

Lingsen Precision Industries, Ltd. and  
Subsidiaries

Consolidated Financial Statements and  
Independent Auditor's Report

For the Years Ended December 31, 2023 and 2022

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## Representation Letter

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

February 26, 2024

## **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	<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										
		Retained earnings (Note 20)					Other equity items (Note 4)					
		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	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other comprehensive income	Treasury shares (Note 20)	Total	Non-controlling interests (Note 20)	Total equity
Code												
A1	Balance at January 1, 2022	\$3,801,023	\$ 1,250,011	\$ -	\$ 160,419	\$ 912,825	( \$ 24,628 )	( \$ 46,744 )	( \$ 199,828 )	\$ 5,853,078	\$ 244,349	\$ 6,097,427
	2021 Appropriations of earnings											
B1	Legal reserve	-	-	91,283	-	( 91,283 )	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	( 490,000 )	-	-	-	( 490,000 )	-	( 490,000 )
B17	Reversal of special reserve	-	-	-	( 69,385 )	69,385	-	-	-	-	-	-
	Other change of capital surplus:											
C3	Change due to receipt of gifts	-	67	-	-	-	-	-	-	67	-	67
M1	Dividends are paid to subsidiaries to adjust capital reserves	-	7,295	-	-	-	-	-	-	7,295	-	7,295
D1	2022 Net profit (loss)	-	-	-	-	207,291	-	-	-	207,291	( 6,638 )	200,653
D3	Other comprehensive income (loss) for 2022	-	-	-	-	93,824	9,298	( 392 )	-	102,730	-	102,730
D5	Total comprehensive income of 2022	-	-	-	-	301,115	9,298	( 392 )	-	310,021	( 6,638 )	303,383
N1	Share-based payments	-	7,648	-	-	-	-	-	23,413	31,061	-	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 )	5,711,522	237,711	5,949,233
	2022 Appropriations of earnings											
B1	Legal reserve	-	-	30,111	-	( 30,111 )	-	-	-	-	-	-
B3	Special reserve	-	-	-	74,564	( 74,564 )	-	-	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	( 114,031 )	-	-	-	( 114,031 )	-	( 114,031 )
	Other change of capital surplus:											
C3	Change due to receipt of gifts	-	35	-	-	-	-	-	-	35	-	35
M1	Dividends are paid to subsidiaries to adjust capital reserves	-	1,697	-	-	-	-	-	-	1,697	-	1,697
D1	2023 Net loss	-	-	-	-	( 156,458 )	-	-	-	( 156,458 )	( 3,673 )	( 160,131 )
D3	Other comprehensive income (loss) in 2023	-	-	-	-	584	( 3,381 )	6,774	-	3,977	-	3,977
D5	Total comprehensive income of 2023	-	-	-	-	( 155,874 )	( 3,381 )	6,774	-	( 152,481 )	( 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 )	\$ 5,446,742	\$ 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	736,815	1,117,798

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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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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	<u>149,737</u>	<u>99,804</u>
	<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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<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>-</u>	<u>-</u>
	<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>
<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	2022
		December 31	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
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
-----------	---------------

#### 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	528	493
	<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	5,658,911	<u>\$ 129,589</u>	<u>\$ 129,589</u>
December 31, 2022	5,658,911	<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

	2023	2022	
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			
	December 31, 2023	December 31, 2022	January 1, 2022
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

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

22. Employee benefits and depreciation expenses

<u>Classified as</u>	<u>operating costs</u>	<u>operating expenses</u>	<u>Total</u>
<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:

	<u>2022</u>
	<u>Accrual Rate</u>
	<u>Amount (cash)</u>
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

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 comprehensive income	Translation differences	Balance at the end of the year
Deferred tax income assets						
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 comprehensive 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	3,697	65	1,032	-	1	4,795
	30,256	299	4,176	-	1	34,732
Loss carryforwards	120,631	16,449	993	-	-	138,073
	<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	452	-	( 452)	-	-	-
	<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 comprehensive 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	3,808	-	( 119)	-	8	3,697
	28,600	-	6,622	( 4,974)	8	30,256
Loss carryforwards	-	101,261	19,370	-	-	120,631
	<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	521	-	( 69)	-	-	452
	<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.

<u>Year of maturity</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
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

<u>Last tax year</u>	<u>Panther Technology Co., Ltd.</u>	<u>Sooner Power Semiconductor Co., Ltd.</u>	<u>Nexus Material Corporation</u>	<u>Lee Shin Investment Co., Ltd.</u>	<u>Ningbo Liyuan Technology Co., Ltd.</u>
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:

<u>December 31, 2023</u>	<u>December 31, 2022</u>
<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	(\$ <u>0.42</u> )
Potentially dilutive ordinary shares effect			
Remuneration of employees	<u>-</u>	<u>-</u>	
Diluted loss per share			
Net loss attributed to the owners of the Company			
Plus potentially dilutive ordinary shares effect	(\$ <u>156,458</u> )	<u>374,443</u>	(\$ <u>0.42</u> )
<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	<u>-</u>	<u>2,442</u>	
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

December 31, 2023	Level 1	Level 2	Level 3	Total
<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>
December 31, 2022				
<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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<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>\$ 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	200,000	-	-
	<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

Table 1

Unit: Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

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 endorsement/g 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

Table 2

Unit: Amounts expressed in thousands of New Taiwan Dollars/ of shares

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      Lee Shin Investment Co., Ltd.	<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	-	-	-
	<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

Table 3

Unit: Amounts expressed in thousands of New Taiwan Dollars

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)	(\$ 93,726)
	Panther Technology Co., Ltd. (Note 3)	Hsinchu County, Taiwan	IC testing	230,146	230,146	22,922,899	64	408,399	( 10,111 )	(\$ 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 )	( 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	352
	Nexus Material Corporation (Notes 2 and 3)	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	53,483	53,483	5,348,315	78	20,840	78	62
	Lingsen America Inc. (Note 3)	California, U.S.A.	Intermediary	32,311	32,311	1,000,000	100	65,773	1,424	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	-	-	-
Lee Shin Investment Co., Ltd.	Sooner Power Semiconductor Co., Ltd. (Note 3)	Hsinchu County, Taiwan	Electronic parts and components manufacturing	912	912	98,660	1	1,010	( 4 )	-
	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	16
Lingsen Holding (Samoa) Inc.	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 )	( 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

Table 5

Unit: Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

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.