



**Stock code: 2369**

**LINGSEN PRECISION INDUSTRIES, LTD.**

**2023 Annual Report**

**【Translation】**

**This Annual Report is available at the following websites:**

**Website of Taiwan Stock Exchange Market Observation: <https://mops.twse.com.tw>**

**Company Website: <https://www.lingsen.com.tw>**

**Printed On February 29, 2024**

**---Notice to readers---**

**This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.**

## **I. Spokesperson and Deputy Spokesperson**

Spokesperson

Name : Ming-Wei Lai

Title: Chief Financial Officer

Tel: (04)2533-5120

E-mail: [larrylai@lingsen.com.tw](mailto:larrylai@lingsen.com.tw)

Deputy Spokesperson

Name: His-Tzu Tsai

Title: Manager

Tel: (04)2533-5120

E-mail : [edithtsai@lingsen.com.tw](mailto:edithtsai@lingsen.com.tw)

## **II. Headquarters, Branches and Factories**

Headquarter: No. 5-1, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T1: No. 5-1; No. 5-2; No. 5-3, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T2: No. 36; No. 36-1; No. 36-2; No. 36-3; No. 38; No. 38-1; No. 38-2; No. 38-3; No. 40; No. 40-1; No. 40-2; No. 40-3; No. 42; No. 42-1; No. 42-2; No. 42-3, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T3: No.3; No. 5, Jiangou Rd., Tanzi Dist., Taichung City

Factory T4: No. 4; No. 4-1; No. 4-2; No. 6; No. 6-1; No. 6-2; No. 8-1; No. 8-2; No. 10-1; No. 10-2, S. 2nd Rd., Tanzi Dist., Taichung City

Factory T5: No. 22; No. 22-1; No. 22-2, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T6: No. 37; No. 39, Daguan Rd., Wuqi Dist., Taichung City

Tel: (04)2533-5120

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## **III. Stock Transfer Agent**

Agency: Transfer Agency Department, CTBC Bank Co., Ltd.

Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Website: <https://www.ctbcbank.com>

Tel: (02)6636-5566

Fax: (02)2382-2390

## **IV. Auditors**

Auditors: Shu-Ching, Chiang, Ting-Chien, Su

Name of the Firm: Deloitte & Touche Taiwan

Address: 22F, No.88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 407025

Website: <https://www.deloitte.com.tw>

Tel: (04)3705-9988

Fax: (04)4055-9888

## **V. Overseas Securities Exchange**

N/A

## **VI. Corporate Website**

<https://www.lingsen.com.tw>

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# I. Letters to the Shareholders

Dear Shareholders,

Looking back at 2023, global economic activities are slowing down, due to US-China technology competition heating up, the ongoing Russia-Ukraine war, and geopolitical conflicts persisting. In addition, largest economies are under pressure of aggressive rate hikes.

Macroeconomic and geopolitical uncertainties gradually led to lackluster end-market demand of consumer electronics. However, as global supply chain bottlenecks gradually eased, the cycle of interest rate is expected to dwindle which makes the prospect of a soft landing for the global economy more promising.

In recent years, the world began to focus more intently on the importance of the semiconductor industry. Looking ahead, in the long-term, the semiconductor industry will enjoy continuous growth, benefiting from mega trends in 5G, EV, AIoT, and AI, as well as the semiconductor content increase in all major end systems. We have entered a more intelligent and digital world, as these contents are gradually being addressed to move toward normalization. In recent years, as more semiconductor content, continues to lead in a pivotal position in the global economic.

The company has engaged in active deployment to diversified applications in 5G and smart field to capture the growth from the favorable industry megatrends.

The year 2023 was a landmark year for the company, officially began its second 50 years. At the time, on the basis of experience accumulated in corporate sustainable operation, the company has dedicated to strengthen its operational resilience, grasp new market trends and seek new business opportunities with the value chain.

Summary of 2023 business result and 2024 business plan of the Company are as follows:

## **1.1 2023 Business Result**

### **1.1.1 Result of 2023 Business Plan**

In 2023, the company's consolidated revenue totaled NT\$ 5.6 billion, a decrease of 6% from 2022. The profitability turned into a loss in 2023, with a net loss attributable to owners of the company of NT\$ 0.156 billion or a basic loss per share of NT\$ 0.42, due to the external challenges of overall economic downturn and relatively slow demand.

The company has been promoting necessary adjustments continuously amid the cyclical industry downturn. We planned to develop our business by achieving performance growth and engage in R&D with a focus on developing mobile and automotive devices. We also improve production and manufacturing processes by refining our professional competency, enhancing production efficiency. At the same time, we will continue to pursue growth and progress and journey into a brighter future.

**1.1.2 2023 Budget Implementation Status: The Company did not prepare financial forecast of 2023.**

**1.1.3 Financial Revenue and Expenditure Status and Profitability Capacity Analysis**

Item analyzed		Year 2023	Year 2022
Financial Structure	Debt Ratio (%)	28.49	32.04
	Ratio of Long-term capital to property, plant and equipment (%)	162.26	165.93
Solvency	Current Ratio (%)	236.67	232.55
	Quick Ratio (%)	199.47	175.87
Profitability	Return On Assets (%)	(1.55)	2.40
	Return On Equity (%)	(2.75)	3.33
	Operating profit to paid-in capital (%)	(5.89)	1.00
	Pre-tax income to paid-in capital (%)	(5.02)	4.13
	Profit Margin (%)	(2.83)	3.34
	EPS (NT\$)	(0.42)	0.56

**1.1.4 R&D Status**

Unit: NT\$ in Thousands

Year	Year 2023	Year 2022	Year 2021
R& D Expense	136,376	165,769	176,579
R&D Expense to operating revenue (%)	3	3	2

**1.2 Summary of 2024 Business Plan**

**1.2.1 Operating Policy**

- (1) Improving service quality, strengthen the communication with customers and build up a balanced relationship with customers.
- (2) Improving current manufacturing process, innovating new manufacturing process, improve the quality and reduce costs to create profits, proactively.
- (3) Continuously innovating product development and available in diverse products package manufacturing process to meet customers' needs.
- (4) Improving internal operation efficiency and enhance the quality for employee's operation.
- (5) Strengthening the function of information systems to improve manufacturing and automatic inspection operation.
- (6) Introducing 5S activities to optimize the working environment to avoid occupational accident and reduce wastage.
- (7) Continuously enhancing the educational training to train the talent to assists the company's sustainable management and development.

### 1.2.2 Estimated Sales Volume and Supporting Information

#### (1) Basis

The amount of the expected sales of the company is set by considering the management strategy, the production ability, operating goals of all the departments and the budget, the future development trend of the entire industry, market supply and demand and the actual operating performance of the past years reasonably.

#### (2) Estimated Sales Volume

Item	Estimated Sales Volume
Packaging and Testing	6.0 Billion units

### 1.2.3 Key Production and Marketing Policies

#### (1) Marketing Policies

- A. Enhancing the quality of products and improving product yield to meet customers' satisfaction.
- B. Establishing market analysis mechanism to improve the future planning of products and marketing strategy.
- C. Diverse development of packaging product manufacturing and providing customer service with comprehensive needs.
- D. Enhancing research and development ability to shorten the time required for research and development to increase the revenue and profit of the new products.
- E. Proactively expand business by attending business expos and seeking for distributors of different region to extend the trading internationally and domestically.

#### (2) Production Policies

- A. Improving accurate delivery date and on time delivery.
- B. Optimizing the production preparation and improve the transparency of production.
- C. Improving management efficiency (Reducing the cost of inspection, optimizing the production preparation and enhancing the mobilization of the personnel).
- D. Improving equipment efficiency and equipment availability.
- E. Simplify and improving the manufacturing process, reducing the manufacturing process, material costs and to improve the quality for product shipment.

### 1.3 Future Developing Strategy of the Company

- 1.3.1 Provide the customers with all-rounded services, customer development and relation management proactively.
- 1.3.2 Be committed to environmental protection and obey the environmental protection laws and regulations and introduced green fabrication and package products.
- 1.3.3 Proactively innovating, leading the development of new technics and new products to meet the market trend and needs.
- 1.3.4 Continuously enhancing the management of cost expense of existing production line.
- 1.3.5 Dedicated in "Corporate Governance, Corporate Commitment, Social Contribution and Environmental Protection" four major fields of Corporate Social Responsibility.

#### **1.4 Impacts from External Competitive Environment, Legal Environment and Macro-Economic Environment**

According to IDC's latest research, with the global demand for artificial intelligence (AI) and high-performance computing (HPC) exploding, coupled with the stable demand for smartphones, personal computers, infrastructure, automotive, and the flourishing development of emerging technology applications in the future, they will lead the demand for the entire semiconductor industry. The semiconductor industry is expected to usher in a new wave of growth.

As countries aware of the energy and environmental issues, the transition to zero carbon becomes a global consensus. As a responsible global corporate citizen, in line with the pathway for keeping global warming under control, the company has formulated a long target of achieving carbon neutrality emissions. The company will continue to strive for our mission to enable sustainable planet in creating a sustainable and altruistic enterprise for our stakeholders.

Chairman: Shu-Chyuan Yeh

## II. Company Profile

### 2.1 Date of Incorporation: April 23, 1973

### 2.2 Company History

The company was founded by the overseas Chinese Mr. KE-GEN, YEH and Citizens Mr. KE-QING, YEH, Mr. KE-JIAN YEH and others under the government policy of developing semiconductor industry. The business consists of assembly and testing of various integrated circuit and optoelectronics products. The company continuously develop and research new products, and improve the quality level and productivity under the effort of entire staff since the establishment. The performance of the company operating is growing and lasts for 50 years.

The milestones of the company are as follows:

April, 1973	The Company was founded with initial capital of NT\$ 8 Million.
July, 1995	For the purpose of factories expansion and purchasing machinery equipment, the Company issued cash capital increase of NT\$271,388,800 and capitalization of retained earnings of NT\$90,979,200, and filed the application of public offering. The subscription payment has been fully raised on September, 1995.
July, 1995	The Company received ISO-9002 certification from the Bureau of Commodity Inspection and Quarantine of Ministry of Economic Affairs.
April, 1998	The Company listed on the Taiwan Stock Exchange on April 10.
October, 1998	The Company received the ISO-14001 certification on Environmental Management Systems.
August, 1999	The Company received the QS-9000, ISO 9001:2000 certification.
October, 2003	Rolled out Employee Stock Ownership Trust (ESOT) to increase the proportion of employee's holding shares.
November, 2003	The Company issue the first domestic unsecured convertible company bonds of NT\$ 600 Million in 2003.
March, 2005	The Company received TS 16949: 2002 certification.
October, 2007	The Company issue the second domestic unsecured convertible company bonds of NT\$ 400 Million in 2007.
December, 2007	The Company issuing new stock for cash capitalization for 30 million common stock with par value of NT\$10, the total of NT\$ 300 million.
November, 2009	The Company received OHSAS18001 certification on International Occupational Health and Safety Management Standard.
November, 2010	The Company received ISO 14064 Certification on Greenhouse gas emission Verification.

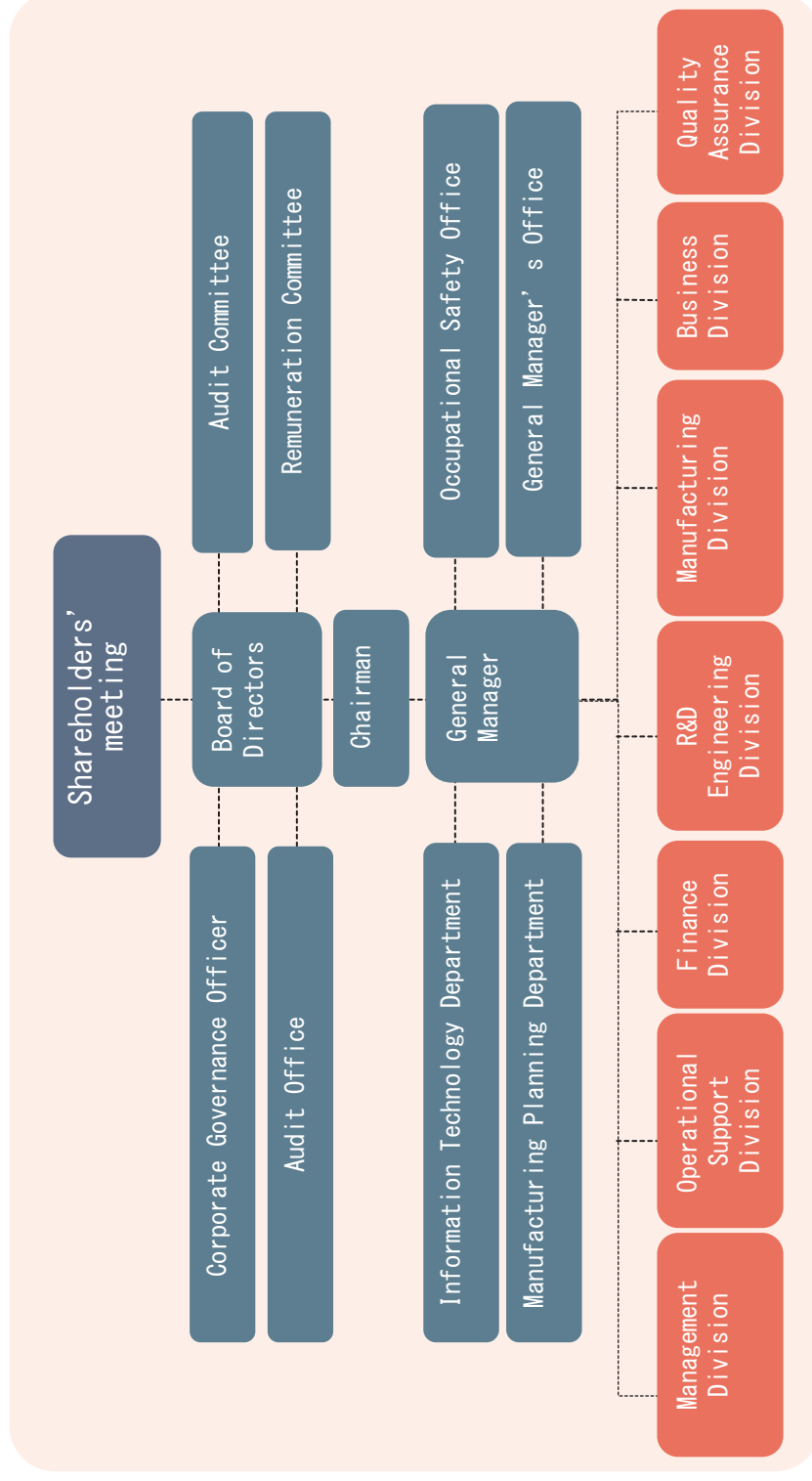


December, 2011	New Factory (T6 Factory) in the Chung-kang Export Processing Zone Approved by the Board of Directors.
October, 2012	The Company obtained NT\$1.5 Million subsidy from the “Improvement Encouragement of Private Building Intellectualization” project by the Architecture and Building Research Institute of the Ministry of the Interior.
March, 2014	T6 Factory at Chung-kang Export Processing Zone completed.
January, 2015	T6 Factory received the Leadership in Energy & Environmental Design (LEED) Silver Certification from the U.S. Green Building Council.
December, 2015	The staff quarters at the Chung-kang Export Processing Zone completed and received the bronze certification from the Taiwan Green Building Council.
February, 2018	The Company received IATF 16949 certification on Quality Management System.
May, 2018	The Company awarded the 15th Taiwan Golden Roots Award.
October, 2021	Panther Technology Co., Ltd. received SONY Green Pantner certification, and the expiry date till September, 2024.
June, 2022	The Company received SONY Green Partner certification, and the expiry date till September, 2025.
	The Company received ISO14064-1:2018 the revision certification on Greenhouse Gas Inventory.
August, 2023	The Company received ISO14001:2015 the revision certification on Environmental Management Systems, and the expiry date is August, 2026.
September, 2023	Included in the Taiwan EMP99 Index.
	Panther Technology Co., Ltd. received ISO27001 certification on Information Security Management System, and the expiry date is September, 2026.
	Panther Technology Co., Ltd. received ISO14001:2015 the revision certification on Environmental Management Systems, and the expiry date is September, 2026.
	Panther Technology Co., Ltd. received ISO9001:2015 the revision certification on Quality Management Systems, and the expiry date is September, 2026.
January, 2024	The Company received IATF16949:2016 the revision certification on Quality Management System, and the expiry date is January, 2027.
	The Company received ISO9001:2015 the revision certification on Quality Management System, and the expiry date is January, 2027.
February, 2024	Board approved the 100% disposal of Ningbo Liyuan to integrate group resources.

# III. Corporate Governance Report

## 3.1 Organization

### 3.1.1 Organizational Chart



### 3.1.2 Work Description of Major Departments

Department	Functions
Chief Corporate Governance Officer	<ol style="list-style-type: none"> <li>1. Including preparation and execution of agenda and matters relating to the Shareholders' meeting, the Board, Audit Committee and Remuneration Committee, assistance in fulfilling requests by directors to perform duties and provide information.</li> <li>2. Responsible for ensuring legal compliance of the Board, promoting communication and dialogue between management team and the directors, and among the board members.</li> <li>3. Communicating with the independent directors on corporate governance-related affairs on a regular basis.</li> </ol>
Audit Office	<ol style="list-style-type: none"> <li>1. Assisting Board of Directors to check and review the deficiencies of the internal control systems and estimates the effective and efficiency of operation</li> <li>2. Enacting the annual audit plan according to the result of risk evaluation, as the reference to review the internal control system of the company and its subsidiaries and prepared the audit report.</li> <li>3. Attend in Board of Directors' Meeting and report the operating of auditing.</li> </ol>
General Manager Office	<ol style="list-style-type: none"> <li>1. In charge of coordinating the project planning of the company.</li> <li>2. Planning of short-, mid-, long-term strategy, promoting policies and formulating of regulations.</li> </ol>
Manufacturing Planning Department	<ol style="list-style-type: none"> <li>1. Enacting, handling and executing the manufacturing plans of the company.</li> </ol>
Occupational Safety Office	<ol style="list-style-type: none"> <li>1. Enacting, planning, monitoring and promoting of occupational safety and health management items and guided the related department for implementing.</li> </ol>
Information Technology Department	<ol style="list-style-type: none"> <li>1. To plan, construct, maintain, and operate the company's information management Systems.</li> <li>2. Reduce information and operating risks for the company.</li> </ol>
Management Division	<ol style="list-style-type: none"> <li>1. Creating a safe, comfortable occupational environment; promoting self-health monitoring of employees; preventing of occupational injury, operating of labour and healthy related laws and regulations; and improving the friendly environment of best healthy workplace for the employees.</li> <li>2. Recruitment, training and caring of employees.</li> </ol>
Operational Support Division	<ol style="list-style-type: none"> <li>1. Pollution control, energy management, water resources management, environmental managing system and other prevention measures.</li> <li>2. Management of suppliers and building up relationships with them. Development and Evaluating suppliers.</li> <li>3. Management of raw material and warehousing.</li> </ol>
Finance Division	<ol style="list-style-type: none"> <li>1. Planning and Management of Finance, Accounting, Taxation, share affairs and budget.</li> <li>2. Disclose of annual report, financial related information, expense on environmental protection and expense on charity and other related operation.</li> </ol>

R & D Engineering Division	<ol style="list-style-type: none"> <li>1. Developing and Research innovative products with the development basis of green energy, environmental protection and energy saving.</li> <li>2. Improving of manufacturing process and improving of quality yield.</li> </ol>
Manufacturing Division	<ol style="list-style-type: none"> <li>1. Manufacturing of various integrated circuit and optoelectronic products.</li> <li>2. Caring and educational training of the operating personnel.</li> <li>3. Improving of manufacturing process and improving of quality yield.</li> <li>4. Handling of establishing and use of company' information system, and the connections and application of the systems.</li> <li>5. Introduction of Information systems and automation of connected facilities.</li> </ol>
Business Division	<ol style="list-style-type: none"> <li>1. Expansion of market within domestically and Internationally and Market Analysis.</li> <li>2. Maintaining the relationship with the customers and the services of the operation with the company's business.</li> </ol>
Quality Assurance Division	<ol style="list-style-type: none"> <li>1. Planning and Implementing of Quality Policies.</li> <li>2. Enacted and implementing of continuous improvement in the level and and standards of the quality.</li> </ol>

## 3.2 Directors and Management Team

### 3.2.1 Directors

#### 3.2.1.1 Information of Directors

February 29, 2024 Unit: Shares

Title (Note11)	Nationality	Name	Gender /Age	Date Elected/ Appointed	Term (Year)	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/ Education	Other Position	Executives, Directors or Supervisors who are Spouses or within Two Degree of Kinship			Remark (Note12)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Shu-Chyuan Yeh	Male 61~70	June 10, 2022	3	April 30, 1987	14,526,754 (Note 10)	3.82%	14,626,754 (Note 10)	3.85%	440,866	0.12%	No	No	-Graduated from Department of Psychology, National Taiwan University -Chairman of Lingsen Precision Industrial Co., Ltd.	Note1	No	No	No	No Such Condition
Director	R.O.C.	Tse-Sung Tsai	Male 61~70	June 10, 2022	3	June 12, 2019	100,000	0.03%	222,000	0.06%	No	No	No	No	-Graduate from Department of Physics, Fu Jen Catholic University -General Manager of Lingsen Precision Industrial Co., Ltd.	Note2	No	No	No	No Such Condition
Director	R.O.C.	Ming-Te Tu	Male 51~60	June 10, 2022	3	June 12, 2019	214,829	0.06%	338,829	0.09%	40,320	0.01%	No	No	-Master Degree from Institute of Computer Science and Engineering, National Chung Hsing University Graduated from Inst -Vice President of Lingsen Precision Industrial Co., Ltd.	Note3	No	No	No	N/A
Director	R.O.C.	Sheunn-Ching Yang	Male 71~80	June 10, 2022	3	June 15, 2011	1,303,654	0.34%	1,303,654	0.34%	No	No	No	No	-Graduated from Department of Physics, Chinese Culture University -General Manager of Lingsen Precision Industrial Co., Ltd. -Associates of Siliconware Precision Industries Co., Ltd.	Note4	No	No	No	N/A
Director	R.O.C.	Shu-Hsun Yeh	Male 51~60	June 10, 2022	3	June 10, 2015	275,475	0.07%	444,756	0.12%	No	No	No	No	-Graduated from Tung Nan Jr. College of Technology -General Manager of Long Ting (DongGuan) Decoration Co., Ltd. -Supervisor of Etrend Hightech Co., Ltd.	Note5	Associate	Shu-Hui Yeh	Brothers	N/A
Director	R.O.C.	Pin-Wen Fang	Male 71~80	June 10, 2022	3	June 12, 2019	150,000	0.04%	150,000	0.04%	No	No	No	No	-Department of Industrial Management, Tamsui Commercial Industrial Vocational Senior High School -Chairman of YLiDe Business Administration Consultant Co., Ltd. -Chairman of Ming Yuan Sport Leisure Co., Ltd.	Note6	No	No	No	N/A
Independent Director	R.O.C.	Feng-Hsien Shih	Male 61~70	June 10, 2022	3	June 15, 2016	394,080	0.10%	394,080	0.10%	No	No	No	No	-PhD in Computer Science, University of Maryland -General Manager of Global Mixed-mode Technology Inc. -General Manager of Lingsen Precision Industrial Co., Ltd.	Note7	No	No	No	N/A
Independent Director	R.O.C.	Wan-Ping Chen	Male 71~80	June 10, 2022	3	June 15, 2016	150,000	0.04%	150,000	0.04%	No	No	No	No	-Executive Master of Business Administration, National Sun Yat-Sen University -Chairman of Chang Ruei Investment Corporation	Note8	No	No	No	N/A
Independent Director	R.O.C.	Pin-Chi Wei	Male 51~60	June 10, 2022	3	June 15, 2016	362,000	0.10%	362,000	0.10%	No	No	No	No	-Master of Business Administration, New York University -Director and General Manager of Fu Chu Knitting Co., Ltd. -Director and General Manager of Chin Fu Long Industrial Co., Ltd.	Note9	No	No	No	N/A

<p>Note 1 :</p> <p>Vice President of the Company</p> <p>Chairman of Lee Shin Investment Co., Ltd.</p> <p>Chairman of Lingsen America Inc.</p> <p>Chairman of Nexus Material Co., Ltd.</p> <p>Chairman of Panther Technology Co., Ltd.</p> <p>Chairman and General Manager of Sooner Power Semiconductor Co. Ltd.</p> <p>Chairman of Lingsen Holding (Samoa) Inc.</p> <p>Chairman of Li Yuan Investments Co., Ltd.</p>	<p>Note 8 :</p> <p>Independent director, Chia Yi Steel Co., Ltd( Member of the Audit Committee : Member of the Compensation Committee)</p> <p>Managing Director of Tainan Ji Yi Co. Ltd.,</p> <p>Chairman of Changrui Investment Co., Ltd.,</p> <p>Supervisor of Chang Hong Co., Ltd.</p>
<p>Note 2 :</p> <p>General Manager of the Company,</p> <p>Legal Person Representatives of Lee Shin Investment Co., Ltd.,</p> <p>Legal Person Representatives of Nexus Material Corporation,</p> <p>Legal Person Representative of Panther Technology Co., Ltd.,</p> <p>Legal Person Representatives of Sooner Power Semiconductor Co., Ltd.</p>	<p>Note 9 :</p> <p>Chairman and General Manager of Fu Chu Knitting Co. Ltd.,</p> <p>Chairman and General Manager of Chin Fu Long Industrial Co., Ltd.,</p> <p>Chairman and General Manager of Hwa Kwei Knitting Co., Ltd.,</p> <p>Chairman of Shen Bin Investment limited.</p>
<p>Note 3 :</p> <p>Vice President of the Company,</p> <p>Legal Person Representatives of Lee Shin Investment Co., Ltd.</p> <p>Legal Person Representatives of Nexus Material Corporation,</p> <p>Legal Person Representative of Panther Technology Co., Ltd.,</p> <p>Legal Person Representatives of Sooner Power Semiconductor Co. Ltd.,</p>	<p>Note 10 :</p> <p>5,000,000 shares as pledged shares.</p>
<p>Note 4 :</p> <p>Independent director, JMC ELECTRONICS CO., LTD(Member of the Audit Committee : Member of the Compensation Committee)</p>	<p>Note 11 :</p> <p>Still in position as until the date of the publication and printed of the annual report.</p>
<p>Note 5 :</p> <p>Legal Person Representatives of Feng-Ze Construction Co. Ltd.</p>	<p>Note 12 :</p> <p>Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.</p>
<p>Note 6 :</p> <p>Chairman of YiLDe Business Administration Consultant Co., Ltd. ,</p> <p>Chairman of Ming Yuan Sport Leisure Co., Ltd.</p>	<p>Note13:</p> <p>Main Shareholders of the Directors that are Institutional Shareholders</p> <p>(1) Major shareholders of the institutional shareholder: Not Applicable.</p> <p>(2) Major shareholders of the company's major institutional shareholder: Not Applicable.</p>
<p>Note 7 :</p> <p>Chairman of Jing Hua International Inc.,</p> <p>Chairman of Nian Pei International Co., Ltd.,</p> <p>Chairman, Weishun International Co., Ltd.</p> <p>Director of ETREND High-tech Co., Ltd.</p>	

### 3.2.1.2 Disclosure of information as professional qualifications and independent status of directors and independent directors

Qualification	Professional qualifications and experience	Independent status	Number of other public companies concurrently serving as an independent director
<b>Name</b>			
Shu-Chyuan Yeh	Mr. Yeh is the Chairman of the company. Joined Board from 1987. He is also the Chairman of the company's subsidiaries (a non-public company). He has over 30 years of rich experience in the semiconductor industry. He also has extensive experience in corporate governance affairs.	1. Mr. Yeh is currently the vice president of the company. 2. He is the director of the company's subsidiaries. 3. Not a shareholder that directly holds five percent or more of the total number of issued shares of the company, but the ranking in the top 10 in holdings. 4. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 5. Not been a person of any conditions defined in Article 30 of the company Law.	None
Tse-Sung Tsai	Mr. Tsai is director and General Manager of the company. Joined Board from 2019. He is also the representative director of the company's subsidiaries (a non-public company). He was formerly Vice President of the company which is responsible for developing assembly process technologies. He has over 30 years of rich experience in the semiconductor industry. He also has extensive experience in corporate governance affairs.	1. Mr. Tsai is currently the General Manager of the company. 2. He is the director of the company's subsidiaries. 3. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 4. Not been a person of any conditions defined in Article 30 of the company Law.	None
Ming-Te Tu	Mr. Tu is director of the company. Joined Board from 2019. He is also the representative director of the company's subsidiaries (a non-public company). He is currently the Vice President of the company R & D Engineering Division which is responsible for developing advanced assembly technology. He has over 30 years of rich experience in the semiconductor industry.	1. Mr. Tu is currently the vice president of the company. 2. He is the director of the company's subsidiaries. 3. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company. 4. Not been a person of any conditions defined in Article 30 of the company Law.	None

Qualification Name	Professional qualifications and experience	Independent status	Number of other public companies concurrently serving as an independent director
Sheunn-Ching Yang	<p>Mr. Yang is director of the company. Joined Board from 2011.</p> <p>Mr. Yang was formerly served as our General Manager from March 2008 to June 2019. He is currently served as independent director of JMC ELECTRONICS CO., LTD. (List6552).</p> <p>He has over 30 years of rich experience in the semiconductor industry. He also has extensive experience in corporate governance affairs.</p>	<p>1. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.</p> <p>2. Not been a person of any conditions defined in Article 30 of the company Law.</p>	1
Shu-Hsun Yeh	<p>Mr. Yeh is director of the company. Joined Board from 2015.</p> <p>He was formerly served as the head of Operational Support Division of the company and a Supervisor of ETREND High-tech Corp. (OTC3567).</p> <p>He is experienced in corporate governance.</p>	<p>1. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.</p> <p>2. Not been a person of any conditions defined in Article 30 of the company Law.</p>	None
Pin-Wen Fang	<p>Mr. Fang is director of the company. Joined Board from 2019.</p> <p>He is serves as the chairman of Yi-Li-De Business Administration Consultant Co., Ltd. and Ming Yuan Sport Leisure Co., Ltd. (a non-public company).</p> <p>He is experienced in corporate governance and entrepreneurship.</p>	<p>1. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.</p> <p>2. Not been a person of any conditions defined in Article 30 of the company Law.</p>	None



Qualification Name	Professional qualifications and experience	Independent status	Number of other public companies concurrently serving as an independent director
Feng-Hsien Shih (Audit Committee member)	Mr. Shih is independent director of the company. Joined Board from 2016. He is currently the director of ETREND High-tech Corp. (OTC3567). He also served as a first General Manager of GLOBAL MIXED-MODE TECHNOLOGY INC. (LIST8081 GMT). He has over 30 years of rich experience in the semiconductor industry. He also has extensive experience in corporate governance affairs.	Each independent directors of the company meet the independence requirements stipulated by laws and regulations during the two years before being elected or during the term of office. 1. Not an employee of the Company or any of its affiliates. 2. Not a director or supervisor of the Company or any of its affiliates. 3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Law. 6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. 7. If the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. 8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company 9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the past 2 years. However, serving as a member of the company's Compensation Committee is not subject to this restriction. 10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. 11. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law. 12. Not been a person of any conditions defined in Article 30 of the company Law.	None
Wan-Ping Chen (Audit Committee member)	Mr. Chen is independent director of the company. Joined Board from 2016. He was formerly served as vice president of HONGXING ACCOUNTING. He has extensive experience in finance management fields. He is currently the independent director of CHIA YI STEEL CO., LTD. (OTC2067), the supervisor of Chang Hong Energy Technology Co., Ltd. He is experienced in corporate governance.		1
Pin- Chi Wei (Audit Committee member)	Mr. Wei is independent director of the company. Joined Board from 2016. He is currently the Chairman and General Manager of HWA KWEI KNITTING CO., LTD. and FU CHU KNITTING CO., LTD. HWA KWEI KNITTING CO., LTD. is the leading brand of hosiery's manufacturing industries. He is experienced in corporate governance and entrepreneurship.		None

### 3.2.1.3 Diversity and independent of Board of Directors:

#### (1) Diversity of Board of Directors :

The diversity guidelines and concrete management goals for members of the Board have been set forth in the “Corporate Governance Best Practice Principles” formulated by the company. The composition of the Board takes into account gender, age, nationality and culture, professional knowledge and industry experience as multiple complementarities.

The board of director of the company consists of 9 members, including 3 independent directors. The board is diverse and assisted by independent directors from various professional backgrounds to ensure their duty to exercise proper governance of the board.

The specific management objectives and achievements of the Company's diversification policy

Item	Diversity management objectives	Achievement status
Composition of Seats	In accordance with Article 19 of the company's "Articles of Incorporation": The number of appointed directors shall have no less than three independent directors and the same shall not be less than one fifth of the total number of directors of the Company.	Done
Term	The independent directors shall not hold office for more than 3 terms.	Done
Diverse Professional Skills	Including operational judgment capability, accounting and financial analysis capability, business management capability, risk management capability, industry knowledge, international market outlook, leadership capability, and decision-making capability.	Done

**The implementation status of the board diversity policy is as follows:**

Code of diversity	Basic Requirements				Professional knowledge and capabilities										
	Title	Nationality	Gender	Age			Tenure and seniority of independent directors (less than 9 years)	Employee	operational judgment capability	business management capability	accounting and financial analysis capability	risk management capability	industry knowledge	international market outlook	decision-making capability
				51-60	61-70	71-80									
Name															
Shu-Chyuan Yeh				✓				✓	✓	✓		✓	✓	✓	✓
Tse-Sung Tsai				✓				✓	✓	✓		✓	✓	✓	✓
Sheunn—Ching Yang						✓			✓	✓		✓	✓	✓	✓
Ming-Te Tu								✓	✓	✓		✓	✓	✓	✓
Shu-Hsun Yeh				✓					✓	✓		✓	✓	✓	✓
Pin-Wen Fang						✓			✓	✓		✓	✓	✓	✓
Feng-Hsien Shih					✓			✓	✓	✓		✓	✓	✓	✓
Pin-Chi Wei				✓				✓	✓	✓		✓	✓	✓	✓
Wan-Ping Chen						✓			✓	✓		✓	✓	✓	✓

**Composition of Board members :**

Independent	Age distribution of directors	Years as director	The proportion of directors with employee status
Directors 67% (6persons), Independent directors 33% (3persons)	51~60yrs 34%(3persons) 61~70yrs 33%(3persons) 71~80yrs 33%(3persons)	3~9years 78% (7persons) Exceed 9years 22% (2 persons)	33% (3persons)

**(2) Independence of the board of directors:**

The company's Chief Corporate Governance Officer evaluates the independence and competency of Independent Directors and reports to the Board. The recent year's evaluation result was reported to Board on NOV.06, 2023.

By the end of 2023, all independent directors meet the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission for independent directors, and there is no relationship between the directors of a spouse or within the second degree of kinship. Therefore, complies with the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act. (Please refer to page 10-16 of this Annual Report – 3.2. Directors and Management Team.)

In conclusion, the Board of Directors of the company is independent.

### 3.2.2 Management Team (Information of general manager, vice president, associates, department and branch directors)

February 29, 2024 Unit: Shares

Title (Notes)	Nationality	Name	Gender	Date Elected or Appointed	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or within Two Degrees of Kinship			Remarks (Notes)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C	Tse-Sung Tsai	Male	June 28, 2019	222,000	0.06%	No	No	No	No	*Graduate from Department of Physics, Fu Jen Catholic University	Note 1	No	No	No	No such condition
Vice President	R.O.C	Shu-Chyuan Yeh	Male	June 14, 2005	14,626,754	3.85%	440,866	0.12%	No	No	*Graduated from Department of Psychology, National Taiwan University	Note 2	No	No	No	No such condition
Vice President	R.O.C	Ming-Te Tu	Male	September 20, 2007	338,829	0.09%	40,320	0.01%	No	No	*Master Degree from Institute of Computer Science and Engineering, National Chung Hsing University	Note 3	No	No	No	N/A
Vice President	R.O.C	Chun-Liang Lin	Male	September 20, 2007	60,400	0.02%	No	No	No	No	*Graduated from Department of Management Science, National Chiao Tung University. *Associate of Department of Sales, Orient Semiconductor Electronics Co., Ltd.	No	No	No	No	N/A
Chief Financial Officer	R.O.C	Ming-Wei Lai	Male	September 20, 2007	59,000	0.02%	No	No	No	No	*Graduated from Department of Accounting, National Cheng Chi University *CPAs of the Republic of China *Underwriting Department of Grand Cathay Securities Corporation	Note 4	No	No	No	N/A
Associates	R.O.C	Shu-Huei Yeh	Male	February 1, 2001	50,000	0.01%	No	No	No	No	*Graduated for Department of Industrial and Information Management, National Cheng Gong University *Personnel of Computer Software Design, China Airlines	No	No	No	No	N/A
Associates	R.O.C	Jih-Ming Hsu	Male	September 1, 2006	11,000	0.00%	No	No	No	No	*Executive Master of Business Administration, Tong Hai University *Production Management Department Manager of Etronic Precision Co., Ltd.	No	No	No	No	N/A

Note 1 :

Legal Person Representatives of Lee Shin Investment Co., Ltd.

Legal Person Representatives of Nexus Material Corporation

Legal Person Representative of Panther Technology Co., Ltd.

Legal Person Representatives of Sooner Power Semiconductor Co., Ltd.

Note 2 :

Chairman of the Company

Chairman of Lee Shin Investment Co., Ltd.

Chairman of Lingsen America Inc.

Chairman of Nexus Material Corporation,

Chairman of Panther Technology

Chairman and General Manager of Sooner Power Semiconductor Co., Ltd.

Chairman of Lingsen Holding (Samoa) Inc.

Chairman of Li Yuan Investments Co., Ltd.

Note 3 :

Legal Person Representative as Director of Lee Shin Investment Co., Ltd.

Legal Person Representatives of Nexus Material Corporation

Legal Person Representative of Panther Technology Co., Ltd.

Legal Person Representatives of Sooner Power Semiconductor Co., Ltd.

Note 4 :

Legal Person Representative as Supervisor of Lee Shin Investment Co., Ltd.

Legal Person Representative as Supervisor of Nexus Material Corporation,

Legal Person Representative as Supervisor of Ningbo Li Yuan Technology Incorporation

Independent Director, Member of Remuneration Committee, Member of Audit Committee of VSO Electronics Co., Ltd. [Emerging stocks 6913]

Note 5 :

Still in position as until the date of the publication and printed of the annual report.

Note 6 :

Where the General Manager or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

### 3.3 Remuneration of Directors, General Manager and Vice President in latest year

#### 3.3.1 Remuneration of Directors and Independent Directors (Disclose names and ways of remuneration separately)

Unit: NT\$ in Thousands

Title	Name	Remuneration						Amount and Ratio of Total Remuneration (A+B+C+D) and proportion of Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Amount and Ratio of Total Compensation (A+B+C+D+E+F+G) and proportion of Net Income(%)		Compensation Paid to Director From Non-Consolidated Affiliates or Parent Company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)		Salary, Bonuses and Allowance (E)	Severance Pay (F)	Employee Compensation (G) (Note1)				The Company	From all Consolidated Entities	
		The Company	From all Consolidated Entities	The Company	From all Consolidated Entities	The Company	From all Consolidated Entities	The Company	From all Consolidated Entities			Cash	Stock	Cash	Stock			
Chairman	Shu-Chyuan Yeh	0	3,561	0	0	0	120	132	7,513	0	0	0	0	0	0	7,633	11.206	0
Director	Tse-Sung Tsai	0	0	0	0	0	120	126	4,832	0	0	0	0	0	0	4,952	4,958	0
Director	Ming-Te Tu	0	0	0	0	0	120	126	3,353	0	0	0	0	0	0	3,473	3,479	0
Director	Shu-Hsun Yeh	0	0	0	0	0	120	126	1,492	0	0	0	0	0	0	1,612	1,618	10
Director	Sheunn-Ching Yang,	0	0	0	0	0	120	120	0	0	0	0	0	0	0	120	120	0
Director	Pin-Wen Fang	0	0	0	0	0	120	120	0	0	0	0	0	0	0	120	120	0
Independent Director	Feng-Hsien Shih	360	360	0	0	0	0	0	0	0	0	0	0	0	0	360	360	891
Independent Director	Wan-Ping Chen	360	360	0	0	0	0	0	0	0	0	0	0	0	0	360	360	0
Independent Director	Pin-Chi Wei	360	360	0	0	0	0	0	0	0	0	0	0	0	0	360	360	0
1.The policy, system, standard and construction of independent directors' payment and describe the relevance of the amount of payment according to the factors, such as responsibility, risk and times; Please refer to Page 21 of this annual report																		
2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements and reinvestment companies in the most recent year to compensate directors for their services, such as being independent contractors: The company's remuneration committee consists of three independent director, each member (Feng-Hsien Shih, Wan-Ping Chen, Pin-Chi Wei) received NT\$120,000 .																		

Note 1: Due to the loss in the current year, the Board resolved not to allocate director and employee remuneration on February 26, 2024.

### 3.3.2 Compensation of General Manager and Vice President (Summary in according to the Compensation Level and disclose the names and ways of compensation)

Unit: NT\$ in thousands

Title	Name	Salary (A)		Severance Pay (B) (Note.1)		Bonus, Allowance and etc. (C)		Employee Compensation (D) (Note.2)				Amount and Ratio of Total Compensation (A+B+C+D) and proportion of Net Income (%)		compensation Received from Non-Consolidated Affiliates or Parent Company
		The Company	From all Consolidated Entities	The Company	From all Consolidated Entities	The Company	From all Consolidated Entities	The Company		From all Consolidated Entities		The Company	From all Consolidated Entities	
								Cash	Stock	Cash	Stock			
General Manager	Tse-Sung Tsai													
Vice President	Shu-Chyuan Yeh													
Vice President	Ming-Te Tu	17,155	17,155	216	216	4,478	4,478	0	0	0	0	21,849 -13.96%	21,849 -13.96%	0
Vice President	Chun-Liang Lin													
Chief Financial Officer	Ming-Wei Lai													

### Range of Remuneration

Range of Remuneration	Names of General Manager and Vice President	
	The Company	From all Consolidated Entities
NT\$ 0 ~ NT\$ 999,999		
NT\$ 1,000,000 ~ NT\$ 1,999,999		
NT\$ 2,000,000 ~ NT\$ 3,499,999	Ming-Te Tu Chun-Liang Lin Ming-Wei Lai	Ming-Te Tu Chun-Liang Lin Ming-Wei Lai
NT\$ 3,500,000 ~ NT\$ 4,999,999	Tse-Sung Tsai	Tse-Sung Tsai
NT\$ 5,000,000 ~ NT\$ 9,999,999	Shu-Chyuan Yeh	Shu-Chyuan Yeh
NT\$ 10,000,000 ~ NT\$ 14,999,999		
NT\$ 15,000,000 ~ NT\$ 29,999,999		
NT\$ 30,000,000 ~ NT\$ 49,999,999		
NT\$ 50,000,000 ~ NT\$ 99,999,999		
NT\$ 100,000,000 and above		
Total	5	5

Note 1: This is the retirement pension required by law.

Note 2: Due to the loss in the current year, the Board resolved not to allocate employee remuneration on February 26, 2024.

### 3.3.3 Remuneration paid to top five management personnel

Title	Name	Salary (A)		Severance Pay (B) (Note1)		Bonus, Allowance and etc. (C)		Employee Compensation (D) (Note2)				Amount and Ratio of Total Compensation (A+B+C+D) and proportion of Net Income (%)		compensation Received from Non-Consolidated Affiliates or Parent Company
		The Company	From all Consolidated Entities	The Company	From all Consolidated Entities	The Company	From all Consolidated Entities	Cash	Stock	Cash	Stock	The Company	From all Consolidated Entities	
Vice President	Shu-Chyuan Yeh	5,994	5,994	0	0	1,519	1,519	0	0	0	0	7,513 -4.80%	7,513 -4.80%	0
General Manager	Tse-Sung Tsai	3,794	3,794	0	0	1,038	1,038	0	0	0	0	4,832 -3.09%	4,832 -3.09%	0
Associate	Shu- Hui Yeh	1,318	3,036	76	76	249	249	0	0	0	0	1,643 -1.05%	3,361 -2.15%	0
Vice President	Ming-Te Tu	2,591	2,591	0	0	762	762	0	0	0	0	3,353 -2.14%	3,353 -2.14%	0
Chief Financial Officer	Ming-Wei Lai	2,397	2,397	108	108	587	587	0	0	0	0	3,092 -1.98%	3,092 -1.98%	0

Note 1: This is the retirement pension required by law.

Note 2: Due to the loss in the current year, the Board resolved not to allocate employee remuneration on February 26, 2024.

### 3.3.4 Managers with Employee Remuneration Distribution

December 31, 2023  
Unit: NT\$ in thousands

Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
<b>Managers</b>	General Manager				
	Vice President				
	Vice President				
	Vice President				
	Chief Financial Officer				
	Associates				
	Associates				
	Tse-Sung Tsai				
	Shu-Chyuan Yeh				
	Ming-Te Tu				
	Chun-Liang Lin	0	0	0	0.00%
	Ming-Wei Lai				
	Shu-Huei Yeh				
	Jih-Ming Hsu				

Note 1: The Manager in position as until Dec.31, 2023.

**3.3.5 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general managers, and vice president , and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.**

- (1) Analysis on the total remuneration paid to the directors, general managers and vice presidents of the company in the past two years as a ratio to the net income for parent company only financial statement or individual financial statement

Unit: NT\$ in thousands

Title	Year 2022				Year 2023			
	The Company		From all Consolidated Entities		The Company		From all Consolidated Entities	
	Total remuneration	Ratio to net profit after tax	Total remuneration	Ratio to net profit after tax	Total remuneration	Ratio to net profit after tax	Total remuneration	Ratio to net profit after tax
Director	28,171	13.59%	31,707	15.30%	18,990	-12.14%	22,581	-14.43%
General Manager and Vice President	28,346	13.67%	28,346	13.67%	21,849	-13.96%	21,849	-13.96%



- (2) The policy, standards and packages of remunerations, the procedures for such decisions and relation to business performance and future risks.
- A. Remuneration to the company's directors are distributed in accordance with the Articles of Incorporation and the law, after referencing industry standards in Taiwan and overseas, the length of the tenure of related members, actual participation, and contributions. Remunerations are summarized as follows:
- Independent director: Receives fixed remuneration on a monthly basis regardless of the company's profit or loss, and not participate in earning distribution.
  - Non-independent director: Calculated and distributed based on the director's performance evaluation items (e.g. attendance in board meetings and shareholders' meetings and continuing education), length of tenure, actual participation, and contributions in accordance with the company's Articles of Incorporation and the law, after referring to industry standards in Taiwan and overseas, provided that it does not exceed 2% of profits after deducting accumulated losses.
- B. A monthly travel allowance for Non-Independent director.
- C. The company annually evaluates its salary and the salary structure. The salary can be divided into fixed and variable. Fixed compensation is determined by basing on job duties and position. Variable compensation is based on the execution and achievement status of the operating objectives that the manager is responsible. Evaluation items, which include financial indicators (e.g. revenue and profits), and sustainability indicators, including increasing revenue proportion of sustainable products, minimize environmental footprint. In recent years, the company is committed to the advancement of ESG, therefore, ESG key performance indicators is added to variable compensation gradually.
- D. Others:
- With consideration to future changes in the economic environment, remuneration paid to our management team will be carefully established in accordance with the law, based on business performance and future risks, as well as industry standards in Taiwan and overseas.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Operation of the Board of Directors

##### 3.4.1.1. Duties of Board of Directors

The company elected the 20<sup>th</sup> Board of Director on the shareholders' meeting on June 10, 2022, including 9 directors (with 3 independent directors). The member of the board of directors shall base on the premise of loyal, cautious and highly aware of the company's interest. The members of the board of directors shall perform their duties on significant matters, such as evaluating the company's operating strategies, risk management, annual budget, business performance and invigilating major capital expenditure, merger, acquisitions, investment, disposal and others. The member of the board of directors shall ensure the accuracy of the accounting system and financial statements to prevent the behavior of the board members to harm the company or the board members' interest conflicts with the shareholders. The board of directors shall elected carefully, invigilating the management team, make objective judgement to the company affairs and elected the suitable internal audit supervisor to ensure the effectiveness of the internal control system, and to prevent any abuses and corruption.

The company convenes a board of directors' meeting at least once per quarter, currently. The management team report to the board of directors with regards to the operating performance and the board of directors making decisions on the company's future operating directions and major policies. Under the board of directors, there are audit office, audit committee and remuneration committee of reviewing the senior managers' compensation. With the review and suggestions of audit office, audit committee and remuneration committee, reported to the board of directors and assisting the board of directors in decision-making.

##### 3.4.1.2 The principle of avoiding interest conflicts

The company enacted Rules of Procedure in accordance to the Regulation Governing Procedure for Board of Directors Meetings of Public Company. Directors were avoided themselves within discussions and voting related to their interest.

##### 3.4.1.3 Information on the operating condition of the Board of Directors

A total of 5 meetings of the Board of Directors were held in 2023.

The attendances of directors were shown in the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%) (Note)	Remarks
Chairman	Shu-Chyuan Yeh	5	0	100%	
Director	Tse-Sung Tsai	5	0	100%	
Director	Ming-Te Tu	5	0	100%	
Director	Sheunn-Ching Yang	5	0	100%	
Director	Shu-Hsun Yeh	4	1	80%	
Director	Pin-Wen Fang	5	0	100%	
Independent Director	Feng-Hsien Shih	5	0	100%	
Independent Director	Wan-Ping Chen	5	0	100%	
Independent Director	Pin-Chi Wei	3	2	60%	

**Other Matters to be recorded:**

1. If any of the following circumstances occurs in the operation of the Board of Directors' meeting, please indicate the date of the Board of Directors' meeting, the session number, the contents of the motion, the opinions of all independent directors and the company's handling of the opinions of the Independent Director:
  - (1) Matters listed in Article 14-3 of the Securities and Exchange Act :  
The Securities and Exchange Act §14-3 is not applicable because the company has established the Audit Committee. For relevant information, please refer to the "The operation of the audit committee" in this Annual Report.
  - (2) Other than the aforementioned matters, any other matters approved by the Board of Directors which an independent director expresses an objection or reservation that has been included in records or stated in writing:  
None
2. For the situation where a director avoids a motion related to his/her own interest, please specify the directors' name, the contents of the motion, the reason for the avoidance of interest and the voting result :  
Please refer to Note 2 for details.
3. The evaluation cycle and period of the board's self-evaluation, scope, method and content of the self-evaluation of the Board of Directors, please refer to the execution situation of assessment of the Board of Directors :  
Please refer to Note 3 for details.
4. The goals for strengthening the board's functions in the current and the recent year (e.g. establishment of an Audit Committee, promotion for information transparency, etc.) and assessment of the implementation:
  - The board members continuously attending training courses related to corporate governance to strengthening the functions of the board and to promote communication and interaction.  
Training courses attending by the Board of Directors please refer to Page 50-51 of this annual report.
  - Improve the disclosure timeliness in financial statements and enhance non-financial and ESG information disclosure.

**Note1 :** The actual attendance rate (%) is calculated by the number of Board of Director's meeting convened and the numbers of actual meeting attend when in position.

**Note2 : Implementation of directors' avoidance of motions in conflict of interest**

Date/Term of the Board meeting	Content of motion	Name of directors	Causes for avoidance	Participation in voting
2023.08.07 The 8th meeting of the 20th Term	Approved 2022 remuneration allocation proposal for the Managerial officers.	•Shu-Chyuan Yeh •Tse-Sung Tsai •Ming-Te Tu	Related persons. They are the receivers of the Content.	The concerning director did not participate in discussions and voting. The remaining directors unanimously approved it.
	Approved 2022 performance bonus allocation proposal for the Managerial officers	•Shu-Chyuan Yeh •Tse-Sung Tsai •Ming-Te Tu	Related persons. They are the receivers of the content.	The concerning director did not participate in discussions and voting. The remaining directors unanimously approved it.

**Note3: Implementation Status of Board Evaluations**

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annual Internal self-evaluation	From Jan. 1, 2023 To Dec.31,2023	The Board of Directors as a whole	Internal evaluation of the Board of Directors	The Board of Directors are assessed on the following five aspects: 1. Involvement in the company's operation ; 2. Enhancement to the quality of the board's decision- making; 3. Makeup and structure of the board; 4. Election of board members and continuous knowledge development; and 5. Internal controls.
		The Individual Directors	Self-evaluation by each board member	The Individual Directors are assessed on the following six aspects: 1.Understanding of the company's goals and missions; 2. Awareness of director's duties ; 3. Involvement in the company's operation ; 4. Internal relationships and communication; 5. The director's professionalism and knowledge development; 6. Internal controls.
		Functional committees (including Audit Committee, Remuneration Committee)	Self-evaluation of the Functional committee	The Functional committees are assessed on the following five aspects: 1.Involvement in the company's operation; 2.Awareness of the Functional committee's duties; 3.Enhancement to the quality of the Functional committee's decision-making; 4.Makeup of the Functional committee and election of its members; 5 .Internal controls.

The company completed self-assessments of Board performance in 2023 and reported the results to the Board of Directors at the company's first quarter meeting in 2024 for review and improvement. The weighted average score for the overall performance of the Board of Directors is 4.34 out of 5. The weighted average score for the performance of individual directors is 4.48 out of 5. As demonstrated, the overall board's operation has been effective.

The weighted average score for the overall performance of the Audit Committee is 4.86 out of 5 and the Remuneration Committee is 4.84 out of 5. Each Functional committee is fully aware of the scope of its responsibilities and performs its functions efficiently and effectively, meeting applicable laws and regulations.

### 3.4.2 The operation of the audit committee

#### 3.4.2.1 The duties of Audit Committee

The Audit Committee assists the Board of Directors in performing its supervision functions and also responsible for tasks defined by the Company Act, Securities and Exchange Act and other relevant laws and regulations. The Audit Committee is comprised of three independent directors, all members' professionalism requirements and experience, please refer to page 10~11 on 3.2.1.1 Information of directors and page 12~14 on 3.2.1.2 Disclosure of information on professional qualifications of directors and independence of independent directors of this annual report. According to the relevant regulations, the Audit Committee shall convene at least once per quarter.

The duties of Audit Committee, as follows:

- (1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) Assessment of the effectiveness of the internal control system.
- (3) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (4) Matters in which a director is an interested party.
- (5) Asset transactions or derivatives trading of a material nature.
- (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) The offering, issuance, or private placement of equity-type securities.
- (8) The hiring or dismissal of a certified public accountant, or their compensation
- (9) The appointment or discharge of a financial, accounting, or internal audit officer.
- (10) Financial reports.
- (11) Any Other Material Matter so Required by the Company or the Competent Authority.

#### 3.4.2.2 Annual Operation of Audit Committee

The Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to the company's internal auditors, independent auditors and the Chief Corporate Governance Officer of the company. The Audit Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate. The Audit Committee Charter is available on the company's website. The term of the Audit Committee starts from June 10, 2022 to June 09, 2025.

There are 5 meetings convened in the Year 2023. The attendances of the independent directors were as follows:

Title	Name	Attendance in person	By Proxy	Attendance Rate (%) (Note1)	Remarks
convener and Chairman (Independent Director)	Feng-Hsien Shih	5	0	100%	
Member (Independent Director)	Wan-Ping Chen	5	0	100%	
Member (Independent Director)	Pin-Chi Wei	4	1	80%	
Other mentionable items: 1. If any of the following circumstances occur, the dates of Audit meetings, sessions, contents of motion, Independent director's opinions or objections, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified: (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: Please refer to Note 2 for details. (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None. 2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None. 3. Communication between the independent directors and the internal audit supervisor and accountants (shall include the major issues, methods and results of the company's financial and business conditions: Please refer to Note 3 for details.					

Note1 : The Actual Attendance Rate is calculated by the number of times the audit committee convene the meeting while the directors were in position and the actual number of company meeting Attend.

**Note2 : Matters referred to in Article 14-5 of the Securities and Exchange Act**

Date of the Audit Committee (session)	Content of motion	Independent director's opinions or objections	Resolution of the Audit Committee and The Company's response to the Audit Committee's opinion
2023.02.23 The 4th meeting of the 3rd Term	<ol style="list-style-type: none"> <li>1. Approved the engagement and remuneration of the company's external auditor and monitors the independence and suitability by conducting the AQI standards.</li> <li>2. Approved the 2022 Business Report, Financial Statement (including consolidated financial statement).</li> <li>3. Approved the company's 2022 internal control system statement.</li> <li>4. Approved of amendments to the company's "Audit committee charter".</li> <li>5. Approved the amount of endorsements or guarantees made for subsidiary</li> <li>6. Approved the amendment to the company's internal control system and internal audit implementation rules.</li> </ol>	None	<p>Approved by all Committee members present in the meeting.</p> <p>Submitted the 5th meeting of the 20th Term of the Board of Directors for resolution and proceed in accordance with the resolution of the Board.</p>
2023.02.23 The 5th meeting of the 3rd Term	<ol style="list-style-type: none"> <li>1. Approved the company's 2022 Business Report and proposal for earnings distribution.</li> </ol>		<p>According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, the Audit Committee reviewed the various statements prepared by the board. Then submit an Audit Committee's Review Report at the meeting of shareholders.</p>
2023.05.08 The 6th meeting of the 3rd Term	<ol style="list-style-type: none"> <li>1. Approved the first Quarter 2023 consolidated financial statements.</li> </ol>		<p>Approved by all Committee members present in the meeting.</p> <p>Submitted the 6th meeting of the 20th Term of the Board of Directors for resolution and proceed in accordance with the resolution of the Board.</p>
2023.08.07 The 7th meeting of the 3rd Term	<ol style="list-style-type: none"> <li>1. Approved the Non-Assurance Services of the company's CPAs.</li> <li>2. Approved the increase in capital to the subsidiaries.</li> <li>3. Approved the second Quarter 2023 consolidated financial statements.</li> </ol>		<p>Approved by all Committee members present in the meeting.</p> <p>Submitted the 8th meeting of the 20th Term of the Board of Directors for resolution and proceed in accordance with the resolution of the Board.</p>
2023.11.06 The 8th meeting of the 3rd Term	<ol style="list-style-type: none"> <li>1. Approved the amendment to the company's internal control system and internal audit implementation rules.</li> <li>2. Approved the company's endorsements and guarantees.</li> <li>3. Approved the third Quarter 2023 consolidated financial statements.</li> </ol>		<p>Approved by all Committee members present in the meeting.</p> <p>Submitted the 9th meeting of the 20th Term of the Board of Directors for resolution and proceed in accordance with the resolution of the Board.</p>

**Note3: Communication status between independent directors, internal audit supervisor and CPAs****1. Communication policy**

- (1) Close meeting between independent directors and internal audit supervisor and CPAs
  - Convene at least once per year. Report and communications on key audit matter.
  - CPAs present the audit plan and audit resulting (including significant accounting policies, critical accounting judgments and key sources of estimation and uncertainty).
- (2) Regular meeting between independent directors and internal audit supervisors (convene at least once per year)
  - Internal audit plan.
  - Report on the performance of internal audit execution.
  - Training plan.
- (3) CPAs present the findings of their review or audit reports during the Audit Committee meetings at least once a year.
- (4) The Internal audit supervisors, CPAs and Independent directors can contact or to convene a meeting as needed.

**2. The communication between the independent directors, internal auditing supervisor and CPAs in 2023.**

Date	Attendees	Item of communication	Results of communication
2023.02.23 Audit Committee	•Independent directors: Feng-Hsien Shih Wan-Ping Chen Pin-Chi Wei •Internal audit supervisor: Zhi-wei Yang	1. 2022 Internal Control Statement. 2. Report and communications on the amendment to the company's internal control system and internal audit implementation rules.	Item 1~2 No objections from the independent directors.& submitted to the Board for resolution.
2023.11.06 Closed door meeting	•Independent directors: Feng-Hsien Shih Wan-Ping Chen Pin-Chi Wei •CPA: Shu-Chin Chiang •Internal audit supervisor: Zhi-wei Yang	1. Internal audit supervisor present (1) Report on 2024 internal audit plan. (2) Report on internal audit execution. (3) Report on Training status. (4) Report on Corporate Governance Evaluation.  2. CPA present (1) Report the results and major review matters of 2023 Q3 financial report. (2) Report on the planning key audit matters of 2023. (3) Independence Statement. (4) Report of regulatory developments, Introduction to IFRS S1 / S2	1. No objections from the independent directors & submitted to the Board for resolution.  2. No objections from the independent directors.
2023.11.06 Audit Committee	•Independent directors: Feng-Hsien Shih Wan-Ping Chen Pin-Chi Wei •CPA: Shu-Chin Chiang •Internal audit supervisor: Zhi-wei Yang	1. 2023 Q3 financial report. 2. Report and communications on the amendment to the company's internal control system and internal audit implementation rules.	Item 1~2 No objections from the independent directors & submitted to the Board for resolution.

### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Description	
1. Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?	V		The “Corporate Governance Best Practice Principles” of the Company has been established with the “Corporate Governance Best Practice Principles for TWSE”, and disclosed on the Company’s Website.	No material differences
2. The Company’s 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?	V		(1) To ensure the benefits and interests of the shareholders, the company set up the spokesperson and the deputy spokesperson, in addition with agent for stock affairs to deal with shareholders’ suggestions, doubts, disputes and litigation matters. If consists of legal issues it will be handled by the legal affairs of the company.	No material differences
(2) Does the company have a list of ultimate controllers of the major shareholders and major shareholders of the actual control company?	V		(2) The company keeps grasping the list of shareholders who hold more than 5% or top 10 shareholding of the company, and disclose the shareholding status of the directors, managers and major shareholders with shareholding more than 10%.	No material differences
(3) Does the company establish implement and control the risk control and firewall mechanism between the enterprises?	V		(3) The business transactions are conducted in compliance with the company’s internal control system and the relevant requirements. For strengthening the control mechanism, the “Procedures for Financial Interactions between Affiliates” are regulated with proper risk control.	No material differences
(4) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market to buy and sell securities?	V		(4) The company enacted “Management Operation of Preventing Insider Trading”, “Code of Ethical Conduct” and other regulations to prevent insider trading occurred in the company.  In addition, the company has provided the directors with information on the prohibition of insider trading and the related Q&A materials from the competent authority, and issued a notification letter on the closed period before announcing the quarterly or annual financial statements to remind the directors to avoid violating the regulations related to insider trading.  At the same time, the company also conducts the publicity on the company’s Website to remind all employees to comply with the Procedures for the Prevention of Inside.	No material differences
3. The composition and duties of the Board of Directors				
(1) Does the Board of Directors formulate a diversified policy, specific management goals and implement it in terms of membership?	V		(1) The company enacted the diversified policy for the composition of the board members in the “Corporate Governance Best Practice Principles”, for related policies, actual goals and implementation please refer to page 15~16 of the annual report.	No material differences
(2) Does the company voluntarily set up other functional committees in addition to the Remuneration committee and the Audit Committee?	V		(2) The company has established the remuneration committee and the audit committee under the board of directors. The company established internal committees such as occupational safety and health committee, environmental	Depends on the future operating condition and the scale of the company.



Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Brief Description	
( 3 ) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for re-election?	V		<p>management committee (is formed by the company's management team and chaired by General Manager) to executing the related risk management activities. For other remaining issues of corporate governance are handled by the relevant internal units.</p> <p>(3) In order to implement corporate governance and to enhance the functions of the company's board of directors. The company has formulated the rules for Performance Evaluation of the Board of Directors. The company conducted the annual internal performance assessment of the entire board and its function committees (including Audit Committee, Remuneration Committee) and individual board members every year. Please refer to Page 25 of this annual report for the Implementation Status of Board Evaluations.</p>	No material differences
( 4 ) Does the company regularly evaluate the independence of CPAs?	V		<p>(4) The Audit Committee annually evaluates the independence and competency of CPAs by conducting the following evaluation standards and reports the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. The auditor provide "declarations of impartiality and independence"</li> <li>2. The Audit Committee pre-approves all audit and non-audit services conducted by the auditor to ensure that the non-audit services do not influence the results of the audit.</li> <li>3. Annually evaluate the independence and competency of the external auditor based on the results of the auditor survey and the Audit Quality Indicator (AQIs) released by Financial Supervisory Commission (FSC) regarding its financial interests, commercial relations, employment relations, etc.</li> </ol> <p>Evaluation results:</p> <ol style="list-style-type: none"> <li>1. The independence of CPAs is in compliance with the Norm of Professional Ethics for CPA of ROC, and other relevant regulations.</li> <li>2. There is no violation of independence found.</li> </ol> <p>The recent year's evaluation result of the CPAs independence was approved by the Board on FEB.23, 2023.</p>	No material differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Brief Description	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		<p>The Board of Directors appointed Mr. Ming-Wei Lai, the CFO of the company, as the Chief Corporate Governance Officer on May 6, 2021.</p> <p>The Chief Corporate Governance Officer has been in a managerial position for at least three years in a public company in handling financial and stock affairs, corporate governance matters.</p> <p>The Chief Corporate Governance Officer is responsible for dealing with the following matters:</p> <ol style="list-style-type: none"> <li>1. Handling matters relating to Board, Audit Committee, Remuneration Committee and shareholders Meeting.</li> <li>2. Producing minutes of Board meetings and shareholders meetings.</li> <li>3. Assisting in on boarding and continuous development of directors.</li> <li>4. Furnishing information required for business execution by directors.</li> <li>5. Assisting directors with legal compliance.</li> <li>6. Reporting the results of whether the qualifications of independent directors comply with relevant laws and regulations when nominating and electing directors and during their term of office.</li> <li>7. Conducting matters related to changes of directors.</li> <li>8. Other matters described or established in the articles of incorporation or contract.</li> </ol> <p>The Chief Corporate Governance Officer has performed the professional training in accordance with laws and regulations.</p> <p>For continuing education/training of Corporate Governance Officer, please refer to pages 51 of this annual report.</p>	No material differences
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>Depending on the situation, the company's spokesperson, human resourced organization, procurement department and operations (customer service) department will communicate with stakeholder. We also have publicly disclosed the contact information of our corporate spokesperson and relevant departments.</p> <p>Also, we have a stakeholder section on our corporate Website to address our Corporate Social Responsibility and other issues. For details, please refer to "Interactions with Stakeholder and operation" of the company's Sustainability Report.</p>	No material differences
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company appointed the professional stock affairs institutes, Transfer Agency Department, CTBC Bank for the holding of shareholders' meeting.	No material differences
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		<p>(1) The condition of the company disclosing its financial information and information on corporate governance : (<a href="https://www.lingsen.com.tw">https://www.lingsen.com.tw</a>)</p> <p>(1) The condition of disclosing financial information: The website of the company set with the stakeholders' zone, regularly updated financial information for our investors.</p> <p>(2) The disclosure of business operating: The company has been s built website with the</p>	No material differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Brief Description	
<p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed deadline?</p>	V		<p>introduction of the company's product and provide immediate product information.</p> <p>(3) The condition of disclosing corporate governance: The significant internal regulations were disclosed on the company's website.</p> <p>(2) The company has set up an English Language website with the person who is responsible for gathering and disclosing company information. The company put in practice of the spokesperson system, announcement shall be made to the public by the spokesperson and deputy spokesperson. The presentations and videos of conference will also be disclosed in the investor section of the company website for the reference of shareholders and relevant stakeholders.</p> <p>(3) The company follows relevant laws and regulations to announce its monthly operation results within the prescribed deadline. And announce the quarterly and annual financial statements before the prescribed deadlines. The company's announcement of the 2023 annual financial statements was completed on Feb.26, 2024. Please refer to Market Observation Post System for the aforementioned disclosure.</p>	<p>No material differences</p> <p>No material differences</p>
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		Please refer to Page 50 (3.4.8) "Any other material of information that would afford a better understanding of the status of the company's implementation of corporate governance" of this annual report.	No material differences
<p>9. Please Explain the Improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and Provide the Priority Enhancement Measures:</p> <p>The Improvements on Corporate Governance in 2023 are as follows:</p> <p>The company held the 2023 Annual General Meeting before the end of May, 2023 to improve Corporate Governance continuously. Based on gender equality, the company will increase the female director seats progressively.</p>				

### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### 3.4.4.1 Duties of Remuneration Committee

The purpose of the operation of remuneration committee is to enhance corporate governance and risk management, as well as motivate and retain talents, and evaluate and invigilate the compensation and remuneration system for the directors and managers. According to the regulations, more than half of the members of the remuneration committee shall be the independent directors, and the entire members shall elect an independent director as the convener and chairman of the meeting.

The company's remuneration committee consists of three independent directors. The committee is operating under the "Remuneration Committee Charter", the meeting shall be convened twice per year, and with the following duties:

- (1) Regular review on the "Remuneration Committee Charter" and provides opinions of amendment.
- (2) Establishing and regular review on the annual and long-term performance goals of the directors and managers, as well as the policies, system, standard and structure of the remuneration and compensation.
- (3) Regular evaluation on the performance status of the directors and managers performance goals and determine the content and amount of individual compensation and remuneration.

#### 3.4.4.2. Professional Qualifications and Independence Analysis of Remuneration Committee Members

February 29, 2024

Identity (Note1)	Criteria Name	Professional qualifications and experience	Independent status	Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director (Convenor)	Feng-Hsien Shih	• Meet Article 5(1) of "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". -They all have work experience in the area of commerce, law, finance, accounting, or otherwise necessary for the business of the company.	• Meet Article 6(1) of "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".	None
Independent Director	Wan-Ping Chen	• Regarding qualifications and experience of Independent directors, please refer to "Chapter III. Corporate Governance Report 3.2 Directors and Management Team 3.2.1 Directors" of the annual report.	• Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.	1
Independent Director	Pin-Chi Wei		• Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act  • Not been a person of any conditions defined in Article 30 of the Company Act.	None

### 3.4.4.3 Operation condition of the Remuneration Committee

- (1) The annual operational highlight of the company's Remuneration Committee: approving the directors' compensation, efficient of the manager, review on remuneration framework, performance of the managers, approval of bonuses and reviewing the remuneration committee charter.
- (2) There are 3 members of the Remuneration Committee
- (3) The term of the current members of the Remuneration Committee: June 10, 2022 to June 09, 2025.

Total of 2 (A) meetings convened in the Year 2023 and the qualifications and attendance of member are as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Feng-Hsien Shih	2	0	100%	
Member	Wan-Ping Chen	2	0	100%	
Member	Pin-Chi Wei	1	1	50%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee: None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing: None.

### 3.4.4.4 Discussion High-lights on the Remuneration Committee meetings in year 2022 to the date of the publication and printed of the annual report

Date of the Remuneration Committee (session)	Content of motion	The resolution made by the remuneration committee and the company's handle to the opinion of the remuneration committee
2023.02.23 The 3rd meeting of the 5th Term	1. The allocation proposal of remuneration for employees and directors for 2022.	All members present at the meeting had no objections.
2023.08.07 The 4rd meeting of the 5th Term	1. The distribution proposal of remuneration for employees for 2022. 2. The distribution proposal of performance bonus for the Managerial officers for 2022.	Submitted to the Board of Directors for approval by all the directors in attendance.

### 3.4.4.5 Information on the members of the Nomination Committee and its operating status: Not applicable.

### 3.4.5 Promotion of sustainable development and Deviations from the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Company establish a governance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors?	V		Corporate sustainability committee serves as the company's top governance body for sustainable development. The Committee is formed by the company’s management team and chaired by General Manager. The General Manager Office supervisor is responsible for the committee operation  The CSR Committee meets regularly to determine the company's sustainable governance strategy and goals, and also reports to the Board of Directors annually on the sustainable performance and plans, and key issues. The Board plays a supervisory role, reviewing the progress of the strategy annually. The main points of the proposal reported to the Board on NOV. 06, 2023 and FEB. 26, 2024 include: 1. ESG activities and achievements and future focus. 2. Climate-related information implementation status. 3. Information security status. 4. Intellectual property rights status. 5. Integrity management status.	No material differences
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?			Please refer to Evaluation Item 7. Other useful information for explaining the status of corporate social responsibility practices (Page 38 ~39).	No material differences
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries ? (2) Does the company endeavour to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues? (4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V  V  V  V		The company has established environmental management systems in accordance with ISO 14001 and continue to obtain third-party verification. The company combines daily management and comprehensive quality management activities, and incorporates environmental safety management plans into actual plant operations to achieve implementation goals.  In addition to regular audits to ensure compliance with statutory requirements, the company formulates a plan on pollution prevention and equipment improvement and promotion every year, and sets up the annual objectives in order to effectively reduce pollution emissions and review the environmental management system in a timely manner. The energy management measure is as follows:	(1)~(4) No material differences

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			<p>1. Energy-saving and carbon reduction initiatives</p> <p>(1) Replace old equipment to improve energy efficiency.</p> <p>(2) Promote various energy-saving measures.</p> <p>(3) Install solar photovoltaic system</p> <p>2. Water-saving initiatives</p> <p>(1) Striving for water-saving measures.</p> <p>(2) Effluent quality monitoring and optimization.</p> <p>(3) Replacement, renewal, and upgrade of existing pollution prevention equipment and water-use optimization.</p> <p>3. Waste-reduction initiatives</p> <p>(1). Utilize energy and resources effectively.</p> <p>(2) Implement source management measures to reduce the negative environmental impact of products.</p> <p>The Implementation please refer to climate-related information on page 40~45 of this Annual Report.</p>	
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?</p> <p>(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?</p> <p>(4) Does the company provide its employees with career development and training sessions?</p> <p>(5) Does the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?</p>	V	V	<p>(1) to (4)</p> <p>Please refer to Labour Relationship under Chapter V. Operational Highlight (Page 74 ~78).</p> <p>(5) For customer satisfaction enhance, the company provides customer complaints solutions with a regular review and the quality of response. For consumer protection mechanisms, in order to strictly customer-related information, the company has established document management procedure. Therefore, the company can prevent leakage of customer document. To implement the privacy protect and effectively maintain information security, the company has introduce information technology and improve management mechanisms continuously.</p>	<p>(1)~(6)</p> <p>No material differences</p>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		(6) Based on the company's supplier review guidelines, for achieving a supply chain with fulfill environmental protection, social responsibility, labor and human right, safety and health. For the details, please refer to the company's Sustainability Report on the website.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	V		The company has been publishing CSR Report since 2013. The CSR Report are based on GRI Standards, while responding to Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, Sustainable Development Goals (SDGs).	No material differences
6. Describe the difference, if any, between actual practice and the Sustainable Development principles, if the company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:  No material differences				



7. Other useful information for explaining the status of sustainable development practices:

The company upholds the core concept of sustainability operation and values stakeholder management and communication. A strong emphasis is also placed on the realizing of financial and non-financial performance. The Company's core strategy is to realize sustainability vision through "creating shared values, symbiosis with the environment, and social honor".

(1) Sustainability policy

In accordance with international trends and the relevant standards, the Company sustainability policy spread across the three aspects of governance, environment, and society. The policy not only serves as the ultimate guide for the sustainable development of the company but also complements the Sustainable Development principles that the Company has publicly committed to in its pursuit of sustainability.

The company adopts the sustainable management concept that advocates for the balanced development between enterprise operation and environmental sustainability and is committed to inputting more resources into the environmental and social issues while emphasizing corporate growth. The Company embeds the UN's Sustainable Development Goals into our core strategies.

We are highly focused on environmental issues such as climate change and the consumption of Earth's resources and helping disadvantaged groups. Balance business growth with the diversified development of key stakeholders to achieve inclusive growth.

(2) Enterprise Risk Identification

The Company values stakeholder communication and their feedback.

The ESG strategy and risk assessment of the company, including all sites of the company, are in compliance with the GRI Standards.

Environmental Issues

Risk Items	* Climate change	* Carbon management & Greenhouse Gas inspection	* Air pollution management	* Recycling management	* Water resource management
Related risk management Policies and Strategy	<ol style="list-style-type: none"> <li>Collect and analyze information on climate change issues every year, identify and evaluate related risks, and formulate preventive measures for major potential risks to reduce the negative impact that climate change may bring to the company.</li> <li>Pay attention on international climate change issues and formulate energy consumption reduction plans.</li> </ol>	<ol style="list-style-type: none"> <li>In response to climate changes, colleague are encouraged to propose specific improvement plans for greenhouse gas emission</li> <li>Invest in the development of green products to reduce the carbon emissions of the production process.</li> <li>Carry out carbon footprint, set reduction targets, and propose effective carbon reduction improvement plans.</li> </ol>	<ol style="list-style-type: none"> <li>In accordance with the principle of BACT, continue to review and improve according to the process characteristic.</li> <li>Implements regular equipment maintenance to ensure optimal performance, and as well as conducting training to the staff.</li> <li>Ensure the preventive equipment keep normal operation and avoid abnormal events.</li> </ol>	<ol style="list-style-type: none"> <li>Reduce the negative impact on environmental through reduction at the source.</li> <li>Achieved the targets: The Recovery Treatment ratio is at least 50% of Total Weight of Waste</li> </ol>	<ol style="list-style-type: none"> <li>In accordance with the principle of waste reduction at the source, and to improve water recovery rate and process water efficiency through technology improvement and equipment investment continually.</li> <li>Achieved the Water Recovery targets: The Quantity of recycling water reaches 400,000Ton and above.</li> </ol>

Note: The risk items are also significance issues of the company's ESG report are marked with “\*\*”

Society & Corporate Governance Issues

Risk Items	* Supply chain risk	* Ethical operation & Legal Compliance	* Information security risk & Confidential Privacy of clients	* Human rights and talent retention (including Salary and benefits)	* Occupational health and safety risk
Related risk management Policies and Strategy	<ol style="list-style-type: none"> <li>1. Selects qualified suppliers to ensure the supply of raw materials.</li> <li>2. Establish a safety-inventor y mechanism</li> <li>3. Prepare raw materials in advance to ensure sufficient raw materials and supplies for production.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ethical operation -Set up an internal and external appeal mechanism and enhance whistleblower protection.</li> <li>2. Legal Compliance -Implementing the internal control mechanism to ensure the entire personnel of the company and the operation comply to the related laws and regulations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve various internal cybersecurity management mechanisms to prevent hackers from attacking, ex. established firewall, virus protection program etc.</li> <li>2. Increase the employees' cybersecurity awareness through arranged various cybersecurity training sessions.</li> <li>3. Setting up an authorization system.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide employees with favorable treatment.</li> <li>2. Provide diversified employee training.</li> </ol>	<ol style="list-style-type: none"> <li>1. Deepen the occupational safety -awareness to reduce occupational safety accidents.</li> <li>2. The company introduced ISO45001 Occupational Health and Safety Management Standard with annual follow-up to maintain the validity of the certification.</li> <li>3. Set up an emergency response center to take necessary response measures.</li> </ol>

Note: The risk items are also significance issues of the company's ESG report are marked with “\*”

Risk Items	Financial risk- Interest Rate Fluctuations	Financial risk- Exchange Rate Fluctuation	Financial risk- High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions	Financial risk- Asset Preservation
Related risk management Policies and strategy	Please refer to the Analysis and Assessment of risk matters of the most recent year and as the date of publication and printed of the annual report under Chapter VII. Review of Financial Conditions, Financial Performance, and Risk Management (Page 96~ 99).			The company has taken out relevant insurance to avoid risks, such as commercial fire insurance, public liability insurance, employer liability insurance, employees' group insurance and others.

8. Climate-Related Information of TWSE/TPEX Listed Company  
(1) Implementation status 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.	<p>The company is actively strengthening corporate governance functions related to sustainable development and environments. Corporate Sustainability Committee serves as the company's top governance body for sustainable development. It is responsible for setting the ESG targets in the economic, environment, and social aspects, regular supervision of implementation status, leading the sustainable development of the company, as well as the refinement and completion of various short, medium, and long-term targets.</p> <p>The Committee will be appointed by the company as the decision-making center for climate change, coordinates related departments within the company to jointly and to conduct the company's low-carbon sustainable management and that the details are going to be reported to the Board meeting periodically.</p>		
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	risks	<p>Short-term</p> <ul style="list-style-type: none"> <li>● Increase in extreme weather events, such as high temperatures, typhoons and rainstorms</li> <li>● Increasing sustainability related requirements and regulations.</li> <li>● Customers require low-carbon strategies to keep pace with trends.</li> </ul>	<p>medium- / long-term</p> <ul style="list-style-type: none"> <li>● Greenhouse Gas (GHG) Emissions Cap and Carbon Tax/Carbon Fee</li> <li>● Low-carbon technology transition costs</li> <li>● Rising average temperature.</li> <li>● Increased extreme weather events, such as severe typhoon/extreme rainfall increasing the frequency of work suspension.</li> <li>● Drought getting worse leads to production impact.</li> <li>● Impact on corporate reputation.</li> </ul>
	Impact	<ul style="list-style-type: none"> <li>● Production negatively affected, causing financial losses and a decrease in revenue</li> <li>● Increased cost of installation and operation of carbon reduction equipment</li> </ul>	<ul style="list-style-type: none"> <li>● Restrictions on capacity expansion, increases in operation costs</li> <li>● Industrial low-carbon transformation technology improvement and operating costs increase, such as low-carbon material use.</li> <li>● Inability to satisfy the expectations of stakeholders, negatively impacting the company's reputation</li> </ul>

Item	Implementation status		
		Short-term	medium- / long-term
	opportunities	<ul style="list-style-type: none"> <li>● Implemented drills based on drought emergency Procedures, increase resilience and ability to cope with natural disasters</li> <li>● Low-carbon energy use. (Increase the proportion of consuming renewable energy).</li> </ul>	<ul style="list-style-type: none"> <li>● Participation in renewable energy plans and carbon trading market</li> <li>● Identify the core technologies and offer related</li> <li>● low-carbon services.</li> <li>● Improve the company's reputation</li> </ul>
3. Describe the financial impact of extreme weather events and transition actions.	<p>Extreme weather events will impact on production lines and supply chains. Transition actions at the company included reducing greenhouse gas emissions. In response to the climate changes and fulfillment of the corporate sustainable operation, the company passed a mid-term reduction KPI targets for 2030 including greenhouse gas, water / electricity reduction, to reduce potential financial impacts.</p> <p>The company subsequently invested in water-saving facilities, strengthened the recycling of water resources and promoted an emergency response plan was also devised for disaster risk mitigation.</p>		
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<ul style="list-style-type: none"> <li>● Form an interdepartmental committee</li> </ul> <p>The Corporate Sustainability Committee oversees the Environmental Sustainability Sub-Committee to improve environmental management performance, investigation and analysis of climate-related risks are conducted periodically (e.g., Greenhouse gas emission reduction, promotes the Carbon Footprint inventory program) and environmental risk control. Senior managers from each department serve as committee members, and meetings are organized regularly to formulate and review the objectives and policy of environmental management.</p> <p>The Committee coordinates related departments within the company to jointly review the company's internal and external risks (including climate change risks), regularly trace the changes for listed as major company-wide risks.</p> <ul style="list-style-type: none"> <li>● The company also incorporates internal audit and internal control functions to ensure that the risks associated with operations are effectively controlled.</li> </ul>		

Item	Implementation status
<p>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.</p>	<p>The company has not yet conducts climate-related scenario analysis.</p> <p>In response to the increasing sustainability related requirements and regulations and customers require, it is expected that operating costs will gradually increase, such as:</p> <ul style="list-style-type: none"> <li>●Taking carbon tax/fee as an example, it is expected that operating costs will gradually increase due to rising rates, resulting in a decline in profits.</li> <li>●Taking drought / flooding as an example, it is expected that natural disasters will causing financial losses and a decrease in revenue and production negatively affected.</li> <li>●Taking Rising average temperature as an example, it is expected that extreme weather events will increase in electricity consumption, cost, and carbon emissions.</li> </ul>
<p>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.</p>	<p>In order to achieve carbon neutral emissions by 2050, the company has drawn up a low-carbon transition plan, the resolutions are summarized as follows:</p> <ul style="list-style-type: none"> <li>●The company passed a mid-term reduction KPI targets for 2030 including greenhouse gas, water / electricity reduction, to reduce potential financial impacts. Furthermore, the company has announced to achieve Carbon Neutral by 2050.</li> <li>●The company has established climate-related risk and opportunity assessment management indicators such as water consumption, energy use, and Greenhouse gas emissions.</li> <li>●Relevant emission information has been checked in accordance with the ISO 14064-1 Standard, and data verification by a third-party agency has been commissioned.</li> </ul>
<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p>	<p>The company has not yet conducts internal carbon pricing as a planning tool.</p> <p>The company will considered the international carbon market prices, the carbon prices of GHG relevant regulations and the costs of reducing greenhouse gas emissions of the company to set an internal carbon price. The company will use it as a reference for carbon reduction management and planning.</p>

Item	Implementation status				
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.	<ul style="list-style-type: none"><li>●The company has drawn up a low-carbon transition plan to cover direct emissions from operations (Scope 1), indirect emissions from energy consumption (Scope 2), and indirect emissions from value chain (Scope 3). The three resolutions are through continually improving energy efficiency, the Company is able to minimize carbon emissions in IC Assembly &amp; IC Test stage.</li><li>●Enforce climate change mitigation policy, the company implement water conservation and water shortage adaptation measures. To diversify energy sources, the company is actively installing renewable energy facilities in plant. Solar energy system is a standard item that will be included in the design and construction of all new plant.</li><li>●In 2021, the Company has announced to achieve Carbon Neutral by 2050.</li></ul> <p>The Company also established climate-related targets such as water consumption, energy use, greenhouse gas emissions. For detailed content and status are summarized as follows:</p>				
	Direction	Goals	Short-Term (2023)	Mid-Term (2030)	Long-Term (2050)
	1.Reducing the Negative Environmental Impact of Products	Cumulative energy savings (base year 2021)	aiming for 1% reduction by year ★ Achieved	aiming for a 10% reduction by 2030	aiming for a 40% reduction by 2050
	2.Improving Water-use Efficiency	Reclaimed water usage rate	Achieved the water recovery targets: The quantity of recycling water reaches 400,000Ton and above by year ★ Achieved	Achieved the water recovery targets: The quantity of recycling water reaches 400,000Ton and above by year	Achieved the water recovery targets: The quantity of recycling water reaches 400,000Ton and above by year
	3.Reducing Wastewater	Key water pollution indicators better than regulated standards	★ Achieved		
4.Greenhouse Gas Reduction	Direction	Goals	Short-Term (2030)	Mid-Term (2040)	Long-Term (2050)
		GHG emissions (base year 2021)	10% reduction of GHG emissions	50% reduction of GHG emissions	Carbon Neutral
Item	Implementation status				
9. Greenhouse gas inventory and assurance status.	The greenhouse gas emissions inventory and assurance results are shown in table ( 2 ) ~ ( 3 ) on the following page.				

## (2) Greenhouse Gas Inventory and Assurance Status

### (2-1) GHG Emissions

#### GHG Emissions in 2023

Scope 1	Total emissions	Intensity	Scope
	Metric tons CO <sub>2</sub> e	Metric tons CO <sub>2</sub> e/NT\$ 1 million	
Lingsen Precision Industries, Ltd.	Under Verification	Under Verification	Plants T1 ~T6
	Total emissions	Intensity	Scope
Scope 2	Metric tons CO <sub>2</sub> e	Metric tons CO <sub>2</sub> e/NT\$ 1 million	Scope
	Under Verification	Under Verification	
Lingsen Precision Industries, Ltd.	Total emissions	Intensity	Scope
	Metric tons CO <sub>2</sub> e	Metric tons CO <sub>2</sub> e/NT\$ 1 million	
Scope 3	Under Verification	Under Verification	Plants T1 ~T6
	Total emissions	Intensity	Scope
Lingsen Precision Industries, Ltd.	Metric tons CO <sub>2</sub> e	Metric tons CO <sub>2</sub> e/NT\$ 1 million	Scope
	Under Verification	Under Verification	
Lingsen Precision Industries, Ltd.	Under Verification	Under Verification	Plants T1 ~T6

#### GHG Emissions in 2022

Scope 1				
Scope 1	Total emissions	Intensity	Scope	
	Metric tons CO <sub>2</sub> e			
Lingsen Precision Industries, Ltd.	1750.453	0.3423	Plants T1 ~T6	
Scope 2				
Scope 2	Total emissions	Intensity	Scope	
	Metric tons CO <sub>2</sub> e			
Lingsen Precision Industries, Ltd.	63035.324	12.3271	Plants T1 ~T6	
Scope 3				
Scope 3	Total emissions	Intensity	Scope	
	Metric tons CO <sub>2</sub> e			
Lingsen Precision Industries, Ltd.	11581.469	2.2649	Plants T1 ~T6	

#### (2-2) Verification Status

Year	Scope			Verification Party	Standards	Verification Status
2023	Lingsen Precision Industries, Ltd.	Scope 1		BSI	ISO14064-1:2018	The complete verification status and opinion shall be appended to the company's CSR report.
		Scope 2				
		Scope 3				
2022	Lingsen Precision Industries, Ltd.	Scope 1		BSI	ISO14064-1:2018	Reasonable Assurance
		Scope 2				Reasonable Assurance
		Scope 3				Limited Assurance

For the Greenhouse Gas Emission Verification Opinion Statement of the company, please refer to the company's website at:

### (3) GHG Reduction Target and Achievement Status

Base year	Total emissions Metric tons CO <sub>2</sub> e	Goals	Strategy	Actions	Target and Achievement
2021	67,572.1711 Metric tons CO <sub>2</sub> e / Year	3-stage objective of 10% by 2030, 50% by 2040, and Carbon Neutral by 2050 is set to Greenhouse Gas Reduction	Strive for low-carbon, green manufacturing	Save energy and costs	Conserved 0.86 GWh of electricity through energy-saving projects in 2023.

### (4) For the management of water resources

The company continued to improve water recovery rate and process water efficiency through technology improvement and equipment investment. The Company achieved a process water recovery rate of 60~80%. Water consumption in the last two years:

Year	Total Water Usage (Ton)	Quantity of recycling water (Ton)	Water Recovery Rate
2022	858,021	458,084	60~80%
2023	916,909	577,057	60~80%

Note1: Water Recovery Targets: The Quantity of recycling water reaches 400,000Ton and above.

### (5) For the management of waste

The company continued to achieve the management of waste through ① reduction at the source ② increasing the value of waste reuse ③ proper disposal of waste and tracking of its flow. Total waste in the last two years:

Year	General industrial waste (Ton)	Hazardous waste (Ton)	Recovery Total (Ton)
2022	717.103	72.234	682.374
2023	656.0312	61.0258	620.903

Note1: Targets: The Recovery Treatment ratio is at least 50% of Total Weight of Waste

Note2: For 2023, the data announced in the company's sustainability report shall prevail.



**3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"**

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				(1) ~ (3)
(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		(1) To (3) "Integrity" is the important operational philosophy and core value of the company. Based on good corporate governance and risk management mechanisms, the Board has approved and passed a series of ethical corporate management policies, including "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conducts". The company is committed to carrying out the policies in internal management and in business activities. Our ethical corporate management policies, methods and the implementation of relevant policies by the directors and the management are detailed in the company's website at <a href="http://www.lingsen.com.tw/webc/html/investor/investor.aspx">http://www.lingsen.com.tw/webc/html/investor/investor.aspx</a> .	No material differences
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	V		General Manager Office is the unit responsible for ethical corporate managements. General Manager Office analyzes and assesses the business activities at risk from unethical conduct each year. Preventive measures are separately established in accordance with the subparagraphs under Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and other business activities that are within the scope of operations that entail rather higher risk from unethical conduct. For further information, please refer to the company's website at <a href="http://www.lingsen.com.tw/webc/html/investor/investor.aspx">http://www.lingsen.com.tw/webc/html/investor/investor.aspx</a> .	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		The company has detailed ethical management practices and measures to prevent unethical behaviors in the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conducts". These practices and measures include operating procedures, code of conduct, education and training, whistleblowing procedures, and grievance and disciplinary procedures as well as their implementation.  These ethical corporate management policies are regularly reviewed and amended according to the latest laws and regulations. In addition, to remind our employees of their responsibilities, the company's ethical corporate management policies could be found in the company's website.	

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			<p>Meanwhile, Integrity, ethics regulations and penalties of violation are specified in the work rules, and employees are requested to comply.</p> <p>The company treats any violation of integrity and ethical code incident seriously, including immediate dismissal, termination of business relationship, and judicial prosecution as appropriate.</p>	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p>	V		<p>(1) To (5)</p> <p>Before the business transaction, the company will perform a credit check and exclude those partners' with unethical records. The company also specifies terms of ethical conduct in its business agreements. Meanwhile, requests the suppliers to sign an affidavit letter, and no behaviors of improper gifts or commission payment. By the affidavit letter to ensure the fair and transparent commercial activities between the two parties. In addition, the company's correspondent financial institutions were legally registered and well-known commercial bank or securities-company, rights and obligations of both parties and the conditions of transactions were stated clearly inside the Credit Agreement.</p>	(1) ~ (5) No material differences
<p>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p>	V		<p>Corporate sustainability committee serves as the company's top governance body for sustainable development and reports to the Board of Directors annually. (Report date is NOV. 6, 2023).</p> <p>Ethical Corporate Management is one part of corporate sustainability. For further information, please refer to the company's website at <a href="http://www.lingsen.com.tw/webc/html/investor/investor.aspx">http://www.lingsen.com.tw/webc/html/investor/investor.aspx</a>.</p> <p>The company strives to perform the responsibilities of supervising the corporate conduct and ethics compliance practice through the Audit Committee and the Compensation Committee and coordination with the Internal Audit Office. The Internal audit supervisor reports quarterly to the Board on Implementation status of internal audit executions. In addition, both the General Manager and CFO, with oversight from the Board, are responsible for the full, fair, accurate, timely, and understandable financial accounting and financial disclosure in reports and documents filed by the company with securities authorities and in all its public communications and disclosures.</p>	
<p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	V		<p>The company clearly specifies its conflict of interest policy in "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and "Codes of Ethical Conducts". The company has established appropriate statements and</p>	

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		<p>consultation channels based on relevant regulations.</p> <p>In order to implement the code of conduct to avoid conflict of interest, each employee is required to make "Integrity" declaration.</p> <p>In addition, the directors shall practice self-discipline and comply the prevent conflicts of interest regulations, which are specified in Article 15 of the "Rules of Procedure for Board of Directors Meetings".</p> <p>To fulfil the ethical corporate management policies, the company has implemented a sound accounting system and Internal controls. The Internal Auditor follows the results of risk assessments to devise audit plans, and regularly reviews compliance with the procedures and subsequently reports its audit findings to the Board. In addition, the CPAs audit the performance of the company's internal controls every year.</p>	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		<p>Actual Practice of Implementing Ethical Corporate Management</p> <p>A. Hosting internal and external educational training on ethical corporate management. The company hosting internal and external educational training on ethical corporate management every year. The company disseminating internal educational training on ethical corporate management (including corporate culture; work rules and internal regulation; occupational safety and health; Ethical Corporate Management; Law Compliance and other issues) in pre-job training for new employees.</p> <ul style="list-style-type: none"> <li>• The accumulated training employees were 874 attendees with 1,539 hours of training duration in 2022.</li> <li>• The accumulated training employees were 590 attendees with 1,180 hours of training duration in 2023.</li> </ul> <p>B. Conditions on education and disseminate of preventing insider trading</p> <p>The company provides education and disseminate document to current directors and managers. For example, by providing Q&amp;A Disseminate Handbook of insider trading for TWSE Listed Company. This allows the insider of the company understand the rules and comply it. In addition, internal regulations and procedures were made public on the company's external website for directors, managers and employees as reference.</p>	

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Operation of the integrity channel			(1) To (3)	
(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		The company enacted the "Ethical Corporate Management Best Practice Principle" and "Codes of Ethical Conduct" to encourage the whistle-blower to report to the independent director, manager, internal audit manager with behaviours against the law or violates the "Codes of Ethical Conduct". In addition, there is a General Manager's Mailbox for a convenient whistle blowing channel and dedicated the appropriate responsible personnel. The company enacted "Whistleblower system for unethical conduct". Meanwhile, there is a business unit created specifically to handle such matter by following the appropriate and procedures.	No material differences
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		If found violation of business integrity by the company or any its employees or involvement in illegal activity, please refer to the company's website for the integrity channel. The company dedicated the responsible unit in according to the matters of reported and monitored by the audit personnel to ensure the relevant content is confidential.	No material differences
(3) Does the company provide proper whistleblower protection?	V		According to the company's "Whistleblower system for unethical conduct" state the handling will keep the whistle-blower information strictly confidential. A reasonable preventive and protective measure will be applied to protect the whistle-blower from inappropriate disciplinary action.	No material differences
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The company discloses our performance on the company website and in the annual reports. The Ethical Corporate Management Best Practice Principles are also on the company's website.	No material differences
5. If 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. There have been no differences.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., reviews and amends its policies). (a) The company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act and related laws and regulations of listed company and other business behaviors. The company takes these laws and regulations as the basis of implementing ethical corporate management. (b) The Company's Rules of Procedure for Board Directors and Audit Committee Charter stated the Avoidance of Conflicts of Interest to the directors. Within the meeting items if consists of the conflict of interest related to his or her own or the legal person and with the concern of affecting the company's benefits, the director may make the statement and answering questions. However, the director may not join the discussion and voting, he or she shall avoid him-self or her-self, and may not act as a proxy as other directors to vote. (c) The company has implemented the "Material insider information procedures" . The procedure require explicitly that director, managers and employees not disclose material insider information in their knowledge to other people, inquire or collect from persons with material insider information any undisclosed information unrelated to their duties, and not disclose to other people any undisclosed material insider information acquired not through performance of their duties.				

### 3.4.7 Ways of searching Corporate Governance Best Practices Principles and related regulations enacted by the company

The company enacted Corporate Governance Best Practice Principles, related regulation, and all disclosed on the company's website at <https://www.lingsen.com.tw>.

### 3.4.8 Any other material information that would afford a better understanding of the status of the company's implementation of corporate governance may also be disclosed.

#### (1) Employee wellness, investor relations,

The company valued the care and the benefit and interest of the employees. The actual implementation please refer to page 74 ~ 78 of the annual report.

#### (2) Supplier relations, rights of stakeholders

The company set Mandarin Chinese and English Website, disclosure of the company's information on finance and business. To ensure the benefit and interest of stakeholders the company set up the "Stakeholders' Zone" for a public communication channel, handled on basis of ethical corporate principle and the attitude of responsible. The company try our effort on corporate social responsibility and to maintain the legal benefits and interests of the stakeholders.

#### (3) Directors' Training Records

The company's directors all have industrial background and business management experience, and continue to participate in advanced training to strengthen the functions of the board and enhance communication.

The duration of attending continuous studies of each individual directors were meet the requirement of "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies" and the conditions as follows with more information please refer to MOPS:

#### Directors' Training Records

Title/ Name	Date	Sponsoring Organization	Course	Hours
Director Shu-Chyuan Yeh	2023. 04. 19	Securities & Future Institute	Protection of business secrets	3
	2023. 04. 28	Taiwan Corporate Governance Association	Information Technology Wave Board Members Respond to Practice	3
Director Tse-Sung Tsai	2023. 05. 19	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and laws and common deficiencies	3
	2023. 06. 02	Accounting Research and Development Foundation	Legal liability and case analysis of tax crimes	3
Director Sheunn-Ching Yang	2023. 05. 23	Taiwan Stock Exchange Corporation, Taipei Exchange	Publicity meeting on sustainable development action plans for listed companies	3
	2023. 09. 22	Taiwan Corporate Governance Association	Net Zero Sustainable Talent Training Class [Central] Carbon Sinks, Carbon Rights and Carbon Trading	9
Director Ming-Te Tu	2023. 05. 19	Accounting Research and Development Foundation	Analysis of the latest corporate governance policies and laws and common deficiencies	3
	2023. 06. 02	Accounting Research and Development Foundation	Legal liability and case analysis of tax crimes	3

Title/ Name	Date	Sponsoring Organization	Course	Hours
Director Shu Hsun Yeh	2023. 03. 14	Accounting Research and Development Foundation	Global Net Zero Impacts and ESG Action	3
	2023. 05. 26	Environment Protection Administration	Green Chemistry Creates Sustainability Together	3
Director Pin-Wen Fang	2023. 09. 22	Securities & Future Institute	2030/2050 Green Industrial Revolution	3
	2023. 09. 23	Securities & Future Institute	Sustainable Development Practice Seminar	3
Independent Director Feng-Hsien Shih	2023. 06. 14	Securities & Future Institute	Analysis of key points in corporate governance assessment that directors and supervisors should pay attention to	3
	2023. 06. 20	Securities & Future Institute	How directors and supervisors with non-accounting background review financial reports	3
Independent Director Wan-Ping Chen	2023. 08. 08	Corporate legal person Taiwan investor Relationship Association	Risks and opportunities of climate change and net-zero emission policies on business operations	3
	2023. 10. 26	Securities & Future Institute	Shareholders' meetings, management rights and equity strategies	3
	2023. 11. 09	Corporate legal person Taiwan investor Relationship Association	Core ESG issues that the board of directors should be concerned about	3
Independent Director Pin-Chi Wei	2023. 10. 18	Securities & Future Institute	Talent sustainability challenges after the epidemic	3
	2023. 11. 15	Securities & Future Institute	2030/2050 Green Industrial Revolution	3

#### (4) Trainings Attended by Head of Accounting, Internal Audit and Chief Corporate Governance Officer

The continuing education status is as follows:

Title	Name	Date	Organizer	Name of the course	Hours
Chief Financial Officer	Ming-Wei Lai	2023. 07. 24 2023. 07. 25	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of Issues, Brokers and TWSE.	12
Internal Audit Supervisor	Chih-Wei Yang	2023. 07. 20	The Institute of Internal Auditors-Chinese	Analysis of illegal cases of auditing and accounting personnel and ways to deal with them	6
		2023. 07. 31	Accounting Research and Development Foundation	New "ESG Sustainability" and "Self-Prepared Financial Reporting" related policy development and internal control management practices	6
Chief Corporate Governance Officer	Ming-Wei Lai	2023. 02. 16	Accounting Research and Development Foundation	Preparation of TCFD Report: Main Reference Points	3
		2023. 02. 17	Accounting Research and Development Foundation	Accountant's Standards of Certainty and Practical Analysis: ISAE/TWSAE30 00 General Certainty Cases Related norms	3
		2023. 06. 02	Accounting Research and Development Foundation	Legal liability and case analysis of tax crimes	3
		2023. 07. 07	Taiwan Corporate Governance Association	The explosion of artificial intelligence and the technological development and application opportunities of the chatbot ChatGPT	3

- (5) The implementation of risk management policies and risk evaluation measures**
- A. Risk Management organization**
- (a) Establishing effective internal control system**  
Each Department implements the annual internal control self-testing according to the audit plan. Through internal audit procedures, and enhance on the measures of anti-corruption and disseminating to effectively prevent any accident of risk occurred.
- (b) Audit Office**  
Executing auditing in accordance of annual audit plan, presented the findings of all audit reports to the board regularly and responsible for the amendment and promotion of the internal control system.
- (c) Audit Committee**  
The Audit Committee assists the Board of Directors in performing its supervision functions and also responsible for tasks defined by the Company Act, Securities and Exchange Act and other relevant laws and regulations. In order to achieve the purpose of reliable and prepared in compliance of related laws and regulation of the company's operation results report.
- (d) Board of Directors**  
As the company's highest decision-making unit and determining the overall operating directions of the company. In response to the company's operational risks, enacted and approved policies and implementation plans.
- B. Conditions on implementation**
- (a)** Establish, revise and promoting various standard operation procedures at the appropriate time and effectively manage the operational risk.
- (b)** Enacted various company regulations in accordance with laws, establishing effective management mechanism and implementing them, and put law compliance in practice.
- (c)** In order to protect the company's assets and protect the rights and benefits of the employees and the stakeholders, the company has taken out relevant insurance to avoid risks, such as commercial fire insurance, public liability insurance, employer liability insurance, employees' group insurance and others.
- (d)** The company applies the liability insurance for directors and important employees. (D&O) °
- (e)** Establishing "Labor Safety and Health Committee", "Environmental Management Committee" and other committees to executing activities related to risk management.
- (f)** Promoting profit centered system and performance reward mechanism indicators to review on the economic scale of each production line, and strictly implement enterprise-scale risk management.
- C. For other information please refer to (Page 38~ 39) & (Page 96~ 99).**

**(6) The implementation of customer relations policies**

To enhance the trust to our client, the company dedicated individual personnel to the client to provide immediate response. By the measure we taken, to obtain the trust of our client and build up solid relationship with our client. Provide the customers with all-rounded services, customer development and relation management proactively.

**(7) Certification of Employees whose jobs are related to the related to the disclosure of the company's financial information**

CPA of Republic of China: Chief Financial Officer Ming-Wei Lai

Certified Internal Auditor: Audit Office Chih-Wei Yan



### **3.4.9 Implementation of the internal control system**

#### **(1) Internal Control Statement**

##### **Lingsen Precision Industries, Co., Ltd. Internal Control Statement**

**February 27, 2024**

The Internal Control System from January 1 to December 31, 2023, according to the result of self-assessment is this stated as follows:

- (1) The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and the management. The Company has established such a system. The goal of the system is to aim at the operation efficiency and effectiveness (including profits, performance, and assets safeguarding), and to provide reasonable assurance on preparing reliable, timely and transparent reports in compliance with the governing law and regulations.
- (2) An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment of circumstances. The internal control system of the Company, however, contains self-monitoring mechanisms which will take corrective actions upon detecting deficiency.
- (3) The company should evaluate the effectiveness of the design and execution of its internal control system based on judgment criteria set by the "Regulation Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred as "The regulations"). The regulations adopt the criteria, and divide the managerial control process into five key elements: 1. Control Environment, 2. Risk Assessment, 3. Control activities, 4. Information and Communications, and 5. Monitor each element contains detailed items. Aforementioned items please refer to the regulations.
- (4) The company has conducted an effectiveness evaluation on its internal control system by adopting the above-mentioned internal control system judgment criteria.
- (5) Based on the preceding assessment result, the company believes that its internal control system (with subsidiaries supervision and management) on the date of December 31, 2023 includes the awareness of operation effectiveness and target achievement efficiency, reports are reliable, timely, and transparent in compliance with the governing law and regulations. The design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.
- (6) This Statement will become the major part of the Company's annual report and prospectus, which 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.
- (7) This Statement has been approved by the Board of Directors Meeting of the Company held on the date of February 26, 2024, where none of the nine attending directors expressed dissenting opinions, and unanimously affirmed the content of this Statement.

Lingsen Precision Industries, Co., Ltd.  
Chairman: Shu-Chyuan Yeh  
General Manager: Tse-Sung Tsai

- (2) If the Company has commissioned external auditors to review the Company's internal control system, the external auditor's report should be disclosed:**  
**None.**

**3.4.10 The punishment to the company and its employees in accordance with the law, the company's punishment to its employees for violation of the provisions of its internal control system, the major defects and the improvements made in the latest year and as of the date of publication of the annual report: None.**

### **3.4.11 Major Resolutions of Shareholders' Meeting and the Board Meeting**

#### **(1) Major Resolution of Shareholders' Meeting and implementation status**

The company's 2023 Annual General Shareholders' Meeting was held on May 30, 2023. The resolutions approved by the shareholders present in person or by proxy and the status of implementation were as follows:

Item	Major resolutions	Status of execution
1	Acknowledge of 2022 business report and financial statements.	Resolution was passed as proposed by the Board.
2	Acknowledge of 2022 earning distribution.	Resolution was passed as proposed by the Board. According to the resolution, the Ex-rights record date was Aug.6, 2023. On Aug. 25, 2023, a cash dividend was paid at the amount of NT\$0.3 per share. The total amount of cash dividends distribution was NT\$114,030,704.

#### **(2) Major Resolutions of Board Meetings during the Most Recent Fiscal Year and Up to the Printing Date of this Annual Report:**

Date	Major Resolutions
2023.02.23	(1) Approved the engagement and remuneration of the company's CPAs. (2) Approved the 2023 business plan. (3) Approved the suggestions of the company's directors' remuneration, employees' compensation. (4) Approved the 2022 Business Report, Financial Statement (including consolidated financial statement) and internal control system statement. (5) Approved the proposal of the company's earnings distribution of 2022. (6) Approved of amendments to the company's "Audit committee charter". (7) Approved the amendment to the company's internal control system and internal audit implementation rules. (8) Approved to convene the 2023 shareholders' meeting and submission period shareholder proposals. (9) Approved the company's endorsements and guarantees for subsidiary.
2023.05.08	(1) Approved the company's First Quarter 2023 consolidated financial statements. (2) Approved of obtain the D&O insurance.
2023.05.30	(1) Approved the company's ex-rights record date.
2023.08.07	(1) Approved the Non-Assurance Services of the company's CPAs. (2) Approved the company's second Quarter 2023 consolidated financial statements. (3) Approved the company's 2022 remuneration allocation proposal for managers. (4) Approved the company's performance bonus allocation proposal for managers. (5) Approved the increase in capital to the subsidiaries.
2023.11.06	(1) Approved the company's third Quarter 2023 consolidated financial statements. (2) Approved of amendments to the company's major internal policies(including "Corporate Governance Practice Principles" , "Rules of Governing Financial and Business Transactions among Related Parties" , "Procedures for preparation and verification of the sustainability reports" , (3) Approved the amendment to the company's internal control system and internal audit implementation rules. (4) Approved the 2024 audit plan. (5) Approved the company's endorsements and guarantees.

Date	Major Resolutions
2024.02.17	(1) Approved the disposal of Ningbo Liyuan Tech Co., Ltd.
2024.02.26	(1) Approved the 2024 business plan. (2) Approved the suggestions of the company's directors' remuneration, employees' compensation. (3) Approved the 2023 Business Report, Financial Statement (including consolidated financial statement) and internal control system statement. (4) Approved the proposal of the company's deficit compensation of 2023. (5) Approved of the cash distribution from capital surplus. (6) Approved the lifting of non-competition restrictions on directors. (7) Approved to convene the 2024 shareholders' meeting and submission period shareholder proposals. (8) Approved the company's endorsements and guarantees.

**3.4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.**

**3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, General Manager, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.**

**3.5 Certified Public Accountant (CPA) Fee Information**

**3.5.1 Certified Public Accountant (CPA) Fee Information**

Name of CPA Firm	Name of CPA	CPA Audit Period	Audit Fee	Non-Audit Fee	Total	Remark
Deloitte & Touche Taiwan	Shu-Jing Chiang	From January 1, 2023 to December 31, 2023	2,450,000	600,000	3,050,000	
	Ding-Jian Su	From January 1, 2023 to December 31, 2023				

- (1) If the company has changed CPA, and the audit fee paid in the year of such change is reduced from the audit fee of the previous year, the amount of the audit fee before and after such change and the reason of such change should be disclosed : None.
- (2) If the audit fee is reduced by more than 10% from last year, the amount, ratio, and reason for the reduction of the audit fee should be disclosed: None.
- (3) Audit Fee referred to the professional fees paid by the company to a CPA for auditing, review, and secondary reviews of financial reports, financial forecast reviews.
- (4) Non-audit fee service content:
  - A. Custom Bonded Check NT\$ 150,000 .
  - B. Review on Employees' Compensation NT\$ 50,000.
  - C. Audit of annual income tax returns NT\$ 400,000 .

**3.6 Replacement of CPAs: None.**

**3.7 The company's Chairman, General Manager, Managers in charge of its finance and accounting operation hold any positions within the company's independent audit firm or affiliates in the most recent year: None.**

**3.8 In most recent year and as of the end of this annual report is published and printed, the directors, managers and shareholders holding more than 10% of the equity transfer and equity pledge changes**

**3.8.1 Changes in shareholdings of directors, managers and major shareholders.**

Unit: Shares

Title	Name	Year 2023		From January 1, 2024 to February 29, 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and Senior Vice President	Shu-Chyuan Yeh	0	0	0	0
Director and General Manager	Tse-Sung Tsai	12,000	0	0	0
Director	Sheunn- Ching Yang	0	0	0	0
Director and Vice President	Ming-Te Tu	0	0	0	0
Director	Shu-Hsun Yeh	0	0	78,281	0
Director	Pin-Wen Fang	0	0	0	0
Independent Director	Feng- Hsien Shih	0	0	0	0
Independent Director	Wan Ping Chen	0	0	0	0
Independent Director	Pin Chi Wei	0	0	0	0
Vice President and Head of Finance and Accounting, Chief Financial Officer	Ming-Wei Lai	(60,852)	0	0	0
Vice President	Chun-Liang Lin	(59,000)	0	0	0
Associates	Shu-Huei Yeh	0	0	0	0
Associates	Jih-Ming Hsu	22,000 (63,411)	0	0	0

Note 1 : The company has no shareholder holding more than 10% percent stake in the company.

**3.8.2 Shares Trading with Related Parties:**

The Company's director, manager and major shareholders didn't transfer any shares to the related-parties.

**3.8.3 Shares Pledge with Related Parties:**

The Company's director, manager and major shareholders didn't pledged their shares to any counterparties as related-parties.

### 3.9 Relationship among the Top Ten Shareholders

As of August 6, 2023 (ex-rights record date)

Name	Shares holding		Shares held by spouse or children of minor age		Shares held in the name of others		Name and Relationship between the company's top 10 Shareholders who are either related parties, spouses or relatives within second degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
The account in CTBC Bank for ESOP committee of Lingsen Precision Industries, Co., Ltd. Representative: Ching-Yi Wu	23,385,584	6.15%	None	None	None	None	None	None	
Max Fortune Investment Ltd.(British Virgin Islands)	19,069,854	5.02%	None	None	None	None	None	None	
Shu-Chyuan Yeh	14,626,754	3.85%	440,866	0.12%	None	None	Lee Shin Investment Co., Ltd.	Representative	
Citibank in custody for Polunin Emerging Markets Fund	6,851,000	1.80%	None	None	None	None	None	None	
Lee Shin Investment Co., Ltd. Representative: Shu-Chyuan Yeh	5,658,911 14,626,754	1.49% 3.85%	None 440,866	None 0.12%	None None	None None	Shu-Chyuan Yeh None	Chairman None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	4,849,000	1.28%	None	None	None	None	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	4,474,421	1.18%	None	None	None	None	None	None	
Citibank (Taiwan) Ltd. in custody for Norges Bank	4,110,000	1.08%	None	None	None	None	None	None	
Ga-ohuang Lin	3,000,000	0.79%	None	None	None	None	None	None	
Ke-jian Yeh	2,323,055	0.61%	None	None	None	None	None	None	

### 3.10 Ownership of Shares in Affiliated Enterprises Comprehensive Shareholding Ratio

As of February 29, 2024 Unit: Thousands of Shares

Investee companies (Note)	Ownership by the company		Ownership by directors, managers and directly/ indirectly owned subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Lingsen America Inc.	1,000	100%	—	—	1,000	100%
Lee Shin Investment Co., Ltd.	30,000	100%	—	—	30,000	100%
Nexus Material Corporation	5,348	78.65%	1,442	21.21%	6,790	99.86%
Lingsen Holding (Samoa) Inc.	58,000	100%	—	—	58,000	100%
Chih Fong Technology Co., Ltd.	2,400	30%	—	—	2,400	30%
Panther Technology Co., Ltd.	22,923	63.67%	—	—	22,923	63.67%
Sooner Power Semiconductor Co., Ltd.	21,515	99.15%	108	0.49%	21,623	99.64%

Note : The investee companies are under the equity method.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Share Capital

Source of Share Capital

Unit: NT\$/ Shares

Face Value Per Share	Authorized Capital		Capital Stock		Remark
	Shares	Amount	Shares	Amount	
10	500,000,000	5,000,000,000	380,102,344	3,801,023,440	1. No change in Authorized Capital and in Capital Stock in 2023 and as of February 29, 2024.

Type of Stock as the year 2023 and as until the annual report is published and printed

As of February 29, 2024 Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares (Note)	
Common Stock	380,102,344	119,897,656	500,000,000	

Note: Shares as the shares of listed company.

#### Shelf Registration

Type of Securities	Preparing to Issue Amount		Issued Amount		Purpose and Effect for Issued Shares	Issue Period for Unissued Shares.	Remarks
	Total Shares	Authorized Amount	Shares	Price			
Nil	0	0	0	0	0	0	

#### 4.1.2 Status of Shareholders

As of August 6, 2023 (Ex-rights record date); Unit: Shares

ITEM	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Natural Person	Total
Number of Shareholders	0	5	271	92,089	119	92,484
Shareholding	0	23,989,989	7,187,967	296,452,710	52,471,678	380,102,344
Percentage	0.00%	6.31%	1.89%	78.00%	13.80%	100.00%

#### 4.1.3 Distribution Profile of Share Ownership

As of August 6, 2023 (Ex-rights record date)

Shareholding Range	Number of Shareholders	Shareholding (Shares)	Shareholding Percentage
1-999	47,595	1,582,296	0.42%
1,000-5,000	34,797	74,824,390	19.69%
5,001-10,000	5,733	47,113,250	12.39%
10,001-15,000	1,375	17,747,642	4.67%
15,001-20,000	1,136	21,659,572	5.70%
20,001-30,000	719	18,766,749	4.94%
30,001-40,000	349	12,652,262	3.33%
40,001-50,000	213	10,132,398	2.67%
50,001-100,000	357	26,205,890	6.89%
100,001-200,000	120	16,822,742	4.43%
200,001-400,000	45	12,466,812	3.28%
400,001-600,000	16	7,728,113	2.03%
600,001-800,000	5	3,570,889	0.94%
800,001-1,000,000	4	3,614,490	0.95%
Over 1,000,001	20	105,214,849	27.67%
<b>Total</b>	<b>92,484</b>	<b>380,102,344</b>	<b>100.00%</b>

#### Preferred Share

As of August 6, 2023

Shareholding Ownership	Number of Shareholders	Shareholding	Percentage of Shareholding
Nil	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 4.1.4 List of Major Shareholders

As of August 6, 2023 (Ex-rights record date)

Common Share Major Shareholder	Shareholding (Shares)	Shareholding Percentage
The account in CTBC Bank for ESOP committee of Lingsen Precision Industries, Co., Ltd.	23,385,584	6.15%
Max Fortune Investment Ltd.(British Virgin Islands)	19,069,854	5.02%
Shu-Chyuan Yeh	14,626,754	3.85%
Citibank in custody for Polunin Emerging Markets Fund	6,851,000	1.80%
Lee Shin Investment Co., Ltd.	5,658,911	1.49%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	4,849,000	1.28%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	4,474,421	1.18%
Citibank (Taiwan) Ltd. in custody for Norges Bank	4,110,000	1.08%
Ga-ohuang Lin	3,000,000	0.79%
Ke-jian Yeh	2,323,055	0.61%

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Information on the Market Price per share, net worth, earnings, cash dividends and stock bonuses

Item \ Year			Year 2022	Year 2023	01 / 01 / 2024 ~ 02 / 29 / 2024 (Note 8)
Market Price per share ( Note 1 )	Highest Market Price		28.20	25.9	30.75
	Lowest Market Price		11.80	12.8	20.15
	Average Market Price		20.93	20.83	25.96
Net Worth per share ( Note 2 )	Before Distribution		15.25	14.55	-
	After Distribution		14.95	(Note 2)	-
Earnings Per share (Note 3)	Weighted Average Shares (thousand shares)		373,457	374,443	-
	EPS		0.56	-0.42	-
Dividend per share	Cash Dividends		0.30	(Note 2)	-
	Issuance of Bonus Shares	Dividends from Retained Earnings	-	(Note 2)	-
		Dividends from Capital Surplus	-	(Note 2)	-
	Accumulated Undistributed Dividends ( Note 4 )		-	-	-
Return on Investment	Price / Earnings Ratio ( Note 5 )		32.84	(Note 5)	-
	Price / Dividend Ratio ( Note 6 )		61.30	(Note 2)	-
	Cash Dividend Yield Rate ( Note 7 )		1.63%	(Note 2)	-

If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

- Note 1 : Setting forth the highest and lowest market price per share of common stock for each fiscal year. And Calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.
- Note 2 : Based both on the number of issued shares at the end of the year, and on the distribution decided on board of director or at the shareholders' meeting the following year. The 2023 Dividend Distribution shall wait for the approval of the shareholders' meeting.
- Note 3 : For those requiring retroactive adjustment due to stock grants, both the pre- and post-adjustment EPS should be listed.
- Note 4 : In issuing equity securities, provisions may be made to accumulate undistributed dividends for the year and postpone until a year when profit is made, The Dividends accumulated over the period ending in the year of distribution should be disclosed.
- Note 5 : Price/ Earnings Ratio = Average Closing Price per share for the year/ earnings per share. 2023 losses.
- Note 6 : Price / Dividend Ratio = Average Closing Price per share for the year/cash dividend per share for the year.
- Note 7 : Cash Dividend Yield Rate = Cash Dividend/Average closing price per share for the year.
- Note 8 : As of publication of this report, the company's First Quarter 2024 financial information has not yet been reviewed by the auditors.



#### **4.1.6 Dividend Policy and Implementation Status**

##### **(1) Dividend Policy**

According to the Article 32 of Article of Incorporate, the Company takes into consideration the current and future development plan, investing environment, capital needs, and domestic and international competition, as well as shareholders' benefit for its dividend policy. If there is a net income in the final accounts of the Company, it shall, after paying all taxes and offsetting any loss from prior years, set aside ten percent of such profits as a legal reserve, and increase or rotate a special surplus reserve in accordance with the law or regulations of the competent authority, distribute dividend and bonus no less than 50% (If the shareholder dividends and bonuses are greater than NT\$1 per share, at least 20% of the excess shall be allocated for cash dividends) and submitted to the shareholders' meeting for acceptance.

##### **(2) Proposed Distribution of Dividend**

The company's proposal for 2023 deficit compensation was passed on Feb. 26, 2024. Due to the operational loss in the current year, the Board proposed not to distribute dividends, it shall, rotate a special surplus reserve of NT\$72,715,000, also proposed a cash dividend of NT\$114,031,000 from capital surplus (NT\$0.30 per share), will be discussed at the Annual General Meeting held in May 2024.

##### **(3) Expected in change in Dividend Policy shall explain the condition of distribution**

Not Applicable

#### **4.1.7 The impact of issuance of bonus shares to the company's operational performance and the earning per share to be resolved by the shareholders' meeting: Not Applicable.**

#### **4.1.8 Compensation of Employees and directors**

##### **(1) Information Relating to Compensation of Employees, Directors in the Articles of Incorporation**

If the company gain the profit in the year (profit here equals to income before tax deducts employee's compensation and directors' compensation.) shall allocate not less than 10% for employee's compensation and with no more than 2% for directors' compensation. However, the company's accumulated losses shall have been covered.

The employees' compensation under the preceding paragraph shall be distributed in the form of shares or in cash. Matters in the preceding two paragraphs shall be resolved by a majority vote at a meeting of board of directors attended by at least two-thirds of the total number of directors, and reported to the shareholders' meeting.

##### **(2) The basis for estimating the amount of employee and director compensation, for calculating the number of shared to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.**

When the company gains profit at the end of the fiscal year, it shall set aside not more than 2% of the annual profit to director as compensation and not less

than 10% to employees as a profit sharing. If the board resolves to distribute employee compensation through stock, the number of stock distributed is calculated based on total employee compensation divided by the closing price of the day before the board meeting. If the actual amounts subsequently paid differ from the above estimated amounts, the differences will be recorded in the year paid as a change in accounting estimate.

**(3) Remuneration distribution approved by the board of directors:**

A. Remuneration to employees/directors in cash or shares. Any discrepancy between the annual recognized distributed amount and figure, the difference, reason and response should be disclosed:

Due to operational loss, the Board resolved not to allocate director and employee remuneration for 2023 on February 26, 2024. There is no discrepancy from the 2023 estimates.

B. Proposed distribution of remuneration to employees in the form of stock bonus as a percentage to net profit after tax plus remuneration to employees in the entity or individual financial statement for the current period: None.

**(4) The actual distribution of employee and director compensation for 2022 (with indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director**

A. The total amount of the remuneration for employees was NT\$18,591,981 and remuneration for directors was NT\$3,718,395.

B. The amount of the remuneration for employees and directors actual distribution has no difference from the figures estimated in the 2022 financial statements.

**4.1.9 Buy-back of Common Stock: None.**

**4.2 Issuance of Corporate Bonds: None.**

**4.3 Issuance of Preferred Shares and Global Depositary Receipts: None.**

**4.4 Status of Employees Stock option plan: None.**

**4.5 Status of New Share Issuance in Connection with Mergers and Acquisitions : None.**

**4.6 Financing Plans and Implementation: None.**

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### (1) Main areas of business operations

Integrated Circuit (hereafter as IC) and a variety of semiconductors packaging, test, manufacturing and trading. With regarding to the main business scope of the company and its subsidiaries, please refer to Page 101 (2) Basic Information of Affiliated Company under ChapterVIII. Special Disclosure.

##### (2) Weighting of Business Activities

Incomes from IC packaging and testing: 99 %  
Other operating income:1%

##### (3) Main products

- IC packaging and testing
- Discrete semiconductors packaging and testing

##### (4) New Products (Service) Development

- Packaging of High Performance and Directional Microphone.
- Packaging of MEMS Speaker Sensor.
- Packaging of MEMS Ultrasonic Sensor.
- Packaging of MEMS Temperature Sensor.
- Packaging of Thermal Image Sensor.
- Packaging of Gas Sensor.
- Packaging of Eye Tracking Sensor.
- Packaging of Gesture Sensor for vehicles.
- Packaging of Vehicles and Medical Electronic Products.
- Packaging of MEMS Products for Vehicles.
- Packaging of High-Frequency Wireless Communication Module.
- Packaging of custom-made thin and short Environmental Sensor.
- Packaging of MEMS Optical Focusing Module.
- Packaging of Piezoelectric Ultrasound distancing Sensor.
- Packaging of Medical Sensor for Disease Diagnosis.
- Packaging of MEMS Speaker.
- Packaging of MEMS Relay Switching.

#### 5.1.2 Industry Overview

##### (1) Industrial Status and Development

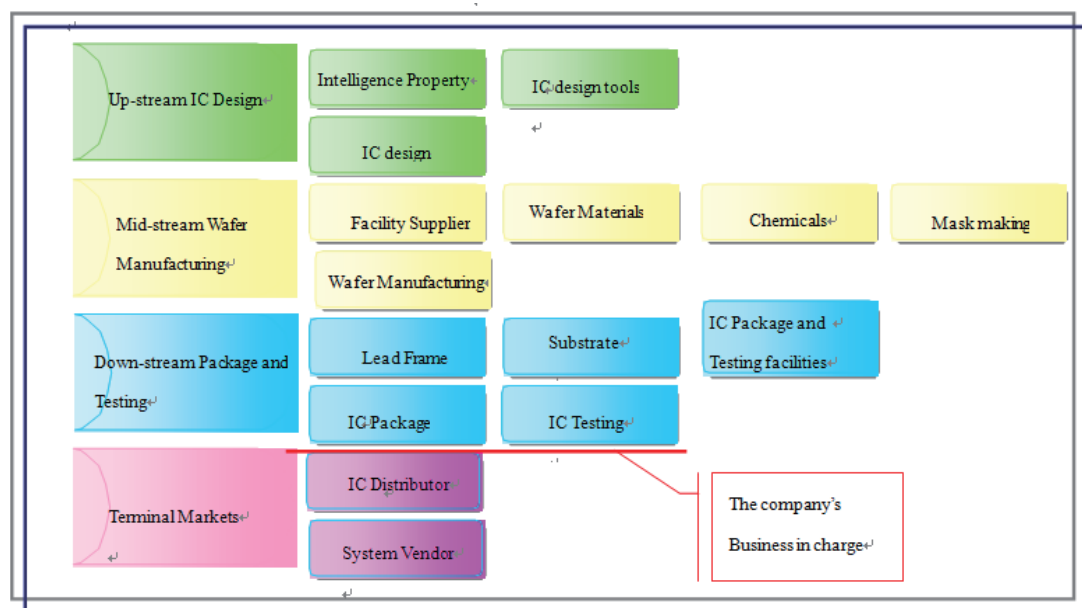
According to statistics of ITRI's IEK, it showed that the output value of Taiwan's entire IC industry amounted to NT\$4,342.8 Billion (US\$ 139.2 Billion), a decrease of 13.7% from 2022. The IC Packaging industry totaled NT\$ 393.1 Billion (US\$ 12.6 Billion), a decrease of 15.6% from 2022. The Testing Industry totaled NT\$ 190.6 Billion (US\$ 6.1 Billion), a decrease of 12.8% from 2022. The currency exchange rate to USD is calculated as 31.2.

The global semiconductor market was in bad shape in 2023 with DIGITIMES Research estimates that global semiconductor industry revenue in 2023, a decrease from a year ago. Looking forward to 2024, Including Gartner and many international research institutions pointed out, driven by the demand for AI applications and memory, global semiconductor revenue is expected to return to the growth track.

The growth of Taiwan's IC industry remain unclear which is caused by weaker end-market demand, the inventory digesting, and especially the US-China trade friction. In this ever-changing global market, Taiwan's IC industry has already established a key partner and strong support to high-tech innovative R&D around the globe. From up-stream IC design to down-stream IC manufacturing and IC packaging & testing, Taiwan's IC industry is a comprehensive industry chain with unique professional and specialized business models. The output value of Taiwan's entire IC industry value ranks in second across the world.

## (2) Relevant of the up-stream, mid-stream and down-stream in the industry

In the structure of semiconductor industry, the company responsible in the packaging and testing of the down-stream, which provides customers with services of IC packaging and testing.



## (3) Product Trends

With advances in electronic technology development and consumer needs for high performance electronic components, the manufacturers match consumer's need by producing light, thinner, short and small components with more functions. Thus, the packaging technology process is looking for high pin counts, high performance, and miniaturization. Currently, the company has purchased the latest IC packaging equipment. The accurate precision and the excellent production efficiency and the technical specialty of packaging and testing will work together to creating greater value for the entire semiconductor industrial chain. By this, the company will be able to provide customers with optimizing

packaging and testing technics to shortened the time for their products entering the market and ensure the customers received high-quality and high-performance products.

In the aspects of testing technology development, due to the complexity of the products is increasing continuously, there is an increasing demand for high-end test equipment with more complicated functions. With regards to the testing production we use the most appropriate testing equipment to the most suitable products; increasing testing production efficiency; saving human resources and material resources, decrease in costs, creating profit and increasing customer satisfaction.

SEMICON Taiwan 2023 spotlighted 8 key industry themes, such as advanced manufacturing, heterogeneous integration, compound semiconductors, auto chips, smart manufacturing, ESG and sustainability, and semiconductor cybersecurity and workforce. Vehicles, industrial electronics and generative AI applications stood out as a promising sector.

#### **(4) Product Competition**

In the semiconductor packaging and testing industry, the company provides customers with satisfying services and efficiency as the main competitiveness.

The company's main business scope is the packaging and testing of IC and various semiconductor components. The percentage of operation for packaging and other operating income are 99% and 1% respectively. At present, the company's main competitors are Orient Semiconductor, ChipMOS Technologies, Greatek Electronic, Sigurd Microelectronics, Taiwan IC Packaging, Formosa Advanced Technologies, Walton Advanced Engineering and other companies.

### 5.1.3 Research and Development

#### (1) Expenditures on research and development of the recent year and as until the annual report is published and printed

A. 2023 R & D Expense is NT\$ 136,376,000.

B. As of publication of this report, the company's R & D Expense is NT\$ 23,021,000.

#### (2) Technics and Products successfully developed

In addition to the traditional packaging products, the company provides products of stacked die package, multi-chip module, system packaging, MEMS component packaging technologies are mature production. Among them, MEMS components are light, thin, short, small and with the multifunction of sensor, calculating and action. The application of MEMS is broad and the market demand has great potential.

Due to the requirement of Green Environmental Directive "WEEE", "RoHS", "EUP" issued by European Union, the company responds to them by introduce green manufacturing and committed in environmental protection packaging.

Results of research and development in the most recent year as follows:

- A. Power Components Module Package and Testing, including thin and thick aluminium wire and clip bonding.
- B. Environmental Optics sensor module for cell phone or mobile device package and testing.
- C. MEMS sensor module package (e.g. MEMS accelerometer, gyroscope, pressure meter, altimeter, tire gage, MEMS microphone and etc.)
- D. Multi-functional MEMS Module package
- E. Miniaturization Optical Sensor Package
- F. Multi-functional Photoelectric Sensor Module Package
- G. Power Module IGBT(450A/1200V) Package
- H. 0.3mm Thin QFN Package
- I. Flip Chip on QFN/TSOT Package
- J. Pulse Detector Sensor Package
- K. Oximeter Sensor Package
- L. Lamination Microphone Package
- M. Power module MOSFET 100V/100A Package
- N. light sensor with different thickness package
- O. Low Power Module IPM/ SPM Package
- P. MIS Like Package
- Q. Water Proof Pressure Sensor Package
- R. Smart Lock Identify Sensor Package
- S. TWS optical Sensor Package
- T. Thermal pile Thermal Sensor Package
- U. MEMS Auto Focus Sensor Package
- V. Discrete SiC Schottky Diode TO Package

#### 5.1.4 Long-term and Short-term Development

##### (1) Long-Term Development

- A. Focus in the new application area under the industry development trend.
- B. Strive for new customers actively and strengthening customer relationship management.

##### (2) Short-Term Development

- A. Traditional IC packaging and Sensor IC packaging are both important. The Company continues to develop sensor components and vehicle IC packaging, including microelectromechanical (MEMS), environmental optical sensor, and products and application on the need of vehicle.
- B. Consolidating the existing customer relationships and provide complete services that meet the need of customers.
- C. Planning and developing operating profit centre to pay attention and review on the economic scale of each production line, improving the resources utilisation, reduce waste, increase in income, decrease in expenditure and to increase the company's profit.

#### 5.2 Market and Sales Overview

##### 5.2.1 Market Analysis

##### (1) Sales (Service) Region

Unit: NT\$ in Thousands

Region	Year 2022		Year 2023	
	Amount of sales	Percentage	Amount of sales	Percentage
Asia	5,153,120	85.79%	4,767,113	84.22%
America	367,633	6.12%	404,139	7.14%
Europe	486,053	8.09%	488,919	8.64%
Total	6,006,806	100.00%	5,660,171	100.00%

##### (2) Market Share

The company is currently one of the major packaging and testing suppliers in power management and flash memory ICs in Taiwan. The company is also the first company with MEMS package. MEMS industry is benefiting from the rev up market in smartphones and tablets with high specification and affordable, vehicle electronic application and wearable device. In addition, the application field and market scale of microelectromechanical products and the MEMS component is demanding, including Accelerometers, Gyroscopes, Electronic compasses, silicon microphones (Si-Mic), tire pressure monitor and MEMS component.

The company's technical ability and the quality of the products had passed the certification including IATF16949 and ISO14001. Product Quality and the ability to mass production have been recognized by well-known domestic and foreign manufacturers. It shows that the company's production technics or management ability and the development in new product are with strong competitiveness in the industry. Its market share is as follows:

Unit: NT\$ in 100 million

Year \ Item	The production value of IC Packaging and Testing Nationwide (A) (Note 1)	The production value of IC Packaging and Testing of the company (B) (Note 2)	(B)/(A)
Year 2023	5,837	56.60	0.97%

Note 1 : Source : TSIA, IEK (2024 / 02)

Note 2 : The company's 2023 consolidated revenue.

### (3) Supply and Demand of Future Market and the Growth

Reports from IEK depict that the output value of Taiwan's IC industry for 2024 amounted to NT\$5,011.6 Billion, a growth of 15.4% from 2023.

The global semiconductor market revenue can reach 526.8 Billion US dollars in 2023, a decrease of 8.2% from 2023. The first annual contraction since 2020. It is estimated that the global semiconductor market revenue can reach 595.8 Billion US dollars in 2024, a growth of 13.1% from 2023.

#### Estimated Output value of Taiwan's IC industry from 2020 to 2024

Amount Expressed in 100 million of New Taiwan Dollar	2020	2021	2022	2023	2023 Growth Rate	2024 (estimated)	2024 Growth Rate (estimated)
Taiwan IC Industry Revenue	32,222	40,820	48,370	43,428	-10.2%	50,116	15.4%
Taiwan IC Design	8,529	12,147	12,320	10,965	-11.0%	12,570	14.6%
Taiwan IC Manufacturing	18,203	22,289	29,203	26,626	-8.8%	31,038	16.6%
Foundry	16,297	19,410	26,847	24,925	-7.2%	29,060	16.6%
Memory Manufacturing	1,906	2,879	2,356	1,701	-27.8%	1,978	16.3%
Taiwan IC Packaging	3,775	4,354	4,660	3,931	-15.6%	4,362	11.0%
Taiwan IC Testing	1,715	2,030	2,187	1,906	-12.8%	2,146	12.6%
IC Product Output Value	10,435	15,026	14,676	12,666	-13.7%	14,548	14.9%
Global Semiconductor Market Revenue and Growth Rate (%) (US\$ in 100 million)	4,404	5,559	5,741	5,268	-8.2%	5,958	13.1%

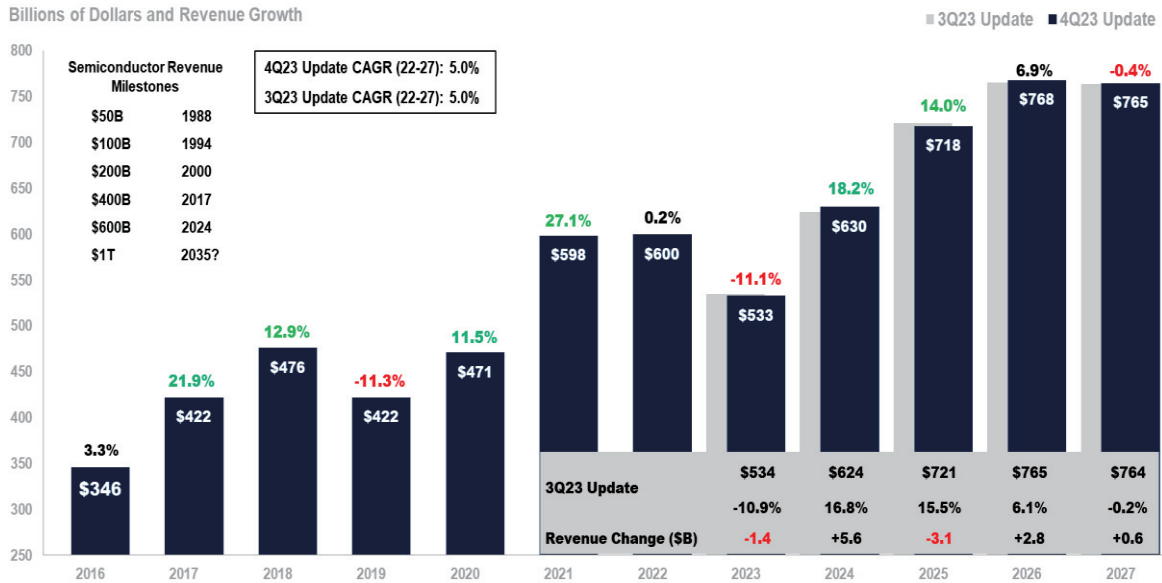
Source: TSIA; ITRI IEK (2024 / 02)

Gartner forecasts 2023 semiconductor revenue will drop by 10.9% to \$534.5 billion. Looking forward to 2024, driven by the demand for HPC, EV and AI applications, global semiconductor revenue is expected to exceed US\$600 billion and return to the growth track as demand rebounds.



## Semiconductor Revenue Forecast

Billions of Dollars and Revenue Growth



Source: Gartner (2024 / 01)

### (4) Competitive Niche

- Technical ability and the quality of the product have been recognized by domestic and foreign well-known manufacturer, the company received the IATF16949 Quality Certification and ISO14001/QS9000 International Environmental Protection Certification.
- Actively arranging competitiveness and niche products.
- Put in effort for the Industry upgrade innovative research project by the Ministry of Economic Affairs.
- Stable human resources.
- Flexible production ability.
- Continuous innovative development in new technics and new products.
- Receive verification and cooperate with famous foreign customers.

### (5) Favorable and Unfavorable Factors in the Long-Term

- Favorable Factors:
  - Semiconductor industry cluster and rooted in Taiwan.
  - Integrated device manufacturing plants (IDM) release packaging and testing orders.
- Unfavorable Factors:
  - China Government supports their local companies of semiconductor industry.
  - Competitors expand their factory productivity and accelerate growth by merger.
  - Competitors strive for the company's customers actively.
- Measures of responding:
  - Optimize customer service and maximize values and benefits.
  - Strive for IDM customer's outsourcing (packaging and testing orders).
  - Focus on high-growth and develop potential products actively.

### 5.2.2 Production Procedures of Main Products

#### Major Products and Their Main Usages

Major Products	Usage	Manufacturing Process
Small Outline Plastic Dimension IC ( S O P )	1. Consumer Electronics	Grinding ↓
Thin Small Outline Plastic Dimension IC ( T S O P )	2. Automotive electronic component	Dicing ↓
Small-Outline Transistor ( S O T 、 T O )	3. Memory	Loading ↓
Microelectromechanical Systems ( MEMS )	4. Communication Component	Wire Bond ↓
Extra Thin Planar Structure Plastic Grain Carriers ( T Q F P )	5. Power Management	Molding ↓
Thin Planar Structure Plastic Grain Carriers ( L Q F P )	6. Mobile Device	Marking ↓
Quad Flat No-Lead Package ( Q F N )	7. Optical Sensor	Plating ↓
Photoelectric ( CLCC 、 SMA 、 DMA )		Forming ↓
		OQA ↓
		Testing ↓
		Packaging ↓
		Export

### 5.2.3 Supply Status of Main Materials

The main raw materials of the package are lead Frame, substrate, Au /Cu wire, film/epoxy and compound, which are currently produced and represented by domestic and foreign suppliers.

The company and its subsidiaries maintain long-term cooperation and good relation with two or more well-known domestic and foreign suppliers to ensure sufficient raw materials for production.

Major Raw Material	Main Supply Region	Status of Supply	Procurement Strategy
Lead Frame	Taiwan, Singapore	Stable	1. Developing long-term relations to ensure the stability of obtaining production materials 2. The company is increasing in purchase from local suppliers in the recent years to reduce the risk and costs of international transportation.
Substrate	Taiwan, Japan	Stable	
Au /Cu Wire	Taiwan, Korea, Singapore	Stable	
Compound	Taiwan, Japan	Stable	
Film/Epoxy	Taiwan, Japan	Stable	

## 5.2.4 Major Suppliers and Customers

### (1) Major Suppliers in the Last Two Years

Unit: Amount in NT\$ Thousands

Item	Year 2022				Year 2023			
	Name	Amount	%	Relation to the company	Name	Amount	%	Relation to the company
1	Company B	188,490	12	None	Company B	238,634	17	None
2	Company C	177,340	11	None	Company C	211,825	15	None
3	Company D	206,349	13	None	Company D	200,755	14	None
4	Company A	269,479	16	None	Company A	184,295	13	None
5	Company E	190,397	12	None	Company E	100,054	7	None
	Other	601,818	36		Other	492,378	34	
	Net procurement	1,633,873	100		Net procurement	1,427,941	100	

Reason for increase or decrease:

The change of procurement amount and percentage were mainly due to the product portfolio of the year.

### (2) Major Customers in the Last Two Years

Unit: Amount in NT\$ Thousands

Item	Year 2022				Year 2023			
	Name	Amount	%	Relation to the company	Name	Amount	%	Relation to the company
1	Customer A	871,715	15	None	Customer A	605,173	11	None
2	Customer B	770,620	13	None	Customer B	558,456	10	None
	Other	4,364,471	72		Other	4,496,542	79	
	Operating revenue	6,006,806	100		Operating revenue	5,660,171	100	

Reason for increase or decrease:

The change of sales amount and percentage were mainly due to the change of customer market share.

## 5.2.5 Production in the Last Two Years

Unit: Amount in NT\$ Thousands; Quantity in thousands

Unit: Amount in IN \$ thousands, Quantity in thousands							
Output  Main Products	Year	Year 2022			Year 2023		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
	IC Packaging and Testing	Note 1	5,612,394	5,447,061	Note 1	5,449,660	5,378,594
	Other	Note 1	Note 2	38,977	Note 1	Note 2	65,018
	Total	Note 1	5,612,394	5,486,038	Note 1	5,449,660	5,443,612

Note 1: The number of the main production equipment in use:

As until the end of 2022: 1,492set Wire Bonder and 474 set Tester

As until the end of 2023: 1,491set Wire Bonder and 479 set Tester

Note 2: Because the units of quantity are inconsistent, the quantity is not disclosed.

## 5.2.6 Sales in the Last Two Years

Unit: amount in NT\$ Thousands; Quantity in thousands

Value of units sold  Main Products		Year 2022		Year 2023					
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
IC Packaging and Testing		4,246,978	4,639,638	1,365,416	1,333,980	4,190,910	4,244,966	1,258,750	1,347,805
Other		Note 1	17,410	Note 1	15,778	Note 1	55,068	Note 1	12,332
Total		4,246,978	4,657,048	1,365,416	1,349,758	4,190,910	4,300,034	1,258,750	1,360,137

Note 1: Because the units of quantity are inconsistent, the quantity is not disclosed.

### 5.3 Human Resources Information in the Last Two Years and as until the annual report is published and printed

As of Feb.29, 2024

Year		Year 2022	Year 2023	01 / 01 / 2024 ~ 02 / 29 / 2024
Number of Employees	Technician	822	824	847
	Managerial Personnel	356	319	334
	Operators	1,662	1,685	1,724
	Total	2,840	2,828	2,905
Average Age		38.35	39.06	39.09
Average Years of Service		10.01	10.57	10.56
Education	Ph.D.	0.03%	0.04%	0.03%
	Masters	4.83%	5.15%	4.95%
	Bachelor's Degrees	65.64%	66.71%	66.33%
	Senior High School	24.33%	24.66%	24.32%
	Below Senior High School	5.17%	3.44%	4.37%

Note: The above information including the employees of the company and its subsidiaries.

### 5.4 Environmental Protection Expenditure

#### 5.4.1 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incident.

In the last year and till the date of publication, there is no penalty for the significant environmental violation.

#### 5.4.2 An estimate possible expenses that could be incurred currently and, in the future, and measures being or to be taken.

The company has identified environmental risks during the operational process according to ISO 14001, based on the preventive measures that can be continuously conducted, including equipment hardware improvement, enhancement of personal educational training, and strengthening of operating system management. In the future, the company's primary environmental protection expenditures and items will include: costs of replacement, renewal, and upgrade of existing pollution prevention equipment, waste disposal costs, and environmental monitoring costs.

### 5.5 Labor Relationship

The Company deeply believed that the company's biggest asset is our personnel. The company facing the competitive environment of the peers domestically and internationally, and in order to achieve the operating goals rely on the harmony employer-employee relationship. The business provides the win-win policy, with its effort and put in practice as the bridge of communication between the company and the employees. There have no significant conflicts between the employers and the employees.

#### 5.5.1 Current employees' welfare measures, advanced studies, training, retirement systems and its implementation of the company.

**(1) The Employees welfare measures**

The company seems our employees as our significant assets and with the beliefs of sharing profits with our employees. The current Employees welfare measures as follows:

A. All-rounded employees' insurance system: Labour Insurance, Health Insurance, free group insurance for employees and Overseas Travel Insurance for employees going for business trip.

B. The company conducts and implements reasonable employee compensation and the company's employee compensation is based on educational level, performance and market value, regardless of gender, race, religion, political position and marital status. In 2023, female employee ratio was 53.22% and female ratio in managements was 15.38%. There is no significant difference in remuneration ratio between male and female for the company.

According to the company's overall operation, team and individual performance, the company offer incentive bonuses and annual profit-sharing bonuses to reward employees' diligent contributions to the company. Profit-sharing bonuses in cash are rewarded to employees with outstanding performance based on our business results. Annual bonuses are rewarded to employees based on their individual performances and results.

The compensation is in lined with laws and regulations in terms of minimum wage, retirement pension, leaves and other mandatory benefits to safeguard the rights of our employees.

C. Establishing of Employees' Welfare Committee to allocating the employees' welfare and holding of various operations for the benefits of our employees. For example, planning of various annual employees' incentive tour options, founding of various clubs, hosting athletic competition etc. To let our employees to can taking care both of their work and family.

D. Promoting contract store services and providing our employees' discount while consuming.

E. Vouchers for Birthday and festive; wedding gifts and funeral solariums and condolences.

F. Regularly organizing employees' health examination.

G. Requiring of Nurses in factory, contracted doctors for consultant in the factory and contract hospital.

H. Complete measures of Unpaid Parental Leave.

**(2) Employees training and further training**

The company has a complete set of educational training system and providing the employees with various professional training courses, Including:

A. Job Orientation

The company with a completed the job orientation, including New Personnel Pre-Job training and the basic training for new personnel to assisting them understand the enterprise culture, core value of the Company, working environment and related matters of Corporate Social Responsibility.

B. On Job Training (OJT)

Assisting our employees in the production line to learn the required knowledge, skills and attitude with the certification required for the job

training for operating the machines.

C. Job Training inside the factory

Courses including quality, manufacturing process, problem analysis and solving. The purpose is to develop the leadership of the management and building up technical languages inside the factory.

D. Outside Factory Educational Training

Encourage employees to learning new knowledges about technology outside of the factory and the company often appointing our employees to technical conference and lecture speech holding by various international institutes

**(3) Employee Pension System and Implementation Status**

According to the Labour Pension Act, the company deposits 6% of employees' salary into their labour retirement reverse fund account at the Bureau of Labour Insurance for the employees select the new systems.

For employees select old pension system and select new system but retained the service year of the old system, the company established the Pension Fund Invigilating Committee in accordance to the Labour Standard Act and the company deposits the pension fund in to employees' account at Central Trust of China. As until end of 2023, the remaining balance in the pension account is NT\$ 638,597,000. As long as the employees meet the retirement criteria, the employees may claim their pensions to ensure the right and interest of our employees , so that the employees may put their effort to work without any concerns.

**(4) Code of Conducts or Ethics**

With regards to the Employees' code of conduct or ethics, the company enacted the Employees' Working Guideline for them to obey.

**(5) Trusted on the employees' shareholding**

To increase the participation of our employees to the company, the company allows our employees to hold the shares of the company and sharing the result of operation together. The company established the employees' shareholding association on October 28, 2003 to start the operation on employees' shareholding, in hope that the employees will be more cohesiveness to the company and stable development of the company.

**5.5.2 Status of labor-management agreements and measures for preserving employees' rights and interests**

**(1) Regular and irregular hosting of labor-management communication meetings.**

**(2) Promoting various policies and measures related to the prevention of sexual harassment according to the law, and to promote a workplace of gender equality in employment.**

**(3) Our company's union has been established for over 30 years, and we maintain continuous communication with union representatives while respecting their opinions. Regular discussions on colleague feedback are conducted during quarterly labor-management meetings. The rights and obligations of both labor and management are clearly defined in the company's rules and relevant regulations. As of the end of 2023, the union has not requested the signing of a collective agreement.**

**5.5.3 Any Loss suffered by the company in the most recent 2 years and up to the annual report publication date due to labour disputes: None.**

**5.5.4 Implementing of Corporate Social Responsibility**

**(1) The company enacted relevant management policies and procedures in accordance with relevant laws and International Bill of Human Rights**

The company complies with relevant laws and adopts the RBA code of conduct as the management framework in its operations, protects employees' legal rights and employment policies without discrimination, and established appropriate management methods and procedures.

**(2) The company has established employees reporting system and channels, and handling with the appropriate manner**

The company obey the related labour laws and regulations to protect the legal rights and interests of the employees. The company conducted disseminating of the company's policies and the understanding of employees' opinion in an open, two-way communication manner.

**(3) The company provides employees with a safe and healthy workplace and the condition of regularly implementing safety and health education**

The company has passed the ISO45001 Occupational Health and Safety Certification. The company to provide a safety workplace by focus on the improvement of engineering and equipment with possible risks; establishing safe operation procedures; provided protective measures; regularly hosting dissemination and drills on environmental protection, safety and health; and others. The company has providing group insurance to the employees at the same time and regularly hosting employees' health examination and various lectures.

A total of 0 Inpatient occupation accidents occurred at the company in 2023. The ratio is 0% based on total employees. The company investigated every occupational accident and identified the root causes. The company also performed necessary construction or administrative improvement or provide necessary personal health and safety equipment. Mandatory health and safety education and training and campaigns were reinforced to reduce the risk of repeat accidents.

A total of 0 Inpatient fire incidents , 0 casualties occurred at the company in 2023. The ratio is 0% based on total employees. To ensure comprehensive environmental safety, our company conducts daily safety inspections of office environments, equipment, and machine rooms by dedicated personnel. Additionally, we conduct annual fire evacuation drills for all employees to continuously strengthen their emergency response capabilities and ensure everyone's safety.

**(4) The condition of the company establishes a regular communication system with our employees and informs our employees about the significant impacts on changes of operating in a reasonable manner**

The company established the mailbox for employees' opinions and informs our employees about the significant impacts on changes of operating by publishing announcements.



**(5) The company established and effective career ability development training plan for the employees**

- A. The senior supervisor of the company are the members of “Educational Training Committee”, the company provides standard courses to our employees in according to functions and rank.
- B. With regards to the employees’ career development, the company encourage our employees to attending employee development training and provide them with trainings , such as assisting employees of the production line to obtain the machinery operating permit and assisting engineers to obtain various levels technical certifications.

**(6) Protection Measures to ensure the safety of our employees, the occupational environment and the implementation**

- A. To enhance the communication between employees, the company established “Safety and Health Committee” with the General Manager as the convener. The meeting with cadres, relevant technical personnel and the corporate union convened once every three months to discuss the issues of the company’s occupational health and safety, and the tracking results for operation.
- B. To ensure the safety and health in the workplace, the company enacted the Monitoring Plan for the Workplace and monitored once every six months.
- C. Prevention of occupational diseases, conduct health management to the employees and arranging regular health examination according to the age of employees, and special health examination once per year for employees executing special operations.
- D. For emergency response management, the company enacted the “Operational Procedure for Responding Emergency Situation”, when serious event occurred the general manager will convene a staff meeting to set up an emergency response center to take necessary response measures. For the regular emergency response training, each class will conduct an emergency response drills every six months and with annual entire company comprehensive drills. The company will conduct firefighting lectures once per year and with 12 times in 2023.
- E. The company introduced ISO45001 Occupational Health and Safety Management Standard with annual follow-up to maintain the validity of the certification.

**5.6 Cybersecurity management**

**5.6.1 Cybersecurity Risk Management Structure**

The Company has set up a Cybersecurity Committee to initiate and promote the management of cybersecurity. The Committee is headed by the Company General Manager, and meetings are convened by the Chief of MIS officer. Senior managers from each department serve as committee members, and meetings are organized regularly to formulate and review the objectives and policy of IT security management.

### **5.6.2 Cybersecurity Policy**

The Company's cybersecurity policy is to "protect the Company's intellectual property, and comprehensively enhance the awareness for cybersecurity".

The Company adopts active Cybersecurity strengthening procedures, e.g.,

- (1) Improve various internal cybersecurity management mechanisms.
- (2) Protect the confidentiality, integrity and availability with proactive action.
- (3) Increase the employees' cybersecurity awareness through arranged for cybersecurity incident response drills at factory site and various cybersecurity training sessions.

### **5.6.3 Specific Management Plan**

#### **(1) The Management of Cybersecurity**

The company built the internal systems in virtual network and the extranet will be blocked and unable to connected the intranet of the company. The company takes multiple internet safeguard system. The front-end of the company's internal network is a new generation 7th layer firewall with the automatic back up mechanism, advanced continuous penetration attack protection, intrusion and threat prevention system and website evaluation system and etc.

At the same time, in response to the increase in threats of phishing email attack each year, the company also established a front-end email anti-virus filter system and automatically excluding the emails with threats.

The internal hosts and endpoints of the company are automatically dispatched latest virus protection codes and malicious program featured comparison code from the central control anti-virus system to block the virus, Trojan Horses, Ransomware, malicious programs attached in documents to effectively reduce the risk of hacking attacks. For Microsoft Windows Operating System, we plotted multiple WSUS hosts are deployed the latest revision files from the Microsoft to prevent hackers from attacking and intruding through operating system vulnerabilities.

To raise the awareness of IT safety to our employees, we established educational website for our employees, enacted the emergency response procedures for hackers attack and drilled, summarized and revised every year.

#### **(2) Data access control**

- A. The access to the company's internal control systems and the authorization of data usage shall review and approved by the each individual dedicated supervisors and use and changed afterwards.
- B. Setting up the password to the account, required complicated review by the rule of the system and changed regularly.
- C. When the user left the position or resigned, the company will remove his or her authority to assess and cancel his or her account immediately to prevent any unauthorized usage.
- D. Data Access Record Storage  
Filing and Storage of information like track record of the system file and document access and the correspondence mails.  
All computers that have been completed with the scrap, its hard drive shall be dismantled and destroyed in order to fulfill the management system by law and the related information safety policy.

**(3) Cybersecurity Mechanisms**

- A. In order to ensure the continued feasibility of the information system, system files are stored daily and weekly with local back up and remote back up to reduce risk of loss by the unpredictable natural disasters and man-made disaster.
- B. The company enacted the information system emergency event that has handle procedures and guideline with drill and amendment every year to make sure when the information system facing emergency events like significant information safety accident, natural disasters or man-made disasters is able to recover the availability of the information system.

**(4) Cybersecurity training for employees**

- A. The Company regularly educates employees includes social engineering drill and related IT security knowledge. The Company looks to increase the employee's IT security awareness through various IT security training sessions, to ensure the knowledge of IT security will be integrated into employees' day-to-day operations.
- B. In addition, in view of the frequent occurrence of business email compromise in recent years, the Company trains personnel involved in handling cash flows, e.g. colleagues in business, finance, and procurement units, in order to prevent business email compromise, and optimizes internal processes to ensure the security of receipts and payments.

**(5) The committee has weekly report to the General Manager on the implementation of cybersecurity.**

**(6) Implementation Status:**

Item	Content	Implementation Status
Regular disaster recovery drills	Test system response, database response, data verification, etc. Attendees: IT Department & and outsourcers.	Annually and issued a report
Perform external audits	Appoint CPAs Firm conduct to the company's information security control systems.	Annually

**(7) Insurance status**

Information security risk is an emerging type of insurance.

The company suspends the purchase of information security insurance, consider insurance coverage, claims coverage, claims identification, and identification agency qualifications, applicable industries.

In recent years, the company faces the ever-changing and growing information security threat. The company inspects the defense mechanism regularly (including firewall, antivirus system, etc.) to ensure compliance with security policies.

**(8) Future Management Plans**

Strengthen supply chain information security management.  
Deepen the awareness of internal staff information security.  
Enhance early warning and defense capabilities.

**5.6.4 Resources Invested in the Management of Cybersecurity for 2023**

The related expense Invested in the management of cybersecurity was NT\$8,236,000. The execution content includes: inspection and improvement of information security framework; inspection of network equipment, servers, terminals and other equipment; inspection of network activities; website security inspection; information security protection inspection...etc.

The company also continues to improve employees' information security literacy. In addition to irregularly sending information security promotions and conducting cybersecurity training for employees, the company encourages employees to understand the importance of cybersecurity training and urges them to comply with regulations. We also conduct phishing email drills and phishing email recognition awareness training for employees. In the year 2023, a total of 810 person-times with 810 hours completed the annual online training. The accumulated external hours were 16 hours.

**5.6.5 In the most recent year and up to the date of publication of this Annual Report, the Company has not experienced any material cyberattack incidents that have materially and adversely affected as a result.**

## 5.7 Important Contracts

February 29, 2024

Agreement	Counterparty	Period	Main Content	Restriction Clause
Land Lease	Export Processing Zone Administration, MOEA	From November 01, 2014 to November 30, 2033	Land Lease (15 projects)	None
Bank Loan	Mega Bank, Tantze	From June 27, 2022 to June 26, 2025	Medium & long-term Loan	Sustain certain financial ratio
Bank Loan	China Trust Commercial Bank, Taichung	From March 5, 2021 to March 4, 2026	Medium & long-term Loan	Sustain certain financial ratio
Bank Loan	O-Bank, Taichung	From March 5, 2021 to March 4, 2026	Medium & long-term Loan	Sustain certain financial ratio
Bank Loan	Taipei Fubon Commercial Bank, Taichung Port	From April 11, 2021 to May 20, 2026	Medium & long-term Loan (2 projects)	Sustain certain financial ratio
Bank Loan	Bank SinoPac, Banqiao	From June 15, 2017 to August 15, 2025	Medium & long-term Loan	None
Bank Loan	Shanghai Commercial Bank, Hsinchu	From January 12, 2018 to June 2, 2028	Medium & long-term Loan (5 projects)	None
Bank Loan	Shin Kong Bank, Hsinchu	From June 16, 2022 to June 16, 2025	Medium & long-term Loan	None
Bank Loan	Mega Bank, Northern Hsinchu	From February 11, 2020 to July 16, 2027	Medium & long-term Loan	Sustain certain financial ratio
Bank Loan	First Commercial Bank, Hsinchu	From June 19, 2023 to October 15, 2030	Medium & long-term Loan (2 projects)	None
Bank Loan	China Trust Commercial Bank, Taichung	From September 8, 2023 to August 15, 2030	Medium & long-term Loan	Sustain certain financial ratio
Sales Agent	LINGSEN AMERICA INC.	From January 1, 2024 to December 31, 2024	Broker Agent for the sales between US and Taiwan	None
Sales Agent	AZIMUTH INDUSTRIAL, INC.	From July 24, 2021 to July 23, 2026	Broker Agent for the sales between US and Taiwan	None
Engineering Contract for Generating Electricity by solar	Chang Wah Electromaterials INC.	From August 28, 2014 to November 6, 2034	Engineering for Generating Electricity by solar photovoltaic energy	None
Contract of Purchase and Sell of Electricity	Taiwan Power Company	From November 7, 2014 to November 6, 2034	Wholesale of Electricity	None
Building and Leasing of Solar Photovoltaic Energy System	Cheng Yang Energy Co., Ltd.	From March 24, 2020 to March 23, 2040	Building and Leasing of Solar Photovoltaic Energy System	None
Building and Leasing of Solar Photovoltaic Energy System	Red Kai Ent CO.,	From June 1, 2022 to May 31, 2042	Building and Leasing of Solar Photovoltaic Energy System	None
Energy Saving Projects	Energy Bureau, MOEA	From March 15, 2022 to December 31, 2027	Energy Saving Projects	None
Assistance Program for Low Carbon and Smart Upgrade	Taiwan Small and Medium Enterprises United Counseling Foundation	From September 1, 2023 to August 31, 2025	Winbond Electronics Sustainable Supply Chain Low-Carbon Transformation	None

## VI. Financial Profile

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Consolidated Balance Sheet – Based on IFRS

Unit: NT\$ in Thousands

Year		Financial information for the last five years ( Note 1 )				
		2019	2020	2021	2022	2023
Current Asset		3,806,195	3,688,140	4,833,450	3,827,581	3,457,665
Property, Plant and Equipment		4,074,626	3,491,550	3,984,904	4,284,385	3,995,730
Intangible Assets		-	-	-	-	-
Other Assets		367,713	465,570	606,426	643,288	491,046
Total Assets		8,248,534	7,645,260	9,424,780	8,755,254	7,944,441
Current Liabilities	Before Distribution	1,787,767	1,724,686	2,195,855	1,645,851	1,460,911
	After Distribution	1,787,767	1,724,686	2,685,855	1,759,882	(Note 2)
Non-current Liabilities		1,149,540	787,059	1,131,498	1,160,170	802,750
Total Liabilities	Before Distribution	2,937,307	2,511,745	3,327,353	2,806,021	2,263,661
	After Distribution	2,937,307	2,511,745	3,817,353	2,920,052	(Note 2)
Total equity attributable to owners of the Company		5,126,710	4,946,908	5,853,078	5,711,522	5,446,742
Equity attributable to owners of the company Common share capital		3,801,023	3,801,023	3,801,023	3,801,023	3,801,023
Capital Surplus	Before Distribution	1,451,696	1,384,604	1,250,011	1,265,021	1,266,753
	After Distribution	1,384,540	1,249,938	1,250,011	1,265,021	(Note 2)
Retained Earnings	Before Distribution	124,864	25,753	1,073,244	884,359	601,439
	After Distribution	192,020	160,419	583,244	770,328	(Note 2)
Other equities		(74,458)	(64,644)	(71,372)	(62,466)	(46,058)
Treasury shares		(176,415)	(199,828)	(199,828)	(176,415)	(176,415)
Non-Controlling Interests		184,517	186,607	244,349	237,711	234,038
Total Equity	Before Distribution	5,311,227	5,133,515	6,097,427	5,949,233	5,680,780
	After Distribution	5,311,227	5,133,515	5,607,427	5,835,202	(Note 2)

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: Pending resolution in 2024 Annual Meeting of Shareholders.

### 6.1.2 Condensed Consolidated Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ in Thousands (except for earnings per share: NT\$)

Item \ Year	Financial information for the last five years (Note 1)				
	2019	2020	2021	2022	2023
Operating Revenue	4,719,390	5,457,586	7,733,302	6,006,806	5,660,171
Gross profit(Loss)	(63,619)	299,084	1,474,896	520,768	216,559
Net operating profit (loss)	(579,568)	(163,530)	889,303	38,180	(224,128)
Total non-operating incomes and expenses	30,652	17,114	146,488	119,145	33,052
Net profit (loss) before income tax	(548,916)	(146,416)	1,035,791	157,325	(191,076)
Net profit (loss) for the year	(552,131)	(163,140)	931,591	200,653	(160,131)
Loss from Discontinued Operations	-	-	-	-	-
Net profit (loss) for the year	(552,131)	(163,140)	931,591	200,653	(160,131)
Other comprehensive income, net of tax	(1,568)	8,777	32,248	102,730	3,977
Total Comprehensive Income (loss)	(553,699)	(154,363)	963,839	303,383	(156,154)
Net profit (Loss) is attributed to owners of the Company	(552,011)	(164,343)	873,849	207,291	(156,458)
Net profit (Loss) is attributed to non-controlling interests.	(120)	1,203	57,742	(6,638)	(3,673)
The total comprehensive income is attributed to owners of the Company	(553,579)	(155,566)	906,097	310,021	(152,481)
The total comprehensive income is attributed to non-controlling interests.	(120)	1,203	57,742	(6,638)	(3,673)
Earnings(Loss) Per Share	(1.47)	(0.44)	2.35	0.56	(0.42)

Note 1: Financial information for the last five years has been audited by CPAs.

### 6.1.3 Condensed Balance sheet of the parent company – Based on IFRS

Unit: NT\$ in Thousands

Year		Financial information for the last five years ( Note 1 )				
		2019	2020	2021	2022	2023
Current Assets		3,167,742	3,010,761	3,958,390	3,137,798	2,709,232
Property, plant and facilities		3,220,683	2,661,865	2,949,761	3,179,568	2,874,164
Intangible Assets		-	-	-	-	-
Other Assets		1,060,150	1,176,731	1,490,974	1,464,415	1,356,109
Total Assets		7,448,575	6,849,357	8,399,125	7,781,781	6,939,505
Current Liabilities	Before Distribution	1,343,992	1,379,446	1,756,191	1,254,043	1,114,493
	After Distribution	1,343,992	1,379,446	2,246,191	1,368,074	(Note 2)
Non-current Liabilities		977,873	523,003	789,856	816,216	378,270
Total Liabilities	Before Distribution	2,321,865	1,902,449	2,546,047	2,070,259	1,492,763
	After Distribution	2,321,865	1,902,449	3,036,047	2,184,290	(Note 2)
Total equity attributable to owners of the Company		5,126,710	4,946,908	5,853,078	5,711,522	5,446,742
Equity attributable to owners of the company		3,801,023	3,801,023	3,801,023	3,801,023	3,801,023
Common share capital						
Capital Surplus	Before Distribution	1,451,696	1,384,604	1,250,011	1,265,021	1,266,753
	After Distribution	1,384,540	1,249,938	1,250,011	1,265,021	(Note 2)
Retained Earnings	Before Distribution	124,864	25,753	1,073,244	884,359	601,439
	After Distribution	192,020	160,419	583,244	770,328	(Note 2)
Other equities		(74,458)	(64,644)	(71,372)	(62,466)	(46,058)
Treasury shares		(176,415)	(199,828)	(199,828)	(176,415)	(176,415)
Non-controlling interests		-	-	-	-	-
Total Equity	Before Distribution	5,126,710	4,946,908	5,853,078	5,711,522	5,446,742
	After Distribution	5,126,710	4,946,908	5,363,078	5,597,491	(Note 2)

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: Pending resolution in 2024 Annual Meeting of Shareholders.



#### 6.1.4 Condensed Statement of Comprehensive Income of the parent company – Based on IFRS

Unit: NT\$ in Thousands (except for earnings per share: NT\$)

Year Items	Financial information for the last five years (Note 1)				
	2019	2020	2021	2022	2023
Operating Revenue	3,871,836	4,628,930	6,489,676	5,113,539	4,725,754
Gross profit(Loss)	(27,005)	368,155	1,228,099	502,351	174,662
Net operating profit (loss)	(383,505)	35,855	811,955	164,601	(122,723)
Total non-operating incomes and expenses	(164,982)	(184,685)	145,081	(991)	(63,616)
Net profit (loss) before income tax	(548,487)	(148,830)	957,036	163,610	(186,339)
Net profit (loss) for the year	(552,011)	(164,343)	873,849	207,291	(156,458)
Loss from discontinued Business	-	-	-	-	-
Net profit (loss) for the year	(552,011)	(164,343)	873,849	207,291	(156,458)
Other comprehensive income, net of tax	(1,568)	8,777	32,248	102,730	3,977
Total Comprehensive Income (loss)	(553,579)	(155,566)	906,097	310,021	(152,481)
Net profit (Loss) is attributed to owners of the Company	-	-	-	-	--
Net profit (Loss) is attributed to non-controlling interests.	-	-	-	-	-
The total comprehensive income is attributed to owners of the Company	-	-	-	-	-
The total comprehensive income is attributed to non-controlling interests.	-	-	-	-	-
Earnings(Loss) per share	(1.47)	(0.44)	2.35	0.56	(0.42)

Note 1: Financial information for the last five years has been audited by CPAs.

#### 6.1.5 Auditors' Opinions for the most recent five years

Year	CPAs Firm	Name of the CPAs	Audit Opinion
2019	Deloitte & Touche Taiwan	Shu-Jing Chiang; Ding-Jian Su	An unqualified Opinion
2020	Deloitte & Touche Taiwan	Shu-Jing Chiang; Ding-Jian Su	An unqualified Opinion
2021	Deloitte & Touche Taiwan	Shu-Jing Chiang; Ding-Jian Su	An unqualified Opinion
2022	Deloitte & Touche Taiwan	Shu-Jing Chiang; Ding-Jian Su	An unqualified Opinion
2023	Deloitte & Touche Taiwan	Shu-Jing Chiang; Ding-Jian Su	An unqualified Opinion

## 6.2. Financial Analysis for the most recent five years

### 6.2.1 Consolidated Financial Analysis –Based on IFRS

Items		Financial Analysis for the Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Financial Structure	Debt ratio (%)	35.61	32.85	35.30	32.04	28.49
	Ratio of Long-term capital to property, plant and equipment (%)	158.56	169.56	181.40	165.93	162.26
Solvency	Current Ratio (%)	212.90	213.84	220.11	232.55	236.67
	Quick Ratio (%)	183.25	181.31	172.63	175.87	199.47
	Interest earned ratio (times)	-27.04	-6.88	66.79	7.82	-3.97
Operating Capacity	Accounts receivable turnover (times)	4.25	4.45	5.00	4.40	5.21
	Average collection period	85.88	82.02	73.00	82.95	70.05
	Inventory turnover (times)	11.32	11.73	10.18	7.71	10.15
	Accounts payable turnover (times)	19.44	16.73	14.77	15.01	24.55
	Average days in sales	32.24	31.11	35.85	47.34	35.96
	Property, plant and equipment turnover (times)	1.11	1.44	2.06	1.45	1.36
	Total assets turnover (times)	0.57	0.71	0.82	0.68	0.71
Profitability	Return on total assets (%)	-6.54	-1.85	11.06	2.40	-1.55
	Return on stockholders' equity (%)	-9.81	-3.12	16.58	3.33	-2.75
	Pre-tax income to paid-in capital (%)	-14.44	-3.85	27.25	4.13	-5.02
	Profit ratio (%)	-11.70	-2.98	12.05	3.34	-2.83
	Earnings Per Share (NT\$)	-1.47	-0.44	2.35	0.56	-0.42
Cash Flow	Cash flow ratio (%)	34.18	31.44	57.60	67.91	50.43
	Cash flow adequacy ratio (%)	117.75	118.52	97.09	88.82	91.88
	Cash reinvestment ratio (%)	4.82	5.11	11.12	5.60	5.59
Leverage	Operating Leverage	-0.56	-4.04	1.85	20.63	-2.55
	Financial Leverage	0.97	0.89	1.01	2.47	0.85

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

1. Times interest earned decrease was mainly due to the decrease of pre-tax income and increase in interest expenses.
2. Inventory turnover (times) and Average days in sales decrease was mainly due to the inventory correction remains.
3. Average payment turnover(times) increase was mainly due to the decrease of accounts payable.
4. The decrease in various ratios of profitability was mainly due to the loss in the current year.
5. The decrease in various ratios of cash flow and leverage was mainly due to the loss in the current year, which led to the decrease in net cash inflow from operating activities.

Note 1: Financial information for the last five years has been audited by CPAs.

## 6.2.2 Parent Only Financial Analysis- –Based on IFRS

Items		Year	Financial Analysis for the Last Five Years ( Note 1 )				
			2019	2020	2021	2022	2023
Financial Structure	Debt ratio (%)		31.17	27.77	30.31	26.60	21.51
	Ratio of Long-term capital to property, plant and equipment (%)		189.54	205.49	225.20	205.30	202.66
Solvency	Current Ratio (%)		235.69	218.25	225.39	250.21	243.09
	Quick Ratio (%)		207.99	183.78	169.06	180.86	198.40
	Interest earned ratio (times)		-50.95	-14.69	111.67	13.73	-8.38
Operating Capacity	Accounts receivable turnover (times)		4.46	4.65	5.10	4.53	5.33
	Average collection period		81.79	78.49	71.56	80.57	68.48
	Inventory turnover (times)		17.81	16.72	10.48	7.33	9.96
	Accounts payable turnover (times)		17.68	14.81	13.32	13.84	22.56
	Average days in sales		20.49	21.83	34.82	49.79	36.64
	Property, plant and equipment turnover (times)		1.13	1.57	2.31	1.66	1.56
	Total assets turnover (times)		0.52	0.67	0.77	0.65	0.68
Profitability	Return on total assets (%)		-7.25	-2.19	11.55	2.68	-1.91
	Return on stockholders' equity (%)		-10.14	-3.26	16.18	3.58	-2.80
	Pre-tax income to paid-in capital (%)		-14.42	-3.91	25.17	4.30	-4.90
	Profit ratio (%)		-14.25	-3.55	13.46	4.05	-3.31
	Earnings Per Share (NT\$)		-1.47	-0.44	2.35	0.56	-0.42
Cash Flow	Cash flow ratio (%)		45.77	38.50	58.24	76.10	60.58
	Cash flow adequacy ratio (%)		142.32	149.17	113.54	101.95	107.69
	Cash reinvestment ratio (%)		5.65	6.01	10.75	4.94	6.24
Leverage	Operating Leverage		-0.93	19.63	1.72	4.33	-3.69
	Financial Leverage		0.97	1.35	1.01	1.08	0.86

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

1. Times interest earned decrease was mainly due to the decrease of pre-tax income and increase in interest expenses.
2. Inventory turnover (times) and Average days in sales decrease was mainly due to the inventory correction remains.
3. Average payment turnover(times) increase was mainly due to the decrease of accounts payable.
4. The decrease in various ratios of profitability was mainly due to the loss in the current year.
5. The decrease in various ratios of cash flow and leverage was mainly due to the loss in the current year, which led to the decrease in net cash inflow from operating activities.

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: The calculation formulas of the Analysis are as follows:

#### 1. Financial Structure

- (1) Debt to ratio =  $\text{Total Liabilities} / \text{Total Assets}$ .
- (2) Ratio of Long-term capital to property, plant and equipment =  $(\text{Total Equity} + \text{Non-current Liabilities}) / \text{Net property, plant and equipment}$ .

#### 2. Solvency

- (1) Current ratio =  $\text{Current assets} / \text{Current liabilities}$ .
- (2) Quick Ratio =  $(\text{Current Assets} - \text{Inventories} - \text{Prepaid expenses}) / \text{Current liabilities}$ .
- (3) Interest earned ratio (times) =  $\text{Net income before Income tax and the interest expense} / \text{Interest expense over this period}$ .

#### 3. Operating Capacity

- (1) Accounts receivable (including account receivable and notes receivable due to business operations) turnover (times) =  $\text{Net Sale} / \text{Balance of Average accounts receivable (including account receivable and notes receivable due to operation)}$ .
- (2) Average collection period =  $365 / \text{Accounts Receivable turnover rate}$
- (3) Inventory turnover (times) =  $\text{Cost of goods sold} / \text{Average inventories}$ .
- (4) Accounts payable turnover (times) =  $\text{Cost of goods sold} / \text{Balance of Average accounts payable (including accounts payable and notes payable due to operation)}$ .
- (5) Average days in sales =  $365 / \text{Inventory turnover rate}$ .
- (6) Property, plant and equipment turnover (times) =  $\text{Net sale} / \text{Average net property, plant and facilities}$ .
- (7) Total assets turnover (times) =  $\text{Net Sales} / \text{Average Total Assets}$ .

#### 4. Profitability

- (1) Return on total assets (%) =  $(\text{Profit or Loss after Tax} + \text{Interest Expenses} \times (1 - \text{tax rate})) / \text{Average Total Assets}$ .
- (2) Return on stockholders' equity (%) =  $\text{Net income after tax} / \text{Average total equity}$ .
- (3) Profit ratio (%) =  $\text{Net income after tax} / \text{Net sales}$ .
- (4) Earnings Per Share (NT\$) =  $(\text{Net income attributable to shareholders of the parent} - \text{Preferred Stock dividend}) / \text{Weighted average number of shares outstanding}$ .

#### 5. Cash Flow

- (1) Cash flow ratio (%) =  $\text{Net cash flow from operating} / \text{Current liability}$ .
- (2) Cash flow adequacy ratio (%) =  $\text{Net Cash flow from the operating activities over the recent five years} / (\text{Capital Expense} + \text{increase in inventory} + \text{cash dividends}) \text{ of the recent five years}$ .
- (3) Cash reinvestment ratio (%) =  $(\text{Net Cash Flow from operating activities} - \text{Cash Dividends}) / (\text{Gross property, plant and equipment} + \text{Long-term investments} + \text{Other noncurrent assets} + \text{Working capital})$ .

#### 6. Leverage:

- (1) Operating Leverage =  $(\text{Net sales} - \text{Variable cost and expense}) / \text{Operating income}$ .
- (2) Financial Leverage =  $\text{Operating income} / (\text{Operating income} - \text{Interest Expense})$ .

**6.3 Audit Committee's Report for the Most Recent year**

Please refer to Page 92

**6.4 Financial statement for the most recent fiscal year**

Please refer to Page 105~163

**6.5 A parent company only financial statement for the most recent fiscal year,**

Please refer to Page 164~218

**6.6 Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the date of this Annual Report need to be stated as well as the impact on the Company's financial position need to be outlined: None.**

### **Audit Committee's Review Report**

The Board of Directors has prepared and submitted to us the Company's 2023 Business Report, Financial Statements and proposal for deficit compensation. The Financial Statements have been audited, certified and issued an audit report by Shu-Chin Chiang and Ting-Chien Su of Deloitte & Touche CPA. The Business Report, Financial Statements and proposal for deficit compensation have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

**Lingsen Precision Industries, Ltd.**

Chairman of the Audit Committee: Feng-Hsien Shih

February 26, 2024

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

### 7.1 Analysis of Financial Status

Unit: NT\$ in Thousands

Item \ Year	Year 2022	Year 2023	Difference	
			Amount	%
Current Assets	3,827,581	3,457,665	(369,916)	-9.66
Property, plant and Equipment	4,284,385	3,995,730	(288,655)	-6.74
Other Assets	643,288	491,046	(152,242)	-23.67
<b>Total Assets</b>	<b>8,755,254</b>	<b>7,944,441</b>	<b>(810,813)</b>	<b>-9.26</b>
Current Liabilities	1,645,851	1,460,911	(184,940)	-11.24
Non-Current Liabilities	1,160,170	802,750	(357,420)	-30.81
<b>Total Liabilities</b>	<b>2,806,021</b>	<b>2,263,661</b>	<b>(542,360)</b>	<b>-19.33</b>
Capital	3,801,023	3,801,023	0	0.00
Capital Surplus	1,265,021	1,266,753	1,732	0.14
Retained Earnings	884,359	601,439	(282,920)	-31.99
Other Equities	(62,466)	(46,058)	16,408	-26.27
Non-controlling Interests	237,711	234,038	(3,673)	-1.55
<b>Total Equity</b>	<b>5,949,233</b>	<b>5,680,780</b>	<b>(268,453)</b>	<b>-4.51</b>

Analysis of changes in financial ratios:

1. Analysis of Deviation over 20%

(1) Decrease in Other Assets:

It was mainly due to decrease in advanced technology equipment.

(2) Decrease in Noncurrent Liabilities:

It was mainly due to repayments of bank loans.

(3) Decrease in Retained Earnings:

It was mainly due to the decrease of operating results and earnings distribution.

(4) Other Equity interest :

It was mainly due to subsidiary disposing the investment in equity instrument measured at fair value through other comprehensive income, the cumulative profit and losses directly transferred to retained earnings.

2. Future response actions: Not applicable.



## 7.2 Analysis of Financial Performance

**Financial Performance:** Major causes of changes in operating revenue, profit from operations and profit before income tax of the past two fiscal years, the estimation of sales and its basis, and the possible effects and the countermeasures regarding the Company's financial outlook

Unit: NT\$ in Thousands

Item	Year 2022	Year 2023	Difference	
			Amount	%
<b>Operating Revenue</b>	6,006,806	5,660,171	(346,635)	-5.77
<b>Gross Profit</b>	520,768	216,559	(304,209)	-58.42
<b>Net Operating Profit (Loss)</b>	38,180	(224,128)	(262,308)	-687.03
<b>Non-operating income</b>	<u>119,145</u>	<u>33,052</u>	(86,093)	-72.26
<b>Net profit (loss) before income tax</b>	157,325	(191,076)	(348,401)	-221.45
<b>Income tax profit</b>	<u>43,328</u>	<u>30,945</u>	(12,383)	-28.58
<b>Net profit (loss)</b>	200,653	(160,131)	(360,784)	-179.80
<p>1. Analysis of changes in financial ratios: (Analysis of Deviation over 20%)</p> <p>(1) Decrease in Gross Profit, Net Operating profit, Net profit before income tax, Net profit: It was mainly due to the external challenges of overall economic downturn and relatively slow demand.</p> <p>(2) Decrease in Non-operating income: It was mainly due to the decrease of gain on foreign exchange and other income.</p> <p>(3) Decrease in Income tax profit (expenses): It was mainly due to the decrease of operating results, and income tax benefits accrue from subsidiary carry out a capital reduction in 2022.</p> <p>2. Sales Volume Forecast and Related Information For additional details, please refer to "I. Letter to Shareholders".</p> <p>3. Future Plan on Financial Performance: In the face of an increasingly fierce competitive environment and future reinvestment, the company has developed an appropriate financial strategy and a capital demand plan for the current year. Continues to observe market conditions and interact closely with customers to understand customer demand.</p>				

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ in Thousands

Cash and Cash Equivalents, Beginning of Year (A)	Net Cash Flow from Operating Activities (B)	Net Cash Flow from Investing Activities (C)	Net Cash Flow from Financing Activities (D)	Effect of Exchange Rate (E)	Cash Surplus (A+B+C+D+E)
\$1,572,022	736,815	(441,779)	(648,558)	(1,825)	1,216,675
Analysis of Cash Flow : (1) Operating Activities Mainly came from the operation profits excluding the depreciation and amortization expenses. (2) Investing Activities Mainly for capital expenditures. (3) Financing Activities Mainly due to repayments of bank loans and payment of cash dividend.					

#### 7.3.2 Remedial Actions for Liquidity Shortfall: not required.

#### 7.3.3 Cash Flow Projection for Next Year:

The company estimates to pay capital expenditures and cash distribution from capital surplus by bank loan and cash in bank.

#### 7.4 The effect upon financial operations of any major capital expenditures during the most recent fiscal year.

Project	Actual or Planned Source of fund	Actual Use of fund	Impacts on the finance and operation
Production Equipment	Our fund or Bank fund	NT\$412,488,000	Based on capital expenditures listed above, the company's production capacity increased, with positive effect to the finance and operation of the company.

## **7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**

- 7.5.1 The company's Investment Policy is that investment for the need of business development and future growth of the company. The organizational structure, investment purpose, market condition, business development, shareholding percentage and other items of the investment enterprise shall be assessed carefully, so as the reference for the decision-making company organizations to make decisions. The company invigilating and managing the subsidiaries in accordance of internal control system and with the execution of enacted "Operational Procedure of monitoring Subsidiaries".
- 7.5.2 The Operational Highlights of Affiliated Companies please refer to Page 101 under Chapter VIII. Special Disclosure. The current loss generated from part of reinvested companies was mainly due to not meet the economies of scale. The company will continue focusing on core businesses growth. The investment will also follow core development strategy of the company and dispose unprofitable investment on suitable timing.

## **7.6 Analysis of Risk Management**

### **7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

#### **(1) Interest Rate Fluctuations:**

The interest rate risk of the company and its subsidiaries is mainly from floating-rate bank loans borrowed for operating and investing activities, and the future cash flow of interest expense will fluctuate due to changes in interest rates. On the basis of consolidated financial statements in 2023, if the interest rate is increased by 1% in the future, the net profit before tax will be reduced by approximately NT\$3,724 thousand.

In terms of assets, the company and its subsidiaries allocate funds in a conservative and prudent manner to ensure the safety of working capital and maintain liquidity, and holds idle funds as term deposits in the bank.

#### **(2) Exchange Rate Fluctuation:**

The currency risk of the company and its subsidiaries mainly comes from cash and cash equivalents, accounts receivable, borrowings and accounts payable denominated in foreign currency, so the fluctuation of foreign exchange rate may affect the operating income, operating costs and expenses, and even profit denominated in foreign currencies. On the basis of consolidated financial statements in 2023, if the NT dollar appreciates by 1% against the US dollar, the consolidated net profit before tax will be reduced by approximately NT\$3,772 thousand.

In order to avoid the adverse impact of foreign exchange rate fluctuation on the operating results of the Company and its subsidiaries, the hedging strategy of the company is based on the principle of natural hedging. The company utilizes the foreign-denominated debt to counterbalance its position of foreign currency assets. The company will closely be observing the change of foreign currency and made the adjustment of the position in foreign currency to avoid the risk of exchange rate, use foreign exchange derivative contracts, including

foreign exchange in a timely manner.

**(3) Inflation :**

According to the statistics of the Directorate-General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan, the economic growth rate in 2023 was 1.31%, the annual growth rate of consumer price index (CPI) in 2023 was (2.49 %) lower than the previous year. The DGBAS predicts that the Taiwan's GDP at 3.43% and the CPI annual growth rates to drop to 1.85% in 2024. It is expected that inflation will be effectively kept under control in the future and not be able to have much impact on the company's operation results.

**7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

In 2023 and till the publication date of this annual report, the company made no high-risk or highly leveraged financial investments, loans to other parties and derivatives transactions. The company only provided guarantee for the subsidiaries. All guarantees were in compliance with relevant rules and regulations issued by the R.O.C. Financial Supervisory Commission and the company's procedures "Procedures for Endorsement and Guarantee".

**7.6.3 Future Research & Development Projects and Corresponding Budget**

**(1) Future Research & Development Projects**

Please refer to Page 64 (4). New Product ( Service) Development under Chapter V. Operational Highlights.

**(2) Further expenditures expected for research and development**

The company input 2% ~ 3% of the revenue for the further expenditures expected for research and development.

**7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

As the internal or external managerial environment of the company, the company shall closely pay attention to the change of domestic and foreign policies and laws that may affect the company's finance and business, and taking measures to response to it. Related change in policies and laws and regulations that may affect the company's finance and business, as follows:

- (1) For the IFRSs that have been issued by International Accounting Standards Board but not yet endorsed and issued into effect by the F S C, the company is continuously assessing the possible impact on consolidated financial reports and will complete assessment based on the FSC timeline.
- (2) The minimum wage adjusted from NT\$26,400 to NT\$27,470 with the increase of 4.0%. The Company made the adjustment in according to laws and regulations.

#### **7.6.5 Effects of and Response to Changes in Technology (include Cybersecurity) and the Industry Relating to Corporate Finance and Sales**

(1)The technology of semiconductor industry was improving rapidly. The company handled the need of the clients by collecting and analyzing market information, actively innovating and developing technology, strengthen our packaging and testing capabilities, avoid the impact of change in technology to the company's operation. Due to the company's product differentiate the market with other major package and testing companies, we insist on providing clients our excellent services and improve the operational efficiency and reduce costs for the projects to maintain the market competitiveness.

(2)Regarding information security, the company has an Information Security Policy in place to provide a basis for management. The policy provides effective control and clear definitions of roles and management responsibilities. The interdepartmental and interdisciplinary Information Security Committee was created for the purpose of promoting information security management on an ongoing basis to ensure the information security management mechanisms work properly.

Global information security incidents are frequent. The company's information security team will also pay close attention to various information security incidents at any time, and take relevant preventive measures in a timely manner to reduce the impact of information security risks on the company's operations.

The company has committed to improving overall information security maturity, to requiring employees to comply with relevant network information security regulations through regular announcements and to complete information security awareness education and training, and implement email social engineering walkthroughs.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The company bears the core faith of innovative, proactive, integrity, down-to-earth, and sharing excellence for fifty years. For the implementation about the CSR and corporate image, please refer to Page 35-49 of this annual report.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The company has no plans of merger and acquisitions as until the date of the annual report printed.

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

The new plant of the company put into operation, the overall performance gradually expanding and improving, which is what the company expected.

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The company with the policy of disperse the source of suppliers. The company set the scheduled evaluation and selects new suppliers and alternative materials that meet the criteria of the company's quality and environmental management system. For main raw materials, we established more than 2 alternative suppliers to ensure the supply of raw materials for mass production and to reduce the risk of purchasing with singular source simultaneously. In addition, we build up the geographic location data of the source of suppliers and quickly grasp and reduce the impact of regional natural disasters in the supply of raw materials in the future.

In 2023, there are two customers whose sales percentage accounted for over 10% of the company. The company actively expands customers in various application fields, e.g., memory, NB, communication, automotive and consumer electronics, etc. Meanwhile, through continuously enhancing the flexibility of capacity allocation, the company can lessen the impact from fluctuations in the global economy and spread risks.

#### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers Changes in Shareholdings by Directors, or Shareholders with Shareholdings of over 10%**

If the company's directors or major shareholders holding more than 10% of issued and outstanding shares transfer a significant portion of their shareholding, then a change of control may occur. Such transfer may cause the market price of the company's shares to fluctuate. As of the date of this Annual Report, no single shareholder owns 10% or more of the company's total outstanding shares.

The share transfer of the company's directors and managers have been reported based on official regulations and laws. Meanwhile, there is no significant share transfer activity.

#### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights: No such condition.**

#### **7.6.12 Litigation or Non-litigation Matters: None.**

#### **7.6.13 Other Major Risks: None.**

#### **7.7 Other Important Matters: None.**

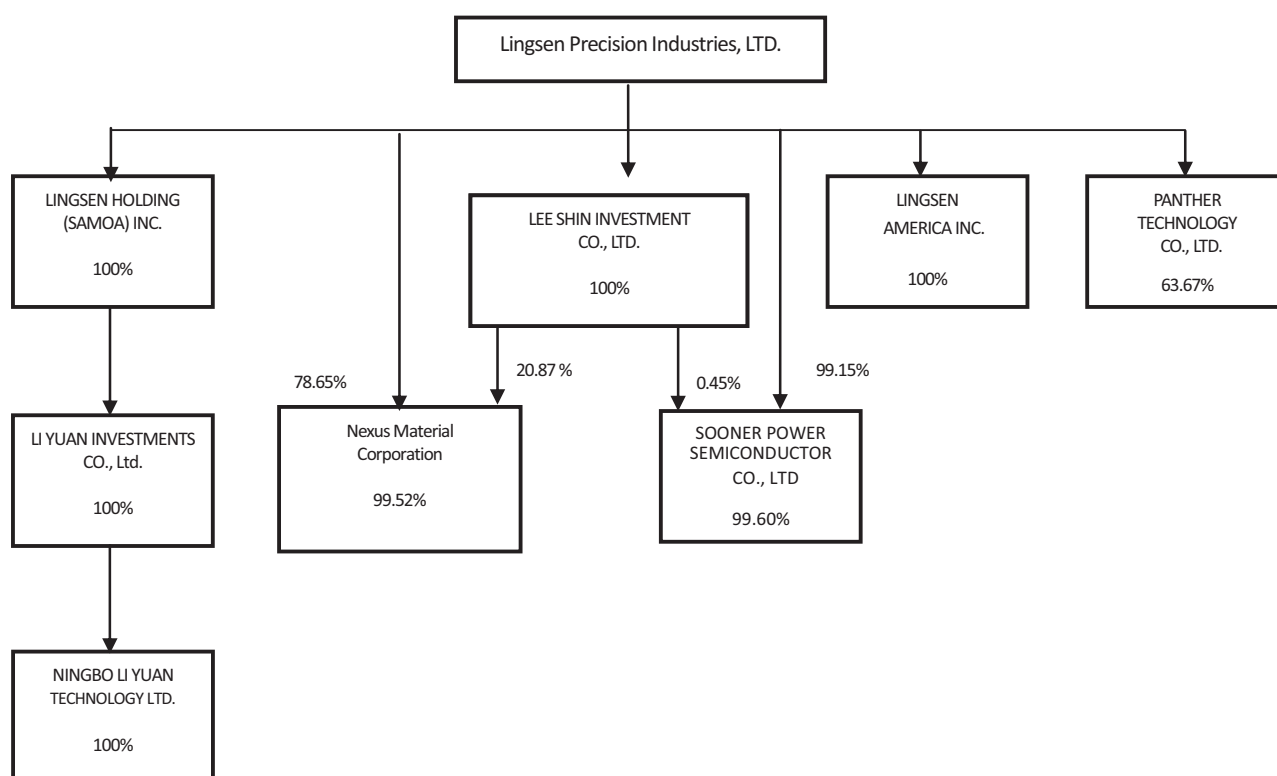
## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Business Report of Affiliated Companies

##### 8.1.1.1 Summary of Affiliated Companies

##### (1) Affiliated Companies Chart



Note:

1. Shareholding %
2. Shareholding as of December 31, 2023

## (2) Basic Information of Affiliated Company

Unit: NT\$(US\$) in Thousands

Company	Date of Incorporation	Location	Paid-in Capital	Major Business Activities
Lingsen America Inc.	March, 1998	1525 McCarthy Blvd Ste 1000, Milpitas, CA 95035	NT\$32,311 (US\$1,000)	Intermediaries Business
Lee Shin Investment Co., Ltd.	September, 1998	No. 5-1, S.2 <sup>nd</sup> Rd., Tanzi Dist., Taichung City, Taiwan	NT\$300,000	Investment Activities
Nexus Material Corporation	March, 2001	5F, No.32-1, Guangfu Rd, Hukou Township, Hsinchu County	NT\$68,000	Electronic Material Wholesale and Parts and Components Manufacturing
Lingsen Holding(Samoa) Inc.	August, 2001	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	NT\$1,846,348 (US\$58,000)	Investment Activities
Li Yuan Investments Co., Ltd.	May, 2001	4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, George Town, Grand Cayman KY1-1002, Cayman Islands	NT\$1,846,348 (US\$58,000)	Investment Activities
Ningbo Li Yuan Technology Co.,Ltd	June, 2001	No. 30, Gangdong Boulevard East Dist. Duty Free Zone, Ningbo, Zhejiang	NT\$1,846,348 (US\$58,000)	Package, Testing of Various IC and Optoelectronic Products
Panther Technology Co., Ltd.	May, 1997	5F, No.32-1, Guangfu Rd, , Hukou Township, Hsinchu County	NT\$360,000	Testing of IC
Sooner Power Semiconductor Co., Ltd.	November, 2007	5F, No.32-1, Guangfu Rd, Hukou Township, Hsinchu County	NT\$216,988	Electronic Parts and Components Manufacturing

Note: As of December 31, 2023

## (3) Information about common shareholders of entities presumed to have a controlling subordinate relationship in accordance of Article 369-3 of the Company Act:

None

## (4) Overall Description of the Industries in which Affiliated Companies (Including Subsidiaries and Other Invested Companies) operate:

Including Semiconductor (Providing IC packaging and testing service), Electronic Wholesale and Manufacturing, Investment and etc.



## (5) Information of Director, Supervisors, and President of Affiliated Companies

As of December 31, 2023  
Unit of shareholding: Share

Company	Title	Name or Representative	Shareholding	
			Shares	%
Lingsen America Inc.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	1,000,000	100.00%
Lee Shin Investment Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	30,000,000	100.00%
	Director	TSE-SUNG TSAI (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	MING-DE DU (Representatives of Lingsen Precision Industries, Ltd.)		
	Supervisor	MING-WEI LAI (Representatives of Lingsen Precision Industries, Ltd.)		
Nexus Material Corporation	Chairman	SHU-CHYUAN YEH	3,820	0.06%
	Director	TSE-SUNG TSAI (Representatives of Lingsen Precision Industries, Ltd.)	5,348,315	78.65%
	Director	MING-DE DU (Representatives of Lingsen Precision Industries, Ltd.)		
	Supervisor	MING-WEI LAI (Representatives of Chi Gune Investment Co., Ltd.)	19,101	0.28%
Lingsen Holding (Samoa) Inc.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	58,000,000	100.00%
Li Yuan Investments Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Holding (Samoa) Inc.)	58,000,000	100.00%
Ningbo Li Yuan Technology Co., Ltd.	Chairman	BANG-JIE YEN (Representatives of Li Yuan Investments Co. Ltd.)	(Note 1)	100.00%
	Supervisor	MING-WEI LAI (Representatives of Li Yuan Investments Co. Ltd.)		
	President	BANG-JIE YEN	0	0.00%
Panther Technology Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	22,922,899	63.67%
	Director	TSE-SUNG TSAI (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	MING-DE DU (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	MING-XIA Zhang Li (Representatives of ELAN Microelectronics Corp.)	340,183	0.94%
	Director (President)	MING-KUI LI	22,000	0.06%
	Supervisor	JIN-HE WU	447,889	1.24%
	Supervisor	YIN-SHU LI	0	0.00%
Sooner Power Semiconductor Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	21,514,797	99.15%
	Director	TSE-SUNG TSAI (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	MING-DE DU (Representatives of Lingsen Precision Industries, Ltd.)		
	Supervisor	JIN-HE WU	0	0.00%
	President	SHU-CHYUAN YEH	8,944	0.04%

Note 1: The Company as limited company with the capital of USD58,000,000.

### 8.1.1.2 Operational Highlights of Affiliated Companies

As of December 31, 2023  
Unit: NT\$ in Thousands, except EPS (NT\$)

Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Net operating income(loss)	Net Income (Loss) After Tax	EPS(NT\$) After Tax
Lingsen America Inc.	32,311	65,883	110	65,773	2,503	(1,501)	1,424	1.42
Lee Shin Investment Co., Ltd.	300,000	202,978	63	202,915	0	(209)	2,048	0.07
Nexus Material Corporation	68,000	26,551	54	26,497	0	(180)	78	0.01
Lingsen Holding(Samoa) Inc.	1,846,348	128,390	0	128,390	0	0	(93,726)	(1.62)
Li Yuan Investments Co., Ltd.	1,846,348	128,390	0	128,390	0	0	(93,726)	(1.62)
Ningbo Li Yuan Technology Co., Ltd.	1,846,348	213,559	85,169	128,390	109,218	(84,913)	(93,726)	NA
Panther Technology Co., Ltd.	360,000	1,326,231	684,797	641,434	827,832	(8,809)	(10,111)	(0.28)
Sooner Power Semiconductor Co., Ltd.	216,988	223,869	1,817	222,052	0	(9,995)	(4)	0

Note : Foreign exchange rates for balance sheet amounts are based on the exchange rates on 2023/12/31.

Foreign exchange rates for income statement amounts are based on the average exchange rates in 2023.

### 8.1.2 Consolidated Financial Statements of Affiliated Companies

#### Declaration of Consolidated Financial Statements of the Affiliated Company

The entities that are required to be included in the combined financial statements of Lingsen Precision Industries, Ltd. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Lingsen Precision Industries, Ltd. and its subsidiaries do not prepare a separate set of combined financial statements.

Declared by

Company Name: Lingsen Precision Industries, Ltd.

Owner: Shu-Chyuan Yeh

Feb.26, 2024

**8.1.3 Affiliation Report: None****8.2 Private Placement Securities in the Most Recent Years: None****8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years**

Recent Years												
Name of Subsidiary	Stock Capital Collected	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain/Loss	Shareholdings and Amount in Most Recent Year	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary	
LEE SHIN INVESTMENT CO., LTD	NTD 300Million	Equity Funds	100%	2023	None	None	None	5,658,911 shares	None	None	None	
				As of the publication date of the annual report	None	None		None	Book Value NT\$150,527,000 (Note)	None	None	None
									Amount transferred to treasury stock: NT\$176,415,000			

Note:

The amount is calculated by the closing price of common stock on Feb. 29, 2024 as NTD 26.60 per share.

**8.4 Special Notes: None.**

**IX. Any Events in the most recent year and as of the Date of this Annual Report that Had Material Impacts on Shareholders' Interest or Securities Prices as Stated in Subparagraph 2, Paragraph 3 of the Article 36 of the Securities and Exchange Act of Taiwan: None.**

## **Independent Auditors' Report**

To the Board of Directors and Shareholders of Lingsen Precision Industries, Ltd.

### **Audit opinions**

We have audited the accompanying consolidated financial statements of Lingsen Precision Industries, Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the R.O.C. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. The auditors of the firm, subject to the independence regulations, have maintained independence from the Group in accordance with the Code of Ethics and perform other obligations of such Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

The key audit matters for the Group's consolidated financial statements for the year 2023 are

stated as follows:

#### Authenticity of service revenue recognition

The main source of revenue of the Group relies on the service revenue from the various wafers and integrated circuit packaging and testing services; therefore, the service revenue is determined to be the main indicator for the management to evaluate the business performance, and its recognition authenticity has a material impact on the overall financial statements. Accordingly, the authenticity of the recognition of specific customer service revenue is listed as the key audit matter. For revenue recognition related accounting policy, please refer to Notes 4 and 21 of the consolidated financial statements.

We summarize the main audit procedures executed for the aforementioned matters of the current year as follows:

1. Understand and assess the internal control design related to the audit and risk in the product sales and payment collection cycle and conduct a test on its effectiveness.
2. Inspect and obtain samples from the account sales of specific customers, and inspect relevant documents of delivery orders and sales invoices, and also verify whether the payment collection subjects are consistent with the delivery subjects, and also perform letter issuance for customers of service revenue, in order to verify the authenticity of the service revenue.

#### **Other Matters**

Lingsen Precision Industries, Ltd. has prepared the parent company only financial statements for 2023 and 2022, to which we have also issued an independent auditor's report with unqualified opinion along with the section on other matters and provided for reference.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the R.O.C., 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, the responsibilities of the management include assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's 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. The term of "reasonable assurance" refers to high level of assurance. Nevertheless, the audit performed according to the Generally Accepted Auditing Standards cannot guarantee the discovery of material misstatement in the financial statements. Misstatements can arise from fraud or error. Misstatements 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 the consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of material misstatement of the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the 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 a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. According to the audit evidence obtained, evaluate the appropriateness of the continuous operation accounting basis and whether events or circumstances possibly generating material concerns on the continuous operation ability of the Group have significant uncertainty, and provide conclusion thereto. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. Nevertheless, future events or circumstances may cause the Group to have no ability for continuous operation.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the financial information of individual entities of the Group and provide opinion on the consolidated financial statements. We handle the guidance, supervision and execution of the audit on the Group and are responsible for preparing the opinion for the Group.

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 the governance units with statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters (including relevant protective measures) that may be considered to affect the independence of auditors.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Group's 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Deloitte Taiwan

CPA Shu-Ching Chiang

CPA Ting-Chien Su

Financial Supervisory Commission  
Approval Document No.  
Jin-Guan-Zheng-Shen-Zi No. 1000028068

Financial Supervisory Commission Approval  
Document No.  
Jin-Guan-Zheng-Shen-Zi No. 1070323246

February 26, 2024

Lingsen Precision Industries, Ltd. and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 1,216,675	15	\$ 1,572,022	18
1136	Financial assets at amortized cost- current(Notes 4,8 and29)	293,457	4	275,400	3
1140	Contract assets - current (Notes 4 and 21)	122,664	2	100,980	1
1150	Notes receivable (Notes 4 and 21)	17	-	-	-
1170	Accounts receivable (Notes 4,9,21)	1,193,328	15	974,383	11
1200	Other receivables (Notes 4)	16,760	-	15,829	-
1220	Current tax assets (Notes 4 and 23)	72,712	1	59,399	1
1310	Inventories (Notes 4 and 10)	293,114	4	530,864	6
1470	Other current assets (Notes 15 )	248,938	3	298,704	4
11XX	Total current assets	<u>3,457,665</u>	<u>44</u>	<u>3,827,581</u>	<u>44</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income- non-current (Note 4 and 7)	40,719	1	34,317	-
1550	Investment accounted for using the equity method (Notes 4 and 12)	-	-	-	-
1600	Property, plant and equipment (Notes 4, 13 and 29)	3,995,730	50	4,284,385	49
1755	Right-of-use assets (Notes 4 and 14)	146,988	2	150,851	2
1840	Deferred tax assets (Notes 4, 5 and 23)	172,805	2	150,887	2
1915	Prepayments for facilities	38,057	-	149,977	2
1920	Refundable deposits (Note 4)	2,471	-	1,309	-
1975	Net defined benefit assets - non-current (Notes 4 and 19)	70,849	1	136,051	1
1990	Other non-current assets	19,157	-	19,896	-
15XX	Total non-current assets	<u>4,486,776</u>	<u>56</u>	<u>4,927,673</u>	<u>56</u>
1XXX	Total assets	<u>\$ 7,944,441</u>	<u>100</u>	<u>\$ 8,755,254</u>	<u>100</u>
	Liabilities and Equity				
	Current Liabilities				
2100	Short-term bank borrowings (Notes 4 and 16)	\$ 118,182	1	\$ 405,617	5
2150	Notes payable	5,055	-	27,182	-
2170	Accounts payable	222,247	3	188,917	2
2200	Other payables (Note 17)	561,650	7	586,141	7
2230	Current tax liabilities (Notes 4 and 23)	3,577	-	-	-
2250	Liability reserve - current (Notes 4 and 18)	5,540	-	5,534	-
2280	Lease liabilities - current (Notes 4 and 14)	5,117	-	5,303	-
2320	Long-term borrowings due in one year (Notes 4, 16 and 29)	448,161	6	340,164	4
2399	Other current liabilities	91,382	1	86,993	1
21XX	Total current liabilities	<u>1,460,911</u>	<u>18</u>	<u>1,645,851</u>	<u>19</u>
	Non-current liabilities				
2540	Long-term banks borrowings (Notes 4, 16 and 29)	640,841	8	994,796	11
2570	Deferred tax liabilities (Notes 4 and 23)	18,732	-	19,138	-
2580	Lease liabilities - non-current (Notes 4 and 14)	141,277	2	144,300	2
2645	Deposits received	1,900	-	1,936	-
25XX	Total non-current liabilities	<u>802,750</u>	<u>10</u>	<u>1,160,170</u>	<u>13</u>
2XXX	Total Liabilities	<u>2,263,661</u>	<u>28</u>	<u>2,806,021</u>	<u>32</u>
	Equity attributable to owners of the company				
3110	Ordinary shares	3,801,023	48	3,801,023	43
3200	Capital surplus	1,266,753	16	1,265,021	15
	Retained earnings				
3310	Legal reserve	121,394	2	91,283	1
3320	Special reserve	165,598	2	91,034	1
3350	Unappropriated earnings	314,447	4	702,042	8
3400	Other equities	( 46,058)	( 1)	( 62,466)	( 1)
3500	Treasury shares	( 176,415)	( 2)	( 176,415)	( 2)
31XX	Total equity attributable to owners of the Company	<u>5,446,742</u>	<u>69</u>	<u>5,711,522</u>	<u>65</u>
36XX	Non-controlling interests	<u>234,038</u>	<u>3</u>	<u>237,711</u>	<u>3</u>
3XXX	Total equity	<u>5,680,780</u>	<u>72</u>	<u>5,949,233</u>	<u>68</u>
	Total liabilities and equities	<u>\$ 7,944,441</u>	<u>100</u>	<u>\$ 8,755,254</u>	<u>100</u>

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



Lingsen Precision Industries, Ltd. and Subsidiaries  
Statement of Comprehensive Income  
For the Years from January 1 to December 31, 2023 and 2022

Unit: Expressed in NT\$ thousand; except  
earnings (loss) per share expressed in NT\$

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 21)	\$ 5,660,171	100	\$ 6,006,806	100
5000	Operating costs (Notes 10 and 22)	<u>5,443,612</u>	<u>96</u>	<u>5,486,038</u>	<u>92</u>
5900	Gross profit	<u>216,559</u>	<u>4</u>	<u>520,768</u>	<u>8</u>
	Operating expenses (Note 22)				
6100	Selling and marketing expenses	56,435	1	62,240	1
6200	General and administrative expenses	248,411	4	255,073	4
6300	Research and development expenses	136,376	3	165,769	3
6450	Expected credit impairment losses(gain) (Notes 4 and 9)	<u>( 535 )</u>	<u>-</u>	<u>( 494 )</u>	<u>-</u>
6000	Total operating expenses	<u>440,687</u>	<u>8</u>	<u>482,588</u>	<u>8</u>
6900	Net operating profit (loss)	<u>( 224,128 )</u>	<u>( 4 )</u>	<u>38,180</u>	<u>-</u>
	Non-operating income and expenses (Note 4)				
7100	Interest income	22,832	1	10,281	-
7110	Rental income	14,375	-	14,040	-
7130	Dividend income	1,501	-	1,218	-
7190	Other income	33,889	1	83,997	1
7210	Gains on disposal of property, plant, and equipment	-	-	486	-
7230	Net gain (loss) on foreign exchange	<u>( 980 )</u>	<u>-</u>	<u>35,377</u>	<u>1</u>
7510	Interest expenses	<u>( 38,197 )</u>	<u>( 1 )</u>	<u>( 22,755 )</u>	<u>-</u>
7590	Miscellaneous expenses	<u>( 368 )</u>	<u>-</u>	<u>( 2,360 )</u>	<u>-</u>
7670	Impairment loss	<u>( - )</u>	<u>-</u>	<u>( 1,139 )</u>	<u>-</u>
7000	Total non-operating incomes and expenses	<u>33,052</u>	<u>1</u>	<u>119,145</u>	<u>2</u>
7900	Net profit (loss) before income tax	<u>( 191,076 )</u>	<u>( 3 )</u>	<u>157,325</u>	<u>2</u>
7950	Income tax benefit(expenses) (Notes 4 and 23)	<u>30,945</u>	<u>-</u>	<u>43,328</u>	<u>1</u>
8200	Net profit (loss) for the year (Continued on next page)	<u>( 160,131 )</u>	<u>( 3 )</u>	<u>200,653</u>	<u>3</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Other comprehensive income (loss) (Note 4)				
8310	Items not reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans(Note 19)	\$ 730	-	\$ 117,280	2
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	6,774	-	( 392 )	-
8349	Income tax related to items that will not be reclassified subsequently (Note 23)	( 146 )	-	( 23,456 )	-
		7,358	-	93,432	2
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of the financial statements of foreign operations	( 3,381 )	-	9,298	-
8300	Other comprehensive income of the year (Net income after tax)	3,977	-	102,730	2
8500	Total comprehensive income (loss) for the year	<u>(\$ 156,154)</u>	<u>( 3)</u>	<u>\$ 303,383</u>	<u>5</u>
	Net profit (loss) attributable to:				
8610	Owners of the company	(\$ 156,458)	( 3)	\$ 207,291	3
8620	Non-controlling interests	( 3,673 )	-	( 6,638 )	-
8600		<u>(\$ 160,131)</u>	<u>( 3)</u>	<u>\$ 200,653</u>	<u>3</u>
	Total comprehensive income attributable to:				
8710	Owners of the company	(\$ 152,481)	( 3)	\$ 310,021	5
8720	Non-controlling interests	( 3,673 )	-	( 6,638 )	-
8700		<u>(\$ 156,154)</u>	<u>( 3)</u>	<u>\$ 303,383</u>	<u>5</u>
	Earnings (loss) per share (Note 24)				
9750	Basic	<u>(\$ 0.42)</u>		<u>\$ 0.56</u>	
9850	Diluted	<u>(\$ 0.42)</u>		<u>\$ 0.55</u>	

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

Lingsen Precision Industries, Ltd. and Subsidiaries  
Consolidated Statement of Changes in Equity  
For the Years from January 1 to December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Equity attributable to owners of the company											
Code		Retained earnings (Note 20)				Other equity items (Note 4)				Non-controlling interests (Note 20)	Total equity
		Common share capital (Note 20)	Capital surplus (Note 20)	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Exchange differences on translation of the financial statements of foreign operations (\$ 24,628)	Unrealized Gain/(Loss) on Valuation	Financial Assets at Fair Value Through Other comprehensive income (\$ 46,744)		
A1	Balance at January 1, 2022	\$3,801,023	\$ 1,250,011	\$ -	\$ 160,419	\$ 912,825	\$ -	\$ 46,744	\$ -	\$ 244,349	\$ 6,097,427
B1	2021 Appropriations of earnings	-	-	91,283	-	( 91,283 )	-	-	-	-	-
B5	Legal reserve	-	-	-	-	( 490,000 )	-	-	-	-	( 490,000 )
B17	Cash dividends to shareholders	-	-	-	-	69,385	-	-	-	-	-
	Reversal of special reserve	-	-	-	( 69,385 )	-	-	-	-	-	-
C3	Other change of capital surplus:	-	67	-	-	-	-	-	-	-	67
M1	Change due to receipt of gifts	-	-	-	-	-	-	-	-	-	-
	Dividends are paid to subsidiaries to adjust capital reserves	-	7,295	-	-	-	-	-	-	-	7,295
D1	2022 Net profit (loss)	-	-	-	-	207,291	-	-	-	( 6,638 )	200,653
D3	Other comprehensive income (loss) for 2022	-	-	-	-	93,824	9,298	( 392 )	-	-	102,730
D5	Total comprehensive income of 2022	-	-	-	-	301,115	9,298	( 392 )	-	( 6,638 )	303,383
N1	Share-based payments	-	7,648	-	-	-	-	-	23,413	-	31,061
Z1	Balance, December 31, 2022	3,801,023	1,265,021	91,283	91,034	702,042	( 15,330 )	( 47,136 )	( 176,415 )	237,711	5,949,233
B1	2022 Appropriations of earnings	-	-	30,111	-	( 30,111 )	-	-	-	-	-
B3	Legal reserve	-	-	-	-	( 74,564 )	-	-	-	-	-
B5	Special reserve	-	-	-	74,564	( 74,564 )	-	-	-	-	-
	Cash dividends to shareholders	-	-	-	-	( 114,031 )	-	-	-	-	( 114,031 )
C3	Other change of capital surplus:	-	35	-	-	-	-	-	-	-	35
M1	Change due to receipt of gifts	-	-	-	-	-	-	-	-	-	-
	Dividends are paid to subsidiaries to adjust capital reserves	-	1,697	-	-	-	-	-	-	-	1,697
D1	2023 Net loss	-	-	-	-	( 156,458 )	-	-	-	( 3,673 )	( 160,131 )
D3	Other comprehensive income (loss) in 2023	-	-	-	-	584	( 3,381 )	6,774	-	-	3,977
D5	Total comprehensive income of 2023	-	-	-	-	( 155,874 )	( 3,381 )	6,774	-	( 3,673 )	( 156,154 )
Q1	Disposal of investments in equity instruments designated as financial assets at fair value through other comprehensive income (Note 7)	-	-	-	-	( 13,015 )	-	13,015	-	-	-
Z1	Balance, December 31, 2023	\$ 3,801,023	\$ 1,266,753	\$ 121,394	\$ 165,598	\$ 314,447	( \$ 18,711 )	( \$ 27,347 )	( \$ 176,415 )	\$ 234,038	\$ 5,680,780

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

Lingsen Precision Industries, Ltd. and Subsidiaries  
Statement of Cash Flows  
For the Years from January 1 to December 31, 2023 and 2022  
Unit: In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A10000	Net profit (loss) before tax for the year	(\$ 191,076)	\$ 157,325
	Income/expenses items		
A20100	Depreciation expense	797,776	749,640
A20300	Expected credit impairment losses	( 535)	( 494)
A20900	Interest expenses	38,197	22,755
A21200	Interest income	( 22,832)	( 10,281)
A21300	Dividend income	( 1,501)	( 1,218)
A21900	The cost of remuneration on a share-based basis	-	7,711
A22500	Gains on disposal of property, plant and equipment	-	( 486)
A23700	Loss for market price decline and obsolete and slow-moving inventories	18,220	36,493
A23800	Reversal of impairment loss on non-financial assets	( 182)	-
A24100	Unrealized foreign currency exchange net profit	5,609	8,645
A29900	Amortization of prepayments	12,668	10,304
A29900	Other losses	-	1,731
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	( 21,777)	49,558
A31130	Notes receivable	( 17)	5,603
A31150	Accounts receivable	( 231,788)	767,237
A31180	Other receivables	( 408)	9,467
A31200	Inventories	226,313	122,990
A31240	Other current assets	42,838	( 50,808)
A31990	Net defined benefit assets	65,932	( 6,762)
A32130	Notes payable	( 22,127)	3,482
A32150	Accounts payable	37,956	( 301,481)
A32180	Other payables	( 3,709)	( 276,174)
A32200	Provision (reversal) for liabilities	6	1,554
A32230	Other current liabilities	4,389	18,618
A33000	Cash provided by operating activities	753,952	1,325,409
A33100	Interest received	22,290	9,061
A33300	Interest paid	( 38,168)	( 22,080)
A33500	Income tax returned	( 1,259)	( 194,592)
AAAA	Net cash inflow from operating activities	<u>736,815</u>	<u>1,117,798</u>

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Code		2023	2022
	Cash flows from investing activities		
B00030	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	\$ 372	\$ -
B00040	Acquisition of financial assets at amortised cost	( 121,057)	-
B00050	Disposition of financial assets at amortized cost	103,000	47,809
B02700	Purchase of property, plant and equipment	( 405,596)	( 743,430)
B02800	Proceeds from disposal of property, plant and equipment	-	486
B03700	Increase in refundable deposits	( 1,167)	( 285)
B06700	Increase in other non-current assets	( 11,940)	( 11,046)
B07100	Increase in prepaid facilities amount	( 6,892)	( 115,912)
B07600	Dividends received	<u>1,501</u>	<u>1,218</u>
BBBB	Net cash outflow from investment activities	( <u>441,779</u> )	( <u>821,160</u> )
	Cash flows from financing activities		
C00100	Increase in short-term bank borrowings	917,413	781,997
C00200	Decrease in short-term bank borrowings	( 1,201,683)	( 688,056)
C01600	Proceeds from long-term bank borrowings	231,420	409,500
C01700	Repayments of long-term bank borrowings	( 477,378)	( 366,831)
C03000	Increase in guarantee deposits received	( 36)	( 49,887)
C04020	Repaid principal of lease liabilities	( 5,995)	( 5,984)
C04500	Payment of cash dividends	( 112,334)	( 482,705)
C04800	Employees execute stock options	-	23,350
C09900	Uncollected overdue dividends	<u>35</u>	<u>67</u>
CCCC	Net cash inflow (outflow) from financing activities	( <u>648,558</u> )	( <u>378,549</u> )
DDDD	Effect of exchange rate changes on cash and cash equivalents	( <u>1,825</u> )	<u>6,943</u>
EEEE	Increase (decrease) of cash and cash equivalents for the year	( 355,347)	( 74,968)
E00100	Beginning cash and cash equivalents of the year	<u>1,572,022</u>	<u>1,646,990</u>
E00200	End cash and cash equivalents of the year	<u>\$1,216,675</u>	<u>\$1,572,022</u>

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

Lingsen Precision Industries, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts are expressed in thousands of New Taiwan Dollars or foreign currency, unless stated otherwise)

1. Company History

Lingsen Precision Industries, Ltd. (referred to as the “Company”) was established in Taichung Tanzi Technology Industrial Park in April 1973 and began its operation in July 1973. The main business is IC packaging and testing as well as optoelectronic devices.

In April 1998, the Company's shares were listed on the Taiwan Stock Exchange (TWSE).

The consolidated financial statements were expressed in New Taiwan Dollars, which is the Company's functional currency.

2. Approval Date and Procedures of the Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Directors on February 26, 2024.

3. Application of New, Amended and Revised Standards and Interpretations

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

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

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB(Note 1)</u></b>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024(Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Not 3)

Note 1: Except additional illustrations, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transitions relief regarding disclosure requirements.

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

(3) New IFRSs issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB (Note 1)</u></b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

#### 4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The preparation of the consolidated financial statements is based on the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRSs accepted and effectively published by FSC.

(2) Basis of preparation

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

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

1. Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets that are expected to be realized within twelve months from the balance sheet date; and
3. Cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the date of statement of financial position).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities expected to be settled within twelve months after the maturity of the debt (even if the liability at the date of statement of financial position to complete the long-term refinancing prior to the financial statements or reschedule payment agreement), and
3. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.



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

(4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Adjustments have been made to the financial statements of subsidiaries to allow their accounting policies to be consistent with those used by the Group. During the preparation of the consolidated financial statements, the transaction, account balance, revenue and expense among entities have been eliminated completely. The total comprehensive income/loss of the subsidiaries are attributed to the owner's and non-controlling interests of the Company, and the same is true when the non-controlling interests consequently become loss balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value paid or received is recognized directly in equity and attributed to shareholders of the Company.

Please see Note 11 and Tables 4 and 5 for details of subsidiaries, percentage of ownership and business.

(5) Foreign Currency

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency monetary amount is translated at the closing rate at each date of the balance sheet. Exchange differences arising from settlement or translation are recognized as profit or loss at the period.

Non-monetary foreign currencies held at fair value at the exchange rates prevailing at the date of transaction; however, non-monetary foreign currencies held at fair value through other comprehensive income are recognized in other comprehensive income.

Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction and will not be calculated again.

In preparing the consolidated financial statements, assets and liabilities from foreign operations, including subsidiaries whose location or currency are different from the Company, are translated into the presentation currency, the New Taiwan dollar, at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates at the period. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owner and non-controlling interests, respectively.

(6) Inventories

Inventories include raw materials, work in process, finished goods and products. Inventories are stated at the lower of cost or net realizable value. The lower of cost and net realizable value is based on the individual inventory items. Net realized value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The inventory cost is measured by using First In, First Out.

(7) Investment in Associates

The associates are entities which are material to the Group, but not subsidiaries or joint venture companies.

Investments in the associates are accounted for using the equity method.

Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associates as well as the distribution received. The Company also recognizes its share in the changes in equities of associates.

The Group discontinues recognizing its share of further losses if its share of losses of the associate equals or exceeds its interest in the associate. The Group recognizes the additional losses and liabilities which occur in the scope of legal obligation, constructive obligation or payment on behalf of the associates only.

During the evaluation of the impairment of the Group, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss is not amortized to any assets as part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

(8) Property, plant and equipment

Property, plant and equipment are recognized at costs and subsequently measured at costs of the amount less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment in the course of construction for production are recognized as the cost, and such cost includes professional service fees and borrowing costs eligible for capitalization. Upon completion and ready for intended use, such assets are classified to the appropriate categories of property, plant and equipment, and depreciation of these assets commences.

Depreciation is recognized using the straight-line method, and each significant part is depreciated separately. The Group reviews the estimated useful lives, residual values and depreciation method at least at the end of each reporting period, and with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between

the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Impairments of related assets including property, plant and equipment, right-of-use assets and contract cost

At the end of each reporting period, the Group reviews whether there is any indication that its property, plant and equipment, right-of-use assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Inventories recognized in customers' contracts are recognized as impairment loss in accordance with Inventory write off policy and the aforementioned regulations. Subsequently, the excess of carrying amount of assets associated with contract cost over the price received from providing relevant products or service, less direct relevant costs, is recognized as impairment loss. Then the carrying amount of assets associated with contract cost is computed to its cash-generating unit to evaluate the impairment losses on cash-generating unit.

When impairment loss subsequently reverses, the carrying amounts of the asset, cash-generating units or contract cost and related assets are increased to the revised recoverable amounts. However, the increased carrying amounts shall not exceed the carrying amounts of the asset, cash-generating units or contract cost and related assets which were not recognized as impairment loss at the past period (less amortization or depreciation). The reversal of impairment loss is recognized as profit or loss.

(10) Financial instruments

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

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

## Financial assets

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

### 1) Classification of measurement

Financial assets held by the Group are classified to financial assets measured at amortized cost and investments in equity instruments measured through other comprehensive income at fair value.

#### i) Financial assets measured at amortized cost

When the financial assets invested by the Group satisfy the following two criteria at the same time, it is classified as the amortized cost financial assets:

- a. Where the financial assets are held under certain business model, and the purpose of such model is to hold the financial assets in order to collect contract cash flows; and
- b. Where contract terms generated cash flow of specific date and such cash flow is completely for the payment of the interest of principle and external circulating principle amount.

Financial assets measured at amortized cost include cash and cash equivalent, financial assets at amortized cost- current, contract assets, note receivables, account receivables, other receivables, other current assets and refundable deposits. When the recognition commences, effective interest method is used to determine the carrying amount less any amortized cost of depreciation. Any exchange gains and losses are recognized as gains and losses.

Except for the following two circumstances, calculation of interest income is based on effective interest rate multiplied by total financial asset's carrying amount:

- a. Purchase or origination of credit-impaired financial loans, interest income, credit-adjusted effective interest rate plus financial loans, post-calculation.
- b. Non-purchased or originated credit-impaired financial loans, provided that subsequent credit-impaired financial loans continue to be credit-impaired;

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

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash, which are subject to an

insignificant risk of changes in value and acquired within three months.

- ii) Investments in equity instruments measured at fair value through other comprehensive income

On initial recognition, the Group may irrevocably designate investments in equity instruments that is not held for trading and not recognized as contingent consideration as at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. On disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and it is not reclassified to profit or loss.

The dividend from investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss upon the Group's right to receive payment is established, except for apparently the dividend representing the recovery of the partial investment cost.

## 2) Impairments of financial assets and contract assets

At the date of each balance sheet, the Group reviews expected credit losses to estimate the impairment loss of financial assets, including notes receivable, and contract assets measured at amortized cost.

The loss allowance for accounts receivable is measured at an amount equal to useful lives expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

Expected credit losses are weighted average credit losses with the probability of default events. The 12-month expected credit losses are expected credit losses that result from default events possible within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

For the purpose of internal controls on credit risk, without considering the collaterals it holds, the Group determines the following events as a breach of contract:

- i) There is internal or outside information prevails that it is not possible the borrower pays off the debt.
- ii) The overdue exceeds the average credit period, unless reasonable and supportable information indicates that a delayed default basis is more appropriate.

All impairment losses on financial assets is decreased its carrying amount through contra accounts.

3) Derecognition of financial assets

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

On derecognition of financial assets at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of Investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

1) Follow-up measurement

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

2) Derecognition of financial liabilities

On the derecognition of financial liabilities, the difference between their carrying amount and the consideration paid and payable, including any transfer of non-cash assets or liabilities, is recognized as profit or loss.

(11) Provision for liabilities

The amount recognized as a provision for liabilities is, taking risk and uncertainty of obligation into consideration, the best estimate of the expenditure required to settle the obligation at the date of balance sheet.

(12) Revenue recognition

The Group allocates the transaction price to each performance obligation and recognizes the revenue when each of the obligations is satisfied after the customer has identified it.

1) Sales revenue

Sales revenue comes from the sale of semiconductor materials. Since the clients are eligible for pricing and using the products as well as responsible for reselling and taking the risk of depreciation upon the delivery of semiconductor materials, the Group shall recognize the revenue and accounts receivable upon the sale.

2) Service income

Service Income comes from packaging and final testing.

When the customer simultaneously receives and consumes the benefits provided by the Group's performance of packaging and final testing service, or the customer controls an asset which the Group's performance has created or enhanced, the related revenue is recognized. Packaging of products relies on the involvement of technicians. The Group measures the work in progress by the percentage of completion. The contract with customer states that the customer is billed after the packaging or the delivery has been completed. A contract asset is thus recognized when the Group renders the service and transfers to accounts receivable when the packaging or delivery is completed. Final testing counts on the involvement of technicians. The Group measures the work in progress by the percentage of completion. Contract customer is billed after the completion of service, and the Group then recognizes accounts receivable when rendering the service.

(13) Leases

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

1) The Group as the lessor

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

The sublease of right-of-use assets of the Group is classified by reference to right-of-use assets, instead of underlying assets. However, if the main lease is short-term lease applicable to recognition exemption of the Group, such sublease is classified as operating leases.

Under the operating lease, lease payments less lease incentives granted are recognized as revenue on a straight-line basis. The initial direct cost which occurs on granting operating leases is the carrying amount accumulated to the underlying assets and is recognized as expense on a straight of line basis.

2) The Group as the Lessee

Except for payments for low-value asset leases and short-term leases applicable to exemption of recognition are recognized as expenses on a straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

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

Right-of-use assets are depreciated using the straight-line method from the



commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and the default fine arises from lease termination. The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized as profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(14) Borrowing costs

Borrowing costs that can be directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are included in the cost of the asset.

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

Other borrowing costs at the period are recognized as profit or loss.

(15) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2) Pensions

For defined contribution plans, the amount of contribution payable in respect of service rendered by employees in that period should be recognized as expenses.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost and net interest on the net defined benefit assets are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur.

Net defined benefit assets represents the actual deficit in the Group's defined



benefit plan. Net defined benefit liability shall not exceed the present value of refunds from the plan or reductions in future contributions to the plan.

(16) Share-Based Payment Agreement - Employee Stock Option

Employee stock options for employees

Employee stock options are recognized as expenses on a straight-line basis during the vesting period based on the fair value of the equity instrument on the date of grant and the best estimated quantity expected to be acquired, and at the same time adjust the capital reserve - employee stock options. If it is immediately vested on the grant date, it shall be fully recognized as an expense on the grant date.

The company revises the estimated number of employee stock options expected to be acquired on each balance sheet date. If there is a revision to the original estimated quantity, the affected number is recognized as profit or loss, so that the accumulated expenses reflect the revised estimate, and the capital reserve-employee stock option is adjusted accordingly.

(17) Income tax

The provision for income tax recognized in profit or loss comprises current and deferred tax.

1) Current tax

The Group has determined the current income (losses) and calculated taxes payable (receivable) in accordance with regulations established by the jurisdiction for tax return.

According to Income Tax Act in Republic of China, an additional income tax levied at unappropriated earnings is recognized in shareholders' annual meeting.

Income tax payable for prior period is adjusted to the current income tax.

2) Deferred tax

Deferred tax is accounted for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit or loss.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for deductible temporary differences or loss carryforwards to the extent that taxable profit is probably available.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group can control the reversal of the temporary difference and it is probable

that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits to realize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the date of balance sheet and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed at the date of balance sheet and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is recovered, based on tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that arise from the manner in which the Group expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except the current and deferred tax that relates to items recognized in other comprehensive income or directly in equity are recognized respectively in other comprehensive income or directly in equity.

5. Significant Accounting Assumptions and Judgment, and Major Sources of Estimation Uncertainty

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

The Group incorporates the recent development into relevant major accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. For these considerations, management will continue to review the estimates and underlying assumptions.

Major source of estimates and assumption uncertainty

(1) Loss of property, plant, and equipment

Equipment relevant to semiconductor manufacturing is evaluated in accordance with the recoverable amount of such equipment (equal to the fair value of such asset less cost to sell and the higher amount of its use value). Market value or future changes in cash flow will affect the recoverable amount, resulting in the Group recognizing

addition impairment losses or reversing impairment losses recognized.

(2) Income tax

Upon the dates of December 31, 2023 and 2022, the balance of unused loss carryforwards is NT\$1,131,943,000 and NT\$1,221,823,000 respectively. The carrying amount of deferred tax assets related to temporary differences is NT\$172,805,000 and NT\$150,887,000 respectively. The realization of the deferred tax asset depends mainly on its future profitability or the taxable temporary difference. A significant reversal of deferred tax assets will be recognized as gain or loss if the real profits in the future are less than expected. Such reversal is recognized as gain or loss during the occurrence period.

6. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 455	\$ 462
Check and demand deposit	471,963	698,190
Cash equivalents		
Time deposits	594,520	773,566
Short-term notes and bills	149,737	99,804
	<u>\$ 1,216,675</u>	<u>\$ 1,572,022</u>
<u>Annual interest rate (%)</u>		
Cash in banks	0.001-1.565	0.001-3.20
Time deposits	0.55-5.5	0.31-4.87
Short-term notes and bills	0.85	0.65

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

	December 31, 2023	December 31, 2022
<u>Listed and OTC stocks</u>		
ETREND Hightech Corp.	\$ 9,439	\$ 5,434
<u>Emerging stocks</u>		
Enrich Tech Co., Ltd.	22,663	21,646
Amtek Semiconductors Co., Ltd.	8,617	7,237
Anwell Semiconductor Co., Ltd.	-	-
Xpert Semiconductor Inc.	-	-
	<u>\$ 40,719</u>	<u>\$ 34,317</u>

The Group invests in the aforementioned common stocks in accordance with the long-term strategic objectives and expects to profit from the long-term investments. The management of the Group considers that if the short-term volatility at fair value of such investments recognized in profit or loss is not consistent with the aforementioned long-term investment plan, it will be determined that such investments are measured through other comprehensive income at fair value.

Anwell Semiconductor Co., Ltd. has registered its dissolution in December 2021, and completed the liquidation in October 2022. The Group received the liquidation proceeds

in February 2023, and will dispose of financial assets measured at fair value through other comprehensive gains and losses, realized losses of NT\$13,015,000 were transferred to retained earnings.

8. Financial assets at amortized cost- current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits with an initial maturity more than three months	\$ 292,057	\$ 172,000
Time deposit pledged	<u>1,400</u>	<u>103,400</u>
	<u>\$ 293,457</u>	<u>\$ 275,400</u>

1. As of December 31, 2023 and 2022, annual rate of time deposits with an initial maturity more than three months is 1.1%-1.575% and 0.8%-1.44%, respectively.

2. Please see Tables 29 for the information of financial assets at amortized cost-current.

9. Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Amortized cost</u>		
Total carrying amount	\$ 1,195,486	\$ 977,093
Less: Allowance for bad debts	( <u>2,158</u> )	( <u>2,710</u> )
	<u>\$ 1,193,328</u>	<u>\$ 974,383</u>

The average collection period for selling products and rendering service is 60 to 90 days, excluding accounts receivable. Credit of key customers is rated by using other public available financial information and historic transaction records. The Group continues supervising credit risk exposure and credit rating of the counterparty, as well as distributing the total transaction amount into different qualified customers. In addition, the management shall review and approve counterparty's line of credit for the purpose of managing credit risk exposure.

To mitigate credit risk, the management of the Group has designated functional working group responsible for decision on line of credit, credit approval and other supervision to ensure proper action has been taken to collect overdue accounts receivable. In addition, the collectible amount of accounts receivable shall be reviewed individually at the date of balance sheet to ensure the uncollectible accounts receivable has been listed to appropriate impairment loss. According these, the management considers the Group's credit risk has significantly decreased.

The loss allowance for accounts receivable is measured at an amount equal to useful lives expected credit losses. For the useful lives expected credit losses, customers' default on records and present financial position, economic trends, as well as GDP expectation and industry outlook are considered. The experience on the Group's credit losses presents that types of loss on different customer groups do not bring obvious differences. Thus the rate of expected credit losses is set based on accounts receivable aging, without further grouping customers.

If any evidence shows the counterparty faces significant financial difficulty and the

collectible amount cannot be reasonably expected, the Group will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The loss allowance for accounts receivable of the Group is measured as follows:

	0~90 days	Aging 91~180 days	Aging 181~365 days	Aging over 365 days	Total
<u>December 31, 2023</u>					
Expected credit loss (%)	0.1-0.2	2-3.1	10-15.5	100	
Total carrying amount	\$1,184,217	\$ 10,289	\$ 16	\$ 964	\$1,195,486
Allowance for loss	( <u>1,017</u> )	( <u>176</u> )	( <u>1</u> )	( <u>964</u> )	( <u>2,158</u> )
Amortized cost	<u>\$1,183,200</u>	<u>\$ 10,113</u>	<u>\$ 15</u>	<u>\$ -</u>	<u>\$1,193,328</u>
	0~90 days	Aging 91~180 days	Aging 181~365 days	Aging over 365 days	Total
<u>December 31, 2022</u>					
Expected credit loss (%)	0.1-0.2	2-3.1	10-15.5	100	
Total carrying amount	\$ 964,121	\$ 10,169	\$ 1,238	\$ 1,565	\$ 977,093
Allowance for loss	( <u>855</u> )	( <u>180</u> )	( <u>110</u> )	( <u>1,565</u> )	( <u>2,710</u> )
Amortized cost	<u>\$ 963,266</u>	<u>\$ 9,989</u>	<u>\$ 1,128</u>	<u>\$ -</u>	<u>\$ 974,383</u>

Changes on allowance for accounts receivable loss are as follows:

	2023	2022
Balance at the beginning of the year	\$ 2,710	\$ 3,187
Current impairment losses	( 535)	( 494)
Foreign currency translation difference	( <u>17</u> )	<u>17</u>
Balance at the end of the year	<u>\$ 2,158</u>	<u>\$ 2,710</u>

#### 10. Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 293,114	\$ 530,864
Finished goods	-	-
Work in process	-	-
Products	-	-
	<u>\$ 293,114</u>	<u>\$ 530,864</u>

Inventory-related operating costs as of 2023 and 2022 are NT\$5,443,612,000 and NT\$5,486,038,000 respectively.

Operating costs include the following items:

	2023	2022
Revenue from sale of scraps	(\$ 43,406)	(\$ 54,217)
Inventory valuation loss	11,192	36,493
Supply Inventory valuation loss	7,028	1,170

## 11. Subsidiaries

- (1) Subsidiaries incorporated in the consolidated financial statements  
The basis for the consolidated financial statements is as follows:

Investor	Company Name	Equity holding (%)	
		2023 December 31	2022 December 31
Parent Company	Lingsen Holding (Samoa) Inc.	100	100
	Panther Technology Co., Ltd.	64	64
	Sooner Power Semiconductor Co., Ltd.	99	99
	Lee Shin Investment Co., Ltd.	100	100
	Lingsen America Inc.	100	100
	Nexus Material Corporation	78	78
	Sooner Power Semiconductor Co., Ltd.	1	1
Lee Shin Investment Co., Ltd.	Nexus Material Corporation	21	21
	Li Yuan Investments Co., Ltd.	100	100
Lingsen Holding (Samoa) Inc.	Li Yuan Investments Co., Ltd.	100	100
Li Yuan Investments Co., Ltd.	Ningbo Liyuan Technology Co., Ltd.	100	100

Please see Tables 4 and 5 for the location and business of aforementioned subsidiaries.

- (2) Significant information on subsidiaries of non-controlling interests

Company Name	Percentage of ownership (%)	
	December 31, 2023	December 31, 2022
Panther Technology Co., Ltd.	36	36

The following summary of financial information of Panther Technology Co., Ltd. is prepared in accordance with the amount prior to elimination of intragroup transactions:

	December 31, 2023	December 31, 2022
Current assets	\$ 340,641	\$ 286,597
Non-current assets	985,589	952,467
Current liabilities	( 260,318)	( 243,566)
Non-current liabilities	( 424,479)	( 343,954)
Equity	<u>\$ 641,433</u>	<u>\$ 651,544</u>
Interests attributed to:		
Owners of the Company	\$ 408,399	\$ 414,837
Non-controlling interests of Panther Technology Co., Ltd.	<u>233,034</u>	<u>236,707</u>
	<u>\$ 641,433</u>	<u>\$ 651,544</u>

	2023	2022
Operating income	\$ 827,832	\$ 746,341
Current net loss	(\$ 10,111)	(\$ 18,327)
Total comprehensive income	(\$ 10,111)	(\$ 18,327)
Net loss attributable to:		
Owners of the Company	(\$ 6,438)	(\$ 11,669)
Non-controlling interests of Panther Technology Co., Ltd.	( 3,673)	( 6,658)
	(\$ 10,111)	(\$ 18,327)
Total comprehensive income attributable to:		
Owners of the Company	(\$ 6,438)	(\$ 11,669)
Non-controlling interests of Panther Technology Co., Ltd.	( 3,673)	( 6,658)
	(\$ 10,111)	(\$ 18,327)
Cash flow		
From operating activities	\$ 112,971	\$ 167,592
From investing activities	( 232,676)	( 287,915)
From financing activities	115,394	31,921
Net cash outflow	(\$ 4,311)	(\$ 88,402)

## 12. Investments accounted for using the equity method

Investees	December 31, 2023		December 31, 2022	
	Amount	Shareholding	Amount	Shareholding
<u>Common stock that has never been listed on the TWSE or TPEX</u>				
Qi Feng Technology Co., Ltd.	\$ 11,417	30%	\$ 11,417	30%
Less: Accumulated impairment loss	( 11,417)		( 11,417)	
	\$ -		\$ -	

Investments accounted for using the equity method as well as the Group's share of profit or loss and other comprehensive income are not calculated in accordance with auditors' reports. However, the management of the Group determines that it shall have little influence if financial statements of Qi Feng Technology Co., Ltd. are not audited.

## 13. Property, Plant and Equipment

	December 31, 2023	December 31, 2022
Assets used by the Company	\$ 3,813,968	\$ 4,097,752
Assets subject to operating leases	181,762	186,633
	\$ 3,995,730	\$ 4,284,385

(1) Assets used by the Company

2023	Land	Buildings	Machinery and equipment	Transportation Equipment	Office equipment	Other equipment	Unfinished construction	Total cost
<u>Cost</u>								
Balance at the beginning of the year	\$ 127,534	\$3,253,878	\$4,632,230	\$ 24,427	\$ 65,374	\$ 406,289	\$ 5,231	\$ 8,514,963
Increase	-	22,060	272,713	-	4,760	72,236	13,723	385,492
Decrease	-	( 34,085)	( 268,928 )	( 1,057 )	( 4,441 )	( 56,427 )	-	( 364,938 )
Reclassification	-	45,877	118,382	-	-	1,430	( 4,515 )	161,174
Net exchange difference	-	( 7,342 )	( 818 )	( 10 )	( 9 )	( 567 )	( 16 )	( 8,762 )
Balance at the end of the year	<u>\$ 127,534</u>	<u>\$3,280,388</u>	<u>\$4,753,579</u>	<u>\$ 23,360</u>	<u>\$ 65,684</u>	<u>\$ 422,961</u>	<u>\$ 14,423</u>	<u>\$ 8,687,929</u>
<u>Accumulated depreciation</u>								
Balance at the beginning of the year	\$ -	\$1,475,554	\$2,572,585	\$ 14,480	\$ 29,698	\$ 203,354	\$ -	\$ 4,295,671
Increase	-	143,434	539,629	2,088	8,593	92,564	-	786,308
Decrease	-	( 33,907 )	( 268,895 )	( 1,057 )	( 4,267 )	( 55,464 )	-	( 363,590 )
Reclassification	-	42,362	-	-	-	-	-	42,362
Net exchange difference	-	( 6,389 )	( 274 )	( 4 )	( 5 )	( 310 )	-	( 6,982 )
Balance at the end of the year	<u>\$ -</u>	<u>\$1,621,054</u>	<u>\$2,843,045</u>	<u>\$ 15,507</u>	<u>\$ 34,019</u>	<u>\$ 240,144</u>	<u>\$ -</u>	<u>\$ 4,753,769</u>
<u>Accumulated impairment loss</u>								
Balance at the beginning of the year	\$ 59,787	\$ 59,393	\$ 633	\$ -	\$ 705	\$ 1,022	\$ -	\$ 121,540
Decrease	-	( 178 )	( 33 )	-	( 174 )	( 963 )	-	( 1,348 )
Balance at the end of the year	<u>\$ 59,787</u>	<u>\$ 59,215</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 531</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 120,192</u>
Carrying amounts at December 31, 2023	<u>\$ 67,747</u>	<u>\$1,600,119</u>	<u>\$1,909,934</u>	<u>\$ 7,853</u>	<u>\$ 31,134</u>	<u>\$ 182,758</u>	<u>\$ 14,423</u>	<u>\$ 3,813,968</u>
<u>2022</u>								
<u>Cost</u>								
Balance at the beginning of the year	\$ 127,534	\$3,134,344	\$4,384,713	\$ 24,466	\$ 43,374	\$ 337,392	\$ 111,680	\$ 8,163,503
Increase	-	47,241	493,786	7,564	25,923	110,926	31,781	717,221
Decrease	-	( 67,513 )	( 569,578 )	( 7,824 )	( 3,934 )	( 48,193 )	-	( 697,042 )
Reclassification	-	132,600	322,612	95	-	5,630	( 138,230 )	322,707
Net exchange difference	-	7,206	697	126	11	534	-	8,574
Balance at the end of the year	<u>\$ 127,534</u>	<u>\$3,253,878</u>	<u>\$4,632,230</u>	<u>\$ 24,427</u>	<u>\$ 65,374</u>	<u>\$ 406,289</u>	<u>\$ 5,231</u>	<u>\$ 8,514,963</u>
<u>Accumulated depreciation</u>								
Balance at the beginning of the year	\$ -	\$1,396,982	\$2,632,334	\$ 20,508	\$ 27,354	\$ 169,941	\$ -	\$ 4,247,119
Increase	-	137,421	511,920	1,719	6,273	80,906	-	738,239
Decrease	-	( 64,360 )	( 571,792 )	( 7,824 )	( 3,934 )	( 47,725 )	-	( 695,635 )
Net exchange difference	-	5,511	123	77	5	232	-	5,948
Balance at the end of the year	<u>\$ -</u>	<u>\$1,475,554</u>	<u>\$2,572,585</u>	<u>\$ 14,480</u>	<u>\$ 29,698</u>	<u>\$ 203,354</u>	<u>\$ -</u>	<u>\$ 4,295,671</u>
<u>Accumulated impairment loss</u>								
Balance at the beginning of the year	\$ 59,787	\$ 59,645	\$ 731	\$ -	\$ 705	\$ 1,489	\$ -	\$ 122,357
Decrease	-	( 252 )	( 98 )	-	-	( 467 )	-	( 817 )
Balance at the end of the year	<u>\$ 59,787</u>	<u>\$ 59,393</u>	<u>\$ 633</u>	<u>\$ -</u>	<u>\$ 705</u>	<u>\$ 1,022</u>	<u>\$ -</u>	<u>\$ 121,540</u>
Carrying amounts at December 31, 2022	<u>\$ 67,747</u>	<u>\$1,718,931</u>	<u>\$2,059,012</u>	<u>\$ 9,947</u>	<u>\$ 34,971</u>	<u>\$ 201,913</u>	<u>\$ 5,231</u>	<u>\$ 4,097,752</u>



For 2022 and 2023, since there was no impairment loss, the Group had not conducted the impairment loss evaluation.

Depreciation is computed on a straight-line basis over the following estimated useful life:

Buildings	
Plant building	45 ~ 50 years
Hydropower air-conditioning engineering	3 ~ 20 years
Machinery and equipment	3 ~ 10 years
Transportation Equipment	5 ~ 7 years
Office equipment	3 ~ 7 years
Other equipment	3 ~ 7 years

Please see note 29 for the amount of property, plant, and equipment used by the Group pledged as collaterals.

(2) Assets subject to operating leases

<u>2023</u>	<u>Buildings</u>
<u>Cost</u>	
Balance at the beginning of the year	\$ 280,189
Reclassification	( 42,362 )
Balance at the end of the year	<u>\$ 237,827</u>
<u>Accumulated depreciation</u>	
Balance at the beginning of the year	\$ 93,556
Increase	4,871
Reclassification	( 42,362 )
Balance at the end of the year	<u>\$ 56,065</u>
Carrying amounts at December 31,2023	<u>\$ 181,762</u>
<u>2022</u>	<u>Buildings</u>
<u>Cost</u>	
Balance at the beginning of the year	\$ 279,629
Increase	560
Balance at the end of the year	<u>\$ 280,189</u>
<u>Accumulated depreciation</u>	
Balance at the beginning of the year	\$ 88,752
Increase	4,804
Balance at the end of the year	<u>\$ 93,556</u>
Carrying amounts at December 31,2022	<u>\$ 186,633</u>

The Group has used buildings based on operating leases with a lease term of 1 to 18 years. All operating lease contracts include the clause where the lessee shall adjust the lease payment according to market rent when a right of renewal is exercised. The lessee has no bargain purchase option on such asset after the end of the lease period.

The operating lease payments receivable for the buildings is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Year 1	\$ 8,412	\$ 12,134
Year 2	4,144	4,920
Year 3	4,144	4,920
Year 4	4,144	4,920
Year 5	4,144	4,920
Over 5 years	<u>20,719</u>	<u>20,922</u>
	<u>\$ 45,707</u>	<u>\$ 52,736</u>

Depreciation is computed on a straight-line basis over the following estimated useful life:

Buildings	45 ~ 50 years
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#### 14. Lease agreements

##### (1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 145,050	\$ 148,620
Buildings	<u>1,938</u>	<u>2,231</u>
	<u>\$ 146,988</u>	<u>\$ 150,851</u>
	<u>2023</u>	<u>2022</u>
Addition to right-of-use assets	<u>\$ 2,786</u>	<u>\$ 3,149</u>
Depreciation expense of right-of-use assets		
Land	\$ 4,381	\$ 4,386
Buildings	<u>2,216</u>	<u>2,211</u>
	<u>\$ 6,597</u>	<u>\$ 6,597</u>

Except for the depreciation expenses recognized above, there were no major sublease and impairment loss of the right-of-use assets of the Group in 2023 and 2022.

##### (2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 5,117</u>	<u>\$ 5,303</u>
Non-current	<u>\$ 141,277</u>	<u>\$ 144,300</u>

Ranges of discount rates for lease liabilities are as follow

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	0.67%-1.64%	0.67%-0.91%
Buildings	0.67%-1.65%	0.67%-1.65%

(3) Material leases and terms

The Group leases several lands and buildings for the use of plants, office buildings and employee dormitories with a lease term of 1 to 10 years. Upon the termination of the lease period, the Group has no bargain purchase option for leased lands and buildings.

(4) Information on other lease

Please see Note 13 for agreements that the Group sells property, plant and equipment used by the Group under operating leases.

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 78,040</u>	<u>\$ 97,657</u>
Total cash outflow for leases	<u>(\$ 85,148)</u>	<u>(\$ 104,756)</u>

The Group leases certain machinery and equipment, buildings and building leases which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

15. Other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Supply inventory	\$ 199,183	\$ 239,894
Prepayments	35,817	20,666
Payments on behalf of others	6,626	28,102
Tax overpaid retained for offsetting future tax payable	4,853	5,242
Input tax	2,130	4,537
Others	329	263
	<u>\$ 248,938</u>	<u>\$ 298,704</u>

16. Borrowings

(1) Short-term bank borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit loans	\$ 61,410	\$ 372,840
Import/export financing loans	<u>56,772</u>	<u>32,777</u>
	<u>\$ 118,182</u>	<u>\$ 405,617</u>
<u>Annual interest rate (%)</u>		
Credit loans	6.62-7.13	1.57-6.24
Import/export financing loans	6.31-6.41	5.50

(2) Long-term bank borrowings

	December 31, 2023	December 31, 2022
Mortgage loan(Note 29)	\$ 694,745	\$ 745,074
Credit loans	<u>394,257</u>	<u>589,886</u>
	1,089,002	1,334,,960
Less: Amount falling due in one year	( <u>448,161</u> )	( <u>340,164</u> )
Amount falling due after one year	<u>\$ 640,841</u>	<u>\$ 994,796</u>
<u>Annual interest rate (%)</u>		
Mortgage loan	1.28-2.32	0.65-2.20
Credit loans	1.37-1.53	0.58-1.91
<u>Maturity date</u>		
Mortgage loan	2024.05-2030.08	2024.05-2027.07
Credit loans	2026.03-2030.06	2024.04-2026.05

17. Other payables

	December 31, 2023	December 31, 2022
Payables for Wages and bonuses	\$ 224,794	\$ 233,128
Payables for factory supplies	137,665	122,824
Payables for annual leave	64,377	60,830
Payables for purchases of equipment	10,627	30,750
Payables for remuneration of employees and remuneration of directors	576	23,002
Others	<u>123,611</u>	<u>115,607</u>
	<u>\$ 561,650</u>	<u>\$ 586,141</u>

18. Provisions - Current

Provisions for sales returns and allowances are, estimated under experiences, judgment of the management and other known reasons for the probable sales returns and allowances, and recognized as the subtraction of operating revenue upon the related service is provided and products are sold at the current year.

Changes on provisions are as below:

	2023	2022
Balance at the beginning of the year	\$ 5,534	\$ 3,980
Current recognition	<u>6</u>	<u>1,554</u>
Balance at the end of the year	<u>\$ 5,540</u>	<u>\$ 5,534</u>

19. Retirement benefits plan

(1) Defined contribution plans

The labor pension system under the “Labor Pension Act” applicable to the Company,

Panther Technology Co., Ltd., Nexus Material Corporation, and Sooner Power Semiconductor Co., Ltd. of the Group refers to the defined contribution retirement benefit plans managed by the government. The employer shall contribute labor pension funds equal to 6 percent of an employee's monthly salary to individual labor pension accounts at the Bureau of Labor Insurance (the Bureau) for employees.

Ningbo Liyuan Technology Co., Ltd. participated in social insurance plan managed and planned by government of China, which refers to a defined contribution plan. The endowment insurance paid for the social insurance plan managed by the government is recognized as current expense upon withdrawal.

The retirement procedure and system has not established for Lingsen America Inc.

As investment companies or no employees hired, there is no retirement procedure or system established for Lee Shin Investment Co., Ltd., Lingsen Holding (Samoa) Inc., Li Yuan Investments Co., Ltd.

(2) Defined benefit plans

The Company of the Group has labor pension system as defined benefit plans under the Labor Standards Act of the R.O.C. The payment of the employee pension is made based on an employee's length of service and average monthly salary for the six-month period prior to retirement approved. The Company contributes an amount equal to 3 percent of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the balance in the Funds is assessed. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees qualified with retirement requirements in the next year, the Company is required to make up the difference all at once with one appropriation, which is required to be made before the end of March of next year. The Funds are operated and managed by the government's designated authorities. Accordingly, the Group does not have any right to intervene in the investments of the Funds.

The amount of defined benefit plans recognized in the consolidated balance sheets is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 608,362	\$ 618,521
Fair value of plan assets	( <u>679,211</u> )	( <u>754,572</u> )
Net defined benefit assets	( <u>\$ 70,849</u> )	( <u>\$ 136,051</u> )

Movements the net defined benefit assets are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
Balance at January 1, 2023	\$ <u>618,521</u>	( <u>\$ 754,572</u> )	( <u>\$ 136,051</u> )
Service cost			
Current service cost	5,120	-	5,120
Interest expense (income)	<u>7,911</u>	( <u>9,758</u> )	( <u>1,847</u> )

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
Defined benefit costs recognized in profit or loss	<u>13,031</u>	<u>( 9,758)</u>	<u>3,273</u>
Remeasurement of the net defined benefit liability/asset			
Return on plan assets (excluding amounts included in net interest expense)	-	( 10,408)	( 10,408)
Actuarial loss (gain)			
- changes in demographic assumptions	1	-	1
- changes in financial assumptions	2,726	-	2,726
- experience adjustments	<u>6,951</u>	<u>-</u>	<u>6,951</u>
Defined benefit costs recognized in other comprehensive income	<u>9,678</u>	<u>( 10,408)</u>	<u>( 730)</u>
Contributions from employer	-	( 6,500)	( 6,500)
Get it back after expiration	-	69,638	69,638
Benefits paid	<u>( 32,868)</u>	<u>32,389</u>	<u>( 479)</u>
	<u>( 32,868)</u>	<u>95,527</u>	<u>62,659</u>
Balance as of December 31, 2023	<u>\$ 608,362</u>	<u>(\$ 679,211)</u>	<u>(\$ 70,849)</u>
Balance at January 1, 2022	<u>\$ 730,046</u>	<u>(\$ 742,055)</u>	<u>(\$ 12,009)</u>
Service cost			
Current service cost	6,879	-	6,879
Interest expense (income)	<u>5,021</u>	<u>( 5,168)</u>	<u>( 147)</u>
Defined benefit costs recognized in profit or loss	<u>11,900</u>	<u>( 5,168)</u>	<u>6,732</u>
Remeasurement of the net defined benefit liability/asset			
Return on plan assets (excluding amounts included in net interest expense)	-	( 56,261)	( 56,261)
Actuarial loss (gain)			
- changes in demographic assumptions	3	-	3
- changes in financial assumptions	( 36,848)	-	( 36,848)
- experience adjustments	<u>( 24,174)</u>	<u>-</u>	<u>( 24,174)</u>
Defined benefit costs recognized in other comprehensive income	<u>( 61,019)</u>	<u>( 56,261)</u>	<u>( 117,280)</u>
Contributions from employer	-	( 12,500)	( 12,500)
Benefits paid	<u>( 62,406)</u>	<u>61,412</u>	<u>( 994)</u>
	<u>( 62,406)</u>	<u>48,912</u>	<u>( 13,494)</u>
Balance as of December 31, 2022	<u>\$ 618,521</u>	<u>(\$ 754,572)</u>	<u>(\$ 136,051)</u>

Due to the defined benefit plans under the Labor Standards Act of R.O.C. the Group is exposed to the following risks:

- 1) Investment risk: The pension funds are invested in domestic and foreign equity securities, debt securities, bank deposits, etc. The investment is conducted at

the discretion of the Bureau of Labor Funds' designated authorities or under the mandated management. However, the distributable amount of plan assets of the Group shall not be less than the return calculated by the average interest rate on a two-year time deposit published by the local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will increase as well. The two will be partially offset on net defined benefit assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Group are carried out by qualified actuaries. The principal assumptions are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.30%
Expected salary increase rate	2.00%	2.00%

If reasonably likely changes respectively occur in the principal assumptions and all other assumptions are held constant, the amount of present value of the defined benefit obligation is increased or decreased as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(\$ 13,454)	(\$ 14,474)
Decrease by 0.25%	\$ 13,903	\$ 14,981
Expected salary increase rate		
Increase by 0.25%	\$ 13,765	\$ 14,839
Decrease by 0.25%	(\$ 13,389)	(\$ 14,411)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contributions expected in one year	\$ 6,000	\$ 12,000
Average maturity of defined benefit obligation	9 years	9 years

## 20. Equity

### (1) Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	500,000	500,000
Authorized capital	\$ 5,000,000	\$ 5,000,000
Issued and paid shares (in thousands)	380,102	380,102
Issued capital	\$ 3,801,023	\$ 3,801,023

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Additional paid-in capital	\$ 1,123,151	\$ 1,123,151
From convertible bonds	126,434	126,434
Treasury stock transactions	16,640	14,943
Donations	<u>528</u>	<u>493</u>
	<u>\$ 1,266,753</u>	<u>\$ 1,265,021</u>

The capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, convertible bonds, treasury stocks and difference between the price of acquisition or disposal of subsidiaries' equity and the book value) may be used to offset a deficit. In addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or stock dividends to the paid-in capital. However, stock dividends may not exceed a certain percent of the paid-in capital.

(3) Retained earnings and dividend policy

Surplus earning distribution policy under the Company's Articles of Incorporation states that when allocating earnings, the Group shall pay the tax, offset its losses, set aside its legal capital reserve at 10% of the retained earnings, and then set aside or reverse special capital reserve in accordance with relevant laws or regulations; if there are earnings left, along with accumulated unappropriated earnings, the Board of Directors shall propose the surplus earning distribution for shareholders' meeting to determine the allocation of dividends and bonus. Please see Note 22 for distribution policy for employees' compensation, and remuneration of directors under the Company's Articles of Incorporation.

Legal capital reserve shall be set aside until its balance equals to full amount of the paid-in capital. The reserve may be used to offset a deficit. When the Group has no deficit, the portion in excess of 25% of the paid-in capital may be used to distribute as dividends in stocks or cash.

The company held regular shareholders' meetings in May 2023 and June 2022 respectively and passed the 2022 and 2021 earnings distribution proposals as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	\$ <u>30,111</u>	\$ <u>91,283</u>
Provision(reversal) of special reserve	\$ <u>74,564</u>	(\$ <u>69,385</u> )
Cash dividends	\$ <u>114,031</u>	\$ <u>490,000</u>
Cash dividend per share (NT\$)	<u>\$ 0.30</u>	<u>\$ 1.29</u>

The Company approved loss make-up proposal of 2023 in the company's board of directors on February 26, 2024. Due to the loss in 2023, after the deficit was compensated with the reversal of special reserve of NT\$72,715,000, the Company proposed a capital reserve distribution of 114,031,000 in cash (NT\$0.3 per share).



The distribution of loss for 2023 is subject to the resolution of the shareholders' meeting to be held in May 2024.

(4) Treasury stocks

The treasury stocks held by the Company, in accordance with Securities and Exchange Act, shall not be pledged and is not entitle to distribute dividends and to vote.

	Eransferred shares to Employee (shares)	Shares held by a subsidiary (shares)	Total (shares)
January 1, 2023 to December 31, 2023	<u>-</u>	<u>5,658,911</u>	<u>5,658,911</u>
January 1, 2022	2,000,000	5,658,911	7,658,911
Decrease in 2022	( <u>2,000,000</u> )	<u>-</u>	( <u>2,000,000</u> )
December 31, 2022	<u>-</u>	<u>5,658,911</u>	<u>5,658,911</u>

The relevant information on the Company's shares held by Lee Shin Investment Co., Ltd. is as follows:

	Total shares held (shares)	Carrying amount	Market value
December 31, 2023	<u>5,658,911</u>	<u>\$ 129,589</u>	<u>\$ 129,589</u>
December 31, 2022	<u>5,658,911</u>	<u>\$ 73,283</u>	<u>\$ 73,283</u>

The shares of the Company held by a subsidiary shall be regarded as treasury stocks. It is given the same rights as the common shareholders, except for capital increase from the Company and voting right.

21. Revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Service income	\$ 5,592,771	\$ 5,973,618
Sales revenue	<u>67,400</u>	<u>33,188</u>
	<u>\$ 5,660,171</u>	<u>\$ 6,006,806</u>

(1) Contract balance

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract assets - current	\$ 122,664	\$ 100,980	\$ 150,260
Notes receivable	17	-	5,593
Accounts receivable	<u>1,193,328</u>	<u>974,383</u>	<u>1,744,380</u>
	<u>\$ 1,316,009</u>	<u>\$ 1,075,363</u>	<u>\$ 1,900,233</u>

## (2) Timing of revenue recognition

	2023	2022
Performance obligation satisfied over time	\$ 5,592,771	\$ 5,973,618
Performance obligation satisfied at a point in time	67,400	33,188
	<u>\$ 5,660,171</u>	<u>\$ 6,006,806</u>

22. Employee benefits and depreciation expenses

Classified as	operating costs	operating expenses	Total
<u>2023</u>			
Employee benefit expense			
Short-term employee benefits	\$ 1,474,203	\$ 261,456	\$ 1,735,659
Pensions			
Defined contribution plans	55,676	10,546	66,222
Defined benefit plans	2,853	420	3,273
Other employee benefits	115,658	18,831	134,489
Depreciation expenses	767,235	30,541	797,776
<u>2022</u>			
Employee benefit expense			
Short-term employee benefits	\$ 1,453,808	\$ 286,127	\$ 1,739,935
Pensions			
Defined contribution plans	54,530	10,302	64,832
Defined benefit plans	5,844	888	6,732
Other employee benefits	118,857	18,834	137,691
Depreciation expenses	697,764	51,876	749,640

Under the Company's Articles of Incorporation, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 10% and no higher than 2% respectively, of net profit before income tax, of remuneration of employees and remuneration of directors. Due to a deficit in 2023, the remuneration of employees and remuneration of directors have not been estimated yet. The remuneration of employees and directors in 2022 was resolved by the board of directors in February 2023 respectively as follows:

	2022	
	Accrual Rate	Amount (cash)
Remuneration of employees	10%	<u>\$ 18,592</u>
Remuneration of directors	2%	<u>\$ 3,718</u>

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

There is no difference between the actual distribution amount of employee and director remuneration in 2022 and the recognized amount in the 2022 consolidated report.

Please see "Market Observation Post System" (MOPS) under the Taiwan Stock

Exchange for the information on the remuneration of employees and remuneration of directors determined by the board of directors.

## 23. Income tax

### (1) Main components of income tax expense recognized in profit or loss

	2023	2022
Current tax		
Income tax expense generated in the current year	\$ 87	\$ 25
Taxation on Undistributed Earnings	4,120	20,046
Adjustment on prior years	( 12,683 )	15
	( 8,476 )	20,086
Deferred tax		
Income tax expense generated in the current year	( \$ 5,721 )	( 26,140 )
Adjustment on prior years	( 16,748 )	( 37,274 )
	( 22,469 )	( 63,414 )
Income tax profit recognized in profit or loss	( \$ 30,945 )	( \$ 43,328 )

A reconciliation of accounting income and income tax expense is as follows:

	2023	2022
Income tax expense (benefit) calculated at the statutory rate	( \$ 38,215 )	\$ 31,465
Permanent differences	31,502	( 61,414 )
Temporary differences	4,659	5,204
Current period loss carryforward	610	23,833
Unrecognized loss carryforward	25,096	23,865
Taxation on Undistributed Earnings	4,120	20,046
Effect of exchange rate changes applicable to the consolidated entities	( 23,565 )	( 22,928 )
Deferred tax		
Income tax expense generated in the current year	( 5,721 )	( 26,140 )
Adjustment on prior years	( 16,748 )	( 37,274 )
Adjustment on prior years	( 12,683 )	15
Income tax profit recognized in profit or loss	( \$ 30,945 )	( \$ 43,328 )

### (2) Deferred tax assets and liabilities

	Balance at the beginning of the year	Adjustment at the beginning of the year	Defined benefit costs recognized in profit or loss	Defined benefit costs recognized in other comprehensive income	Translation differences	Balance at the end of the year
2023						
<u>Deferred tax income assets</u>						
Temporary differences						
Inventory falling price reserves	\$ 13,393	\$ -	\$ 1,031	\$ -	\$ -	\$ 14,424
Supply inventory falling price reserves	-	234	1,406	-	-	1,640

2023	Balance at the beginning of the year	Adjustment at the beginning of the year	Defined benefit costs recognized in profit or loss	Defined benefit costs recognized in other comprehens ive income	Translation differences	Balance at the end of the year
Payables for annual leave	12,059	-	706	-	-	12,765
Provision for liabilities	1,107	-	1	-	-	1,108
Others	<u>3,697</u>	<u>65</u>	<u>1,032</u>	<u>-</u>	<u>1</u>	<u>4,795</u>
	30,256	299	4,176	-	1	34,732
Loss carryforwards	<u>120,631</u>	<u>16,449</u>	<u>993</u>	<u>-</u>	<u>-</u>	<u>138,073</u>
	<u>\$ 150,887</u>	<u>\$ 16,748</u>	<u>\$ 5,169</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 172,805</u>
<u>Deferred income tax liabilities</u>						
Temporary differences						
Defined benefit retirement plans	\$ 18,482	\$ -	\$ -	\$ 146	\$ -	\$ 18,628
Difference on depreciation methods	204	-	( 100)	-	-	104
Others	<u>452</u>	<u>-</u>	<u>( 452)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,138</u>	<u>\$ -</u>	<u>( \$ 552)</u>	<u>\$ 146</u>	<u>\$ -</u>	<u>\$ 18,732</u>
2022	Balance at the beginning of the year	Adjustment at the beginning of the year	Defined benefit costs recognized in profit or loss	Defined benefit costs recognized in other comprehens ive income	Translation differences	Balance at the end of the year
<u>Deferred tax income assets</u>						
Temporary differences						
Defined benefit retirement plans	\$ 4,974	\$ -	\$ -	( \$ 4,974)	\$ -	\$ -
Inventory falling price reserves	6,689	-	6,704	-	-	13,393
Payables for annual leave	12,333	-	( 274)	-	-	12,059
Provision for liabilities	796	-	311	-	-	1,107
Others	<u>3,808</u>	<u>-</u>	<u>( 119)</u>	<u>-</u>	<u>8</u>	<u>3,697</u>
	28,600	-	6,622	( 4,974)	8	30,256
Loss carryforwards	<u>-</u>	<u>101,261</u>	<u>19,370</u>	<u>-</u>	<u>-</u>	<u>120,631</u>
	<u>\$ 28,600</u>	<u>\$ 101,261</u>	<u>\$ 25,992</u>	<u>( \$ 4,974)</u>	<u>\$ 8</u>	<u>\$ 150,887</u>
<u>Deferred income tax liabilities</u>						
Temporary differences						
Defined benefit retirement plans	\$ -	\$ -	\$ -	\$ 18,482	\$ -	\$ 18,482
Difference on depreciation methods	\$ 283	\$ -	( 79)	\$ -	\$ -	\$ 204
Others	<u>521</u>	<u>-</u>	<u>( 69)</u>	<u>-</u>	<u>-</u>	<u>452</u>
	<u>\$ 804</u>	<u>\$ -</u>	<u>( \$ 148)</u>	<u>\$ 18,482</u>	<u>\$ -</u>	<u>\$ 19,138</u>

- (3) Amount of unused loss carryforwards of deferred income tax assets which was not recognized in the consolidated balance sheet.

Year of maturity	December 31, 2023	December 31, 2022
2023	\$ -	\$ 196,475
2024	209,903	\$ 209,903
2025	183,311	183,311
2026	119,192	119,192
2027	204,344	122,573
2028	104,397	104,397
2029	124,296	124,296
2030	103,355	103,355
2031	52,477	52,477
2032	23,230	25,712
2033	7,438	-
	<u>\$ 1,131,943</u>	<u>\$ 1,241,691</u>

(4) Relevant information on unused loss carryforwards

Last tax year	Panther Technology Co., Ltd.	Sooner Power Semiconductor Co., Ltd.	Nexus Material Corporation	Lee Shin Investment Co., Ltd.	Ningbo Liyuan Technology Co., Ltd.
2024	-	112,206	31,430	\$ -	\$ 66,267
2025	-	127,844	9	-	55,458
2026	-	119,180	12	-	-
2027	-	122,548	25	-	81,771
2028	-	104,373	24	-	-
2029	-	117,999	24	6,273	-
2030	-	103,290	65	-	-
2031	-	52,400	77	-	-
2032	19,868	3,350	12	-	-
2033	6,679	759	-	-	-
	<u>\$ 26,547</u>	<u>\$ 863,949</u>	<u>\$ 31,678</u>	<u>\$ 6,273</u>	<u>\$ 203,496</u>

(5) The total amount of deductible temporary differences for which is relevant to invested subsidiaries and no deferred tax assets have been recognized is as follows:

December 31, 2023	December 31, 2022
<u>\$ 2,624,283</u>	<u>\$ 2,525,953</u>

(6) Income tax examination

The tax authorities have examined income tax returns of the Company and domestic subsidiaries through 2021.

(7) Relevant information on income tax of foreign subsidiaries

The profit-seeking enterprise income tax of Ningbo Liyuan Technology Co., Ltd. is calculated in accordance with the tax law in China. As of the end of 2023, there are accumulated losses and no income tax payable.

As locally registered companies, Lingsen Holding (Samoa) Inc. and Li Yuan Investments Co., Ltd. are, under the regulation of the local law, exempt for income from offshore.

The profit-seeking enterprise income tax of Lingsen America Inc. is calculated in accordance with the tax law in America.

## 24. Earnings (loss) per Share

	Net profit (loss) attributable to owners of the Company	Number of shares (denominator) (in thousand)	Earnings (loss) per share (NT\$)
<u>2023</u>			
Basic loss per share			
Net loss attributed to the owners of the Company	(\$ 156,458 )	374,443	( \$ 0.42 )
Potentially dilutive ordinary shares effect			
Remuneration of employees	-	-	
Diluted loss per share			
Net loss attributed to the owners of the Company			
Plus potentially dilutive ordinary shares effect	( \$ 156,458 )	374,443	( \$ 0.42 )
<u>2022</u>			
Basic earnings per share			
Net profit attributed to the owners of the Company	\$ 207,291	373,457	<u>\$0.56</u>
Potentially dilutive ordinary shares effect			
Remuneration of employees	-	2,442	
Diluted earnings per share			
Net profit attributed to the owners of the Company			
Plus potentially dilutive ordinary shares effect	<u>\$ 207,291</u>	<u>375,899</u>	<u>\$0.55</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Dut to the Group's net loss in 2023, the calculation of diluted net loss per share without including the impact of employee compensation's anti-dilutive potential ordinary shares.

## 25. Share-Based Payment Agreement

### Treasury stock grants to employees

In June 2022, the board of directors resolve to allocate a total of 2,000,000 shares of treasury stocks, which was bought back during from June to August 2020, to employees

for subscription. The value of subscription rights per share calculated according to the Black-Scholes valuation model is \$3.8556, and the recognized remuneration cost is \$7,711,000. The parameters used in the valuation model are as follows:

Grant-date share price	\$15.56
Exercise price	\$11.71
Expected volatility	28.85%
Expected duration period	0.0301 years
Expected dividend yield	0%
Risk-free interest rate	0.59%

## 26. Capital risk management

The Group manages its capital to ensure that it will be able to maximize shareholders return as a going concern through the optimization of the debt and equity balance. The overall strategy has not changed.

The Group's capital structure consists of net debt (leases less cash and cash equivalent) and equity attributed to the Company's owner (common stocks, capital surplus, retained earnings and other equity).

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

The key management of the Group reviews its capital structure for each season, including the consideration on costs of all types of capital and relevant risks. Based on the key management's advice, the Group balances its overall capital structure by paying dividend payments, new shares issuance, share repurchase and new debt issuance or debt repayment, etc.

## 27. Financial instruments

### (1) Information on fair value

#### 1) Financial instruments that are not measured at fair value

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

#### 2) Financial instruments that are measured at fair value on a recurring basis

##### i) Fair value hierarchy

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Emerging stocks	\$ -	\$ -	\$ 31,280	\$ 31,280
Listed and OTC stocks	9,439	-	-	9,439
	<u>\$ 9,439</u>	<u>\$ -</u>	<u>\$ 31,280</u>	<u>\$ 40,719</u>
<u>December 31, 2022</u>				
<u>Financial assets at fair value through other comprehensive income</u>				
Emerging stocks	\$ -	\$ -	\$ 28,883	\$ 28,883
Listed and OTC stocks	5,434	-	-	5,434
	<u>\$ 5,434</u>	<u>\$ -</u>	<u>\$ 28,883</u>	<u>\$ 34,317</u>

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

ii) Reconciliation of Level 3 fair value measurements on financial instruments

Financial assets	Financial assets at fair value through other comprehensive income	
	Equity instruments	
	2023	2022
Balance at the beginning of the year	\$ 28,883	\$ 26,079
Unrealized gains (loss) from financial assets measured at fair value through other comprehensive income	2,769	2,804
Liquidation	( 372 )	-
Balance at the end of the year	<u>\$ 31,280</u>	<u>\$ 28,883</u>

iii) Valuation techniques and input value used in Level 3 fair value measurement

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

(2) Categories of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets measured at amortized cost	\$ 2,845,372	\$ 2,939,923
Financial assets at fair value through other comprehensive income	40,719	34,317
<u>Financial liabilities</u>		
Amortized cost	1,708,289	2,227,793

Balance of financial assets measured at amortized cost includes cash and cash equivalent, financial assets at amortized cost- current, contract assets, notes and accounts receivable, other receivables and refundable deposits, and other financial assets measured at amortized cost.

Balance of financial liabilities measured at amortized cost includes short-term bank borrowings, accounts payable, other payables, long-term bank borrowings (including amount falling due in one year) and guarantee deposits received and other financial liabilities measured at amortized cost.

(3) Financial risk management objectives and policies

The majority of financial instruments include equity instrument investments, accounts receivable, accounts payable, borrowings and lease liabilities, etc. The financial management department provides service for each unit by organizing and coordinating the market operation nationally and internationally, supervising and



reporting the internal risks by analyzing risk exposure according to the extent and breadth of risk, and managing financial risks associated with the Group's operation. Such risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### 1) Market risk

The Group is exposed to the financial market risks, primarily changes in foreign currency exchange rates and interest rates, due to its operation.

The Group is exposed to market risk associated with financial instruments and the management and measurement of such exposure have not changed.

##### i) Foreign currency risk

The Group's sales and purchase transactions are denominated in foreign currency, which exposes the Group to foreign currency risk. Approximately 26%~30% of sales revenue is not denominated in functional currency and approximately 43%~47% of the cost is not denominated in functional currency.

Please see Note 31 for the carrying amount of monetary assets and liabilities denominated in non-functional currency at the date of balance sheet.

##### Sensitivity analysis

The Group is mainly affected by fluctuations in USD and JPY.

The following table details the Group's sensitivity analysis to a 1% increase and decrease in NTD against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management and represents the management's assessment of the reasonably likely change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the end-of-year exchange rate is adjusted to 1% increase and decrease. The following table details the amount resulting in changes in net loss before tax to a 1% increase and decrease in NTD against the relevant foreign currency.

Categories of currency	Impact of fluctuations in exchange rate on profit or loss	
	2023	2022
USD	\$ 3,772	\$ 4,319
Japanese yen	30	161

##### ii) Interest rate risk

The Group is exposed to interest rate risk for the reason that it has borrowed money at both fixed and variable rate. The Group maintains

an appropriate fixed and floating rate for portfolio to manage interest rate risk. The hedge is evaluated on a regular basis, which makes its point of view and the established risk preference identical, to ensure the most efficient hedging strategy is adopted.

The carrying accounts of financial assets and liabilities exposed to interest rate risk at the date of balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 671,714	\$ 690,770
Financial liabilities	146,394	349,603
Cash flow interest rate risk		
Financial assets	834,742	1,152,952
Financial liabilities	1,207,184	1,540,577

#### Sensitivity analysis

The following sensitivity analysis is determined in accordance with interest rate risk of non-derivative instruments at the date of balance sheet. For the floating rate liabilities, the analysis is to assume that the amount of liabilities outstanding at the date of balance sheet is all outstanding at the reporting period. The rate of change used to report interest rate to the key management of the Group is 1% increase and decrease in interest rate and represents the management's assessment of reasonable likely changes in interest rate.

For floating-rate financial assets and liabilities, when interest rate is increase by 1% and other conditions remain unchanged, the net profit (loss) before tax of the Group in 2023 and 2022 are NT\$3,724,000 and NT\$3,876,000 respectively.

#### iii) Other price risk

The Group is exposed to price risk due to investments in equity securities. The management manages the risk by investing in portfolio with different risks.

#### Sensitivity analysis

The following sensitivity is analyzed according to the exposure to equity price risk at the date of balance sheet.

If the equity price changes by 1%, the other comprehensive income in 2023 and 2022 will increase and decrease NT\$94,000 and NT\$54,000 respectively due to changes in fair value of financial assets measured at fair value through profit or loss.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum credit risk exposure due to the financial loss arising from the counterparty not performing its obligation and the Group's financial guarantee primarily results from:

- i) The carrying amount of financial assets recognized in the consolidated balance sheet.
- ii) The Group has given financial guarantee and not taken the maximum amount to be paid into consideration.

The Group's credit risk is mainly resulted from its five largest customers. As of December 31, 2023, and 2022, the aforementioned customers are accounted for 45% and 48% of accounts receivable and contract assets, respectively.

## 3) Liquidity risk

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

The bank borrowing is a material source of liquidity to the Group. As of December 31, 2023, and 2022, the undrawn loan amounts are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Undrawn loan amounts	<u>\$1,732,536</u>	<u>\$ 1,285,118</u>

### Liquidity and interest risks of non-derivative financial liabilities

The funds are adequate to the Group's operations and thus the Group is not exposed to liquidity risk and financing to meet the contractual obligations.

The maturity of the Group's non-derivative financial liabilities which the repayment period has been committed is as follows:

<u>December 31, 2023</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>More than 3 years</u>
Non-interest bearing liabilities	\$ 499,205	\$ -	\$ -
Lease liabilities	6,178	15,088	147,516
Floating-rate liabilities	566,343	423,579	217,262
Fixed-rate liabilities	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,071,726</u>	<u>\$ 438,667</u>	<u>\$ 364,778</u>
<u>December 31, 2022</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>More than 3 years</u>
Non-interest bearing liabilities	\$ 485,280	\$ -	\$ -
Lease liabilities	6,383	10,195	156,413
Floating-rate liabilities	545,781	839,052	155,744
Fixed-rate liabilities	<u>200,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,237,444</u>	<u>\$ 849,247</u>	<u>\$ 312,157</u>

The further information on a maturity analysis of lease liability is below:

	Within 1 year	1-5 years	5~10 years
<u>December 31, 2023</u>			
Lease liabilities	<u>\$6,178</u>	<u>\$ 24,291</u>	<u>\$138,313</u>

<u>December 31, 2022</u>			
Lease liabilities	<u>\$ 6,383</u>	<u>\$ 19,582</u>	<u>\$147,026</u>

The amount of the aforementioned floating rate instrument of non-derivative liabilities will change resulting from the floating rate is different from the interest rate estimated at the date of balance sheet.

## 28. Related-party transactions

Transactions, balances, income and expenses between the Company and subsidiaries (related parties of the Company) may be all eliminated in consolidation, which are thus not disclosed in the note. Except for other notes disclosed, transactions between the Group and other related parties are as follows.

### Remuneration of key management personnel

	2023	2022
Short-term employee benefits	\$ 39,423	\$ 55,827
Pensions	698	698
	<u>\$ 40,121</u>	<u>\$ 56,525</u>

The remuneration of directors and other key management personnel were determined by the Remuneration Committee in accordance with the individual performance and the market trends.

## 29. Pledged assets

- (1) The Group provides the following assets (Financial assets at amortized cost - current) as a deposit out for customs duties accounting:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Pledged time deposits (Financial assets at amortized cost- current)	<u>\$ 1,000</u>	<u>\$ -</u>

- (2) The following assets are pledged as collaterals for bank loan limit amount and import duty payable:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$1,565,074	\$ 1,521,107
Pledged time deposits (Financial assets at amortized cost- current)	400	103,400
	<u>\$ 1,565,474</u>	<u>\$ 1,624,507</u>

## 30. Significant contingent liabilities and unrecognized commitments

Significant contingent commitments of the Group at the end of balance sheet, excluding

those disclosed in other notes, are as follows:

- (1) For customs duties guarantee and other objectives, the financial institution has provided guarantee details as follows:

December 31, 2023	December 31, 2022
<u>\$ 28,000</u>	<u>\$ 28,000</u>

- (2) Unrecognized commitments are as follows:

	December 31, 2023	December 31, 2022
Purchase of property, plant and equipment	<u>\$ 41,663</u>	<u>\$ 162,518</u>

- (3) As of December 31, 2023, the company had opened unused letters of credit for the purchase of raw materials and machinery and equipment, amounting to NT\$508,000.

### 31. Significant subsequent events

On February 17, 2024, the Board of Directors passed the resolution of position of Ningbo Liyuan Technology Co., Ltd., Ningbo Liyuan Technology Co., Ltd. owned by Li Yuan Investments Co., Ltd., The Group will sell its shares to Zhejiang Yin'an Enterprise Management Co., Ltd. After the completion of the equity transfer, the Group will lose control of the Ningbo Liyuan Technology Co., Ltd.

As of passing the financial report, the above-mentioned subsidiary company's plans are currently in progress.

### 32. Significant information on exchange rate of foreign currency financial assets and liabilities

The following information is summarized according to the foreign currencies other than the functional currency of the Group. The exchange rates disclosed are used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies are as follows:

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Foreign currency assets</u>						
<u>Monetary items</u>						
USD	\$ 20,539	30.705	\$ 630,650	\$ 22,952	30.71	\$ 704,856
Japanese yen	68,123	0.2172	14,796	123,574	0.2324	28,719
<u>Foreign currency liabilities</u>						
<u>Monetary items</u>						
USD	8,253	30.705	253,408	8,888	30.71	272,950
Japanese yen	54,439	0.2172	11,824	54,126	0.2324	12,579

Significant unrealized exchange gains or losses are as follows:

Foreign Currency	2023		2022	
	Exchange rate	Net exchange gains (losses)	Exchange rate	Net exchange gains (losses)
USD	30.705 (USD : NTD)	\$ 4,969	30.71 (USD : NTD)	\$ 12,342
USD	7.0827 (USD : CNY)	( 446 )	6.9646 (USD : CNY)	( 7,899 )
Japanese yen	0.2172 (JPY : NTD)	( 123 )	0.2324 (JPY : NTD)	424
Japanese yen	0.0504 (JPY : CNY)	( 1 )	0.0529 (JPY : CNY)	-
		<u>\$ 4,399</u>		<u>\$ 4,867</u>

### 33. Other disclosures

(1) Information on significant transactions:

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

(2) Information on investees: Table 4.

(3) Information on Investment in Mainland China

- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 5.
- 2) Significant direct or indirect transactions through a third area with the investee

in the Mainland Area, and its prices and terms of payment, unrealized gain or loss are as follows:

- i) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
  - ii) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
  - iii) The amount of property transactions and the amount of the resultant gains or losses: None.
  - iv) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 1.
  - v) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
  - vi) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Table 3.
- (4) Information of major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the equity: Table 6.

#### 34. Information on department

The main business of the Group is IC packing and testing as well as optoelectronic devices, both as single operating department. The basis for measuring the profits and losses, assets and liabilities of the operating department is the same as the basis for preparing the consolidated financial statements. Please refer to the consolidated balance sheet and consolidated comprehensive income statement for relevant operating department information.

- (1) Major income from products and service

The main business of the Group is IC packing and testing as well as optoelectronic devices, both as single category.

- (2) Information by regions

The Group is located mainly in Asia, Americas and Europe.

Information on the Group's income from continuing operations by locations of operation and non-current assets by location of assets, from external customers, are as follows:

	Income from external customers		Non-current assets	
	2023	2022	December 31, 2023	December 31, 2022
Asia	\$ 4,767,113	\$ 5,153,120	\$ 4,202,347	\$ 4,606,248
Europe	488,919	486,053	-	-
Americas	404,139	367,633	56	170
	<u>\$ 5,660,171</u>	<u>\$ 6,006,806</u>	<u>\$ 4,202,403</u>	<u>\$ 4,606,418</u>

Non-current assets exclude financial assets and deferred income tax assets.

(3) Information on major customers

Income from a single customer which exceeds 10% of total income of the Group is as follows:

Customer name	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 605,173	11	\$ 871,715	15
Customer B	558,456	10	\$ 770,620	13



Lingsen Precision Industries, Ltd. and Subsidiaries

Endorsements/guarantees provided

For the year ended December 31, 2023

Unit: Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

Table 1

No.	Endorsement/ guarantee provider	Guaranteed party		Limits on endorsement/g uarantee amount provided to each guaranteed party (Note)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of accumulated endorsement/g uarantee to net equity per latest financial statements (%)	Maximum amount of uarantee allowance (Note)	Guarantee provided by parent company	Guarantee provided by subsidiary	Guarantee provided to subsidiaries in Mainland China
		Company Name	Relationship										
0	Parent Company	Ningbo Liyuan Technology Co., Ltd.	Third-tier subsidiary	\$ 817,011	\$ 153,525 (USD5,000)	\$ 153,525 (USD 5,000)	\$ 61,410 (USD 2,000)	\$ -	3	\$ 1,634,022	Y	-	Y

Note: Limits on endorsement/guarantee amount provided to each guaranteed party shall not exceed 15% of the net worth and maximum amount allowance shall not exceed 30% of the net worth.

Lingsen Precision Industries, Ltd. and its subsidiaries

Marketable securities held

December 31, 2023

Unit: Amounts expressed in thousands of New Taiwan Dollars/ of shares

Table 2

Holding company name	Marketable securities types and name	Relationship with the issuers	Financial statement account	End of year			
				Shares/Units	Carrying amount	Shareholding %	Fair value (Note 3)
Parent Company	<u>Stock</u> Amtek Semiconductors Co., Ltd.	None	Financial assets at fair value through other comprehensive income- non-current	685,464	\$ 8,617	2	\$ 8,617
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income- non-current	75,000	3,146	-	3,146
	Xpert Semiconductor Inc.	None	Financial assets at fair value through other comprehensive income- non-current	44,891	-	-	-
Lee Shin Investment Co., Ltd.	<u>Stock</u>						
	The Company (Note 2)	Parent company	Financial assets at fair value through other comprehensive income- non-current	5,658,911	129,589	1	129,589
	Enrich Tech CO., Ltd.	None	Financial assets at fair value through other comprehensive income- non-current	2,467,186	22,663	19	22,663
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income- non-current	150,000	6,293	-	6,293

Note 1: Please see Table 4 and 5 for related information on investment in subsidiaries.

Note 2: The amount has been written-off in preparation of the consolidated financial statements

Note 3: Fair value of investment in emerging stocks is computed in reference to investment assets under the cost approach.

Lingsen Precision Industries, Ltd. and its subsidiaries

The business relationship between the parent and the subsidiaries and significant transactions between them

For the year ended December 31, 2023

Unit: Amounts expressed in thousands of New Taiwan Dollars

Table 3

No.	Name	Transaction party	Relationship with the transaction party (Note 1)	Transaction status		
				Item	Amount (Note 2)	Transaction condition Percentage of total revenue or total assets the consolidation (%)
0	Parent Company	Lingsen America Inc.	1	Commissions expense	\$ 2,503	60 days
				Expenses payable	513	60 days
		Lee Shin Investment Co., Ltd.	1	Rental income	36	—
		Ningbo Liyuan Technology Co., Ltd.	1	Purchase	1,898	30 days
				Other income	95	30 days
				Sales income	1,015	30 days
1	Sooner Power Semiconductor Co., Ltd.	Panther Technology Co., Ltd.	2	Rent income	3,719	—
				Deposits received	600	—
2	Panther Technology Co., Ltd.	Nexus Material Corporation	2	Rental income	36	60 days

Note 1: (1) Parent company to subsidiary.

(2) Subsidiary to parent company.

Note 2: The amount has been written-off in preparation of the consolidated financial statements

Lingsen Precision Industries, Ltd. and its subsidiaries  
Information on investees

For the year ended December 31, 2023

Table 4

Unit: Amounts expressed in thousands of New Taiwan Dollars/ shares

Investor	Investee	Location	Main business	Initial investment amount		Balance at December 31, 2023	Current income (losses) of the investee		Share of income (losses) recognized
				End of current year	End of last year	Number of shares	Ratio %	Carrying amount	
Parent Company	Lingsen Holding (Samoa) Inc. (Note 3)	Samoa Islands	General investments	\$ 1,846,348	\$ 1,718,458	58,000,000	100	\$ 128,390	(\$ 93,726)
	Panther Technology Co., Ltd. (Note 3)	Hsinchu County, Taiwan	IC testing	230,146	230,146	22,922,899	64	408,399	(\$ 6,438)
	Sooner Power Semiconductor Co., Ltd. (Note 3)	Hsinchu County, Taiwan	Electronic parts and components manufacturing	215,148	215,148	21,514,797	99	220,165	( 4)
	Lee Shin Investment Co., Ltd. (Notes 1 and 3)	Taichung City	General investments	300,000	300,000	30,000,000	100	73,326	352
	Nexus Material Corporation (Notes 2 and 3)	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing intermediary	53,483	53,483	5,348,315	78	20,840	62
Lee Shin Investment Co., Ltd.	Lingsen America Inc. (Note 3)	California, U.S.A.	Electronic parts and components production and processing	32,311	32,311	1,000,000	100	65,773	1,424
	Qi Feng Technology Co., Ltd. (Note 2)	Taichung City	Electronic parts and components production and processing	24,000	24,000	2,400,000	30	-	-
	Sooner Power Semiconductor Co., Ltd. (Note 3)	Hsinchu County, Taiwan	Electronic parts and components manufacturing	912	912	98,660	1	1,010	( 4)
Lingsen Holding (Samoa) Inc.	Nexus Material Corporation (Note 3)	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	14,192	14,192	1,419,214	21	5,530	78
	Li Yuan Investments Co., Ltd. (Note 3)	Cayman Islands	General investments	1,846,348	1,718,458	58,000,000	100	128,390	( 93,726)

Note 1: Treasury stocks have been deducted from the carrying amount of Lee Shin Investment Co., Ltd.

Note 2: Accumulated impairment loss has been deducted from the carrying amount of Nexus Material Corporation and Qi Feng Technology Co., Ltd.

Note 3: The amount has been written-off in preparation of the consolidated financial statements.

Note 4: Please see Table 5 for relevant information on the investee in mainland China.

Lingsen Precision Industries, Ltd. and Subsidiaries  
Information on Investment in Mainland China  
For the year ended December 31, 2023

Unit: Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

Table 5

Name of Investee in Mainland China	Main business	Paid-in capital	Investment method	Accumulated investment amount of outflow from Taiwan at the beginning of the year	Outward remittance or repatriation of investment amount at beginning of the year		Accumulated investment amount of outflow from Taiwan at the end of the year	Current income (losses) of the investee	Ownership percentage of direct or indirect investment	Investment gain (loss) recognized for the year (Note 2)	Book value of investment at the end of year	Inflow of investment revenue to Taiwan upon the end of the year
					Outward remittance	Repatriation						
Ningbo Liyuan Technology Co., Ltd. (Note 4)	IC packing and testing as well as optoelectronic devices	USD 58,000	(Note 1)	\$ 1,718,458 (USD 54,000)	\$ 127,890 (USD 4,000)	\$ -	\$ 1,846,348 (USD 58,000)	(\$ 93,726)	100%	(\$ 93,726)	\$ 128,390	\$ -

Accumulated investment amount of outflow in China mainland from Taiwan at the end of the year	Investment amount approved by Investment Commission, MOEA	Limitation on investee regulated under Investment Commission, MOEA (Note 3)
\$ 1,846,348 (USD 58,000 )	USD 63,000	\$ 3,268,045

Note 1: Investment in Mainland China companies through a company invested and established in a third region.

Note 2: Investment in profit or loss in accordance with reports audited by the CPA from the parent company.

Note 3: Limitation is calculated under 'Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China'.

Note 4: The amount has been written-off in preparation of the consolidated financial statements.

Lingsen Precision Industries, Ltd.  
Information of Major Shareholders  
December 31, 2023

Table 6

Name of major shareholder	Shares	
	Total shares held (shares)	Shareholding percentage
Trust account in CTBC Bank for ESOP committee of Lingsen Precision Industries, Ltd.	23,996,906	6.31%

Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for shareholders holding greater than five percent of the shares completed the process of registration and book-entry delivery in dematerialized form, including treasury stocks, at the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Security Exchange Act, the shareholders have to disclose the insider equity more than ten percent of the shares, including their own shares and their delivery to the trust, and have the right to make decisions on the trust property. Information on insider equity is available on the Market Observation Post System (MOPS) website.

## **Independent Auditors' Report**

To the Board of Directors and Shareholders of Lingsen Precision Industries, Ltd.

### **Audit opinions**

We have audited the accompanying parent company only financial statements of Lingsen Precision Industries, Ltd. (the "Company"), which comprise the unconsolidated balance sheets as of December 31, 2023 and 2022, and the unconsolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the R.O.C. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. The auditors of the firm, subject to the independence regulations, have maintained independence from the Company in accordance with the Code of Ethics and perform other obligations of such Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

Key audit matters for the Company's unconsolidated financial statements for the year ended December 31, 2023 are stated as follows:

### Authenticity of service revenue recognition

The main source of revenue of the Company relies on the service revenue from various wafers and integrated circuit packaging and testing services; therefore, the service revenue is determined to be the main indicator for the management to evaluate the business performance, and its recognition authenticity has a material impact on the overall financial statements. Accordingly, the authenticity of the recognition of specific customer service revenue is listed as the key audit matter. For revenue recognition related accounting policy, please refer to Notes 4 and 20 of the unconsolidated financial statements.

We summarize the main audit procedures executed for the aforementioned matters of the current year as follows:

1. Understand and assess the internal control design related to the audit and risk in the product sales and payment collection cycle and conduct a test on its effectiveness.
2. Inspect and obtain samples from the account sales of specific customers, and inspect relevant documents of delivery orders and sales invoices, and also verify whether the payment collection subjects are consistent with the delivery subjects, and also perform letter issuance for customers of service revenue, in order to verify the authenticity of the service revenue.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the unconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 auditing standards generally accepted in the R.O.C. will always detect a material misstatement when it exists in the unconsolidated financial statements. Misstatements can arise from fraud or error. Misstatements 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 the unconsolidated financial statements.



As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of material misstatement of the unconsolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
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 of the Company to continue as a going concern. In case where we consider that such events or circumstances have a material uncertainty, then relevant disclosure of the unconsolidated financial statements are required to be provided in our audit report to allow users of unconsolidated financial statements to be aware of such events or circumstances, 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 auditor's report. However, future events or conditions may cause Lingsen Precision Industries, Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including relevant notes, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entity of the Company, and express an opinion on unconsolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Company. 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 the governance units with statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters (including relevant protective measures) that may be considered to affect the independence of auditors.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the Company's 2023 unconsolidated

financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Deloitte Taiwan

CPA Shu-Ching Chiang

CPA Ting-Chien Su

Financial Supervisory Commission  
Approval Document No.  
Jin-Guan-Zheng-Shen-Zi No. 1000028068

Financial Supervisory Commission Approval  
Document No.  
Jin-Guan-Zheng-Shen-Zi No. 1070323246

February 26, 2024

Lingsen Precision Industries, Ltd.  
Parent Company Only Balance Sheets  
December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 905,641	13	\$ 1,146,420	15
1136	Financial assets at amortized cost- current(Notes 4,8,27 and 28)	161,000	2	263,000	3
1140	Contract assets - current (Notes 4 and 20)	117,146	2	94,677	1
1170	Accounts receivable (Notes 4, 9 and 20)	957,070	14	810,312	10
1200	Other receivables (Notes 4 )	13,761	-	11,881	-
1220	Current tax assets (Notes 4 and 22)	57,540	1	44,854	1
1310	Inventories (Notes 4 and 10)	275,965	4	498,820	6
1470	Other current assets (Notes 14)	221,109	3	267,834	4
11XX	Total current assets	<u>2,709,232</u>	<u>39</u>	<u>3,137,798</u>	<u>40</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 4 and 7)	11,763	-	9,048	-
1550	Investment accounted for using the equity method (Notes 4 and 11)	916,893	13	884,958	11
1600	Property, plant and equipment (Notes 4, 12 and 28)	2,874,164	42	3,179,568	41
1755	Right-of-use assets (Notes 4 and 13)	143,259	2	145,342	2
1840	Deferred tax assets (Notes 4, 5 and 22)	166,386	2	145,168	2
1915	Prepayments for facilities	37,057	1	138,629	2
1920	Refundable deposits (Note 4)	1,232	-	534	-
1975	Net defined benefit assets - non-current (Notes 4 and 18)	70,849	1	136,051	2
1990	Other non-current assets	8,670	-	4,685	-
15XX	Total non-current assets	<u>4,230,273</u>	<u>61</u>	<u>4,643,983</u>	<u>60</u>
1XXX	Total assets	<u>\$ 6,939,505</u>	<u>100</u>	<u>\$ 7,781,781</u>	<u>100</u>
	Liabilities and Equity				
	Current Liabilities				
2100	Short-term bank borrowings (Notes 15)	\$ 56,772	1	\$ 282,778	4
2170	Accounts payable	216,591	3	186,848	2
2200	Other payables (Notes 16 and 27)	428,359	6	457,912	6
2230	Current tax liabilities (Notes 4 and 22)	3,517	-	-	-
2250	Liability reserve - current (Notes 4 and 17)	5,540	-	5,534	-
2280	Lease liabilities - current (Notes 4 and 13)	4,455	-	3,727	-
2320	Long-term borrowings due in one year (Notes 15 and 28)	310,596	5	237,929	3
2399	Other current liabilities	88,663	1	79,315	1
21XX	Total current liabilities	<u>1,114,493</u>	<u>16</u>	<u>1,254,043</u>	<u>16</u>
	Non-current liabilities				
2540	Long-term banks borrowings (Notes 15 and 28)	216,361	3	651,957	9
2570	Deferred tax liabilities (Notes 4 and 22)	18,732	1	18,686	-
2580	Lease liabilities - non-current (Notes 4 and 13)	141,277	2	143,637	2
2645	Deposits received	1,900	-	1,936	-
25XX	Total non-current liabilities	<u>378,270</u>	<u>6</u>	<u>816,216</u>	<u>11</u>
2XXX	Total Liabilities	<u>1,492,763</u>	<u>22</u>	<u>2,070,259</u>	<u>27</u>
	Equity				
3110	Ordinary shares	3,801,023	55	3,801,023	49
3200	Capital surplus	1,266,753	18	1,265,021	16
	Retained earnings				
3310	Legal reserve	121,394	2	91,283	1
3320	Special reserve	165,598	2	91,034	1
3350	Unappropriated earnings	314,447	5	702,042	9
3400	Other equities	( 46,058)	( 1)	( 62,466)	( 1)
3500	Treasury shares	( 176,415)	( 3)	( 176,415)	( 2)
3XXX	Total equity	<u>5,446,742</u>	<u>78</u>	<u>5,711,522</u>	<u>73</u>
	Total liabilities and equities	<u>\$ 6,939,505</u>	<u>100</u>	<u>\$ 7,781,781</u>	<u>100</u>

The accompanying notes are an integral part of the unconsolidated financial report

Lingsen Precision Industries, Ltd.  
Parent Company Only Statements of Comprehensive Income  
For the Years from January 1 to December 31, 2023 and 2022

Unit: Expressed in NT\$ thousand; except  
earnings (loss) per share expressed in NT\$

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4, 20 and 27)	\$ 4,725,754	100	\$ 5,113,539	100
5000	Operating costs (Notes 10, 21 and 27)	<u>4,551,092</u>	<u>97</u>	<u>4,611,188</u>	<u>90</u>
5900	Gross profit	<u>174,662</u>	<u>3</u>	<u>502,351</u>	<u>10</u>
	Operating expenses (Notes 21 and 27)				
6100	Selling and marketing expenses	47,244	1	52,575	1
6200	General and administrative expenses	149,326	3	154,554	3
6300	Research and development expenses	101,360	2	131,024	3
6450	Expected credit impairment losses				
	(Notes 4 and 9)	( <u>545</u> )	<u>-</u>	( <u>403</u> )	<u>-</u>
6000	Total operating expenses	<u>297,385</u>	<u>6</u>	<u>337,750</u>	<u>7</u>
6900	Operating profit (loss)	( <u>122,723</u> )	( <u>3</u> )	<u>164,601</u>	<u>3</u>
	Non-operating income and expenses (Note 4)				
7100	Interest income	11,701	-	6,109	-
7110	Rental income (Note 27)	13,127	-	12,537	-
7130	Dividend income	1,186	-	828	-
7190	Other income (Note 27)	25,973	1	77,632	2
7210	Gains on disposal of property, plant and equipment	-	-	486	-
7230	Net gain on foreign exchange	2,389	-	14,749	-
7510	Interest expenses	( 19,662 )	-	( 12,573 )	-
7775	Share of loss from subsidiaries and associated companies using the equity method	( <u>98,330</u> )	( <u>2</u> )	( <u>100,759</u> )	( <u>2</u> )
7000	Total non-operating incomes and expenses	( <u>63,616</u> )	( <u>1</u> )	( <u>991</u> )	<u>-</u>

(Continued on next page)

(Continued from previous page)

Code		2023		2022	
		Amount	%	Amount	%
7900	Net profit (loss) before income tax	( \$ 186,339 )	( 4 )	\$ 163,610	3
7950	Income tax benefit (Notes 4 and 22)	<u>29,881</u>	<u>1</u>	<u>43,681</u>	<u>1</u>
8200	Net profit (loss) for the year	( <u>156,458</u> )	( <u>3</u> )	<u>207,291</u>	<u>4</u>
	Other comprehensive income (loss) (Note 4)		-		
8310	Items not reclassified subsequently to profit or loss		-		
8311	Remeasurement of defined benefit plans (Note 18)	730	-	117,280	2
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	1,018	-	( 8,227 )	-
8330	Share of other comprehensive profits/losses of subsidiaries and associated companies accounted for using equity method	5,756	-	7,835	-
8349	Income tax related to items that will not be reclassified subsequently (Note 22)	( <u>146</u> )	-	( <u>23,456</u> )	-
		7,358	-	93,432	2
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of the financial statements of foreign operations	( <u>3,381</u> )	-	<u>9,298</u>	-
8300	Other comprehensive income of the year (net amount after tax)	<u>3,977</u>	-	<u>102,730</u>	<u>2</u>
8500	Total comprehensive income for the year	( <u>\$ 152,481</u> )	( <u>3</u> )	<u>\$ 310,021</u>	<u>6</u>
	Earnings (loss) per share (Note 23)				
9750	Basic	( <u>\$ 0.42</u> )		<u>\$ 0.56</u>	
9850	Diluted	( <u>\$ 0.42</u> )		<u>\$ 0.55</u>	

The accompanying notes are an integral part of the unconsolidated financial report

Lingsen Precision Industries, Ltd.  
Parent Company Only Statement of Changes in Equity  
For the Years from January 1 to December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code		Retained earnings (Note 19)		Other equity items (Note 4)				Treasury shares (Note 19)	Total equity
		Common share capital (Note 19)	Capital surplus (Note 19)	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit) (Note 4)	Exchange differences on translation of the financial statements of foreign operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other comprehensive income	
A1	Balance at January 1, 2022	\$ 3,801,023	\$ 1,250,011	\$ -	\$ 160,419	\$ 912,825	\$ 24,628	\$ 46,744	\$ 5,853,078
B1	2021 Appropriations of earnings	-	-	91,283	-	( 91,283 )	-	-	-
B5	Legal reserve	-	-	-	-	( 490,000 )	-	-	( 490,000 )
B17	Cash dividends to shareholders	-	-	-	-	-	-	-	-
	Reversal of special reserve	-	-	-	( 69,385 )	69,385	-	-	-
C3	Other change of capital surplus:	-	-	-	-	-	-	-	-
	Change due to receipt of gifts	-	67	-	-	-	-	-	67
M1	Dividends are paid to subsidiaries to adjust capital reserves	-	7,295	-	-	-	-	-	7,295
D1	2022 Net profit	-	-	-	-	207,291	-	-	207,291
D3	Other comprehensive income (loss) in 2022	-	-	-	-	93,824	9,298	( 392 )	102,730
D5	Total comprehensive income of 2022	-	-	-	-	301,115	9,298	( 392 )	310,021
N1	Share-based payments	-	7,648	-	-	-	-	-	31,061
Z1	Balance, December 31, 2022	3,801,023	1,265,021	91,283	91,034	702,042	( 15,330 )	( 47,136 )	5,711,522
B1	2022 Appropriations of earnings	-	-	-	-	-	-	-	-
	Legal reserve	-	-	30,111	-	( 30,111 )	-	-	-
B3	Special reserve	-	-	-	74,564	( 74,564 )	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	( 114,031 )	-	-	( 114,031 )
C3	Other change of capital surplus:	-	35	-	-	-	-	-	35
	Change due to receipt of gifts	-	-	-	-	-	-	-	-
M1	Dividends are paid to subsidiaries to adjust capital reserves	-	1,697	-	-	-	-	-	1,697
D1	2023 Net loss	-	-	-	-	( 156,458 )	-	-	( 156,458 )
D3	Other comprehensive income (loss) in 2023	-	-	-	-	584	( 3,381 )	6,774	3,977
D5	Total comprehensive income of 2023	-	-	-	-	( 155,874 )	( 3,381 )	6,774	( 152,481 )
Q1	Disposal of investments in equity instruments designated as financial assets at fair value through other comprehensive income (Note 7)	-	-	-	-	( 13,015 )	-	13,015	-
Z1	Balance, December 31, 2023	\$ 3,801,023	\$ 1,266,753	\$ 121,394	\$ 165,598	\$ 314,447	\$ 18,711	\$ 27,347	\$ 5,446,742

The accompanying notes are an integral part of the unconsolidated financial report

Lingsen Precision Industries, Ltd.

Parent Company Only Statement of Cash Flows

For the Years from January 1 to December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A10000	Net profit (loss) before tax for the year	(\$ 186,339)	\$ 163,610
	Income/expenses items		
A20100	Depreciation expense	575,786	548,266
A20300	Expected credit impairment losses	( 545)	403
A20900	Interest expenses	19,662	12,573
A21200	Interest income	( 11,701)	( 6,109)
A21300	Dividend income	( 1,186)	( 828)
A21900	The cost of remuneration on a share-based basis	-	7,711
A22400	Share of loss (profit) from subsidiaries and associated companies using the equity method	98,330	100,759
A22500	Gains on disposal of property, plant and equipment	-	( 486)
A23800	Reversal of impairment loss on non-financial assets	12,182	33,520
A24100	Unrealized foreign currency exchange net profit	2,591	1,105
A29900	Amortization of prepayments	4,331	2,767
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	( 22,469)	40,982
A31150	Accounts receivable	( 156,266)	626,685
A31180	Other receivables	( 1,833)	8,997
A31200	Inventories	217,701	125,284
A31240	Other current assets	39,697	( 39,142)
A31990	Net defined benefit assets	65,932	( 6,762)
A32150	Accounts payable	34,253	( 291,538)
A32180	Other payables	( 15,408)	( 228,111)
A32200	Provision (reversal) for liabilities	6	1,554
A32230	Other current liabilities	9,348	15,425
A33000	Cash provided by operating activities	684,072	1,115,859
A33100	Interest received	11,654	5,890
A33300	Interest paid	( 19,892)	( 12,118)
A33500	Income tax returned	( 606)	( 155,183)
AAAA	Net cash inflow from operating activities	675,228	954,448

(Continued on next page)

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Code		2023	2022
	Cash flows from investing activities		
B00050	Disposition of financial assets at amortized cost	\$ 102,000	\$ -
B02200	Net cash outflow for obtaining subsidiaries	( 127,890)	(\$ 29,710)
B02700	Purchase of property, plant and equipment	( 170,573)	( 464,172)
B02800	Proceeds from disposal of property, plant and equipment	-	486
B03700	Increase in refundable deposits	( 698)	( 210)
B06700	Increase in other non-current assets	( 8,316)	( 1,613)
B07100	Increase in prepaid facilities amount	( 6,910)	( 104,584)
B07600	Dividends received	<u>1,186</u>	<u>828</u>
BBBB	Net cash outflow from investment activities	( <u>211,201</u> )	( <u>598,975</u> )
	Cash flows from financing activities		
C00100	Increase in short-term bank borrowings	855,011	749,733
C00200	Decrease in short-term bank borrowings	( 1,078,438)	( 659,781)
C01600	Proceeds from long-term bank borrowings	-	300,000
C01700	Repayments of long-term bank borrowings	( 362,929)	( 290,814)
C03000	Increase in guarantee deposits received	( 36)	( 49,886)
C04020	Repaid principal of lease liabilities	( 4,418)	( 4,420)
C04500	Payment of cash dividends	( 114,031)	( 490,000)
C04800	Employees execute stock options	-	23,350
C09900	Uncollected overdue dividends	<u>35</u>	<u>67</u>
CCCC	Net cash inflow (outflow) from financing activities	( <u>704,806</u> )	( <u>421,751</u> )
EEEE	Increase (decrease) of cash and cash equivalents for the year	( 240,779)	( 66,278)
E00100	Beginning cash and cash equivalents of the year	<u>1,146,420</u>	<u>1,212,698</u>
E00200	End cash and cash equivalents of the year	<u>\$ 905,641</u>	<u>\$1,146,420</u>

The accompanying notes are an integral part of the unconsolidated financial report



Lingsen Precision Industries, Ltd.

Notes to Parent Company Only Financial Statements

For the Years Ended December 31, 2023 and 2022

(Amounts are expressed in thousands of New Taiwan Dollars or foreign currency, unless stated otherwise)

1. Company History

Lingsen Precision Industries, Ltd. (referred to as the “Company”) was established in Taichung Tanzi Technology Industrial Park in April 1973 and began its operation in July 1973. The main business is IC packaging and testing as well as optoelectronic devices.

In April 1998, the Company's shares were listed on the Taiwan Stock Exchange (TWSE).

The parent company only financial statements were expressed in New Taiwan dollars, which is the Company's functional currency.

2. Approval Date and Procedures of the Financial Statements

These parent company only financial statements were approved by the Board of Directors on February 26, 2024.

3. Application of New, Amended And Revised Standards and Interpretations

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

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

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB(Note 1)</u></b>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024(Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Not3)

Note 1: Except additional illustrations, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transitions relief regarding disclosure requirements.

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

(3) New IFRSs issued by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB (Note 1)</u></b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

#### 4. Summary of Significant Accounting Policies

##### (1) Statement of Compliance

These parent company only financial statements were prepared in accordance with

the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

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

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

In preparing the parent company only financial statements, the equity method is adopted to the investments in subsidiaries and associates. For the purpose of making the current profit and loss, other comprehensive income and equity in the parent company only financial statements identical to those in the Company's owner, several accounting treatment differences under individual and this basis are adjusted into “Investments Accounted for Using Equity Method”, “Share of the Profit or Loss of Subsidiaries and Associates Accounted for Using the Equity Method”, “Share of Other Comprehensive Income of Subsidiaries and Associates Accounted for Using Equity Method” and related items.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets that are expected to be realized within twelve months from the balance sheet date; and
- 3) Cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the date of statement of financial position).

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the maturity of the debt (even if the liability at the date of statement of financial position to complete the long-term refinancing prior to the financial statements or reschedule payment agreement), and
- 3) Liabilities for which the repayment date cannot be extended unconditionally to

more than twelve months after the balance sheet date.

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

(4) Foreign Currency

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

Foreign currency monetary amount is translated at the closing rate at each date of the balance sheet. Exchange differences arising from settlement or translation are recognized as profit or loss at the period.

Non-monetary foreign currencies held at fair value at the exchange rates prevailing at the date of transaction; however, non-monetary foreign currencies held at fair value through other comprehensive income are recognized in other comprehensive income.

Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction and will not be calculated again.

In preparing the parent company only financial statements, assets and liabilities from foreign operation, including subsidiaries whose location or currency are different from the Company, are translated into the presentation currency, the New Taiwan dollar, at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates at the period. The resulting currency translation differences are recognized in other comprehensive income.

(5) Inventories

Inventories include raw materials, finished goods, and work in process. Inventories are stated at the lower of cost or net realizable value. The lower of cost and net realizable value is based on the individual inventory items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The inventory cost is measured by using First In, First Out.

(6) Investment in subsidiaries

The Company's investments in the subsidiaries are accounted for using the equity method.

Subsidiaries are entities which the Company holds the control of.

Under the equity method, an investment is initially recognized in the statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiaries as well as the distribution received. In addition, the Company also recognizes its share in the changes in equities of subsidiaries.

Changes in equity in the ownership of subsidiaries which do not result in loss of control are disposed as equity transaction. The difference between carrying amount invested and the fair value paid and payable or received and receivable is directly recognized as equity.

The loss of shares of the subsidiary equals or exceeds the Company's interest in that subsidiary, including the carrying amount of that subsidiary under equity method and

other long-term equity as the Company's net investment in that subsidiary, is recognized as loss according to proportion of shareholding.

The Company considers cash-generating unit in the entire financial statement as testing for impairment and compares its recoverable amount with its carrying amount. If the recoverable amount of assets increases, the reversal of impairment loss will be recognized as profit. However, the carrying amount of assets after the reversal of impairment loss shall not exceed the carrying amount that would have been determined net of required amortization and have no impairment loss been recognized. Impairment loss of goodwill shall not reverse in the subsequent period.

If the Company loses the control of its subsidiary, it remeasures the retained investments in its former subsidiary as the fair value on initial recognition of a financial asset. The difference between the fair value of the retained investments and any disposal proceeds and the carrying amount of investment at the date is recognized in the current profit or loss. All amount related to that subsidiary is also recognized in other comprehensive income. The accounting treatment is compliance with the basis of rules that Company needs to follow for its direct disposal of assets or liabilities.

Unrealized profit and loss from downstream transactions with a subsidiary is eliminated in the parent company only financial statements. Profit and loss from upstream and side stream transactions between subsidiaries are recognized in the Company's parent company only financial statements only to the extent that interests in the subsidiary are not related to the Company.

(7) Investment in Associates

The associates are entities which are material to the Company, but not subsidiaries or joint venture companies.

The Company's investments in the associates are accounted for using the equity method.

Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associates as well as the distribution received. The Company also recognizes its share in the changes in equities of associates.

The Company discontinues recognizing its share of further losses if its share of losses of the associate equals or exceeds its interest in the associate. The Company recognizes the additional losses and liabilities which occur in the scope of legal obligation, constructive obligation or payment on behalf of the associates only.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss is not amortized to any assets as part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

(8) Property, plant and equipment

The property, plant and equipment are recognized at costs and subsequently measured at costs of the amount less accumulated depreciation and impairment losses.

Property, plant and equipment in the course of construction for production are recognized as the cost of the amount less accumulated depreciation and impairment losses. And such cost includes professional service fees and borrowing costs eligible for capitalization. Upon completion and ready for intended use, such assets are classified to the appropriate categories of property, plant and equipment, and depreciation of these assets commences.

Depreciation is recognized using the straight-line method, and each significant part is depreciated separately. The Company reviews the estimated useful lives, residual values and depreciation method at least at the end of each reporting period, and with the effect of any changes in estimates accounted for on a prospective basis.

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

(9) Impairments of related assets including property, plant and equipment, right-of-use assets and contract cost

At the end of each reporting period, the Company reviews whether there is any indication that its property, plant and equipment, right-of-use assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Inventories recognized in customers' contracts are recognized as impairment loss in accordance with Inventory write off policy and the aforementioned regulations. Subsequently, the excess of carrying amount of assets associated with contract cost over the price received from providing relevant products or service, less direct relevant costs, is recognized as impairment loss. Then the carrying amount of assets associated with contract cost is computed to its cash-generating unit to evaluate the impairment losses on cash-generating unit.

When impairment loss subsequently reverses, the carrying amounts of the asset, cash-generating units or contract cost and related assets are increased to the revised recoverable amounts. However, the increased carrying amounts shall not exceed the carrying amounts of the asset, cash-generating units or contract cost and related assets which were not recognized as impairment loss at the past period (less amortization or depreciation). The reversal of impairment loss is recognized as profit or loss.

(10) Financial instruments

Financial assets and liabilities shall be recognized in the parent company only financial statements when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial

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

#### Financial assets

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

##### 1) Classification of measurement

Financial assets held by the Company are classified to financial assets measured at amortized cost and investments in equity instruments measured at fair value through other comprehensive income.

###### i. Financial assets measured at amortized cost

When the financial assets invested by the Company satisfy the following two criteria at the same time, it is classified as the amortized cost financial assets:

- a. Where the financial assets are held under certain business model, and the purpose of such model is to hold the financial assets in order to collect contract cash flows; and
- b. Where contract terms generated cash flow of specific date and such cash flow is completely for the payment of the interest of principle and external circulating principle amount.

Financial assets measured at amortized cost include cash and cash equivalent, financial assets at amortized cost- current, contract assets, note receivables, account receivables, other receivables, other current assets and refundable deposits. When the recognition commences, effective interest method is used to determine the carrying amount less any amortized cost of depreciation. Any exchange gains and losses are recognized as gains and losses.

Except for the following two circumstances, calculation of interest income is based on effective interest rate multiplied by total financial asset's carrying amount:

- a. Purchase or origination of credit-impaired financial loans, interest income, credit-adjusted effective interest rate plus financial loans, post-calculation.
- b. Non-purchased or originated credit-impaired financial loans, provided that subsequent credit-impaired financial loans continue to be credit-impaired;

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

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that

are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and acquired within three months.

- ii) Investments in equity instruments measured at fair value through other comprehensive income

On initial recognition, the Company may irrevocably designate investments in equity instruments that is not held for trading and not recognized as contingent consideration as at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. On disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and it is not reclassified to profit or loss.

The dividend from investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss upon the Company's right to receive payment is established, except for apparently the dividend representing the recovery of the partial investment cost.

## 2) Impairments of financial assets and contract assets

At the date of each balance sheet, the Company reviews expected credit losses to estimate the impairment loss of financial assets, including notes receivable, and contract assets measured at amortized cost.

The loss allowance for accounts receivable is measured at an amount equal to useful lives expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

Expected credit losses are weighted average credit losses with the probability of default events. The 12-month expected credit losses are expected credit losses that result from default events possible within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

For the purpose of internal controls on credit risk, without considering the collaterals it holds, the Company determines the following events as a breach of contract:

- i) There is internal or outside information prevails that it is not possible the borrower pays off the debt.
- ii) The overdue exceeds the average credit period, unless reasonable and supportable information indicates that a delayed default basis is more appropriate.

All impairment losses on financial assets is decreased its carrying amount through contra accounts.

## 3) Derecognition of financial assets



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

On derecognition of financial assets at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of Investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### Financial liabilities

##### 1) Follow-up measurement

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

##### 2) Derecognition of financial liabilities

On the derecognition of financial liabilities, the difference between their carrying amount and the consideration paid and payable, including any transfer of non-cash assets or liabilities, is recognized as profit or loss.

#### (11) Provision for liabilities

The amount recognized as a provision for liabilities is, taking risk and uncertainty of obligation into consideration, the best estimate of the expenditure required to settle the obligation at the date of balance sheet.

#### (12) Revenue recognition

The Company allocates the transaction price to each performance obligation and recognizes the revenue when each of the obligations is satisfied after the customer has identified it.

##### 1) Sales revenue

Sales revenue comes from the sale of semiconductor materials. Since the clients are eligible for pricing and using the products as well as responsible for reselling and taking the risk of depreciation upon the delivery of semiconductor materials, the Company shall recognize the revenue and accounts receivable upon the sale.

##### 2) Service income

Service Income comes from packaging and final testing.

When the customer simultaneously receives and consumes the benefits provided by the Company's performance of packaging and final testing service, or the customer controls an asset which the Company's performance has created or enhanced, the related revenue is recognized. Packaging of products counts on involvement of technicians. The Company measures the work in progress by the percentage of completion. The contract with customer states that the customer will be billed after the packaging or the delivery is completed. A contract asset is thus recognized when the Company renders the service and transferred to accounts receivable when the packaging or delivery

is completed. Final testing counts on the involvement of technicians. The Company measures the work in progress by the percentage of completion. Contract customer will be billed after the completion of service, and the Company will recognize accounts receivable when rendering the service.

(13) Leases

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

1) The Company as lessor

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

Under the operating lease, lease payments less lease incentives granted are recognized as revenue on a straight-line basis. The initial direct cost which occurs on granting operating leases is the carrying amount accumulated to the underlying assets and is recognized as expense on a straight of line basis.

2) The Company as lessee

Except for payments for low-value asset leases and short-term leases applicable to exemption of recognition are recognized as expenses on a straight-line basis, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, lease payments made before commencement date less lease incentives granted initial direct costs as well as estimated costs to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and the default fine arises from lease termination. The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized as profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(14) Borrowing costs

Borrowing costs that can be directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to

get ready for its intended use or sale, are included in the cost of the asset.

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

Other borrowing costs at the period are recognized as profit or loss.

(15) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2) Pensions

For defined contribution plans, the amount of contribution payable in respect of service rendered by employees in that period should be recognized as expenses.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost and net interest on the net defined benefit assets are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur.

Net defined benefit assets represents the actual deficit in the Group's defined benefit plan. Net defined benefit assets shall not exceed the present value of refunds from the plan or reductions in future contributions to the plan.

(16) Share-Based Payment Agreement - Employee Stock Option

Employee stock options for employees

Employee stock options are recognized as expenses on a straight-line basis during the vesting period based on the fair value of the equity instrument on the date of grant and the best estimated quantity expected to be acquired, and at the same time adjust the capital reserve - employee stock options. If it is immediately vested on the grant date, it shall be fully recognized as an expense on the grant date.

The Company revises the estimated number of employee stock options expected to be acquired on each balance sheet date. If there is a revision to the original estimated quantity, the affected number is recognized as profit or loss, so that the accumulated expenses reflect the revised estimate, and the capital reserve-employee stock option is adjusted accordingly.

(17) Income tax

The provision for income tax recognized in profit or loss comprises current and deferred tax.

1) Current tax

The Company has determined the current losses and calculated receivable taxes

in accordance with regulations established by the jurisdiction for tax return.

According to Income Tax Act in Republic of China, an additional income tax levied at unappropriated earnings is recognized in shareholders' annual meeting.

Income tax payable for prior period is adjusted to the current income tax.

2) Deferred tax

Deferred tax is accounted for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit or loss.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for deductible temporary differences or loss carryforwards to the extent that taxable profit is probably available.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits to realize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the date of balance sheet and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed at the date of balance sheet and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is recovered, based on tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that arise from the manner in which the Company expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except the current and deferred tax that relates to items recognized in other comprehensive income or directly in equity are recognized respectively in other comprehensive income or directly in equity.

5. Significant Accounting Assumptions and Judgment, and Major Sources of Estimation Uncertainty

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated

assumptions are based on historical experiences and other factors that are considered relevant. Actual results may differ from these estimates.

The Company incorporates the recent development of major accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability. For these considerations, management will continue to review the estimates and underlying assumptions. Revisions to accounting estimates are recognized in the period when the estimates are revised if the revisions affect only that period. If revisions affect both current and future periods, the accounting estimates are recognized in the current and future periods.

#### Major source of estimates and assumption uncertainty – Income Tax

Upon the date of December 31, 2023, the balance of unused loss carryforwards was NT\$138,073,000. The carrying amount of deferred tax assets related to temporary differences for 2023 and 2022 were NT\$166,386,000 and NT\$145,168,000 respectively. The realizability of deferred tax assets mainly depends on whether there will be sufficient profits or taxable temporary differences in the future. A significant reversal of deferred tax assets will be recognized as gain or loss if the real profits in the future are less than expected. Such reversal is recognized as gain or loss during the occurrence period.

#### 6. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 245	\$ 248
Check and demand deposit	281,658	511,368
Cash equivalents		
Time deposits	474,000	535,000
Short-term notes and bills	<u>149,738</u>	<u>99,804</u>
	<u>\$ 905,641</u>	<u>\$ 1,146,420</u>
<u>Annual interest rate (%)</u>		
Cash in banks	0.001-1.45	0.001-1.05
Time deposits	1.09-1.6	0.975-1.05
Short-term notes and bills	0.85	0.65

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Listed and OTC stocks</u>		
ETREND Hightech Corp.	\$ 3,146	\$ 1,811
<u>Emerging stocks</u>		
Amtek Semiconductors Co., Ltd.	8,617	7,237
Xpert Semiconductor Inc.	<u>-</u>	<u>-</u>
	<u>\$ 11,763</u>	<u>\$ 9,048</u>

The Company invests the aforementioned common stocks in accordance with long-term strategic objectives and expects to profit from long-term investments. The management of the Company deems if the short-term volatility at fair value of such investments recognized in profit or loss is not consistent with the aforementioned long-term investment plan, it will be determined that such investments are measured through other comprehensive income at fair value.

8. Financial assets at amortized cost- current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits with an initial maturity more than three months	\$ 160,000	\$ 160,000
Time deposit pledged	<u>1,000</u>	<u>103,000</u>
	<u>\$ 161,000</u>	<u>\$ 263,000</u>

1. As of December 31, 2023 and 2022, annual rate of time deposits with an initial maturity more than three months is 1.1%-1.575% and 0.35%-1.44%, respectively.

2. Please see Tables 28 for the information of financial assets at amortized cost- current.

9. Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Amortized cost</u>		
Total carrying amount	\$ 958,236	\$ 812,023
Less: Allowance for bad debts	( <u>1,166</u> )	( <u>1,711</u> )
	<u>\$ 957,070</u>	<u>\$ 810,312</u>

The average collection period for selling products and rendering service of the Company is 60 to 90 days, excluding accounts receivable. Credit of key customers is rated by using other public available financial information and historic transaction records. The Company continues supervising credit risk exposure and credit rating of the counterparty, as well as distributing the total transaction amount into different qualified customers. In addition, the management shall review and approve counterparty's line of credit for the purpose of managing credit risk exposure.

To mitigate credit risk, the management of the Company has designated functional working group responsible for decision on line of credit, credit approval and other supervision to ensure proper action has been taken to collect overdue accounts receivable. In addition, the collectible amount of accounts receivable of the Company shall be reviewed individually at the date of balance sheet to ensure the uncollectible accounts receivable has been listed to appropriate impairment loss. Accordingly, the management of the Company considers the Company's credit risk has significantly decreased.

The loss allowance for accounts receivable of the Company is measured at an amount equal to useful lives expected credit losses. For the useful lives expected credit losses, customers' default on records and present financial position, economic trends, as well as GDP expectation and industry outlook are considered. The experience on the Company's credit losses presents that types of loss on different customer groups do not bring obvious differences. Thus the rate of expected credit losses is set based on accounts receivable aging, without further grouping customers.

If any evidence shows the counterparty faces significant financial difficulty and the collectible amount cannot be reasonably expected, the Company will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The loss allowance for accounts receivable is measured as follows:

	0~90 days	Aging 91~180 days	Aging 181~365 days	Aging over 365 days	Total
<u>December 31, 2023</u>					
Expected credit loss (%)	0.1	2	10	100	
Total carrying amount	\$ 947,931	\$ 10,289	\$ 16	\$ -	\$ 958,236
Allowance for loss	( 958)	( 206)	( 2)	-	( 1,166)
Amortized cost	<u>\$ 946,973</u>	<u>\$ 10,083</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 957,070</u>
	0~90 days	Aging 91~180 days	Aging 181~365 days	Aging over 365 days	Total
<u>December 31, 2022</u>					
Expected credit loss (%)	0.1	2	10	100	
Total carrying amount	\$ 800,230	\$ 9,971	\$ 1,238	\$ 584	\$ 812,023
Allowance for loss	( 803)	( 200)	( 124)	( 584)	( 1,711)
Amortized cost	<u>\$ 799,427</u>	<u>\$ 9,771</u>	<u>\$ 1,114</u>	<u>\$ -</u>	<u>\$ 810,312</u>

Changes on allowance for accounts receivable loss are as follows:

	2023	2022
Balance at the beginning of the year	\$ 1,711	\$ 2,114
Reversal	( 545)	( 403)
Balance at the end of the year	<u>\$ 1,166</u>	<u>\$ 1,711</u>

#### 10. Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 275,965	\$ 498,820
Finished goods	-	-
Work in process	-	-
	<u>\$ 275,965</u>	<u>\$ 498,820</u>

Inventory-related operating costs as of 2023 and 2022 are NT\$4,551,092,000 and NT\$4,611,188,000 respectively.

Operating costs include the following items:

	2023	2022
Revenue from sale of scraps	(\$ 43,406)	(\$ 48,625)
Inventory valuation losses	5,154	33,520
Supply inventory valuation losses	7,028	1,170

#### 11. Investments accounted for using the equity method

	December 31, 2023	December 31, 2022
Investment in subsidiaries	\$ 916,893	\$ 884,958
Investment in Associates	-	-

(1) Investment in subsidiaries

Investees	December 31, 2023		December 31, 2022	
	Amount	Equity %	Amount	Equity %
<u>Private entity</u>				
Lingsen Holding (Samoa) Inc.	\$ 128,390	100	\$ 97,576	100
Panther Technology Co., Ltd.	408,399	64	414,837	64
Sooner Power Semiconductor Co., Ltd.	220,165	99	220,169	99
Lee Shin Investment Co., Ltd.	249,741	100	243,633	100
Lingsen America Inc.	65,773	100	64,380	100
Nexus Material Corporation	27,154	78	27,092	78
	<u>1,099,622</u>		<u>1,067,687</u>	
Less: Transferred treasury shares	( 176,415 )		( 176,415 )	
Accumulated impairment loss	( 6,314 )		( 6,314 )	
	<u>\$ 916,893</u>		<u>\$ 884,958</u>	

The Company has been approved by Investment Commission, MOEA to invest in Lingsen Holding (Samoa) Inc. at NT\$29,710,000 (US\$1,000,000), NT\$31,260,000 (US\$1,000,000), NT\$96,630,000 (US\$3,000,000) respectively in June 2022 and July 2023, October 2023. In the meantime, Lingsen Holding (Samoa) Inc. indirectly reinvested in Ningbo Liyuan Technology Co., Ltd. through the investment company Li Yuan Investments Co., Ltd.

Sooner Power Semiconductor Co., Ltd. handled 392,402,000 in November 2022 to reduction in capital for the previous year cumulative losses, the real-shares after paying capital are 216,988,000, which was all subscribed by the Company to maintain its share at 99%.

Please see Tables 3 and 4 for detailed investments in subsidiaries indirectly held by the Company.

The share of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method in 2023 and 2022 are in accordance with auditors' reports of each subsidiary as of the same period.

(2) Investment in Associates

Investees	December 31, 2023		December 31, 2022	
	Amount	Shareholding	Amount	Shareholding
<u>Private entity</u>				
Qi Feng Technology Co., Ltd.	\$ 11,417	30%	\$ 11,417	30%
Less: Accumulated impairment loss	( 11,417 )		( 11,417 )	
	<u>\$ -</u>		<u>\$ -</u>	

Investments accounted for using the equity method as well as the Company's share of profit or loss and other comprehensive income are not calculated in accordance with auditors' reports. However, the management of the Company determines that it shall have little influence if financial statements of Qi Feng Technology Co., Ltd. are not audited.



## 12. Property, Plant and Equipment

	December 31, 2023	December 31, 2022
Assets used by the Company	\$ 2,692,402	\$ 2,992,935
Assets subject to operating leases	181,762	186,633
	<u>\$ 2,874,164</u>	<u>\$ 3,179,568</u>

### (1) Assets used by the Company

2023	Buildings	Machinery and equipment	Transportation Equipment	Office equipment	Other equipment	Unfinished construction	Total cost
<u>Cost</u>							
Balance at the beginning of the year	\$2,380,470	\$3,303,314	\$ 18,827	\$ 32,745	\$ 313,773	\$ 5,231	\$6,054,360
Increase	7,660	87,340	-		49,120	12,911	157,031
Decrease	( 33,275 )	( 246,142 )	-	( 2,591 )	( 44,346 )	-	( 326,354 )
Reclassification	45,877	108,482	-	-	1,000	( 4,515 )	150,844
Balance at the end of the year	<u>\$2,400,732</u>	<u>\$3,252,994</u>	<u>\$ 18,827</u>	<u>\$ 30,154</u>	<u>\$ 319,547</u>	<u>\$ 13,627</u>	<u>\$6,035,881</u>
<u>Accumulated depreciation</u>							
Balance at the beginning of the year	\$ 964,661	\$1,903,010	\$ 11,853	\$ 18,899	\$ 163,002	\$ -	\$3,061,425
Increase	109,847	375,215	1,171	3,224	76,589	-	566,046
Decrease	( 33,275 )	( 246,142 )	-	( 2,591 )	( 44,346 )	-	( 326,354 )
Reclassification	42,362		-	-	-	-	42,362
Balance at the end of the year	<u>\$1,083,595</u>	<u>\$2,032,083</u>	<u>\$ 13,024</u>	<u>\$ 19,532</u>	<u>\$ 195,245</u>	<u>\$ -</u>	<u>\$3,343,479</u>
Carrying amounts at December 31, 2023	<u>\$1,317,137</u>	<u>\$1,220,911</u>	<u>\$ 5,803</u>	<u>\$ 10,622</u>	<u>\$ 124,302</u>	<u>\$ 13,627</u>	<u>\$2,692,402</u>
2022	Buildings	Machinery and equipment	Transportation Equipment	Office equipment	Other equipment	Unfinished construction	Total cost
<u>Cost</u>							
Balance at the beginning of the year	\$2,272,481	\$3,170,351	\$ 19,385	\$ 25,896	\$ 256,466	\$ 111,680	\$5,856,259
Increase	14,925	302,715	5,933	9,359	91,249	31,781	455,962
Decrease	( 39,536 )	( 486,425 )	( 6,491 )	( 2,510 )	( 39,572 )	-	( 574,534 )
Reclassification	132,600	316,673	-	-	5,630	( 138,230 )	316,673
Balance at the end of the year	<u>\$2,380,470</u>	<u>\$3,303,314</u>	<u>\$ 18,827</u>	<u>\$ 32,745</u>	<u>\$ 313,773</u>	<u>\$ 5,231</u>	<u>\$6,054,360</u>
<u>Accumulated depreciation</u>							
Balance at the beginning of the year	\$ 899,381	\$2,026,171	\$ 17,621	\$ 18,701	\$ 135,501	\$ -	\$3,097,375
Increase	104,816	363,264	723	2,708	67,073	-	538,584
Decrease	( 39,536 )	( 486,425 )	( 6,491 )	( 2,510 )	( 39,572 )	-	( 574,534 )
Balance at the end of the year	<u>\$ 964,661</u>	<u>\$1,903,010</u>	<u>\$ 11,853</u>	<u>\$ 18,899</u>	<u>\$ 163,002</u>	<u>\$ -</u>	<u>\$3,061,425</u>
Carrying amounts at December 31, 2022	<u>\$1,415,809</u>	<u>\$1,400,304</u>	<u>\$ 6,974</u>	<u>\$ 13,846</u>	<u>\$ 150,771</u>	<u>\$ 5,231</u>	<u>\$2,992,935</u>

Depreciation is computed on a straight-line basis over the following estimated useful life:

Buildings	
Plant building	45 ~ 50 years
Hydropower air-conditioning engineering	3 ~ 20 years
Machinery and equipment	3 ~ 7 years
Transportation Equipment	5 ~ 7 years
Office equipment	3 ~ 7 years
Other equipment	3 ~ 7 years

Please see note 28 for the amount of property, plant, and equipment used by the Company pledged as collaterals.

(2) Assets subject to operating leases

<u>2023</u>	<u>Buildings</u>
<u>Cost</u>	
Balance at the beginning of the year	\$ 280,189
Reclassification	( 42,362 )
Balance at the end of the year	<u>\$ 237,827</u>
<u>Accumulated depreciation</u>	
Balance at the beginning of the year	\$ 93,556
Increase	4,871
Reclassification	( 42,362 )
Balance at the end of the year	<u>\$ 56,065</u>
Carrying amounts at December 31, 2023	<u>\$ 181,762</u>
<u>2022</u>	
<u>Cost</u>	
Balance at the beginning of the year	\$ 279,629
Increase	560
Balance at the end of the year	<u>\$ 280,189</u>
<u>Accumulated depreciation</u>	
Balance at the beginning of the year	\$ 88,752
Increase	4,804
Balance at the end of the year	<u>\$ 93,556</u>
Carrying amounts at December 31, 2022	<u>\$ 186,633</u>

The Company has used buildings based on operating leases with a lease term of 1 to 18 years. All operating lease contracts include the clause where the lessee shall adjust the lease payment according to market rent when a right of renewal is exercised. The lessee has no bargain purchase option on such asset after the end of the lease period.

The operating lease payments receivable for the buildings is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Year 1	\$ 7,879	\$ 11,854
Year 2	4,144	4,920
Year 3	4,144	4,920
Year 4	4,144	4,920
Year 5	4,144	4,920
Over 5 years	20,719	20,922
	<u>\$ 45,174</u>	<u>\$ 52,456</u>

Depreciation is computed on a straight-line basis over the following estimated useful life:

Buildings

45 ~ 50 years

13. Lease agreements

(1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of right-of-use assets		
Land	\$ 141,977	\$ 145,342
Buildings	<u>1,282</u>	<u>-</u>
	<u>\$ 143,259</u>	<u>\$ 145,342</u>
	<u>2023</u>	<u>2022</u>
Addition of right-of-use assets	<u>\$ 2,786</u>	<u>\$ -</u>
Depreciation expense of right-of-use assets		
Land	\$ 4,227	\$ 4,232
Buildings	<u>642</u>	<u>646</u>
	<u>\$ 4,869</u>	<u>\$ 4,878</u>

Except for the depreciation expenses recognized above, there were no major sublease and impairment loss of the right-of-use assets of the Company in 2023 and 2022.

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 4,455</u>	<u>\$ 3,727</u>
Non-current	<u>\$ 141,277</u>	<u>\$ 143,637</u>

Ranges of discount rates for lease liabilities are as follow

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	0.67%-1.64%	0.67%-0.91%
Buildings	0.67%-1.50%	0.67%-0.91%

(3) Material leases and terms

The Company leases several lands and buildings for the use of plants, office buildings and employee dormitories with a lease term of 1 to 10 years. Upon the termination of the lease period, the Company has no bargain purchase option for leased lands and buildings.

(4) Information on other lease

Please see Note 12 for agreements that the Company sells property, plant and equipment used by the Company under operating leases.

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 1,428</u>	<u>\$ 1,663</u>
Total cash outflow for leases	<u>(\$ 6,942)</u>	<u>(\$ 7,177)</u>

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

14. Other current assets

	December 31, 2023	December 31, 2022
<u>Current</u>		
Supply inventory	\$ 186,926	\$ 223,832
Prepayments	25,147	11,128
Payments on behalf of others	6,626	28,102
Input tax	2,130	4,537
Others	280	235
	<u>\$ 221,109</u>	<u>\$ 267,834</u>

15. Borrowings

(1) Short-term bank borrowings

	December 31, 2023	December 31, 2022
Credit loans	\$ -	\$ 250,000
Import/export financing loans	56,772	32,778
	<u>\$ 56,772</u>	<u>\$ 282,778</u>

Annual interest rate (%)

Credit loans	-	1.72-2.02
Import/export financing loans	6.31-6.41	5.50

(2) Long-term bank borrowings

	December 31, 2023	December 31, 2022
Mortgage loan(Note 28)	\$ 150,000	\$ 300,000
Credit loans	376,957	589,886
	526,957	889,886
Less: Amount falling due in one year	( 310,596 )	( 237,929 )
Amount falling due after one year	<u>\$ 216,361</u>	<u>\$ 651,957</u>

Annual interest rate (%)

Mortgage loan	1.78	1.38-1.65
Credit loans	1.37-1.53	0.58-1.91

Maturity date

Mortgage loan	2025.06	2025.06
Credit loans	2026.03-2026.05	2024.04-2026.05

16. Other payables

	December 31, 2023	December 31, 2022
Payables for Wages and bonuses	\$ 186,644	\$ 193,641
Payables for factory supplies	88,676	84,708
Payables for annual leave	52,999	49,493
Payables for purchases of equipment	8,496	22,060

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payables for remuneration of employees and remuneration of directors	-	22,310
Others	91,544	85,700
	<u>\$ 428,359</u>	<u>\$ 457,912</u>

#### 17. Provisions - Current

Provisions for sales returns and allowances are, estimated under experiences, judgment of the management and other known reasons for the probable sales returns and allowances, and recognized as the subtraction of operating revenue upon the related service is provided and products are sold at the current year.

Changes on provisions are as below:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	\$ 5,534	\$ 3,980
Current recognition	6	1,554
Balance at the end of the year	<u>\$ 5,540</u>	<u>\$ 5,534</u>

#### 18. Retirement benefits plan

##### (1) Defined contribution plans

The pension system of the “Labor Pension Act” is applicable to the Company, belonging to the affirmed appropriation of pension plan under the management of the government, and pension is appropriated at the rate of 6% of the monthly salary of employees into the personal dedicated account of the Bureau of Labor Insurance.

##### (2) Defined benefit plans

The Company has labor pension system as defined benefit plans under the Labor Standards Act of R.O.C... The payment of the employee pension is made based on an employee’s length of service and average monthly salary for the six-month period prior to retirement approved. The Company contributes an amount equal to 3 percent of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the balance in the Funds is assessed. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees qualified with retirement requirements in the next year, the Company is required to make up the difference all at once with one appropriation, which is required to be made before the end of March of next year. The Funds are operated and managed by the government’s designated authorities. Accordingly, the Company does not have any right to intervene in the investments of the Funds.

The amount of defined benefit plans recognized in the consolidated balance sheets is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 608,362	\$ 618,521
Fair value of plan assets	( 679,211 )	( 754,572 )
Net defined benefit assets	<u>( \$ 70,849 )</u>	<u>( \$ 136,051 )</u>

Movements the net defined benefit assets are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities (assets)</u>
Balance at January 1, 2023	<u>\$ 618,521</u>	<u>( \$ 754,572 )</u>	<u>( \$ 136,051 )</u>
Service cost			
Current service cost	5,120	-	5,120
Interest expense (income)	<u>7,911</u>	<u>( 9,758 )</u>	<u>( 1,847 )</u>
Defined benefit costs recognized in profit or loss	<u>13,031</u>	<u>( 9,758 )</u>	<u>( 3,273 )</u>
Remeasurement of the net defined benefit liability/asset			
Return on plan assets (excluding amounts included in net interest expense)	-	( 10,408 )	( 10,408 )
Actuarial loss (gain)			
- changes in demographic assumptions	1	-	1
- changes in financial assumptions	2,726	-	2,726
- experience adjustments	<u>6,951</u>	<u>-</u>	<u>6,951</u>
Defined benefit costs recognized in other comprehensive income	<u>9,678</u>	<u>( 10,408 )</u>	<u>( 730 )</u>
Contributions from employer	-	( 6,500 )	( 6,500 )
Get it back after expiration	-	69,638	69,638
Benefits paid	<u>( 32,868 )</u>	<u>32,389</u>	<u>( 479 )</u>
	<u>( 32,868 )</u>	<u>95,527</u>	<u>62,659</u>
Balance as of December 31, 2023	<u>\$ 608,362</u>	<u>( \$ 679,211 )</u>	<u>( \$ 70,849 )</u>
Balance as of January 1, 2022	<u>\$ 730,046</u>	<u>( \$ 742,055 )</u>	<u>( \$ 12,009 )</u>
Service cost			
Current service cost	6,879	-	6,879
Interest expense (income)	<u>5,021</u>	<u>( 5,168 )</u>	<u>( 147 )</u>
Defined benefit costs recognized in profit or loss	<u>11,900</u>	<u>( 5,168 )</u>	<u>6,732</u>
Return on plan assets (excluding amounts included in net interest expense)	-	( 56,261 )	( 56,261 )
Actuarial loss (gain)			
- changes in demographic assumptions	3	-	3
- changes in financial assumptions	( 36,848 )	-	( 36,848 )
- experience adjustments	<u>( 24,174 )</u>	<u>-</u>	<u>( 24,174 )</u>
Defined benefit costs recognized in other comprehensive income	<u>( 61,019 )</u>	<u>( 56,261 )</u>	<u>( 117,280 )</u>
Contributions from employer	-	( 12,500 )	( 12,500 )
Benefits paid	<u>( 62,406 )</u>	<u>61,412</u>	<u>( 994 )</u>
	<u>( 62,406 )</u>	<u>48,912</u>	<u>( 13,494 )</u>
Balance as of December 31, 2022	<u>\$ 618,521</u>	<u>( \$ 754,572 )</u>	<u>( \$ 136,051 )</u>

Due to the defined benefit plans under the Labor Standards Act of R.O.C. the Company is exposed to the following risks:

- 1) Investment risk: The pension funds are invested in domestic and foreign equity securities, debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds' designated authorities or under the mandated management. However, the distributable amount of plan assets of the Company shall not be less than the return calculated by the average interest rate on a two-year time deposit published by the local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will increase as well. The two will be partially offset on net defined benefit liabilities
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company are carried out by qualified actuaries. The principal assumptions are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.30%
Expected salary increase rate	2.00%	2.00%

If reasonably likely changes respectively occur in the principal assumptions and all other assumptions are held constant, the amount of present value of the defined benefit obligation is increased or decreased as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(\$ 13,454)	(\$ 14,474)
Decrease by 0.25%	\$ 13,903	\$ 14,981
Expected salary increase rate		
Increase by 0.25%	\$ 13,765	\$ 14,839
Decrease by 0.25%	(\$ 13,389)	(\$ 14,411)

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contributions expected in one year	\$ 6,000	\$ 12,000
Average maturity of defined benefit obligation	9 years	9 years

## 19. Equity

### (1) Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	<u>500,000</u>	<u>500,000</u>
Authorized capital	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Issued and paid shares (in thousands)	<u>380,102</u>	<u>380,102</u>
Issued capital	<u>\$ 3,801,023</u>	<u>\$ 3,801,023</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

### (2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Additional paid-in capital	\$ 1,123,151	\$ 1,123,151
From convertible bonds	126,434	126,434
Treasury stock transaction s	16,640	14,943
Donations	<u>528</u>	<u>493</u>
	<u>\$ 1,266,753</u>	<u>\$ 1,265,021</u>

The capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, convertible bonds, treasury stocks and difference between the price of acquisition or disposal of subsidiaries' equity and the book value) may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends to the paid-in capital. However, stock dividends may not exceed a certain percent of the paid-in capital.

### (3) Retained earnings and dividend policy

Surplus earning distribution policy under the Company's Articles of Incorporation states that when allocating earnings, the Company shall pay the tax, offset its losses, set aside its legal capital reserve at 10% of the retained earnings, and then set aside or reverse special capital reserve in accordance with relevant laws or regulations; if there are earnings left, along with accumulated unappropriated earnings, the Board of Directors shall propose the surplus earning distribution for shareholders' meeting to determine the allocation of dividends and bonus. Please see Note 21 for distribution policy for employees' compensation, and remuneration of directors under the Company's Articles of Incorporation.

Legal capital reserve shall be set aside until its balance equals to full amount of the paid-in capital. The reserve may be used to offset a deficit. When the Group has no deficit, the portion in excess of 25% of the paid-in capital may be used to distribute as dividends in stocks or cash.

The Company held regular shareholders' meetings in May 2023 and June 2022 respectively and passed the 2022 and 2021 earnings distribution proposals as follows:

	<u>2022</u>	<u>2021</u>
Legal reserve	<u>\$ 30,111</u>	<u>\$ 91,283</u>



	2022	2021
Provision(reversal) of special reserve	\$ 74,564	(\$ 69,385)
Cash dividends	\$ 114,031	\$ 490,000
Cash dividend per share (NT\$)	\$ 0.30	\$ 1.29

The Company approved loss make-up proposal of 2023 in the Company's board of directors on February 26, 2024. Due to the loss in 2023, after the deficit was compensated with the reversal of special reserve of NT\$72,715,000, the Company proposed a capital reserve distribution of 114,031,000 in cash (NT\$0.3 per share).

The distribution of loss for 2023 is subject to the resolution of the shareholders' meeting to be held in May 2024.

(4) Treasury stocks

The treasury stocks held by the Company, in accordance with Securities and Exchange Act, shall not be pledged and is not entitle to distribute dividends and to vote.

	Eransferred shares to Employee (shares)	Shares held by a subsidiary (shares)	Total (shares)
January 1, 2023 to December 31, 2023	-	5,658,911	5,658,911
January 1, 2022	2,000,000	5,658,911	7,658,911
Decrease in 2022	( 2,000,000 )	-	( 2,000,000 )
December 31, 2022	-	5,658,911	5,658,911

The relevant information on the Company's shares held by Lee Shin Investment Co., Ltd. is as follows:

	Total shares held (shares)	Carrying amount	Market value
December 31, 2023	5,658,911	\$ 129,589	\$ 129,589
December 31, 2022	5,658,911	\$ 73,283	\$ 73,283

The shares of the Company held by a subsidiary shall be regarded as treasury stocks. It is given the same rights as the common shareholders, except for capital increase from the Company and voting right.

20. Revenue

	2023	2022
Revenue from contracts with custom		
Service income	\$ 4,688,469	\$ 5,080,398
Sales revenue	37,285	33,141
	\$ 4,725,754	\$ 5,113,539

(1) Contract balance

	December 31, 2023	December 31, 2022	January 1, 2022
Contract assets - current	\$ 117,146	\$ 94,677	\$ 135,659
Accounts receivable	957,070	810,312	1,439,848
	<u>\$ 1,074,216</u>	<u>\$ 904,989</u>	<u>\$ 1,575,507</u>

(2) Timing of revenue recognition

	2023	2022
Performance obligation satisfied over time	\$ 4,688,469	\$ 5,080,398
Performance obligation satisfied at a point in time	37,285	33,141
	<u>\$ 4,725,754</u>	<u>\$ 5,113,539</u>

21. Employee benefits and depreciation expenses

Classified as	operating costs	operating expenses	Total
<u>2023</u>			
Employee benefit expense			
Short-term employee benefits	\$ 1,102,201	\$ 167,433	\$ 1,269,634
Labor and health insurance expense	131,008	16,823	147,831
Pensions			
Defined contribution plans	44,342	6,736	51,078
Defined benefit plans	2,853	420	3,273
Remuneration of Directors	-	1,800	1,800
Other employee benefits	85,411	10,148	95,559
Depreciation expenses	561,841	13,945	575,786
<u>2022</u>			
Employee benefit expense			
Short-term employee benefits	\$ 1,102,300	\$ 185,495	\$ 1,287,795
Labor and health insurance expense	131,374	16,942	148,316
Pensions			
Defined contribution plans	42,643	6,687	49,330
Defined benefit plans	5,844	888	6,732
Remuneration of Directors	-	5,518	5,518
Other employee benefits	89,415	10,122	99,537
Depreciation expenses	511,173	37,093	548,266

For the years of 2023 and 2022, the Company had average 2,294 and 2,409 employees respectively, which included 5 non-employee directors for both years.

Average labor cost for the years 2023 and 2022 were NT\$685,000 and 662,000 respectively. Average salary and bonus were NT\$555,000 and 536,000 respectively. The average salary and bonus increase by 4% year over year.

### The Company's remuneration policy

Except for independent directors receive a certain amount of remuneration, the remuneration of directors is reasonably provided according to the result of corporate operation and the director's performance and participation. For remunerations of managerial officers and employees, remunerations are paid according to their respective job positions, responsibilities, future risk and contribution level to the business objectives and according to the remuneration management regulations of the Company.

Under the Company's Articles of Incorporation, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 10% and no higher than 2% respectively, of net profit before income tax, of remuneration of employees and remuneration of directors. Due to a deficit in 2023, the remuneration of employees and remuneration of directors have not been estimated yet. The remuneration of employees and directors in 2022 was resolved by the board of directors in February 2023 respectively as follows:

	2022	
	Accrual Rate	Amount (cash)
Remuneration of employees	10%	\$ 18,592
Remuneration of directors	2%	\$ 3,718

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

There is no difference between the actual distribution amount of employee and director remuneration in 2022 and the recognized amount in the individual report of 2022.

Please see "Market Observation Post System" (MOPS) under the Taiwan Stock Exchange for the information on the remuneration of employees and remuneration of directors determined by the board of directors.

## 22. Income tax

### (1) Main components of income tax expense recognized in profit or loss

	2023	2022
Current tax		
Income tax expense generated in the current year	\$ -	\$ -
Taxation on Undistributed Earnings	4,120	20,046
Adjustment on prior years	( 12,683)	-
	( 8,563)	20,046
Deferred tax		
Income tax expense generated in the current year	( 4,635)	( 26,453 )
Adjustment on prior years	( 16,683)	( 37,274 )
	( 21,318)	( 63,727)
Income tax profit recognized in profit or loss	(\$ 29,881)	(\$ 43,681 )

A reconciliation of accounting income and income tax expense is as follows:

	2023	2022
Income tax expense (benefit)		
calculated at the statutory rate	(\$ 37,268)	\$ 32,720
Permanent differences	32,633	( 59,173 )
Temporary differences	3,642	7,083
Current period loss carryforward	993	19,370
Taxation on Undistributed Earnings	4,120	20,046
Deferred tax	( 21,318 )	( 63,727 )
Adjustment on prior years	( 12,683 )	-
Income tax profit recognized in profit or loss	( \$ 29,881 )	( \$ 43,681 )

(2) Deferred tax assets and liabilities

	Balance at the beginning of the year	Adjustment at the beginning of the year	Defined benefit costs recognized in profit or loss	Defined benefit costs recognized in other comprehensive income	Balance at the end of the year
<b>2023</b>					
<u>Deferred tax income assets</u>					
Temporary differences					
Inventory falling price reserves	\$ 13,393	\$ -	\$ 1,031	\$ -	\$ 14,424
Supply Inventory falling price reserves	-	234	1,406	-	1,640
Payables for annual leave	9,899	-	701	-	10,600
Provision for liabilities	1,107	-	1	-	1,108
Foreign exchange loss	138	-	403	-	541
	24,537	234	3,542	-	28,313
Loss carryforwards	120,631	16,449	993	-	138,073
	<u>\$ 145,168</u>	<u>\$ 16,683</u>	<u>\$ 4,535</u>	<u>\$ -</u>	<u>\$ 166,386</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Difference on depreciation methods	\$ 204	\$ -	( \$ 100 )	\$ -	\$ 104
Defined benefit retirement plans	18,482	-	-	146	18,628
	<u>\$ 18,686</u>	<u>\$ -</u>	<u>( \$ 100 )</u>	<u>\$ 146</u>	<u>\$ 18,732</u>
<b>2022</b>					
<u>Deferred tax income assets</u>					
Temporary differences					
Defined benefit retirement plans	\$ 4,974	\$ -	\$ -	( \$ 4,974 )	\$ -
Inventory falling price reserves	6,689	-	6,704	-	13,393
Payables for annual leave	10,549	-	( 650 )	-	9,899
Provision for liabilities	796	-	311	-	1,107
Foreign exchange loss	-	-	138	-	138
	23,008	-	6,503	( 4,974 )	24,537
Loss carryforwards	-	101,261	19,370	-	120,631
	<u>\$ 23,008</u>	<u>\$ 101,261</u>	<u>\$ 25,873</u>	<u>( \$ 4,974 )</u>	<u>\$ 145,168</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Difference on depreciation methods	\$ 283	\$ -	( \$ 79 )	\$ -	\$ 204
Foreign exchange gain	501	-	( 501 )	-	-
Defined benefit retirement plans	-	-	-	18,482	18,482
	<u>\$ 784</u>	<u>\$ -</u>	<u>( \$ 580 )</u>	<u>\$ 18,482</u>	<u>\$ 18,686</u>

(3) The total amount of deductible temporary differences for which is relevant to invested subsidiaries and no deferred tax assets have been recognized is as follows:

December 31, 2023	December 31, 2022
<u>\$ 2,624,283</u>	<u>\$ 2,525,953</u>

(4) Income tax examination

The tax authorities have examined the income tax returns of the Company through 2021.

23. Earnings (loss) per share

	Net profit (loss) attributable to owners of the Company	Number of shares (denominator) (in thousand)	Earnings (loss) per share (NT\$)
<u>2023</u>			
Basic loss per share			
Net loss attributed to the owners of the Company	(\$ 156,458)	374,443	(\$ 0.42)
Effect of potentially dilutive ordinary shares			
Remuneration of employees	-	-	
Diluted loss per share			
Effect of net loss attributed to the owners of the Company plus potential ordinary shares	(\$ 156,458)	374,443	(\$ 0.42)
<u>2022</u>			
Basic earnings per share			
Net profit attributed to the owners of the Company	\$ 207,291	373,457	\$ 0.56
Effect of potentially dilutive ordinary shares			
Remuneration of employees	-	2,442	
Diluted earnings per share			
Effect of net profit attributed to the owners of the Company plus potential ordinary shares	\$ 207,291	375,899	\$ 0.55

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. Due to the Company's net loss in 2023, the calculation of diluted net loss per share without including the impact of employee compensation's anti-dilutive potential ordinary shares.

24. Share-Based Payment Agreement

Treasury stock grants to employees

In June 2022, the board of directors resolve to allocate a total of 2,000,000 shares of treasury stocks, which was bought back during from June to August 2020, to employees for subscription. The value of subscription rights per share calculated according to the Black-Scholes valuation model is \$3.8556, and the recognized remuneration cost is \$7,711,000. The parameters used in the valuation model are as follows:

Grant-date share price	\$15.56
Exercise price	\$11.71
Expected volatility	28.85%

Expected duration period	0.0301 years
Expected dividend yield	0%
Risk-free interest rate	0.59%

## 25. Capital risk management

The Company manages its capital to ensure that it is able to maximize shareholders return as a going concern through the optimization of the debt and equity balance. The overall strategy has not changed.

The Company's capital structure is consisting of net debt (leases less cash and cash equivalent) and equity (common stocks, capital surplus, retained earnings and other equity).

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

The key management of the Company reviews its capital structure for each season, including the consideration on costs of every type of capital and relevant risks. Based on the key management's advice, the Company balances its overall capital structure by paying dividend payments, new shares issuance, share repurchase and new debt issuance or debt repayment, etc.

## 26. Financial instruments

### (1) Information on fair value

#### 1) Financial instruments that are not measured at fair value

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

#### 2) Financial instruments that are measured at fair value on a recurring basis

##### i. Fair value hierarchy

December 31, 2023	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Emerging stocks	\$ -	\$ -	\$ 8,617	\$ 8,617
Listed and OTC stocks	<u>3,146</u>	<u>-</u>	<u>-</u>	<u>3,146</u>
	<u>\$ 3,146</u>	<u>\$ -</u>	<u>\$ 8,617</u>	<u>\$ 11,763</u>
<u>December 31, 2022</u>				
<u>Financial assets at fair value through other comprehensive income</u>				
Emerging stocks	\$ -	\$ -	\$ 7,237	\$ 7,237
Listed and OTC stocks	<u>1,811</u>	<u>-</u>	<u>-</u>	<u>1,811</u>
	<u>\$ 1,811</u>	<u>\$ -</u>	<u>\$ 7,237</u>	<u>\$ 9,048</u>

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

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

	Financial assets at fair value through other comprehensive income	
	Equity instruments	
Financial assets	2023	2022
Balance at the beginning of the year	\$ 7,237	\$ 7,105
Unrealized gains (loss) from financial assets measured at fair value through other comprehensive income	1,380	132
Balance at the end of the year	<u>\$ 8,617</u>	<u>\$ 7,237</u>

iii) Valuation techniques and input value used in Level 3 fair value measurement

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

(2) Categories of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets measured at amortized cost	\$ 2,155,850	\$ 2,326,824
Financial assets at fair value through other comprehensive income	11,763	9,048
<u>Financial liabilities</u>		
Amortized cost	990,936	1,553,916

Balance of financial assets measured at amortized cost includes cash and cash equivalent, financial assets at amortized cost- current, contract assets, accounts receivable, other receivables and refundable deposits, and other financial assets measured at amortized cost.

Balance of financial liabilities measured at amortized cost includes short-term bank borrowings, accounts payable, other payables, long-term bank borrowings (including amount falling due in one year) and guarantee deposits received and other financial liabilities measured at amortized cost.

(3) Financial risk management objectives and policies

The majority of financial instruments include equity instrument investments, accounts receivable, accounts payable, borrowings and lease liabilities, etc. The financial management department provides service for each unit by organizing and coordinating the market operation nationally and internationally, supervising and reporting the internal risks by analyzing risk exposure according to the extent and breadth of risk, and managing financial risks associated with the Company's operation. Such risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates and interest rates, due to its operation.

The Company is exposed to market risk associated with financial instruments and the management and measurement of such exposure have not changed.

i) Foreign currency risk

The Company's sales and purchase transactions are denominated in foreign currency, which exposes the Company to foreign currency risk. Approximately 26%~30% of sales revenue is not denominated in functional currency and approximately 43%~47% of the cost is not denominated in functional currency.

Please see Note 30 for the carrying amount of monetary assets and liabilities denominated in non-functional currency at the date of balance sheet.

Sensitivity analysis

The Company is mainly affected by fluctuations in USD and JPY.

The following table details the Company's sensitivity analysis to a 1% increase and decrease in NTD against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management and represents the management's assessment of the reasonably likely change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the end-of-year exchange rate is adjusted to 1% increase and decrease. The following table details the amount resulting in changes in net loss before tax to a 1% increase and decrease in NTD against the relevant foreign currency.

Categories of currency	Impact of fluctuations in exchange rate on profit or loss	
	2023	2022
USD	\$ 1,296	\$ 2,839
Japanese yen	30	161

ii) Interest rate risk

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

The carrying accounts of financial assets and liabilities exposed to



interest rate risk at the date of balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 439,738	\$ 460,804
Financial liabilities	145,732	347,364
Cash flow interest rate risk		
Financial assets	624,037	945,767
Financial liabilities	583,729	972,664

#### Sensitivity analysis

The following sensitivity analysis is determined in accordance with interest rate risk of non-derivative instruments at the date of balance sheet. For the floating rate liabilities, the analysis is to assume that the amount of liabilities outstanding at the date of balance sheet is all outstanding at the reporting period. The rate of change is expressed as the increment or decrement by 1% when reporting to the management personnel internally of the Company, which also represents the management's assessment of the reasonable interest rate change.

For floating-rate financial assets and liabilities, when interest rate is increase by 1% and other conditions remain unchanged, the net profit (loss) before tax of the Company in 2023 and 2022 are NT\$403,000 and NT\$269,000 respectively.

#### iii) Other price risk

The Company is exposed to price risk due to investments in equity securities. The management of the Company manages the risk by investing in portfolio with different risks.

#### Sensitivity analysis

The following sensitivity is analyzed according to the exposure to equity price risk at the date of balance sheet.

If the equity price changes by 1%, the other comprehensive income in 2023 and 2022 will increase and decrease NT\$31,000 and NT\$18,000 respectively due to changes in fair value of financial assets measured at fair value through profit or loss.

#### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum credit risk exposure due to the financial loss arising from the counterparty not performing its obligation and the Company's financial guarantee primarily results from:

- i) The carrying amount of financial assets recognized in the parent

- company only balance sheet.
- ii) The Company has given financial guarantee and not taken the maximum amount to be paid into consideration.

The Company's credit risk is mainly resulted from its five largest customers. As of December 31, 2023 and 2022, the aforementioned customers are accounted for 45% and 48% of accounts receivable and contract assets, respectively.

### 3) Liquidity risk

The Company manages and maintains a level of cash and cash equivalents adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, the management of the Company monitors the utilization of borrowings and ensures compliance with loan conditions.

The bank borrowing is a material source of liquidity to the Company. As of December 31, 2023 and 2022, the undrawn loan amounts are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Undrawn loan amounts	<u>\$ 1,151,841</u>	<u>\$ 1,126,408</u>

#### Liquidity and interest risks of non-derivative financial liabilities

The funds are adequate to the Company's operations and thus the Company is not exposed to liquidity risk and financing to meet the contractual obligations.

The maturity of the Company's non-derivative financial liabilities which the repayment period has been committed is as follows:

<u>December 31, 2023</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>More than 3 years</u>
Non-interest bearing liabilities	\$ 405,307	\$ -	\$ -
Lease liabilities	5,514	15,088	147,516
Floating-rate liabilities	<u>367,368</u>	<u>216,361</u>	<u>-</u>
	<u>\$ 778,189</u>	<u>\$ 231,449</u>	<u>\$ 147,516</u>
<u>December 31, 2022</u>			
Non-interest bearing liabilities	\$ 379,316	\$ -	\$ -
Lease liabilities	4,789	9,531	156,413
Floating-rate liabilities	320,707	608,191	43,766
Fixed-rate liabilities	<u>200,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 904,812</u>	<u>\$ 617,722</u>	<u>\$ 200,179</u>

The further information on a maturity analysis of lease liability is below:

	<u>Within 1 year</u>	<u>1-5 years</u>	<u>5~10 years</u>
<u>December 31, 2023</u>			
Lease liabilities	<u>\$ 5,514</u>	<u>\$ 24,291</u>	<u>\$138,313</u>
<u>December 31, 2022</u>			
Lease liabilities	<u>\$ 4,789</u>	<u>\$ 18,918</u>	<u>\$147,026</u>

The amount of the aforementioned floating rate instrument of non-derivative liabilities will change resulting from the floating rate is different from the interest rate estimated at the date of balance sheet.

## 27. Related-party transactions

The transactions between the Company and other related parties, excluding those disclosed in other notes, are as follows:

(1)	Related party name and categories	
	<u>Related Party Name</u>	<u>Relationship with the Company</u>
	Lingsen America Inc.	Subsidiary
	Ningbo Liyuan Technology Co., Ltd.	Third-tier subsidiary
	Lee Shin Investment Co., Ltd.	Subsidiary
	Panther Technology Co., Ltd.	Subsidiary
	Sooner Power Semiconductor Co., Ltd.	Subsidiary

(2)	Operating income		
	<u>Related party category</u>	<u>2023</u>	<u>2022</u>
	Third-tier subsidiary	\$ <u>1,015</u>	\$ <u>-</u>

The operating income is from the sale of raw materials to subsidiaries and no other similar non-related party transaction can be compared. The payment will be collected at 60 days T/T following the date the goods are sold.

(3)	Purchase		
	<u>Related party category</u>	<u>2023</u>	<u>2022</u>
	Third-tier subsidiary	\$ <u>1,898</u>	\$ <u>-</u>

Raw materials are purchased from subsidiary, and no other similar non-related party transaction can be compared. The payment is collected at 30 days T/T following the date the goods are sold in principle.

(4)	Operating expense - commission expense	
	The Company has signed a commission agreement with Lingsen America Inc. states that the Company shall pay a 2% commission on monthly sales revenue of particular exports in the U.S.A. (in USD). The commission expenses in 2023 and 2022 are NT\$2,503,000 and NT\$2,043,000, respectively. The commissions payable as of December 31 2023 and 2022 are NT\$513,000 and NT\$393,000, respectively.	

(5)	Non-operating income - rent income		
	<u>Related Party Category/Name</u>	<u>2023</u>	<u>2022</u>
	Subsidiary	<u>36</u>	<u>36</u>
		\$ <u>36</u>	\$ <u>36</u>

The majority of non-operating income is rent income of machinery and equipment and office.

(6)	Non-operating income - other revenue		
	Related party category	2023	2022
	Third-tier subsidiary	\$ 95	\$ 229

(7)	Endorsements/guarantees		
	Guarantees	December 31, 2023	December 31, 2022
	Company		
	Third-tier subsidiary		
	Bank loans	\$USD5,000	\$USD5,000

The following assets are pledged by the Company as collaterals for subsidiaries' loans:

	December 31, 2023	December 31, 2022
Pledged time deposits (Financial assets at amortized cost- current)	\$ -	\$ 103,000

(8)	Remuneration of key management personnel		
		2023	2022
	Short-term employee benefits	\$ 28,889	\$ 40,406
	Pensions	400	400
		\$ 29,289	\$ 40,806

The remuneration of directors and other key management personnel were determined by the Remuneration Committee in accordance with the individual performance and the market trends.

## 28. Pledged assets

- (1) The Company provides the following assets (Financial assets at amortized cost - current) as a deposit out for customs duties accounting:

	December 31, 2023	December 31, 2022
Pledged time deposits (Financial assets at amortized cost- current)	\$ 1,000	\$ -

- (2) The following assets are pledged as collaterals for bank loan limit:

	December 31, 2023	December 31, 2022
Property, plant and equipment	\$777,571	\$ 817,981
Pledged time deposits (Financial assets at amortized cost- current)	-	103,000
	\$ 777,571	\$ 920,981

## 29. Significant Contingent Liabilities and Unrecognized Commitments

Significant contingent commitments of the Company at the end of balance sheet, excluding those disclosed in other notes, are as follows:

- (1) For customs duties guarantee and other objectives, the financial institution has provided guarantee details as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>\$ 28,000</u>	<u>\$ 28,000</u>
(2) Unrecognized commitments are as follows:		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Purchase of property, plant and equipment	<u>\$ 32,954</u>	<u>\$ 127,388</u>
(3) As of December 31, 2023, the Company had opened unused letters of credit for the purchase of raw materials and machinery and equipment, amounting to NT\$508,000.		

### 30. Significant subsequent events

On February 17, 2024, the Board of Directors passed the resolution of position of Ningbo Liyuan Technology Co., Ltd., Ningbo Liyuan Technology Co., Ltd. owned by Li Yuan Investments Co., Ltd., The Group will sell its shares to Zhejiang Yin'an Enterprise Management Co., Ltd. After the completion of the equity transfer, the Group will lose control of the Ningbo Liyuan Technology Co., Ltd.

As of passing the financial report, the above-mentioned subsidiary company's plans are currently in progress.

### 31. Significant information on exchange rate of foreign currency financial assets and liabilities

The following information is summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed are used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies are as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
Foreign currency assets	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Monetary items</u>						
USD	\$ 10,384	30.705	\$ 318,841	\$ 14,063	30.71	\$ 431,875
Japanese yen	68,123	0.2172	14,796	123,574	0.2324	28,719
<u>Non-monetary items</u>						
<u>Investment accounted for using the equity method</u>						
USD	6,323	30.705	194,147	5,274	30.71	161,965
<u>Foreign currency liabilities</u>						
<u>Monetary items</u>						
USD	\$ 6,163	30.705	\$ 189,235	\$ 4,818	30.71	147,961
Japanese yen	54,338	0.2172	11,802	54,126	0.2324	12,579

Significant unrealized exchange gains (losses) are as follows:

Foreign Currency	2023		2022	
	Exchange rate	Net exchange gains (losses)	Exchange rate	Net exchange gains (losses)
USD	30.705(USD : NTD)	(\$ 2,584)	30.71 (USD : NTD)	(\$ 1,113)
Japanese yen	0.2172(JPY: NTD)	( 123)	0.2324 (JPY: NTD)	424
		<u>(\$ 2,707)</u>		<u>(\$ 689)</u>

### 32. Other disclosures

(1) Information on significant transactions:

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

(2) Information on investees: Table 3.

(3) Information on Investment in Mainland China

- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4.
- 2) Significant direct or indirect transactions through a third area with the investee in the Mainland Area, and its prices and terms of payment, unrealized gain or loss are as follows:

- i) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
  - ii) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
  - iii) The amount of property transactions and the amount of the resultant gains or losses: None.
  - iv) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 1.
  - v) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
  - vi) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Note 27.
- (4) Information of major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the equity: Table 5.

Lingsen Precision Industries, Ltd. and Subsidiaries

Endorsements/guarantees provided

For the year ended December 31, 2023

Unit: Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

Table 1

No.	Endorsement/ guarantee provider	Guaranteed party		Limits on endorsement/g uarantee amount provided to each guaranteed party (Note)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of accumulated endorsement/g uarantee to net equity per latest financial statements(%)	Maximum amount of uarantee allowance (Note)	Guarantee provided by parent company	Guarantee provided by subsidiary	Guarantee provided to subsidiaries in Mainland China
		Company Name	Relationship										
0	Parent Company	Ningbo Liyuan Technology Co., Ltd.	Third-tier subsidiary	\$ 817,011	\$ 153,525 (USD5,000)	\$ 153,525 (USD 5,000)	\$ 61,410 (USD 2,000)	\$ -	3	\$ 1,634,022	Y	-	Y

Note: Limits on endorsement/guarantee amount provided to each guaranteed party shall not exceed 15% of the net worth and maximum amount allowance shall not exceed 30% of the net worth.



Lingsen Precision Industries, Ltd. and its subsidiaries  
Marketable securities held  
December 31, 2023

Unit: Amounts expressed in thousands of New Taiwan Dollars/ shares

Table 2

Holding company name	Marketable securities types and name	Relationship with the issuers	Financial statement account	End of year			
				Shares/Units	Carrying amount	Shareholding %	Fair value (Note 3)
Parent Company	<u>Stock</u> Amtek Semiconductors Co., Ltd.	None	Financial assets at fair value through other comprehensive income- non-current	685,464	\$ 8,617	2	\$ 8,617
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income- non-current	75,000	3,146	-	3,146
	Xpert Semiconductor Inc.	None	Financial assets at fair value through other comprehensive income- non-current	44,891	-	-	-
Lee Shin Investment Co., Ltd.	<u>Stock</u>						
	The Company	Parent company	Financial assets at fair value through other comprehensive income- non-current	5,658,911	129,589	1	129,589
	Enrich Tech CO., Ltd.	None	Financial assets at fair value through other comprehensive income- non-current	2,467,186	22,663	19	22,663
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income- non-current	150,000	6,293	-	6,293

Note 1: Please see Tables 3 and 4 for related information on investment in subsidiaries.

Note 2: Fair value of investment in emerging stocks is computed in reference to investment assets under the cost approach.

Lingsen Precision Industries, Ltd. and its subsidiaries  
Information on investees

For the year ended December 31, 2023

Table 3 Unit: Amounts expressed in thousands of New Taiwan Dollars/ shares

Investor	Investee	Location	Main business	Initial investment amount		Balance at December 31, 2022		Current income (losses) of the investee	Share of income (losses) recognized
				End of current year	End of last year	Number of shares	Ratio %	Carrying amount	
Parent Company	Lingsen Holding (Samoa) Inc.	Samoa Islands	General investments	\$ 1,846,348	\$ 1,718,458	58,000,000	100	\$ 128,390	(\$ 93,726)
	Panther Technology Co., Ltd.	Hsinchu County, Taiwan	IC testing	230,146	230,146	22,922,899	64	408,399	( 10,111 ) ( 6,438 )
	Sooner Power Semiconductor Co., Ltd.	Hsinchu County, Taiwan	Electronic parts and components manufacturing	215,148	215,148	21,514,797	99	220,165	( 4 )
	Lee Shin Investment Co., Ltd. (Notes 1 )	Taichung City	General investments	300,000	300,000	30,000,000	100	73,326	352
	Nexus Material Corporation (Notes 2)	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	53,483	53,483	5,348,315	78	20,840	62
	Lingsen America Inc.	California, U.S.A.	Intermediary	32,311	32,311	1,000,000	100	65,773	1,424
Lee Shin Investment Co., Ltd.	Qi Feng Technology Co., Ltd. (Note 2)	Taichung City	Electronic parts and components production and processing	24,000	24,000	2,400,000	30	-	-
	Sooner Power Semiconductor Co., Ltd.	Hsinchu County, Taiwan	Electronic parts and components manufacturing	912	912	98,660	1	1,010	( 4 )
	Nexus Material Corporation	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	14,192	14,192	1,419,214	21	5,530	78
Lingsen Holding (Samoa) Inc.	Li Yuan Investments Co., Ltd.	Cayman Islands	General investments	1,846,348	1,718,458	58,000,000	100	128,390	( 93,726 ) ( 93,726 )

Note 1: Treasury stocks have been deducted from the carrying amount of Lee Shin Investment Co., Ltd.

Note 2: Accumulated impairment loss has been deducted from the carrying amount of Nexus Material Corporation and Qi Feng Technology Co., Ltd.

Note 3: See Table 4 for related information on investee in Mainland China.

Lingsen Precision Industries, Ltd. and Subsidiaries  
Information on Investment in Mainland China  
For the year ended December 31, 2023

Unit: Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

Table 4

Name of Investee in Mainland China	Main business	Paid-in capital	Investment method	Accumulated investment amount of outflow from Taiwan at the beginning of the year	Outward remittance or repatriation of investment amount at beginning of the year		Accumulated investment amount of outflow from Taiwan at the end of the year	Current income (losses) of the investee	Ownership percentage of direct or indirect investment	Investment gain (loss) recognized for the year (Note 2)	Book value of investment at the end of year	Inflow of investment revenue to Taiwan upon the end of the year
					Outward remittance	Repatriation						
Ningbo Liyuan Technology Co., Ltd.	IC packing and testing as well as optoelectronic devices	USD 58,000	(Note 1)	\$ 1,718,458 (USD 54,000)	\$ 127,890 (USD 4,000)	\$ -	\$ 1,846,348 (USD 58,000)	(\$ 93,726)	100%	(\$ 93,726)	\$ 128,390	\$ -

Accumulated investment amount of outflow in China mainland from Taiwan at the end of the year	Investment amount approved by Investment Commission, MOEA	limitation on investee regulated under Investment Commission, MOEA (Note 3)
\$ 1,846,348 (USD 58,000 )	USD 63,000	\$ 3,268,045

Note 1: Investment in Mainland China companies through a company invested and established in a third region.

Note 2: Investment in profit or loss in accordance with reports audited by the CPA from the parent company.

Note 3: Limitation is calculated under 'Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China'.

Lingsen Precision Industries, Ltd.  
Information of Major Shareholders  
December 31, 2023

Table 5

Name of major shareholder	Shares	
	Total shares held (shares)	Shareholding percentage
Trust account in CTBC Bank for ESOP committee of Lingsen Precision Industries, ltd.	23,996,906	6.31%

Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for shareholders holding greater than five percent of the shares completed the process of registration and book-entry delivery in dematerialized form, including treasury stocks, at the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the parent company only financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Security Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, including their own shares and their delivery to the trust, and have the right to make decisions on the trust property. Information on insider equity is available on the Market Observation Post System (MOPS) website.



LINGSEN PRECISION INDUSTRIES, LTD.

Chairman: YEH, SHU-CHYUAN