic extension)	AOI, AVI, LDI's sales agent in PCB	Restricted to:Taiwan, China
Sales Agency	Kamitsu Co., Ltd. (Japan)	2013.10.07~2015.10.06 (Automatic extension)	Ceramic brush sales agent	Restricted to:Taiwan, China
Sales Agency	Suzhou Maxwell Technologies Co.,Ltd.	2016.06.01~2018.05.31 (Automatic extension)	Solar Screen Printing Line Sales Agency	Restricted to:：Taiwan, China
Sales Agency	Nidec Advance Technology Corporation (Japan)	2017.10.19~2022.03.25 (Automatic extension)	High density substrate testing machine sales agent	Restricted to:Taiwan, China
Sales Agency	Rorze Technology Incorporated (Taiwan)	2009.11.25~2011.11.24 (Automatic extension)	Japan automatic wafer transfer machine sales agent	Restricted to:Taiwan, Hong Kong, China
Sales Agency	SIKAMA International, Inc. (USA)	2004.06.04~Indefinite Date	Wafer bump reflow oven sales agent	Restricted to:Taiwan, China
Sales Agency	Technopro Marugen Co., Ltd. (Japan)	2014.02.25~2017.02.24 (Automatic extension)	Brush mill and belt mill sales agent	Restricted to:Taiwan, China
Sales	WKKJ (Japan)	2007.01.01~2013.04.30 (Automatic extension)	testing machine and other products sales agent	Restricted to:Taiwan, China
Sales Agency	YKT Corporation (Japan)	2016.04.22~2018.04.21 (Automatic extension)	Distributor of Panasonic Laminating Machine	Restricted to:Taiwan, China
Sales Agency	Comet Yxlon GmbH (Germany)	2009.04.01~2023.05.31 (Automatic extension)	X-ray equipment sales agent	Restricted to:Taiwan, China

VI. Overview of the Company's Financial Status

1. Financial Summary for The Last Five Years:

   A. Consolidated Condensed Balance Sheet

Consolidated Condensed Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)					
		2019	2020	2021	2022	2023	For Year Ending Mar. 31, 2024 (Note 3)
Current assets		782,697	1,012,451	1,420,620	1,750,970	1,338,848	1,197,443
Available-for-sale financial assets-non current		-	-		-	-	-
Financial assets measured at cost- non current		-	-		-	-	-
Gain from financial assets at fair value through profit/loss- non current		22,567	15,758	9,844	5,053	4,906	5,099
Gain from financial assets at fair value through other comprehensive income- non current		30,072	25,411	26,285	15,830	19,787	22,775
Property, Plant and Equipment (Note 2)		245,729	229,677	268,025	275,379	267,192	263,191
Right-of-use asset		3,880	1,017	5,097	6,213	3,860	3,318
Net investment in capital assets		-	-	-	-	-	-
Intangible assets		2,104	3,410	3,826	2,843	1,913	1,695
Other assets		28,111	32,067	33,840	37,479	31,176	26,573
Total assets		1,115,160	1,319,791	1,767,537	2,093,767	1,667,682	1,520,094
Current liabilities	Before distribution	250,780	345,348	684,411	767,150	489,647	573,022
	After distribution	308,842	497,761	913,031	1,202,617	750,927	-
Long-term and other liabilities		36,831	34,609	41,262	26,673	20,013	18,314
Total liabilities	Before distribution	287,611	379,957	725,673	793,823	509,660	591,336
	After distribution	345,673	532,370	954,293	1,229,290	770,940	-
Interests attributable to parent company owner		827,319	939,154	1,041,864	1,299,944	1,158,022	928,758
Capital stock		362,888	362,888	362,888	362,888	362,888	362,888
Capital surplus		46,759	46,759	44,670	44,670	44,670	44,670
Retained earnings	Before distribution	455,917	573,474	686,711	940,018	797,863	559,595
	After distribution	397,855	421,061	458,091	504,551	536,583	-
Other Interests		(38,245)	(43,967)	(52,405)	(47,632)	(47,399)	(38,395)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		230	680	-	-	-	-
Total equity	Before distribution	827,549	939,834	1,041,864	1,299,944	1,158,022	928,758
	After distribution	769,487	787,421	813,244	864,477	896,742	-

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.
Note 2: Those who have applied for asset revaluation in the current fiscal year shall list the date of processing and the revaluated amount.
Note 3: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.
Note 4: The above are financial information after allocation, please fill in the information according to the Board of Directors' meetings or the next year's resolution of the shareholders meeting.
Note 5: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

Consolidated Condensed Income Statement

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years（Note 1）					
	2019	2020	2021	2022	2023	For Year Ending Mar. 31, 2024 (Note 2)
Operating revenue	1,154,228	1,386,400	2,023,463	2,565,379	1,802,085	207,807
Gross profit	340,945	498,723	692,309	986,042	689,529	98,964
Income from operations	66,663	202,971	354,142	592,799	353,868	27,396
Non-operating income and expenses	32,486	7,151	(20,438)	3,199	13,073	1,476
Income before tax	99,149	210,122	333,704	595,998	366,941	28,872
Net income of continuing business units	76,202	176,641	269,997	478,384	292,582	23,012
Loss of suspended business unit	-	-	-	-	-	-
Net income (Loss)	76,202	176,641	269,997	478,384	292,582	23,012
Other comprehensive income (income after tax)	(16,212)	(6,294)	(11,851)	8,316	963	9,004
Total comprehensive income	59,990	170,347	258,146	486,700	293,545	32,016
Net income attributable to shareholders of the parent	76,441	176,191	269,063	478,384	292,582	23,012
Net income attributable to non-controlling interest	(239)	450	934	-	-	-
Comprehensive income attributable to Shareholders of the parent	60,229	169,897	257,212	486,700	293,545	32,016
Comprehensive income attributable to non-controlling interest	(239)	450	934	-	-	-
Earnings per share(Note)	2.11	4.86	7.41	3.30	2.02	0.16

Note：The Company changed par value of the shares from NT$10 to NT$2.5 in December, 2022.

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

Note 3: Loss of suspended business unit is listed as the net amount after the deduction of income tax.

Note 4: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

Concise Individual Balance Sheet

Unit: NT$ thousands

<table>
<tr><th colspan="2" rowspan="2">Year
Item</th><th colspan="5">Financial Summary for The Last Five Years（Note 1）</th><th rowspan="2">For Year Ending Mar. 31, 2024 (Note 3)</th></tr>
<tr><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr>
<tr><td colspan="2">Current assets</td><td>528,834</td><td>664,749</td><td>875,517</td><td>1,163,881</td><td>820,029</td><td rowspan="19">Not Applicable</td></tr>
<tr><td colspan="2">Available-for-sale financial assets-non current</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Financial assets measured at cost- non current</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Gain from financial assets at fair value through profit/loss- non current</td><td>22,567</td><td>15,758</td><td>9,844</td><td>5,053</td><td>4,906</td></tr>
<tr><td colspan="2">Gain from financial assets at fair value through other comprehensive income- non current</td><td>25,279</td><td>20,724</td><td>25,584</td><td>15,192</td><td>18,524</td></tr>
<tr><td colspan="2">Property, Plant and Equipment（Note 2）</td><td>256,645</td><td>301,109</td><td>356,588</td><td>446,675</td><td>432,255</td></tr>
<tr><td colspan="2">Net investment in capital assets</td><td>179,068</td><td>173,849</td><td>221,022</td><td>180,321</td><td>174,408</td></tr>
<tr><td colspan="2">Current assets</td><td>13,034</td><td>12,877</td><td>12,720</td><td>60,411</td><td>59,963</td></tr>
<tr><td colspan="2">Intangible assets</td><td>1,583</td><td>2,116</td><td>2,650</td><td>2,129</td><td>1,725</td></tr>
<tr><td colspan="2">Other assets</td><td>26,493</td><td>30,507</td><td>32,018</td><td>35,117</td><td>28,884</td></tr>
<tr><td colspan="2">Total assets</td><td>1,053,503</td><td>1,221,689</td><td>1,535,943</td><td>1,908,779</td><td>1,540,694</td></tr>
<tr><td rowspan="2">Current liabilities</td><td>Before distribution</td><td>191,327</td><td>248,491</td><td>456,292</td><td>586,046</td><td>364,493</td></tr>
<tr><td>After distribution</td><td>249,389</td><td>400,904</td><td>684,912</td><td>1,021,512</td><td>625,773</td></tr>
<tr><td colspan="2">Long-term and other liabilities</td><td>34,857</td><td>34,044</td><td>37,787</td><td>22,789</td><td>18,179</td></tr>
<tr><td rowspan="2">Total liabilities</td><td>Before distribution</td><td>226,184</td><td>282,535</td><td>494,079</td><td>608,835</td><td>382,672</td></tr>
<tr><td>After distribution</td><td>284,246</td><td>434,948</td><td>722,699</td><td>1,044,302</td><td>643,952</td></tr>
<tr><td colspan="2">Interests attributable to parent company owner</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Capital stock</td><td>362,888</td><td>362,888</td><td>362,888</td><td>362,889</td><td>362,888</td></tr>
<tr><td colspan="2">Capital surplus</td><td>46,759</td><td>46,759</td><td>44,670</td><td>44,670</td><td>44,670</td></tr>
<tr><td>Retained earnings</td><td>Before distribution</td><td>455,917</td><td>573,474</td><td>686,711</td><td>940,017</td><td>797,863</td><td></td></tr>
</table>

Item \ Year		Financial Summary for The Last Five Years（Note 1）					For Year Ending Mar. 31, 2024 (Note 3)
		2019	2020	2021	2022	2023	
	After distribution	397,855	421,061	458,091	504,550	536,583	
Other Interests		(38,245)	(43,967)	(52,405)	(47,632)	(47,399)	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total equity	Before distribution	827,319	939,154	1,041,864	1,299,944	1,158,022	
	After distribution	769,257	786,741	813,244	864,477	896,742	

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.
Note 2: Those who have applied for asset revaluation in the current fiscal year shall list the date of processing and the revaluated amount.
Note 3: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.
Note 4: The above are financial information after allocation, please fill in the information according to the Board of Directors’ meetings or the next year’s resolution of the shareholders meeting.
Note 5: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

Concise Individual Income Statement

Unit: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years（Note 1）					
	2019	2020	2021	2022	2023	For Year Ending Mar. 31, 2024 (Note 2)
Operating revenue	949,215	1,024,853	1,495,600	1,926,240	1,231,777	Not Applicable
Gross profit	260,594	360,867	496,435	781,183	558,646	
Income from operations	77,141	155,980	265,623	483,301	316,076	
Non-operating income and expenses	20,477	50,610	52,251	92,130	43,737	
Income before tax	97,618	206,590	317,874	575,431	359,813	
Net income of continuing business units	76,441	176,191	269,063	478,384	292,582	
Loss of suspended business unit	-	-	-	-	-	
Net income (Loss)	76,441	176,191	269,063	478,384	292,582	
Other comprehensive income (income after tax)	(16,212)	(6,294)	(11,851)	8,316	963	
Total comprehensive income	60,229	169,897	257,212	486,700	293,545	
Net income attributable to shareholders of the parent	-	-	-	-	-	
Net income attributable to non-controlling interest	-	-	-	-	-	
Comprehensive income attributable to Shareholders of the parent	-	-	-	-	-	
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	
Earnings per share(Note)	2.11	4.86	7.41	3.30	2.02	

Note：The Company changed par value of the shares from NT$10 to NT$2.5 in December, 2022.

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

Note 3: Loss of suspended business unit is listed as the net amount after the deduction of income tax.

Note 4: Financial information that is notified by the competent authority to be corrected or re-edited shall be prepared with corrected or re-edited data, indicating the circumstances and reasons.

B. Auditors' Opinions in the last five years

Year	Accounting Firm	CPA	Audit Opinion
2019(Note)	CPA HSU JUNG-HUANG CPA CHANG CHIH-MING	Ernst & Young	Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities.
2020 (Note)	CPA CHANG CHIH-MING CPA HSU JUNG-HUANG	Ernst & Young	Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities.
2021	CPA CHANG CHIH-MING CPA HSU JUNG-HUANG	Ernst & Young	Unqualified opinion (emphasis or other matters) – use other accountants on auditing (reviewing) reports and distinguish between responsibilities.
2022	CPA CHANG CHIH-MING CPA HSU JUNG-HUANG	Ernst & Young	Unqualified opinion
2023	CPA CHANG CHIH-MING CPA HSU JUNG-HUANG	Ernst & Young	Unqualified opinion

Note：There is a replacement on accountants due to the adjustment of Ernst & Young's internal organization.

2. Financial analysis for the past 5 fiscal years

A. Consolidated Financial Analysis – Based on IFRS

Item (Note 3) \ Year (Note 1)		Financial Analysis for the Last Five Years					
		2019	2020	2021	2022	2023	For Year Ending Mar. 31, 2024 (Note 2)
Financial structure (%)	Debt Ratio	25.79	28.79	41.06	37.91	30.56	38.90
	Ratio of long-term capital to property, plant and equipment	336.77	409.20	388.72	481.74	440.89	359.84
Solvency (%)	Current ratio	312.11	293.17	207.57	228.24	273.43	208.97
	Quick ratio	270.57	259.22	183.90	199.57	248.81	188.44
	Interest earned ratio (times)	277.02	1621.28	73358.71	1975.16	2201.64	989.29
Operating performance	Accounts receivable turnover (times)	6.29	7.88	7.79	7.83	6.38	3.70
	Average collection period	58.03	46.32	46.85	46.62	57	99
	Inventory turnover (times)	13.49	11.51	13.88	11.72	9.04	5.05
	Accounts payable turnover (times)	7.24	6.84	6.19	5.94	4.79	2.50
	Average days in sales	27.06	31.71	26.30	31.14	40	72
	Property, plant and equipment turnover (times)	4.70	5.83	8.13	9.44	6.64	3.13
	Total assets turnover (times)	1.04	1.14	1.31	1.33	0.96	0.52
Profitability	Return on total assets (%)	7.01	14.52	17.49	24.79	15.56	5.78
	Return on stockholders' equity (%)	9.28	19.99	27.25	40.86	23.81	8.82
	Pre-tax income to paid-in capital (%)(Note 7)	27.32	57.90	91.96	164.24	101.12	31.82
	Profit ratio (%)	6.60	12.74	13.34	18.65	16.24	11.07
	Earnings per share (NT$)(Note)	2.11	4.86	7.41	3.30	2.02	0.16

Item (Note 3) \ Year (Note 1)		Financial Analysis for the Last Five Years					
		2019	2020	2021	2022	2023	For Year Ending Mar. 31, 2024 (Note 2)
Cash flow	Cash flow ratio (%)	44.15	73.83	62.98	69.07	41.92	(17.44)
	Cash flow adequacy ratio (%)	108.74	122.62	178.81	185.99	128.93	121.55
	Cash reinvestment ratio (%)	10.78	16.23	20.87	18.98	(15.79)	(8.10)
Leverage	Operating leverage	17.03	6.78	5.68	4.31	5.05	7.46
	Financial leverage	1.01	1.00	1.00	1.00	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

Item	**Dec 31, 2022**	**Dec 31, 2023**	**Diff %**	**Reasons for difference**
Gross profit margin	38.44	38.26	(0.47)	Did not meet the criteria for analysis.
Inventory turnover	11.72	9.04	(22.87)	Revenue decreases, cost of goods sold decreases, leading to a decrease in turnover rate
Accounts receivable turnover	7.83	6.38	(18.52)	Did not meet the criteria for analysis.

Note：The Company changed par value of the shares from NT$10 to NT$2.5 in December, 2022.

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: Before the date of publication of the annual report, companies that have been listed or whose stocks have been traded in the OTC markets shall be disclosed if they have the latest financial information attested or reviewed by the accountant.

B. Individual Financial Analysis – Based on IFRS

Item (Note 3)		Year (Note 1): Financial Analysis for the Past Five Years 2019	2020	2021	2022	2023	For Year Ending Mar 31, 2024 (Note 2)
Financial structure (%)	Debt Ratio	21.47	23.13	32.17	31.90	24.84	Not Applicable
	Ratio of long-term capital to fixed assets	462.02	540.21	471.39	733.54	674.40	
Solvency (%)	Current ratio	276.40	267.51	191.88	198.60	224.98	
	Quick ratio	246.42	246.98	180.88	179.76	212.05	
	Interest earned ratio (times)	2,427.69	-	-	-	-	
Operating performance	Accounts receivable turnover (times)	5.99	6.68	7.37	7.33	5.08	
	Average collection period	60.93	54.64	49.53	49.80	72	
	Inventory turnover (times)	28.50	25.19	37.06	22.02	13.31	
	Accounts payable turnover (times)	6.70	6.07	6.38	5.97	3.72	
	Average days in sales	12.81	14.49	9.85	16.58	27	
	Fixed assets turnover (times)	5.30	5.81	7.58	9.60	6.94	
	Total assets turnover (times)	0.90	0.90	1.08	1.12	0.71	
Profitability	Return on total assets (%)	7.30	15.49	19.51	27.77	16.96	
	Return on stockholders' equity (%)	9.31	19.95	27.16	40.86	23.81	
	Ratio to issued capital (%) (Note 7)	26.90	56.93	87.60	158.57	99.15	
	Profit ratio (%)	8.05	17.19	17.99	24.84	23.75	
	Earnings per share (NT$)(Note)	2.11	4.86	7.41	3.30	2.02	
Cash flow	Cash flow ratio (%)	49.62	76.50	75.28	74.43	63.28	
	Cash flow adequacy ratio (%)	96.88	104.25	148.57	154.07	116.57	
	Cash reinvestment ratio (%)	7.39	12.27	16.05	14.43	(15.70)	
Leverage	Operating leverage	12.25	6.55	5.62	3.97	3.87	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

Item	Dec 31, 2022	Dec 31, 2023	Diff ％	Reasons for difference
Gross profit margin	40.55	45.35	11.84	Did not meet the criteria for analysis.
Inventory turnover	22.02	13.31	(39.55)	Revenue decreases, cost of goods sold decreases, leading to a decrease in turnover rate
Accounts receivable turnover	7.33	5.08	(30.70)	Did not meet the criteria for analysis.

Note：The Company changed par value of the shares from NT$10 to NT$2.5 in December, 2022.

* If the company has an individual financial report, it should prepare a concise balance sheet and a consolidated income statement for the individual in the most recent 5 fiscal years.

Note 1: The fiscal year not audited and attested by a certified public accountant shall be noted.

Note 2: The financial information for the most recent year up to the previous quarter of the date of publication of the annual report for companies that are listed or whose stocks have been traded in the OTC markets shall be incorporate into the analysis.

Note 3: The formula is as follows:

1. Financial structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses
3. Operating Performance
   (1) Average Collection Turnover = Net Sales / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Shareholders' Equity
   (3) Net Margin = Net Income / Net Sales
   (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 4)
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends)/ (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)(Note 5)
6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6)

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: The calculation of the earnings per share of the preceding paragraph shall pay special attention to the following:

1. Based on the weighted average number of ordinary shares, rather than the number of shares issued at the end of the year.
2. Where there is a cash replenishment or treasury stock trading, the weighted average number of shares shall be calculated during the period of circulation.
3. Where there is a surplus to capital increase or capital surplus to capital increase, the calculation of the earnings per share for the previous year and half-year should be adjusted by the proportion of capital increase, rather than the period the capital increase is issued.
4. If the preferred shares are non-convertible accumulative shares, its annual dividend (whether or not it is issued) shall be deductible from the net income or increased to net loss after tax. If the preferred shares are non-cumulative, then in the case of having a net profit after tax, the preferred dividend should be deducted from the net profit after tax; in the case of net loss after tax, no adjustments are required.

Note 5: Cash flow analysis should pay special attention to the following:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital flows.
3. The increase in inventories shall only be credited when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory is reduced at the end of the year, then the inventory amount should be accounted at zero.
4. Cash dividends include cash dividends for common stock and special shares.
5. Net plant property and equipment means the total amount of Property, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall distinguish between the operating costs and operating expenses being fixed or variable. When involved in the estimation or subjective judgments, one should pay attention to its rationality and consistency.

Note 7: If the Company's shares are no par or not in the denomination of NT $ 10, the calculation of the ratio of the paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

3. Audit Committee’s Review Report for the most recent year's financial statement

Taiwan Kong King Co., Ltd.

Audit Committee’s Review Report

The Board of Directors prepared the Company's 2023 Business Report, financial statements, and proposal for earnings distribution, among which the financial statements have been audited by Accountants, Zhang, Zhi-Ming and Xu, Rong-Huang, from Ernst & Young Global Limited, by whom a Review Report with no qualifications have been issued accordingly. The said Business Report, Financial Statements, and the Proposal for Earnings Distribution have been audited by the Audit Committee and determined to be in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

To

2024 Annual Shareholders’ Meeting of Taiwan Kong King Co. ,Ltd.

Convenor of the Audit Committee: Wei Hsing-Hai

March 12, 2024

4. A parent company only financial statement for the most recent fiscal year, certified by a CPA.

EY 安永
Building a better working world

安永聯合會計師事務所

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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

(continued)

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 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before tax	$366,941	$595,998
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation expense	21,299	21,366
Amortization expense	2,439	2,465
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(842)	4,791
Interest expense	167	302
Interest income	(16,986)	(8,308)
Dividend income	(604)	(1,583)
Gain on disposal of property, plant and equipment	(470)	(3,304)
Total adjustments to reconcile profit (loss)	5,003	15,729
Changes in operating assets and labilities:		
Notes receivable	660	28,467
Accounts receivable	69,681	(8,877)
Other receivables	2,315	(2,401)
Inventories	79,460	(56,223)
Prepayments	19,957	(4,103)
Other current assets	(1,490)	(163)
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	(1,234)	22
Total changes in operating assets and liabilities	(32,811)	(22,992)
Cash generated from operations	339,133	588,735
Interest received	15,472	6,079
Dividends received	604	1,583
Interest expense paid	(167)	(302)
Income taxes paid	(149,789)	(66,243)
Net cash generated by operating activities	205,253	529,852

ITEM	For the years ended 31 December 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets at fair value through other comprehensive income	-	2,329
Disposal of financial assets at fair value through profit or loss	988	-
Acquisition of property, plant and equipment	(11,049)	(26,050)
Disposal of property, plant and equipment	623	3,381
Acquisition of intangible assets	(1,509)	(1,476)
Decrease (increase) in refundable deposits	2,706	(297)
Increase in other non-current assets	(111)	(645)
Net cash used in investing activities	(8,352)	(22,758)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of lease principal	(2,466)	(2,909)
Cash dividends	(435,467)	(228,620)
Net cash used in financing activities	(437,933)	(231,529)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,669)	9,256
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(243,701)	284,821
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,205,466	920,645
CASH AND CASH EQUIVALENTS, END OF PERIOD	$961,765	$1,205,466

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

(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

<u>Preparation principle of consolidated financial statement</u>

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:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	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

<u>Financial assets measured at amortized cost</u>

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

<u>Financial asset measured at fair value through other comprehensive income</u>

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.

<u>Financial asset measured at fair value through profit or loss</u>

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 contacts 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. Re-measurements, 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 counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective 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	$961,765	$1,205,466

(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	$4,906	$5,053

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	$19,787	$15,830

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	$3,724	$4,384

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	$243,201	$312,882

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	$83,352	$162,812

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	$153,581	$137,708	$229,104	$12,541	$37,088	$8,121	$578,143
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	$153,581	$136,677	$227,080	$13,616	$34,318	$8,121	$573,393
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	$7,000	$58,420	$210,079	$10,015	$20,234	$5,203	$310,951
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	$7,000	$54,955	$201,582	$10,394	$19,553	$4,530	$298,014
Net carrying amount as of:							
31 December 2023	$146,581	$79,288	$19,025	$2,526	$16,854	$2,918	$267,192
31 December 2022	$146,581	$81,722	$25,498	$3,222	$14,765	$3,591	$275,379

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	$14,666	$655	$15,321
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	$14,006	$667	$14,673
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	$12,753	$655	$13,408
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	$11,311	$519	$11,830
Net carrying amount as of:			
31 December 2023	$1,913	$-	$1,913
31 December 2022	$2,695	$148	$2,843

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

<u>Defined contribution plan</u>

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.

<u>Defined benefits plan</u>

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	$777	$711

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	$16,829	$21,670
Noncurrent Provisions (net defined benefit liabilities)	$17,954	$22,315
Other noncurrent asset - net defined benefit asset	$755	$645

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	$44,670	$44,670

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	$1,802,085	$2,565,379

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	$1,650,371	$151,714	$1,802,085
Timing of revenue recognition:			
At a point in time	$1,650,371	$151,714	$1,802,085

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	$2,344,794	$220,585	$2,565,379
Timing of revenue recognition:			
At a point in time	$2,344,794	$220,585	$2,565,379

(b) Contract balances

Contract liabilities - current

	2023.12.31	2022.12.31	2022.01.01
Sales of goods	$83,222	$200,660	$205,516

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)	$-	$-

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	$246,925	$317,266

(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

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

For the year ended 31 December 2022

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

(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	$16,986	$8,308

(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	$1,818	$3,417

(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	$(5,564)	$(8,224)

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	$167	$302

(16) Components of other comprehensive income

For the year ended 31 December 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
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

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
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	$74,359	$117,614

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	$976	$(203)

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	$366,941	$595,998
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	$74,359	$117,614

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		$(2,853)	$(976)	
Deferred tax assets/(liabilities), net	$28,018			$24,189
Reflected in balance sheet as follows:				
Deferred tax assets	$28,492			$24,784
Deferred tax liabilities	$(474)			$(595)

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		$4,171	$203	
Deferred tax assets/(liabilities), net	$23,644			$28,018
Reflected in balance sheet as follows:				
Deferred tax assets	$25,795			$28,492
Deferred tax liabilities	$(2,151)			$(474)

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

Name of the related parties	Nature of relationship of the related parties
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	$101,328	$48,428

(b) Other payables

	As of 31 December	
	2023	2022
Other related parties		
WKK Japan Limited	$-	$473

(4) Service revenue

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

(5) Cost of services

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

(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	$3	$34

(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

Financial assets	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	$1,243,266	$1,557,065

Financial liabilities	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	$393,618	$477,051

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 activates. 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 activies
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	$3,846	$3,846

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	$6,188	$6,188

(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
Financial assets			
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
Financial liabilities			
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
Financial assets			
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
Financial liabilities			
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. <u>OTHER DISCLOSURES</u>

(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	$1,744,999	$194,972	$(137,886)	$1,802,085
Segment profit	$376,986	$21,968	$(32,013)	$366,941

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	$2,492,351	$304,408	$(231,380)	$2,565,379
Segment profit	$616,354	$60,914	$(81,270)	$595,998

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.

ATTACHMENT 1-1 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

Significant intercompany transactions between consolidated entities

December 31, 2023

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.,	TKK Precision Co., Ltd.	1			-	0.00%
0	Taiwan Kong King Co.,	TKK Precision Co., Ltd.	1			-	0.00%
0	Taiwan Kong King Co.,	TKK Precision Co., Ltd.	1			-	0.00%
0	Taiwan Kong King Co.,	TKK Precision Co., Ltd.	1			-	0.00%
0	Taiwan Kong King Co.,	TKK Precision Co., Ltd.	1			-	0.00%
0	Taiwan Kong King Co.,	The Kong King Technology (Suzhou) Co.,	1			-	#REF!
0	Taiwan Kong King Co.,	The Kong King Technology (Suzhou) Co.,	1			-	0.00%
0	Taiwan Kong King Co.,	The Kong King Technology (Suzhou) Co.,	1				0.00%
0	Taiwan Kong King Co.,	The Kong King Technology (Suzhou) Co.,	1			-	0.00%
0	Taiwan Kong King Co.,	The Kong King Technology (Suzhou) Co.,	1			-	0.00%
0	Taiwan Kong King Co.,	Hong Kong Taiwan Kong King Limited	1				0.00%
0	Taiwan Kong King Co.,	Hiking Technology (Suzhou) Co., Ltd.	1			-	#REF!

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.

ATTACHMENT 1-2 (Significant intercompany transactions between consolidated entities)

TAIWAN KONG KING CO., LIMITED AND SUBSIDIARIES

Significant intercompany transactions between consolidated entities

December 31, 2023

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)
1	TKK Precision Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Service revenue		-	0.00%
1	TKK Precision Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Other income		-	0.00%
1	TKK Precision Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Accounts receivable		-	#REF!
2	Hong Kong Taiwan Kong King Limited	Hiking International Co Ltd	3	Other receivables		-	#REF!
3	THT Technology Co., Ltd.	TKK Precision Co., Ltd.	3	Prepayments to suppliers		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	TKK Precision Co., Ltd.	3	Accounts payable		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	TKK Precision Co., Ltd.	3	Purchase		-	#REF!
4	Hiking Technology (Suzhou) Co., Ltd.	The Kong King Technology (Suzhou) Co., Ltd.	3	Sales revenue		-	#REF!
4	Hiking Technology (Suzhou) Co., Ltd.	The Kong King Technology (Suzhou) Co., Ltd.	3	Rent income		-	0.00%
4	Hiking Technology (Suzhou) Co., Ltd.	The Kong King Technology (Suzhou) Co., Ltd.	3	Cost of services		-	0.00%
5	The Kong King Technology (Suzhou) Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Other expenses		-	0.00%
5	The Kong King Technology (Suzhou) Co., Ltd.	Hiking Technology (Suzhou) Co., Ltd.	3	Other receivables		-	0.00%

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.

Attachment 2 (Securities held as of 31 December 2023)

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 Inspec Limited	-	Financial assets at fair value through profit or loss, noncurrent	21,700	$4,906	0.54%	$4,906	-
Taiwan Kong King Co., Limited	Unlisted stock Raytek Semiconductor, Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,056,689	18,524	2.55%	18,524	(Note 1)
Hong Kong Taiwan Kong King Limited	Unlisted stock Top Range Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	1,516,606	1,263	9.03%	1,263	(Note 1)

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 3-1 (Securities held as of December 31, 2023)

Unit: Amount in thousands of NTD

(Except for the shares or units)

Holding Company Name	December 31, 2023	Relationship	Financial statement account	December 31, 2023				Notes
				Shares	Carrying amount	Percentage of ownership(%)	Fair value/ Net assets value	
Hong Kong Taiwan Kong King Limited	Stocks Leetech International Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent					(Note 2)
Hong Kong Taiwan Kong King Limited	Stocks Top Range Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent					(Note 2)
Hong Kong Taiwan Kong King Limited	Stocks The Kong King Technology (Suzhou) Co., Ltd.	Second-tier subsidiary	Investments accounted for using equity method					(Note 1)
Headway Holdings Limited	Stocks Hiking International Co. Ltd	Second-tier subsidiary	Investments accounted for using equity method					(Note 1)
Hiking International Co. Ltd	Stocks Hiking Technology (Suzhou) Co., Ltd.	Third-tier subsidiary	Investments accounted for using equity method				-	(Note 1)

Note 1: The amount was eliminated upon consolidation.

Note 2: No market price.

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.

Attachment 5 (Names, locations and related information of investee companies as of 31 December 2023)

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.

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Independent Auditors' Report Translated from Chinese

To TAIWAN KONG KING CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of Taiwan Kong King Co., Ltd. (the "Company") as of 31 December 2023 and 2022, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the parent company only financial statements, including the summary of material accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2023 and 2022, and its 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 International Financial Reporting 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 parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits 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 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for impairment losses of accounts receivables

Accounts receivables and allowance for impairment losses by the Company amounted to NT$205,113 thousand and NT$449 thousand as of 31 December 2023, respectively. The net amount of accounts receivables was approximately 13% 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 parent company only financial statements.

Valuation of inventories

Net inventories by the Company amounted to NT$25,712 thousand, was approximately 2% 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 parent company only financial statement.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standard 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 parent company only financial statements.

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

7. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

8. 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.

9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

CHANG, CHIH-MING

HSU, JUNG-HUANG

Ernst & Young, Taiwan
12 March 2024

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LTD.

PARENT COMPANY ONLY 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	$559,422	$768,214
Notes receivable, net	4,6&12	54	1,760
Accounts receivable, net	4,6&12	204,601	277,254
Accounts receivable-related parties, net	4,6,7&12	63	40
Other receivables	12	3,718	2,145
Other receivables-related parties, net	7&12	1,065	1,598
Inventories, net	4&6	25,712	75,444
Prepayments	7	21,422	34,945
Other current assets		3,972	2,482
Total Current Assets		820,029	1,163,882
NON-CURRENT ASSETS			
Financial assets at fair value through profit or loss, non current	4,6&12	4,906	5,053
Financial assets at fair value through other comprehensive income, non current	4,6&12	18,524	15,191
Investments accounted for using equity method	4&6	432,255	446,675
Property, plant and equipment	4&6	174,408	180,321
Investment property, net	4&6	59,963	60,411
Intangible assets	4&6	1,725	2,129
Deferred tax assets	4&6	23,415	26,943
Other noncurrent assets	4&12	5,469	8,174
Total Non-Current Assets		720,665	744,897
TOTAL ASSETS		$1,540,694	$1,908,779

(continued)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LTD.

PARENT COMPANY ONLY 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	$56,186	$138,931
Notes payable	12	20	1,448
Accounts payable	12	61,896	126,217
Accounts payable-related parties	7&12	105,859	66,697
Other payables	12	127,247	171,708
Other payables-related parties	6,7&12	104	597
Current tax liabilities	4	13,088	79,113
Other current liabilities		93	1,335
Total Current Liabilities		364,493	586,046
NON-CURRENT LIABILITIES			
Non-current provisions	4&6	17,584	22,315
Deferred tax liabilities	4&6	595	474
Total Non-Current Liabilities		18,179	22,789
TOTAL LIABILITIES		382,672	608,835
EQUITY			
Capital			
Common stock	6	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		$1,540,694	$1,908,779

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

ITEM	NOTES	For the years ended 31 December 2023	2022
OPERATING REVENUES	4,6&7	$1,231,777	$1,926,240
COST OF GOODS SOLD	4,6&7	(673,131)	(1,145,057)
GROSS PROFIT		558,646	781,183
OPERATING EXPENSES	4,6&7		
Sales and marketing expense		(177,213)	(214,813)
General and administrative expense		(65,357)	(83,069)
Total Operating Expense		(242,570)	(297,882)
OPERATING INCOME		316,076	483,301
NON-OPERATING INCOME AND EXPENSES			
Interest income	6&7	11,888	4,398
Other income	6&7	5,043	5,015
Other gains and losses	6	(5,502)	(3,324)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net		32,308	86,042
Subtotal		43,737	92,131
INCOME BEFORE INCOME TAX		359,813	575,432
INCOME TAX EXPENSE	4&6	(67,231)	(97,048)
PROFIT FROM CONTINUING OPERATIONS		292,582	478,384
NET INCOME		292,582	478,384
OTHER COMPREHENSIVE INCOME (LOSS)	6		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension plans		975	6,535
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		3,332	(10,393)
Share of other comprehensive income of associates and joint ventures accounted for using equity method		578	2,712
Income tax related to items that will not be reclassified subsequently		(982)	333
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
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 parent company only financial statements)

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

TAIWAN KONG KING CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

			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 equity
Balance as of 31 December 2022	$362,888	$44,670	$282,175	$43,967	$360,569	$(31,937)	$(20,468)	$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)
Net income for the year ended 31 December 2022	-	-	-	-	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
Total comprehensive income	-	-	-	-	484,130	9,129	(6,559)	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
Balance as of January 1, 2023	$362,888	$44,670	$308,741	$52,405	$578,872	$(22,808)	$(24,824)	$1,299,944
Appropriation and distribution of 2022 retained earnings:								
Legal reserve	-	-	48,192	-	(48,192)	-	-	-
Cash dividends	-	-	-	-	(435,467)	-	-	(435,467)
Special reserve	-	-	-	(4,773)	4,773	-	-	-
Net income for the year ended 31 December 2023	-	-	-	-	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
Total comprehensive income	-	-	-	-	293,312	(2,940)	3,173	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

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
TAIWAN KONG KING CO., LTD.
PARENT COMPANY ONLY 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 2023	For the years ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before tax	$359,813	$575,432
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Depreciation expense	13,269	13,096
Amortization expense	1,714	1,654
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(842)	4,791
Interest income	(11,888)	(4,398)
Dividends income	(15)	(16)
Share of profit of associates and joint ventures accounted for using equity method	(32,308)	(86,042)
Gain on disposal of property, plant and equipment	(565)	(3,342)
Total adjustments to reconcile profit (loss)	(30,635)	(74,257)
Changes in operating assets and labilities:		
Notes receivable	1,706	(1,406)
Accounts receivable	72,653	(32,817)
Accounts receivable-related parties	(23)	1,076
Other receivables	(91)	69
Other receivable-related parties	533	(1,087)
Inventories	49,732	(46,901)
Prepayments	13,523	(15,612)
Other current assets	(1,490)	(177)
Contract liabilities	(82,745)	5,716
Notes payable	(1,428)	1,428
Accounts payable	(64,321)	34,228
Accounts payable-related parties	39,162	(30,456)
Other payables	(44,461)	67,673
Other payables-related parties	(493)	125
Provisions	(3,756)	(6,787)
Other current liabilities	(1,242)	(71)
Total changes in operating assets and liabilities	(22,741)	(24,999)
Cash generated from operations	306,437	476,176
Interest received	10,406	2,330
Dividends received	44,381	7,812
Income taxes paid	(130,590)	(50,102)
Net cash generated by operating activities	230,634	436,216

ITEM	For the years ended 31 December 2023	For the years ended 31 December 2022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets at fair value through profit or loss	988	-
Acquisition of property, plant and equipment	(6,908)	(20,086)
Disposal of property, plant and equipment	565	3,342
Decrease (increase) in refundable deposits	2,706	(277)
Acquisition of intangible assets	(1,310)	(1,133)
Net cash used in investing activities	(3,959)	(18,154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(435,467)	(228,620)
Net cash used in financing activities	(435,467)	(228,620)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(208,792)	189,442
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	768,214	578,772
CASH AND CASH EQUIVALENTS, END OF PERIOD	$559,422	$768,214

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

(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 parent company only financial statements of the Company were authorized for issued by the Company's board of directors (hereinafter "Board of Directors") on 12 March 2024.

3. Newly issued or revised standards and interpretations

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are 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 Company.

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

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

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

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

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

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent 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 standards and interpretations have no material impact on the Company.

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

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

(a) 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 Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

According to Article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports are the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports are the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries are disclosed under "Investments accounted for using the equity method" in the parent company only financial report and changes in value are adjusted.

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in thousands of New Taiwan Dollars ("NT$"), which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded 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.

(4) 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.

(5) Current and non-current distinction

An asset is classified as current when:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Company holds the asset primarily for the purpose of trading
(c) The Company expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to 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 Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 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.

(7) Financial instruments

Financial assets and liabilities shall be recognized when the Company 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 Company accounts for regular way purchase or sales of financial assets on the trade date.

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

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

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, accounts 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 Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

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

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

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

The loss allowance is measured as follows:

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

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been 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 Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(d) Financial liabilities and equity instruments

<u>Classification between liabilities or equity</u>

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

<u>Equity instruments</u>

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.

<u>Financial liabilities</u>

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 expired.

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 assets and liabilities

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

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.

(10) Investment accounted for using equity method

The Company's investment in subsidiaries is based on the provisions of Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and is expressed in the equity method of investment and adjusted as necessary. The profit or loss during the period and other comprehensive income presented in the parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. These adjustments mainly consider the difference raised from the accounting of investment subsidiaries in accordance with IFRS No.10 <Consolidated Financial Statements> and the applicable IFRS at different levels of parent company only reporting. These adjustments are recognized in the following subjects: Investments accounted for using the equity method, share of profit of associates and joint ventures, Share of other comprehensive income of associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

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

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

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes of the associate or joint venture.

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

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

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

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

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

(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 Company 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	2～6 years
Transportation equipment	5～6 years
Office equipment	3～6 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) Investment properties

The Company owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	50～56 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company decides to transfer to or from investment properties based on the actual usage of the assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(13) Leases

The Company 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 Company 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 Company 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 Company 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 Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

<u>Company as a lessee</u>

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term 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 Company 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 Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

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

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

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

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

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

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

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

Company as a lessor

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

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

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

(14) 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 (1 to 3 years).

A summary of the policies applied to the Company'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

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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 Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or 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 (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(16) Provisions

Provisions are recognized when the Company 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 Company 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.

<u>Provision for decommissioning, restoration and rehabilitation costs</u>

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.

(17) Revenue recognition

The Company’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:

<u>Sale of goods</u>

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

The Company 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 Company’s sale of goods is from 30 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Company 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 Company 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 Company recognized revenues when the Group satisfied a performance obligation at a point in time.

Most of the contractual considerations of the Company are collected evenly throughout the contract periods. When the Company has performed the services to customers but does not have a right to an amount of consideration that is unconditional, these contacts 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 Company 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.

(18) Post-employment benefits

All regular employees of the Company 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. Therefore, fund assets are not included in the Company’s parent company only financial statements.

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.

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. Re-measurements, 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 Company 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.

(19) 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.

<u>Current income tax</u>

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.

<u>Deferred tax</u>

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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the 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 Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

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

Operating lease commitment－the Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company 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. Please refer to Note 6 for more details.

(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 Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company'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 receivable–estimation of impairment loss

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

(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	$443	$255
Checking and savings accounts	457,043	368,578
Time deposits	101,936	399,381
Total	$559,422	$768,214

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

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

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	$18,524	$15,191

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	$54	$1,760

Notes receivable were not pledged.

(5) Accounts receivable and accounts receivable-related parties

	As of 31 December	
	2023	2022
Accounts receivable	$205,050	$277,703
Less: loss allowance	(449)	(449)
Subtotal	204,601	277,254
Accounts receivable-related parties	63	40
Total	$204,664	$277,294

Accounts receivable and accounts receivable-related parties were not pledged.

Accounts receivable are generally 30 to 150 day terms. As of 31 December 2023 and 2022, the book value amounted to NT$205,113 thousand and NT$277,743 thousand, respectively. Please refer to Note 6. (14) 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
Merchandise inventories	$25,712	$75,444

The cost of inventories recognized in expenses amounted to NT$602,838 thousand and NT$1,031,947 thousand for the years ended 31 December 2023 and 2022, respectively, including the reversal of write-down of inventories of NT$6,173 thousand and NT$0 thousand, respectively.

No inventories were pledged.

(7) Investments accounted for using equity method

The following table lists the investments accounted for using the equity method of the Company:

	As of 31 December			
	2023		2022	
Investee	Amount	%	Amount	%
Investment in subsidiaries:				
Hong Kong Taiwan Kong King Limited	$155,531	100.00%	$147,361	100.00%
TKK Precision Co., Ltd	109,422	100.00%	124,495	100.00%
Headway Holdings Limited	78,950	100.00%	72,720	100.00%
THT Technology Co., Ltd	88,352	100.00%	102,099	100.00%
Total	$432,255		$446,675	

The investments in subsidiaries were disclosed under “Investments accounted for using the equity method” in the parent company only financial report and changes in value were adjusted.

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Transportation equipment	Total
Cost:						
As of 1 January 2023	$102,981	$93,324	$97,280	$4,814	$24,458	$322,857
Additions	-	1,138	2,024	295	3,451	6,908
Disposals	-	(45)	-	-	(4,139)	(4,184)
Transfers	-	-	-	-	-	-
As of 31 December 2023	$102,981	$94,417	$99,304	$5,109	$23,770	$325,581
As of 1 January 2022	$136,625	$107,843	$87,501	$4,654	$20,160	$356,783
Additions	-	-	12,291	600	7,195	20,086
Disposals	-	-	(2,512)	(440)	(2,897)	(5,849)
Transfers	(33,644)	(14,519)	-	-	-	(48,163)
As of 31 December 2022	$102,981	$93,324	$97,280	$4,814	$24,458	$322,857
Depreciation and impairment:						
As of 1 January 2023	$7,000	$41,008	$77,966	$3,938	$12,624	$142,536
Depreciation	-	2,527	6,325	391	3,578	12,821
Disposals	-	(45)	-	-	(4,139)	(4,184)
Transfers	-	-	-	-	-	-
As of 31 December 2023	$7,000	$43,490	$84,291	$4,329	$12,063	$151,173
As of 1 January 2022	$7,000	$38,185	$73,249	$4,122	$13,205	$135,761
Depreciation	-	2,896	7,229	256	2,316	12,697
Disposals	-	-	(2,512)	(440)	(2,897)	(5,849)
Transfers	-	(73)	-	-	-	(73)
As of 31 December 2022	$7,000	$41,008	$77,966	$3,938	$12,624	$142,536
Net carrying amount as of:						
31 December 2023	$95,981	$50,927	$15,013	$780	$11,707	$174,408
31 December 2022	$95,981	$52,316	$19,314	$876	$11,834	$180,321

No property, plant and equipment were pledged.

(9) Investment properties

	Land	Buildings	Total
Cost:			
As of 1 January 2023	$39,444	$23,326	$62,770
Additions from acquisitions	-	-	-
Transfers	-	-	-
As of 31 December 2023	$39,444	$23,326	$62,770
As of 1 January 2022	$5,800	$8,807	$14,607
Additions from acquisitions	-	-	-
Transfers	33,644	14,519	48,163
As of 31 December 2022	$39,444	$23,326	$62,770
Depreciation and impairment:			
As of 1 January 2023	$-	$2,359	$2,359
Depreciation	-	448	448
Transfer	-	-	-
As of 31 December 2023	$-	$2,807	$2,807
As of 1 January 2022	$-	$1,887	$1,887
Depreciation	-	399	399
Transfer	-	73	73
As of 31 December 2022	$-	$2,359	$2,359
Net carrying amount as of:			
31 December 2023	$39,444	$20,519	$59,963
31 December 2022	$39,444	$20,967	$60,411

	For the years ended 31 December	
	2023	2022
Rental income from investment property	$1,563	$1,408
Less: Direct operating expenses from investment property generating rental income	(448)	(399)
Total	$1,115	$1,009

No investment properties were pledged.

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3.

The amounts were not assessed by an independent valuer. The fair values of the Company's investment property on 31 December 2023 and 2022 were NT$55,863～NT$65,176 thousand and NT$56,243~NT$65,363 thousand, respectively, which were measured by the Company's management referring to information stated on the Department of Land Administration website and actual transactions in the neighborhood area.

(10) Intangible Assets

	Computer software
Cost	
As of 1 January 2023	$8,682
Addition-acquired separately	1,310
Disposal	(395)
As of 31 December 2023	$9,597
As of 1 January 2022	$7,980
Addition-acquired separately	1,133
Disposal	(431)
As of 31 December 2022	$8,682
Amortization and impairment:	
As of 1 January 2023	$6,553
Amortization	1,714
Disposal	(395)
As of 31 December 2023	$7,872
As of 1 January 2022	$5,330
Amortization	1,654
Disposal	(431)
As of 31 December 2022	$6,553
Net carrying amount as of:	
31 December 2023	$1,725
31 December 2022	$2,129

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

	For the years ended 31 December	
	2023	2022
Operating costs	$13	$5
Selling expenses	$-	$-
Administrative expenses	$1,701	$1,649

(11) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were NT$6,250 thousand and NT$5,955 thousand, respectively.

Defined benefits plan

The Company 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 Company 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 Company 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 Company 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 Company 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 Company expects to contribute NT$4,560 thousand to its defined benefit plan during the 12 months beginning after 31 December 2023.

As of 31 December 2023 and 2022, the Company expects its defined benefits plan obligation both to become due in 2029.

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	240	175
Total	$787	$710

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

	As of 31 December	
	2023	2022
Defined benefit obligation	$74,274	$73,394
Plan assets at fair value	(56,690)	(51,079)
Non-current Provisions	$17,584	$22,315

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	$76,969	$(41,332)	$35,637
Current period service costs	535	-	535
Net interest expense (income)	384	(209)	175
Subtotal	919	(209)	710
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(3,981)	-	(3,981)
Experience adjustments	195	-	195
Remeasurements of defined benefit asset	-	(2,749)	(2,749)
Subtotal	(3,786)	(2,749)	(6,535)
Payments from the plan	(708)	708	-
Contributions by employer	-	(7,497)	(7,497)
As of 31 December 2022	73,394	(51,079)	22,315
Current period service costs	547	-	547
Net interest expense (income)	880	(640)	240
Subtotal	1,427	(640)	787
Remeasurements of the net defined benefit liability (asset):			
Experience adjustments	(547)	-	(547)
Remeasurements of defined benefit asset	-	(428)	(428)
Subtotal	(547)	(428)	(975)
Payments from the plan	-	-	-
Contributions by employer	-	(4,543)	(4,543)
As of 31 December 2023	$74,274	$(56,690)	$17,584

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	1.20%	1.20%
Expected rates of salary increase	2.00%	2.00%

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%	$-	$(490)
Discount rate decreases by 0.1%	495	-
Future salary increases by 0.1%	413	-
Future salary decreases by 0.1%	-	(410)

	For the year ended 31 December 2022	
	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increases by 0.1%	$-	$(543)
Discount rate decreases by 0.1%	549	-
Future salary increases by 0.1%	467	-
Future salary decreases by 0.1%	-	(463)

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.

(12) 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	$44,670	$44,670

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of 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 Company 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 Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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. (15) for details on employees' compensation and remuneration to directors and supervisors.

(13) Operating revenues

	For the years ended 31 December	
	2023	2022
Sale of goods	$794,427	$1,332,423
Revenue arising from rendering of services	437,350	593,817
Total	$1,231,777	$1,926,240

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
Sales revenue	$794,427
Rendering of services	437,350
Total	$1,231,777
Timing of revenue recognition:	
At a point in time	$1,231,777

For the year ended 31 December 2022

	Equipment Division
Sales revenue	$1,332,423
Rendering of services	593,817
Total	$1,926,240
Timing of revenue recognition:	
At a point in time	$1,926,240

(b) Contract balances

Contract liabilities - current

	2023.12.31	2022.12.31	2022.01.01
Sales of goods	$56,186	$138,931	$133,215

The significant changes in the Company'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	$113,343	$133,154
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	30,598	138,870

(14) Expected credit losses/(gains)

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

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

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

	As of 31 December	
	2023	2022
Total carrying amount	$205,167	$279,503
Expected credit loss rates	0.22%	0.16%
Loss allowance	449	449
Total	$204,718	$279,054

(b) based on past experience, the Company 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

		Overdue					
	Not yet due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$205,167	$-	$-	$-	$-	$-	$205,167
Loss ratio	0.22%						0.22%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	$204,718	$-	$-	$-	$-	$-	$204,718

For the year ended 31 December 2022

		Overdue					
	Not yet due	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$279,503	$-	$-	$-	$-	$-	$279,503
Loss ratio	0.16%						0.16%
Lifetime expected credit losses	449	-	-	-	-	-	449
Total	$279,054	$-	$-	$-	$-	$-	$279,054

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

	2023				2022			
	Operating costs	Operating expenses	Non-operating expenses	Total amount	Operating costs	Operating expenses	Non-operating expenses	Total amount
Employee benefits expense								
Salaries	$15,281	$174,890	$-	$190,171	$17,966	$232,972	$-	$250,938
Labor and health insurance	1,381	12,956	-	14,337	1,399	11,554	-	12,953
Pension	711	6,326	-	7,037	754	5,911	-	6,665
Remuneration to directors	-	3,672	-	3,672	-	5,872	-	5,872
Other employee benefits expense	1,114	6,664	-	7,778	1,157	6,595	-	7,752
Depreciation	6,385	6,436	448	13,269	7,057	5,640	399	13,096
Amortization	12	1,702	-	1,714	5	1,649	-	1,654

Note 1: As of 31 December 2023 and 2022, the number of the Company's employee were 149 and 154, including 8 non-employee directors.

Note 2: The Company's average benefits expense was NT$1,555 thousand and NT$1,906 thousand for the years ended 31 December 2023 and 2022, respectively. The Company's average salaries and wages were NT$1,349 thousand and NT$1,719 thousand for the years ended 31 December 2023 and 2022, respectively. The Company's average salaries and wages in 2023 decreased by 21.52% compared with 2022.

Note 3: The Company has set up an audit committee to replace the supervisor in accordance with the regulation, so there is no remuneration of supervisor in 2023 and 2022.

Note 4: The Company's salary and remuneration policy: According to Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange, the Company's policy of remuneration to directors, supervisors and managers was passed by compensation committee. As long as the Company's directors perform the duties of the Company, regardless of the Company's profit or loss, the Company would pay the remuneration. The remuneration to directors is given based on their participation in the Company's business operation, the contribution and the industry standard, and approved at the board meeting. The remuneration to managers is given based on the performance of the Company's operation and their contribution, and passed at the board meeting. In addition to salaries, the Company would give the bonus based on performance to boost staff morale and retain outstanding employees. The annual salary raise is determined referencing the industry standard. Moreover, the Company decides the adjustments and amounts based on the employee's duty and performance.

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.

(16) Non-operating income and expenses

(a) Interest income

	For the years ended 31 December	
	2023	2022
Financial assets measured at amortized cost	$11,888	$4,398

(b) Other income

	For the years ended 31 December	
	2023	2022
Rental income	$1,816	$1,689
Dividends income	15	16
Others	3,212	3,310
Total	$5,043	$5,015

(c) Other gains and losses

	For the years ended 31 December	
	2023	2022
Gains on disposal of property, plant and equipment	$565	$3,342
Foreign exchange losses, net	(6,018)	(496)
Gains (losses) on financial assets at fair value through profit or loss (Note)	842	(4,791)
Others	(891)	(1,379)
Total	$(5,502)	$(3,324)

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

(17) Components of other comprehensive income

For the year ended 31 December 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	$975	$-	$975	$(195)	$780
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	3,332	-	3,332	(667)	2,655
Share of other comprehensive income of associates and joint ventures accounted for using equity method	578	-	578	(120)	458
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	$1,945	$-	$1,945	$(982)	$963

For the year ended 31 December 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurement of defined benefit plans	$6,535	$-	$6,535	$(1,307)	$5,228
Unrealized gains (losses) from equity instruments measured at fair value through other comprehensive income	(10,393)	-	(10,393)	2,079	(8,314)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	2,712	-	2,712	(439)	2,273
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	$7,983	$-	$7,983	$333	$8,316

(18) Income tax

(a) The major components of income tax expense (income) 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	$65,126	$102,043
Adjustments in respect of current income tax of prior periods	(562)	(830)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	2,667	(4,165)
Total income tax expense	$67,231	$97,048

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	$667	$(2,079)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	120	439
Gains on remeasurement of defined benefit plan	195	1,307
Income tax relating to components of other comprehensive income	$982	$(333)

(b) 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	$359,813	$575,432
Tax at the domestic rates applicable to profits in the country concerned	$71,963	$115,086
Tax effect of revenues exempt from taxation	(6,462)	(17,208)
Corporate income surtax on undistributed retained earnings	152	-
Adjustments in respect of current income tax of prior periods	(562)	(830)
Income tax related to changes in tax rates or the introduction of new tax items	2,140	-
Total income tax expense recognized in profit or loss	$67,231	$97,048

(c) 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	$7,721	$(751)	$(195)	$6,775
Allowance for inventory valuation losses	1,699	(1,235)	-	464
Unrealized exchange losses (gains)	(251)	(53)	-	(304)
Unrealized salaries	10,766	(560)	-	10,206
Revaluations of financial assets at fair value through profit or loss	(190)	(68)	-	(258)
Revaluations of financial assets at fair value through other comprehensive income	4,076	-	(667)	3,409
Revaluations of financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method	2,681	-	(120)	2,561
Others	(33)	-	-	(33)
Deferred tax income		$(2,667)	$(982)	
Deferred tax assets/(liabilities), net	$26,469			$22,820
Reflected in balance sheet as follows:				
Deferred tax assets	$26,943			$23,415
Deferred tax liabilities	$(474)			$(595)

For the year ended 31 December 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Pension	$10,385	$(1,357)	$(1,307)	$7,721
Allowance for inventory valuation losses	1,699	-	-	1,699
Unrealized exchange losses (gains)	(968)	717	-	(251)
Unrealized salaries	6,920	3,846	-	10,766
Revaluations of financial assets at fair value through profit or loss	(1,149)	959	-	(190)
Revaluations of financial assets at fair value through other comprehensive income	1,997	-	2,079	4,076
Revaluations of financial assets at fair value through other comprehensive income of associates and joint ventures accounted for using equity method	3,120	-	(439)	2,681
Others	(33)	-	-	(33)
Deferred tax income		$4,165	$333	
Deferred tax assets/(liabilities), net	$21,971			$26,469
Reflected in balance sheet as follows:				
Deferred tax assets	$24,121			$26,943
Deferred tax liabilities	$(2,150)			$(474)

Unrecognized deferred tax assets

As of 31 December 2023 and 2022, the Company did not have unrecognized deferred tax assets.

The assessment of income tax returns

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

	The assessment of income tax returns
The Company	Assessed and approved up to 2021

(19) Earnings per share

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

Given that the Company does not have potential common shares which have dilutive effects outstanding, the Company 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 Company (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 Company during the financial reporting period is as follows:

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

Name of the related parties	Nature of relationship of the related parties
TKK Precision Co., Ltd	Subsidiaries
THT Technology Co., Ltd	Subsidiaries
Hong Kong Taiwan Kong King Limited	Subsidiaries
Headway Holdings Limited	Subsidiaries
The Kong King Technology (Suzhou) Co., Ltd	Subsidiaries
WKK Japan Limited	Other related parties
WKK Thailand Ltd.	Other related parties
Taiwan WKK Distribution Co., Ltd.	Other related parties

(2) Significant transactions with related parties

(a) Sales

	For the years ended 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$109	$230
The Kong King Technology (Suzhou) Co., Ltd	9,192	12,377
Hong Kong Taiwan Kong King Limited	-	4,442
Other related parties		
WKK Thailand Ltd.	227	220
Total	$9,528	$17,269

No similar transactions could be referenced for the sales of the Company to the related parties. 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.

(b) Purchases

	For the years ended 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$26,856	$59,183
THT Technology Co., Ltd	1,721	10,646
The Kong King Technology (Suzhou) Co., Ltd	127	-
Other related parties		
WKK Japan Limited	258,660	681,484
Taiwan WKK Distribution Co., Ltd.	15	111
Total	$287,379	$751,424

The purchase of the Company 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 by related parties

(a) Accounts receivable

	As of 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$-	$40
THT Technology Co., Ltd	63	-
Total	$63	$40

(b) Other receivables

	As of 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$411	$132
THT Technology Co., Ltd	654	166
Hong Kong Taiwan Kong King Limited	-	1,300
Total	$1,065	$1,598

(4) Amounts owed to related parties

(a) Accounts payable

	As of 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$9,276	$15,267
THT Technology Co., Ltd	453	3,110
Other related parties		
WKK Japan Limited	96,130	48,278
Taiwan WKK Distribution Co., Ltd.	-	42
Total	$105,859	$66,697

(b) Other payables

	As of 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$101	$121
THT Technology Co., Ltd	3	3
Other related parties		
WKK Japan Limited	-	473
Total	$104	$597

(5) Prepayments

	As of 31 December	
	2023	2022
Subsidiaries		
THT Technology Co., Ltd	$1,610	$3,249

(6) Service revenue

	For the years ended 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$-	$25
THT Technology Co., Ltd	3,628	6,431
Hong Kong Taiwan Kong King Limited	9,115	2,142
Headway Holdings Limited	36,135	48,193
The Kong King Technology (Suzhou) Co., Ltd	63	36
Other related parties		
WKK Japan Limited	310,739	469,529
Total	$359,680	$526,356

(7) Rental income

	For the years ended 31 December	
	2023	2022
Subsidiaries		
THT Technology Co., Ltd	$1,563	$1,408

Rental period and rent collection method were made in accordance with general contract terms. The general rental period was one years, and the collection method was mainly on a monthly basis.

(8) Other revenue

	For the years ended 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$756	$756
THT Technology Co., Ltd	72	72
Headway Holdings Limited	1,868	1,778
Total	$2,696	$2,606

(9) Interest income

	For the years ended 31 December	
	2023	2022
Subsidiaries		
Headway Holdings Limited	$56	$23

(10) Property transactions

For the year ended 31 December 2023：None.

For the year ended 31 December 2022

Counterparty	Item	Amount	Gains on disposal of assets
Purchase			
Subsidiaries			
TKK Precision Co., Ltd	Machinery and equipment	$38	Not applicable
Other related parties			
WKK Japan Limited	Machinery and equipment	11,291	Not applicable

(11) Cost of services

	For the years ended 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$1,291	$2,719
THT Technology Co., Ltd	9,168	8,531
The Kong King Technology (Suzhou) Co., Ltd	38,653	78,206
Other related parties		
WKK Japan Limited	9,626	2,763
Total	$58,738	$92,219

(12) Operating expenses

	For the years ended 31 December	
	2023	2022
Subsidiaries		
TKK Precision Co., Ltd	$-	$145
THT Technology Co., Ltd	-	2
Other related parties		
WKK Japan Limited	3	14
Total	$3	$161

(13) Key management personnel compensation

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	$49,771	$49,155
Post-employment benefits	831	810
Total	$50,602	$49,965

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

Financial assets	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	18,524	15,191
Financial assets measured at amortised cost (Note)	773,949	1,058,930
Total	$797,379	$1,079,174

Financial liabilities	As of 31 December	
	2023	2022
Financial liabilities at amortized cost:		
Notes payable and accounts payables	$295,126	$366,667

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

The Company 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 Company 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency). The Company opened savings accounts for some foreign currency receivables and payments to manage foreign currency risk by adjusting exchange rate immediately. Also, the Company 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 Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency RMB. 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$1,187 thousand and NT$3,682 thousand, respectively.
(b) 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$2,728 thousand and NT$1,547 thousand, respectively.

Equity price risk

The fair values of the Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's listed and unlisted equity securities are classified under available-for-sale financial assets. The Company 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 Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

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 couldn't have significant impact on the equity attributable to the Company.

(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 Company 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 Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counterparties' credit risk will also be managed by taking credit 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 77.75% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

The Company 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 Company’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 Company’s financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Dec. 31, 2023					
Notes payables	$20	$-	$-	$-	$20
Trade and other payables	295,106	-	-	-	295,106
As of Dec. 31, 2022					
Notes payables	$1,448	$-	$-	$-	$1,448
Trade and other payables	365,219	-	-	-	365,219

(6) Fair value of financial instruments

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

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

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. (7) for fair value measurement hierarchy for financial instruments of the Company.

(7) 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 Company 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 Company's assets

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company'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	-	-	18,524	18,524

	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	-	-	15,191	15,191

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	$15,191
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	3,333
Ending balances as of 31 December 2023	$18,524
Beginning balances as of 1 January 2022	$25,584
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(10,393)
Ending balances as of 31 December 2022	$15,191

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%	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 Company’s equity by NT$2,644 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%	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 Company’s equity by NT$2,489 thousand

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

The Company’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 Company’s accounting policies at each reporting date.

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

	As of 31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6. (9))	$-	$-	$55,863 ~ 65,176	$55,863 ~ 65,176

	As of 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6. (9))	$-	$-	$56,243 ~ 65,363	$56,243 ~ 65,363

(8) 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
Financial assets			
Monetary items:			
USD	$4,262	30.7200	$130,929
JPY	1,867,033	0.2172	405,520
EUR	306	33.9900	10,401
RMB	347	4.3250	1,501
Financial liabilities			
Monetary items:			
USD	$399	30.7200	$12,257
JPY	610,860	0.2172	132,679
EUR	225	33.9900	7,648
RMB	388	4.3250	1,678

	As of 31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	$13,883	30.7200	$426,486
JPY	1,363,063	0.2325	316,912
EUR	296	32.7100	9,682
RMB	3,693	4.4070	16,275
<u>Financial liabilities</u>			
Monetary items:			
USD	$1,897	30.7200	$582,276
JPY	697,883	0.2325	162,258
EUR	156	32.7100	5,103
RMB	701	4.4070	3,089

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 Company's foreign exchange losses were NT$6,018 thousand and NT$496 thousand, respectively.

(9) Capital management

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

13. <u>OTHER DISCLOSURES</u>

(1) Information at significant transactions

(a) Financing provided to others: Please refer to Attachment 1
(b) Endorsements/guarantees provided: None
(c) Marketable securities held: Please refer to 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: Please refer to 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

(2) Information on investees: Please refer to Attachment 4

(3) Information on investments in Mainland China: Please refer to Attachment 5

(4) Information on major shareholders: Please refer to Attachment 6

14. OPERATING SEGMENT INFORMATION

In accordance with IFRS 8 *"Operating Department"*, the Company is not required to prepare operating segment information for parent company only financial statements, if the consolidated financial statements disclosed such information. The Company has disclosed operating segment information in the consolidated financial statements.

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.

Attachment 2 (Securities held as of 31 December 2023)

Unit: Amount in thousands of NTD or JPY

(Except for the shares or units)

Holding Company Name	Type and Name of Securities	Relationship	Financial statement account	31 December 2024				Notes
				Shares	Carrying amount	Percentage of ownership (%)	Fair value/ Net assets value	
Taiwan Kong King Co., Limited	Foreign listed stocks Inspec Limited	-	Financial assets at fair value through profit or loss, noncurrent	21,700	$4,906	0.54%	$4,906	-
Taiwan Kong King Co., Limited	Unlisted stock Raytek Semiconductor, Inc.	-	Financial assets at fair value through other comprehensive income, noncurrent	3,056,689	18,524	2.55%	18,524	(Note 1)
Hong Kong Taiwan Kong King Limited	Unlisted stock Top Range Machinery Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	1,516,606	1,263	9.03%	1,263	(Note 1)

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 (Names, locations and related information of investee companies as of 31 December 2023)

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	Designing, manufacturing, processing and testing equipment and other related products for printed circuit board manufacturing and after-sales service	27,764	27,764	12,636,000	100.00%	41,482	1,719	Note1	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 5 (Investment in Mainland China as of 31 December 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 2023	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 Note2.(3)	$141,773	$-

Accumulated investment in Mainland China as of 31 December 2022	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 purchases and the balance and percentage of the accounts payable:

Year	Company	Purchases Amounts	Percentage of the Company's Purchases	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 6 (Information on Major Shareholders as of 31 December 2023)

Shareholders	Share			
	Common Stock	Preferred Stock	Total Shares Owned	Share 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 Kong King Co., Limited 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.

5. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status in the most recent 2 fiscal years

A. Analysis of Financial Status：(difference up to 20% and up to NT$10,000,000)

Units: NT$Thousands

Item \ Year	2022	2023	Difference		Remarks
			Amount	%	
Current Assets	1,750,970	1,338,848	(412,122)	(23.54)	Note 1
Fixed Assets	275,379	267,192	(8,187)	(2.97)	
Other noncurrent assets	67,418	61,642	(5,776)	(8.57)	
Total Assets	2,093,767	1,667,682	(426,085)	(20.35)	Note 2
Current Liabilities	767,150	489,647	(277,503)	(36.17)	Note 3
Total Non-Current Liabilities	26,673	20,013	(6,660)	(24.97)	
Total Liabilities	793,823	509,660	(284,163)	(35.80)	Note 4
Capital stock	362,888	362,888	-	-	
Capital surplus	44,670	44,670	-	-	
Retained Earnings	940,018	797,863	(142,155)	(15.12)	
Other components of equity	(47,632)	(47,399)	233	(0.49)	
Total Stockholders' Equity	1,299,944	1,158,022	(141,922)	(10.92)	

Analysis of changes in financial ratios (Consolidated)

Note 1. Current assets decreased mainly due to the decrease in cash and cash equivalents.

Note 2. Total assets decrease mainly due to the decrease in current assets.

Note 3. Current Liabilities decrease mainly due to the decrease in revenue, purchases and contract liability-current.

Note 4. Total Liabilities decrease mainly due to the decrease in current liabilities.

2. Analysis of Operating Status

A. Analysis of Financial Status: (difference up to 20% and up to NT$10,000,000)

Units: NT$Thousands

Year / Item	2022		2023		Differenc	Diff %	Remarks
	Amount	Total	Amount	Total			
Gross Sales	2,565,379		1,802,085		(763,294)	(29.75)	Note 1
Less: Sales Returns							
Sales Allowances							
Net Sales		2,565,379		1,802,085	63,294)	(29.75)	Note 2
Cost of Sales		(1,579,337)		(1,112,556)	466,781	(29.56)	Note 3
Gross Profit		986,042		689,529	(296,513)	(30.07)	Note 4
Affiliated company realized benefits							
Operating Expenses		(393,243)		(335,661)	57,582	(14.64)	
Operating Income		592,799		353,868	(238,931)	(40.31)	Note 5
Non-oper. Inc. and exp.		3,199		13,073	9,874	308.66	
Pre-tax profit of continuing business units		595,998		366,941	(229,057)	(38.43)	Note 6
Income tax paid		(117,614)		(74,359)	43,255	(36.78)	Note 7
Net profit after tax of continuing business units		478,384		292,582	(185,802)	(38.84)	Note 8

Analysis of changes in financial ratios: (Consolidated)

Note 1. Gross Sales decreased mainly due to the decrease in sales and service revenue.

Note 2. Net Sales decreased mainly due to the decrease in sales and service revenue.

Note 3. Cost of Sales decrease mainly due to the decrease in sales.

Note 4. Gross Profit decrease mainly due to the decrease in sales.

Note 5. Operating Income decreased mainly due to the decrease in sales.

Note 6. Pre-tax profit of continuing business units decrease mainly due to the decrease in sales.

Note 7. Income tax decrease mainly due to the decrease in operating Income.

Note 8. Net profit after tax of continuing business units decrease mainly due to the decrease in sales.

B. Analysis of changes in operating gross profit：

	The amount of increase/decrease compared to the previous period	Reasons for difference			
		Sales Price	Cost Price	Sales mix	Quantity
Operating gross profit	(296,513)	(763,294)	466,781	-	-
Analysis	Operating gross profit decreased mainly due to the decrease in operating income.				

3. Cash Flow:

A. Liquidity analysis in the most recent 2 fiscal years (difference up to 20%)

Year / Item	Dec 31, 2022	Dec 31, 2023	Diff %
Cash Flow Ratio (%)	69.07	41.92	(39.31)
Cash Flow Adequacy Ratio	185.99	128.93	(30.68)
Cash Reinvestment Ratio	18.98	(15.79)	(183.19)

Analysis of financial ratio change: (Consolidated)

1. Cash Flow Ratio：Mainly due to the decrease in operating net cash inflow in 2023.
2. Cash Flow Adequacy Ratio：Mainly due to the substantial increase in cash dividend distribution in 2023.
3. Cash Reinvestment Ratio：Mainly due to the decrease in operating net cash inflow and increase in cash dividend distribution in 2023.

B. Cash flow forecast analysis

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year (1)	Net Cash Flow from Operating Activities (2)	Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
961,765	100,000	283,000	778,765	-	-

Note: The cash flow from operating activities is expected to be 100,000,000 in the coming year.
It is estimated that the cash outflow of investment activities in the coming year will be NT$23,000,000 and the cash outflow from financing activities will be NT$260,000,000.

4. Major capital expenditures during the most recent fiscal year：None.
5. Reinvestment policy for the most recent fiscal year, the main reasons for the profits or losses, improvement plans, and investment plans for the coming year: None.

6. Risk analysis of the following matters in the most recent year and the up to date of publication of the annual report:

A. The organizational structure of the company's various risk management, its implementation and responsible units are as follows:

(1) Board of Directors: Keep in line with relevant government laws and regulations, review the company's relevant management measures, and ensure the effectiveness of the company's operating rights and operational risk management.

(2) General Manager’s Room: Mainly responsible for the decision-making risk, network information security and operational risk assessment and implementation of the responsible strategy, supervising and coordinating the relevant matters of each department.

(3) Audit Division: Mainly focused on the company's objectives, risk tolerance and strategy, and actively assists the company's managers to deal with all the risks associated with the entire enterprise.

(4) Management Division: Responsible for the company's legal risk, company and employee crisis management, asset management risk assessment and implementation strategy.

(5) Finance Division: Mainly responsible for the assessment and control of interest rate, exchange rate and financial risk, liquidity risk and credit risk. It is the responsible unit for the assessment and execution of relevant financial risk management of the Company.

B. The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future: None.

(1) The change in interest rate has no impact on the Company as the Company has no short-term and long-term borrowings.

(2) Measures to avoid exchange rate fluctuations are as follows:

- Open a foreign currency deposit account and adjust the foreign currency position at any time to avoid exchange rate risk.

- Keep track of exchange rate changes and keep close contact with current banks to fully understand the trend of exchange rates.
- Consider the foreign exchange rate factor when selling the goods to protect the company's reasonable profits.

(3) Effect of inflation on the Company’s profit/loss: None.

C. Research and development work to be carried out in the future, and further expenditures expected for research and development work: The Company has none of the above situations.

D. Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: Important domestic and international policies and legal changes did not have a significant impact on the financial aspects of the company in 2023 and the up to the date of publication of the annual report.

E. Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: The external transfer of the industry will have an impact on the company's performance. Hence, the company has gradually expanded its services to Chinese Taiwanese companies and introduced high-end products to serve Taiwanese customers in order to create barriers to entry.

F. Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response: None.

G. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: Not applicable, as the Company did not conduct any M & A activity in 2023.

H. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: Not applicable, as the company has not expanded its plant in 2023.

I. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: The Company’s sales or purchasing operations is not consolidated in the case of a specific customer or manufacturer.

J. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None of the above-mentioned personnel has a major quantity of shares being transferred.

K. Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: The major shareholders of the Company holds 67.44% of total shares and there are no plans on share transfers, hence the Company’s management rights are stable.

L. For litigious and non-litigious matters, the directors, supervisors, general managers and substantial principals of the company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non-litigation or administrative litigation results may have a significant effect on the company's shareholders' equity or securities price: None.

M. Other important risks, and mitigation measures being or to be taken:

Information security risk evaluation and analysis: For the purposes of carrying out information securtiy management, we have developed a managerial approach named "Electronic Data Processing Cycle" to specify safe operation policy. Our information server room has set up an access control device to ensure confidentiality of data. Furthermore, we also set up applicable fire service equipment and independent air-conditioners to maintain appropriate temperature and humidity, along with voltage regulator and uninterrupted power system to maintain stable operation of information center. We have backup and remote backup for internal system, along with disaster recovery exercises for servers every year to reduce risks of interrupted operation due to unexpected natural disaster or intentional neglitence. Besides, we execute information communication security checks pursuant to the "electronic data processing cycle" by setting firewall and antivirus software to avoid hacker or virus attack, also, our Information Technology

Department test and maintain network on a regular basis. We have never encountered any information security risk event that caused material negative impact on operation and business in 2023 and as of the date of printing the financial statement in 2024.

7. Other important matters:

   A. Basis for evaluation of the method of listing the assets and liabilities assessment, the basis and the main reasons for its occurrence:

      (1) Basis for the assessment of the provision for bad debts, the basis and the main reasons for its occurrence: Based on the experience of bad debts in the past, the aging of the receivables on the balance sheet date and the assessment of the possibility of recovery are presented.

      (2) Basis for the assessment of the provision for impairment of inventories, the basis and the main reasons for the inventories: The inventories are evaluated on each basis for the cost and net realizable value.

      (3) Basis for the assessment of financial assets allowance and the main reasons for its occurrence:

         - The financial assets and liabilities included in the profit and loss of changes in the fair value of the Company are derivative financial products that fail to meet the hedge accounting. When it is initially recognized, it is measured by fair value, and in the subsequent evaluation, the change in fair value is recognized as the profit and loss for the current year. When purchasing or selling financial assets in accordance with trading practices, the settlement date is used for accounting. The fair value of derivative financial products is estimated by the evaluation method; if the fair value is positive, it is classified as financial asset, whereas if the fair value is negative, it is classified as financial liabilities.
         - There is no reason due to no occurrence of the aforementioned situation.

   B. Financial products other than stocks and depositary receipts are determined by the fair value of purchase price or the selling price.

   C. Hedge accounting: not applicable.

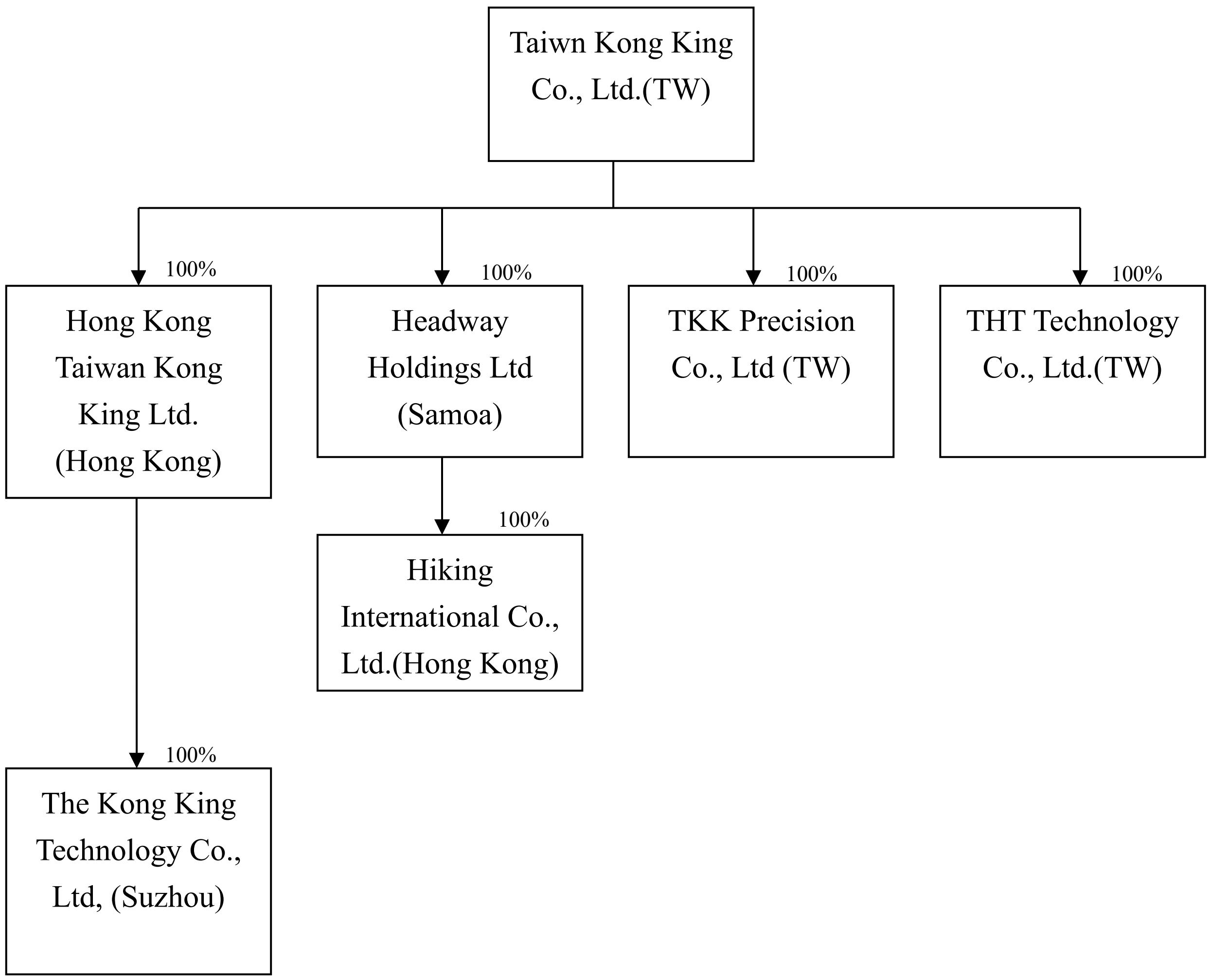
VIII. Special Disclosure

1. Information related to the company's affiliates

   A. Consolidated Business Report of affiliate companies

      (1) Organizational Chart of affiliate companies：

Taiwn Kong King Co., Ltd.
Organizational Chart of affiliate companies



(2) Basic Information of affiliate companies

Units: NT$thousand; HKD; RMB;USD

Name	Date of incorporation	Address	Paid-In Capital	Type of business or manufacturing product
Taiwn Kong King Co., Ltd.	Jun 14, 1977	5F.-4, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NT$362,888	1. Sales agent and after-sales service of printed circuit board equipment. 2. Provides sales agency and after-sales services for semiconductor packaging and electronic assembly equipment.
TKK Precision Co., Ltd.(Taiwan)	Apr 24, 2001	2F., No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NT$62,370	Electronic components manufacturing, electronic materials trading, wholesale and retail of mechanical equipment, testing of electronic components.
Hong Kong Taiwan Kong King Ltd. (Hong Kong)	May 17, 1990	17/F, Harbourside HQ, No. 8 Lam Chak Street, Kowloon Bay, Hong Kong	HKD 26,210,000	Sale and purchase of printed circuit board equipment. semiconductor equipment and electronic assembly equipment.
Headway Holdings Ltd. (Samoa)	Jan 18, 2002	Offshore Chambers, P.O.Box 217, Apia, Samoa	USD 1,100,000	Sale and purchase of printed circuit board equipment. semiconductor equipment and electronic assembly equipment.
Hiking International Co., Ltd. (Hong Kong)	Jun 24, 2002	17/F, Harbourside HQ, No. 8 Lam Chak Street, Kowloon Bay, Hong Kong	HKD 12,636,000	Investment holding
THT Technology Co., Ltd. (Taiwan)	Mar 8,2006	3F.-2, No. 66, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NT$50,000	1. Electronic components, general instrument manufacturing 2. International trade (limited to related products on manufacturing and processing)

Name	Date of incorporation	Address	Paid-In Capital	Type of business or manufacturing product
The Kong King Technology Co., Ltd, (Suzhou)	Feb 5, 2008	ROOM 108, BUILDING 1-A, NO.336 FENGLI STREET,SUZHOU INDUSTRIAL PARK, JIANGSU, CHINA	RMB 17,357,000	1. Sales agent and after-sales service of printed circuit board equipment. 2. Provides sales agency and after-sales services for semiconductor packaging and electronic assembly equipment.

(3) Shareholders presumed to have control and subordinate relationship with the same information

Presumption reason	Name (Note 1)	Shareholding(Note 2)		Date of Establishment	Address	Paid-In Capital	Type of business
		Shares	%				
【None】							

Note 1: If the corporate shareholders are the same, fill in the name of the corporation; if the natural person shareholder is the same, fill in the name of the natural person. Natural person shareholders only need to fill in the presumption reason, the name and number of shares.

Note 2: The holding of shares is filled in the information of shareholder's shareholding on the controlled company.

(4) Overall related industries covered by business operations

- Machine and components manufacturing, import/export and sales.
- Sales and import/export of chemical, printed materials and electronic printing machinery.
- Market development, investment holding and trade distribution business.

(5) The division of labor in business operations of affiliated companies:

- Taiwan Kong King Co., Ltd. is a professional import and export agent, which provide sales and after-sales service of all kinds of electronic equipment spare parts and materials. It mainly deals in industrial related sales business such as PCB, chemical materials, optoelectronic semiconductor and electronic assembly SMT in Taiwan and China.
- Taiwan subsidiaries:

  a. The main businesses of TKK Precision Co., Ltd. are: Electronic components manufacturing, trading of electronic materials, wholesale and retail of mechanical equipment, and electronic components testing.

  b. The main businesses of THT Technology Co., Ltd. are machine manufacturing and assembly.
- China subsidiaries:

  a. The main businesses of The Kong King Technology Co., Ltd, (Suzhou) are as follows: Electronic materials wholesale, machinery wholesale, precision appliances retail, information software services, and international trade.
- Hong Kong subsidiary: Mainly focus on merchanting trade business related to PCB, chemical materials, optoelectronic semiconductors, electronic assembly and other industries.

(6) Basic Information of directors, supervisors and general managers of affiliated companies

Units: NT$thousand; Shares; %

Name of Company	Title (Note 1)	Name or representative	Shares owned (Note2)(Note3) Shares	%
Taiwan Kong King Co., Ltd. (TW)	Chairman	Byron Ho-Representative of WKK	97,895,344	67.44%
	General Manager	LIAO HUNG-YING	1,426,000	0.98%
	Director	Senta Wong -Representative of WKK	97,895,344	67.44%
	Director	Edward Tsui-Representative of WKK	97,895,344	67.44%
	Director	HSU HUNG-CHIEH -Representative of WKK	97,895,344	67.44%
	Director	CHANG JUI-SHUM -Representative of WKK	97,895,344	67.44%
	Director	LIAO HUNG-YING	1,426,000	0.98%
	Director	CHEN MEI-FEN	1,003,140	0.69%
	Independent Director	HUANG WEN-YUEAN	4,200	0.00%
	Independent Director	CHEN CHAO-HUANG	0	0.00%
	Independent Director	WEI HSING-HAI	0	0.00%
TKK Precision Co., Ltd.(TW)	Chairman	LIAO HUNG-YING -Representative of TKK	6,237,000	100.00%
	General Manager	FAN TING-CHI-Representative of TKK	6,237,000	100.00%
	Director	FAN TING-CHI-Representative of TKK	6,237,000	100.00%
	Director	LIAO DE-HSIANG-Representative of TKK	6,237,000	100.00%
	Supervisor	CHEN MEI-FEN -Representative of TKK	6,237,000	100.00%
Hong Kong Taiwan Kong King Ltd. (Hong Kong)	Director	Senta Wong	0	0.00%
	Director	Edward Tsui	0	0.00%
	Director	Byron Ho	0	0.00%
	Director	HSU HUNG-CHIEH -Representative of TKK	26,210,000	100.00%
Headway Holdings Limited.(Samoa)	Director	HO SHU-CHAN-Representative of TKK	1,100,000	100.00%
Hiking International Co., Ltd.(Hong Kong)	Director	HO SHU-CHAN-Representative of TKK	12,636,000	100.00%
	Director	LIAO HUNG-YING -Representative of TKK	12,636,000	100.00%
	Director	CHEN MEI-FEN -Representative of TKK	12,636,000	100.00%
THT Technology Co., Ltd.(TW)	Chairman	LIAO HUNG-YING -Representative of TKK	5,000,000	100.00%
	General Manager	LIAO DE-HSIANG -Representative of TKK	5,000,000	100.00%
	Director	FAN TING-CHI-Representative of TKK	5,000,000	100.00%
	Director	LIAO DE-HSIANG - Representative of TKK	5,000,000	100.00%
	Supervisor	CHEN MEI-FEN -Representative of TKK	5,000,000	100.00%
The Kong King Technology Co., Ltd, (Suzhou)	Chairman	LIAO HUNG-YING -Representative of TKK	49,538	100.00%
	General Manager	CHENG FU-WEN -Representative of TKK	49,538	100.00%
	Director	HO SHU-CHAN-Representative of TKK	49,538	100.00%
	Director	FAN TING-CHI-Representative of TKK	49,538	100.00%
	Director	CHANG JUI-SHUM -Representative of TKK	49,538	100.00%
	Supervisor	CHEN MEI-FEN -Representative of TKK	49,538	100.00%

Note 1: If the related company is a foreign company, the equivalent position shall be listed.

Note 2: If the invested company is a joint stock company, please fill in the number of shares and percentage of shareholding. Please fill in the capital amount and capital contribution ratio, and shall be noted in the above table.

Note 3: When the director and the supervisor are legal persons, the relevant information of the Representative should be disclosed.

(7) Operation Status of affiliate company a.:

December 31, 2023/Unit: NT$ thousand

Company name	Capital	Total Assets	Total Liabilities	Net worth	Operating revenues	Operating interest	Current income (After tax)	Earnings per share(NTD)
Taiwan Kong King Co., Ltd.(TW)	362,888	1,540,694	382,672	1,158,022	1,231,777	316,076	292,582	2.02
TKK Precision Co., Ltd.(TW)	62,370	119,029	9,139	109,890	33,885	(11,508)	(10,996)	(1.76)
Hong Kong Taiwan Kong King Ltd. (Hong Kong)	103,058	197,032	39,558	157,474	62,465	3,561	10,370	0.10
Headway Holdings Limited. (Samoa)	33,792	112,904	33,954	78,950	293,352	3,159	6,415	0.19
Hiking International Co., Ltd. (Hong Kong)	49,685	41,491	11	41,480	0	(9)	1,720	0.03
The Kong King Technology Co., Ltd, (Suzhou)(China)	75,070	169,023	27,244	141,779	157,398	5,565	6,086	-
THT Technology Co., Ltd.(TW)	50,000	118,285	29,892	88,393	161,087	32,917	26,224	5.24

b. Relational Business Consolidated Financial Statements:

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TAIWAN KING KONG CO., LTD. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2023 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of TAIWAN KING KONG CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TAIWAN KING KONG CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

c. Relational Report: Please refer to pages 289 to 296.

2. Transaction about the company’s private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

3. Holding or disposal of shares in the company by the company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

4. Other matters that require additional description:

Incompleted commitments on the OTC market: None.

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Opinion on Affiliation

Your company has issued a statement, as attached, indicating your 2023 affiliation report for the period from January 1, 2023 to December 31, 2023 was complied with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". The statement also indicated the information within the 2023 affiliation report has no significant differences from the related notes of your 2023 financial statements.

We have reviewed and compared the information within your 2023 affiliation report and the notes of your 2023 financial statements. Based on our procedures, we did not find any significant deficiencies.

CHANG,CHIH-MING

HSU, JUNG-HUANG

Ernst & Young, Taipei, Taiwan
March 12, 2024

Summary on the relationship between the affiliated company and the controlling company

Unit: shares; %

Name of the controlling company	Reason of control	Share ownership and pledges of the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managers	
		Number of shares held	Ratio of shareholding	Number of shares pledged	Title	Name
Wong's Kong King Int'l (Holdings) Ltd.	Own more than half of the shares with voting right issued by the company	97,895,344	67.44%	0	Chairman Director Director Director Director	HO SHU-CHAN HSU HUNG-CHIEH SENTA WONG TSUI YING-CHUN CHANG JUI-SHUM

Note: When the controlling company of the subordinate company is the subordinate company of another company, the preparer of this information should also fill in the information of that company. The same rule applies when that company is again the subordinate company of another company. The same rule applies hereafter.

Purchase and sales

Unit: NT$ thousand; %

Transactions with the controlling company				Terms of transactions with the controlling company		Arms length terms of transaction		Reason of the difference	Accounts and notes receivable (payable)		NPL			Remarks
Purchase (sales)	Amount	Percentage of total purchase (sales)	Gross profit from sales	Price (NT$)	Duration of credit	Price (NT$)	Duration of credit		Balance	Percentage of total accounts and notes receivable (payable)	Amount	Method of processing	Amount of allowance for bad debt	
None														

Note 1: If the company has advanced receipts (payments), the company should describe the reason, articles of the contract, the amounts, and the differences between these transactions and arms length transactions in the remarks section.

Note 2: If none of the stated titles are applicable, the preparers may adjust the titles by themselves. If preparers cannot find titles in the table due to the nature of the industry, preparers do not need to fill in the information.

Property transactions

Unit: NT$ thousand

Transaction type (acquisition or disposal)	Name of property	Transaction date or the date when the event occurred	Transaction amount	Delivery or payment terms	Payment and receipt of consideration	Disposal gains (Note 1)	The reasons why transaction counterparties are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	The basis for determining the prices	The purpose of acquisition or disposal and the condition of use	Other stipulations
								Holder	Relationship with the company	Transfer date	Amount				
None															

Note 1: The preparer does not need to fill in the information on the acquisition of property

Note 2: (1) The preparer should provide the information on the original acquisition by the controlling company in the acquisition of property. The preparer should provide the information on the original disposal by the subordinate company in the disposal of property

(2) Prepares should explain the relationship between the property owner and the subordinate company or controlling company in the "Relationship with the company" section.

(3) If the counterparty in the previous transfer transaction was a related party, the preparer should add the information on the previous transfer from that related party in the same space.

Note 3: The preparer should explain the decision making level of the transaction.

Financing

Unit: NT$ thousand; %

Transaction type (Borrowing or lending)	Highest balance	Balance at the end of the period	Interest rate range	Total interest in this period	Duration of financing	Reason of financing	Acquiring (providing) collaterals		The methods for determining the transactions (Note 1)	Provision of the allowance for bad debt (Note2)
							Name	Amount		
None										

Note 1: The preparer should explain the decision making level of the transaction.

Note 2: There is no need to provide the information on borrowing funds.

Lease of assets

Unit: NT$ thousand

Transaction type (rent or lease)	Property		Lease duration	Nature of the lease (Note 1)	Basis of determining the rent	Method of collection (payment)	Comparison with regular rent levels	Total rent in this period	Payment and receipt in this period	Other stipulations (Note 2)
	Name	Location								
None										

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and servitude of real property, the preparer should disclose such conditions.

Endorsements

Unit: NT$ thousand; %

Highest balance	Balance at the end of the period		Reason for the endorsement	Providing collateral as guarantee			Conditions or dates for releasing the guarantee or recovering the collateral		The amount of contingent loss already recognized in financial statements	Violations of operation regulations codified by the company
	Amount	Percentage of net assets in the financial statement		Name	Quantity	Value				
None										

Declaration

It is hereby declared that the Affiliation Report for 2023(from January 1, 2023 to December 31, 2023) was prepared pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

Hereby certify

Company Name: Taiwan Kong King Co., Ltd.

Chairman: Ho, Shu-Chan

March 12, 2024

IX. Matters that have Significant Impact on Shareholder’s Equity or on Share Prices

【If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed one by one: None.】

TAIWAN KONG KING CO., LTD.

Chairman: HO SHU-CHAN

TKK
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