

STOCK CODE: 8383

# **CHENFULL International Co., Ltd.**

## **2023 Financial Statements (Parent Company Only Financial Statements)**

### **Notice to readers**

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

Taiwan Stock Exchange Market Observation Post System:

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ChenFull International Annual Report is available at:

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

Printed on May 10, 2024

# **Independent Auditors' Report**

## **(Parent Company Only Financial Statements)**

To the Board of Directors and Shareholders of ChenFull International Corporation:

### **Opinion**

We have audited the accompanying parent financial statements of CHENFULL International Company Limited (the "Company"), which comprise the parent balance sheets as of December 31, 2023 and 2022, and the parent statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent financial statements present fairly, in all material respects, the parent financial position of the Company as of December 31, 2023 and 2022, and its parent financial performance and its parent cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matter**

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

Key audit matter for the Company's parent financial statements for the year ended December 31, 2023 are stated as follows:

#### Assessment of the Authenticity of Revenue from Specific Customers

Regarding the accounting policy for revenue recognition, please refer to Note 4(13) of the financial statements.

The sales revenue of CHENFULL International Co., Ltd. comes from the manufacturing and selling of various shoe machinery equipment, components, and materials for factory engineering pipelines. We analyzed the sales revenue data of each customer and screened customers that meet specific criteria. After evaluating that sales revenue from these customers with specific criteria has a higher risk, the authenticity of revenue recognition for such sales revenue is identified as a key audit matter.

We performed the following main response procedures for the above-mentioned key audit matter:

1. Understand, evaluate, and test the internal control system for revenue recognition, which is reasonable and effectively implemented.
2. Select a sample of specific customer sales revenue details, verify whether the relevant documents for revenue recognition are consistent, and confirm the authenticity of the sales revenue.
3. Obtain the details of sales returns after the period, randomly select and examine the relevant vouchers, and examine the reasonableness of the returns.

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

Management is responsible for the preparation and fair presentation of the Parent Financial Statement in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of Parent Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including Supervisors) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the Parent Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Parent 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 risks of material misstatement of the Parent Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Parent Financial Statements, including the disclosures, and whether the Parent

Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tseng, Chien-Ming and Liu, Shu-Lin.

Deloitte & Touche  
Taipei, Taiwan  
The Republic of China

February 27, 2024

	December 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 6 & 29)	\$ 247,853	\$ 118,797
Financial assets at fair value through profit or loss – current (Note 4, 7, & 29)	69,123	65,644
Contract assets – current (Note 4 & 21)	534,092	956,645
Notes receivable (Note 9 & 29)	14,051	9,392
Trade receivables (Note 4, 9, & 29)	68,396	240,301
Other receivables (Note 9 & 29)	1,855	1,953
Other receivables - related parties (Note 9, 29, & 30)	746	480
Inventories (Note 4 & 10)	295,675	401,376
Prepayments (Note 16)	11,712	12,618
Other financial assets – current (Note 16, 29, & 31)	101	101
Other current assets (Note 16)	<u>6,667</u>	<u>6,866</u>
Total current assets	<u>1,250,271</u>	<u>1,814,173</u>
<b>NON-CURRENT ASSETS</b>		
Financial assets at fair value through other comprehensive income – non-current (Note 4, 8, & 29)	30,084	30,004
Investments accounted for using equity method (Note 4 & 11)	1,417,157	1,486,350
Property, plant and equipment (Note 4 & 12)	681,834	572,286
Net investment property (Note 4 & 14)	362,968	259,250
Other intangible assets (Note 4 & 15)	6,692	10,870
Deferred tax assets (Note 4 & 23)	43,024	42,471
Other non-current assets (Note 16 & 29)	<u>45,553</u>	<u>74,377</u>
Total non-current assets	<u>2,587,312</u>	<u>2,475,608</u>
<b>TOTAL</b>	<u>\$ 3,837,583</u>	<u>\$ 4,289,781</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current contract liabilities (Note 4, 21, & 30)	\$ 155,833	\$ 118,633
Trade payables (Note 17 & 29)	132,084	493,369
Trade payables - related parties (Note 17, 29, & 30)	731	345
Other payables (Note 18 & 29)	86,523	123,698
Current tax liabilities (Note 4 & 23)	5,941	3,688
Other current liabilities (Note 18)	<u>1,666</u>	<u>1,347</u>
Total current liabilities	<u>382,778</u>	<u>741,080</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities (Note 4 & 23)	13,474	13,551
Net defined benefit liabilities – non-current (Note 4 & 29)	25,072	24,683
Other non-current liabilities (Note 18)	<u>12</u>	<u>12</u>
Total liabilities	<u>38,558</u>	<u>38,246</u>
Total liabilities	<u>421,336</u>	<u>779,326</u>
<b>EQUITY (Note 20)</b>		
Share capital		
Ordinary shares	<u>1,137,605</u>	<u>1,137,605</u>
Capital surplus		
Capital surplus – additional paid-in capital arising from ordinary share	258,010	258,010
Capital surplus – additional paid-in capital arising from bond conversion	207,018	207,018
Capital surplus – treasury stocks	1,440	736
Capital surplus – difference between consideration and carrying amount of subsidiaries acquired or disposed	544,174	521,174
Capital surplus – changes in ownership interests in subsidiaries	211,006	211,006
Capital surplus – consolidated additional paid-in capital	<u>10,618</u>	<u>10,618</u>
Total capital surplus	<u>1,232,266</u>	<u>1,208,562</u>
Retained earnings		
Legal reserve	493,635	465,623
Special reserve	13,106	18,139
Unappropriated earnings	<u>586,843</u>	<u>725,349</u>
Total retained earnings	<u>1,093,584</u>	<u>1,209,111</u>
Other equity		
Exchange differences on translation of foreign financial statements	( 18,647)	( 16,964)
Unrealized gains (losses) of financial instruments at fair value through other comprehensive income	<u>3,156</u>	<u>3,858</u>
Total other equity	<u>( 15,491)</u>	<u>( 13,106)</u>
Treasury shares	<u>( 31,717)</u>	<u>( 31,717)</u>
Total equity	<u>3,416,247</u>	<u>3,510,455</u>
<b>TOTAL</b>	<u>\$ 3,837,583</u>	<u>\$ 4,289,781</u>

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

(With Deloitte & Touche audit report dated February 27, 2024)

## ChenFull International Co., Ltd.

### PARENT STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023	2022
OPERATING REVENUE (Note 4, 21 & 30)		
Sales	\$ 393,866	\$ 615,744
Construction revenue	<u>855,278</u>	<u>1,355,697</u>
Total operating revenue	<u>1,249,144</u>	<u>1,971,441</u>
OPERATING COSTS (Note 10,19,22 & 30)		
Cost of goods sold	316,195	465,112
Construction costs	<u>731,581</u>	<u>1,249,322</u>
Total operating costs	<u>1,047,776</u>	<u>1,714,434</u>
GROSS PROFIT/(LOSS)	<u>201,368</u>	<u>257,007</u>
REALIZED PROFIT ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>-</u>	<u>4,576</u>
OPERATING EXPENSES (Note 19, 22 & 30)		
Selling and marketing expenses	55,464	60,999
General and administrative expenses	137,452	167,546
Research and development expenses	23,396	30,251
Expected credit loss	<u>2,045</u>	<u>959</u>
Total operating expenses	<u>218,357</u>	<u>259,755</u>
NET PROFIT/(LOSS) FROM OPERATIONS	( <u>16,989</u> )	<u>1,828</u>
NON-OPERATING INCOME AND EXPENSES (Note 22 & 30)		
Interest income	1,985	748
Other income	33,798	32,291
Other gains and losses	4,045	63,554
Financial costs	( \$ 1,181 )	( \$ 254 )
Share of profit or loss of subsidiaries accounted for using equity method (Note 11)	<u>155,901</u>	<u>231,465</u>
Total non-operating income and expenses	<u>194,548</u>	<u>327,804</u>
PROFIT/(LOSS) BEFORE INCOME TAX	177,559	329,632
INCOME TAX EXPENSE/(BENEFIT) (Note 4 & 23)	( <u>9,804</u> )	( <u>30,107</u> )
NET PROFIT/(LOSS) FOR THE PERIOD	<u>167,755</u>	<u>299,525</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plans	( 302 )	6,627
Unrealized (gain)/loss on fair value through other comprehensive income	80	951
Share of profit of subsidiaries accounted for using equity method	( 1,036 )	1,783
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	( 1,683 )	<u>2,238</u>
Other comprehensive income/(loss) for the period	<u>2,941</u>	<u>11,599</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>\$ 164,814</u>	<u>\$ 311,124</u>
EARNINGS PER SHARE (Note 24)		
From continuing operations		
Basic	<u>\$ 1.49</u>	<u>\$ 2.62</u>
Diluted	<u>\$ 1.48</u>	<u>\$ 2.61</u>

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

(With Deloitte & Touche audit report dated February 27, 2024)

ChenFull International Co., Ltd.

PARENT STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)

	Retained Earnings					Other Equity		Treasury Shares	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$1,181,925	\$1,491,515	\$465,623	\$17,730	\$ 445,636	(\$ 19,202)	\$ 1,063	(\$ 5,205)	\$ 3,579,085
Appropriations and distributions of earnings to special reserve for the year ended December 31, 2021				409	( 409)				
Issued to subsidiary dividend adjustment capital reserve	-	736	-	-	-	-	-	-	736
Other changes in capital reserve:									
Cash dividends distributed using capital reserve	-	( 295,481)	-	-	-	-	-	-	( 295,481)
Repurchase of treasury shares	-	-	-	-	-	-	-	( 207,720)	( 207,720)
Retirement of of treasury shares	( 44,320)	( 110,919)	-	-	( 25,969)	-	-	181,208	-
Share-based payment transaction of subsidiaries	-	13,118	-	-	-	-	-	-	13,118
Gain/Loss on non-controlling interests (Note 27)	-	161,618	-	-	-	-	-	-	161,618
Disposal of Partial Equity Interest in ChenFull Precision Subsidiary (Note 27)	-	( 52,025)	-	-	-	-	-	-	( 52,025)
Net profit (loss) for the year ended December 31, 2022	-	-	-	-	299,525	-	-	-	299,525
Other comprehensive income/(loss) for the year ended December 31,2022, net of income tax	-	-	-	-	6,566	2,238	2,795	-	11,599
Total comprehensive income/(loss) for the year ended December 31,2022	-	-	-	-	306,091	2,238	2,795	-	311,124
BALANCE AT December 31,2022	1,137,605	1,208,562	465,623	18,139	725,349	( 16,964)	3,858	( 31,717)	3,510,455
Appropriations and distributions of earnings for the year ended December 31, 2022:									
Legal reserve	-	-	28,012	-	( 28,012)	-	-	-	-
Reversal of special reserve	-	-	-	( 5,033)	5,033	-	-	-	-
Cash dividends for shareholders	-	-	-	-	( 282,726)	-	-	-	( 282,726)
Issued to subsidiary dividend adjustment capital reserve	-	704	-	-	-	-	-	-	704
Disposal of Partial Equity Interest in ChenFull Precision Subsidiary (Note 27)	-	23,000	-	-	-	-	-	-	23,000
Net profit/(loss) for the year ended December 31, 2023	-	-	-	-	167,755	-	-	-	167,755
Other comprehensive income/(loss) for the year ended December 31,2023, net of income tax	-	-	-	-	( 556)	( 1,683)	( 702)	-	( 2,941)
Total comprehensive income/(loss) for the year ended December 31,2023	-	-	-	-	167,199	( 1,683)	( 702)	-	164,814
BALANCE AT DECEMBER 31,2023	\$ 1,137,605	\$ 1,232,266	\$ 493,635	\$ 13,106	\$ 586,843	(\$ 18,647)	\$ 3,156	(\$ 31,717)	\$ 3,416,247

The accompanying notes are an integral part of the parent financial statements.  
(With Deloitte & Touche audit report dated February 27, 2024)

## ChenFull International Co., Ltd.

### PARENT STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Twelve Months Ended December 31	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 177,559	\$ 329,632
Adjustments for:		
Depreciation expenses	30,456	27,858
Amortization expense	4,814	6,275
Expected credit loss recognized/(reversed) on trade receivables	2,045	959
Net (gain)/loss on fair value changes of financial assets at fair value through profit or loss	( 3,479 )	6,590
Finance costs	1,181	254
Interest income	( 1,985 )	( 748 )
Dividend income	( 6,834 )	( 6,174 )
Stock-based compensation expense	-	6,762
Share of profit or loss of subsidiaries accounted for using equity method	( 155,900 )	( 231,465 )
(Gain)/loss on disposal of property, plant and equipment	( 470 )	( 69 )
Net (gain)/loss on disposal of financial assets at fair value through profit or loss	-	803
Loss (gain) of write-downs of inventories	( 7,142 )	912
Realized profit on intercompany sales	-	( 4,576 )
Gain on disposal of subsidiary	-	( 66,092 )
Changes in operating assets and liabilities		
(Increase)/decrease in contract assets	422,553	( 322,662 )
(Increase)/decrease in notes receivable	( 4,659 )	13,004
(Increase)/decrease in trade receivables	169,860	( 81,883 )
(Increase)/decrease in inventories	112,843	( 71,476 )
(Increase)/decrease in prepayments	906	53,597
(Increase)/decrease in other current assets	31	9,280
(Increase)/decrease in contract liabilities	37,200	24,467
Increase/(decrease) in trade payables	( 360,899 )	120,072
Increase/(decrease) in other payables	( 34,321 )	18,215
Increase/(decrease) in other current liabilities	319	297
Increase/(decrease) in net defined benefit liability	12	( 1,326 )
Cash generated from/(used in) operations	384,090	( 167,494 )
Interest received	1,985	760
Interest paid	( 1,181 )	( 254 )
Income tax paid	( 7,685 )	( 92,533 )
Net cash generated from/(used in) operating activities	( 377,209 )	( 259,521 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	-	( 90,414 )
Disposal of financial assets at fair value through other comprehensive income	-	57,522
Disposal of subsidiary (Note 26)	-	42
Payments for property, plant and equipment	( 178,360 )	( 23,615 )
Proceeds from disposal of property, plant, and equipment	487	92
Increase in refundable deposits	-	( 46 )
Decrease in refundable deposits	2,451	-
Purchase of intangible assets	( 636 )	( 3,624 )
Decrease in other financial assets	-	9,533
Increase in other non-current assets	( 41,860 )	( 68,727 )
Dividend received	252,491	141,730
Net cash inflow from investing activities	34,573	22,493
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	640,000	160,000
Decrease in short-term borrowings	( 640,000 )	( 160,000 )
Increase in deposits received	-	( 3 )
Cash dividends paid	( 282,726 )	( 295,481 )
Cost of treasury stock repurchase	-	( 207,720 )
Proceeds from disposal of subsidiary's partial equity	-	28,887
Net cash outflow from financing activities	( 282,726 )	( 474,317 )
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	129,056	( 711,345 )
CASH AND CASH EQUIVALENTS BALANCE AT THE BEGINNING OF THE YEAR	118,797	830,142
CASH AND CASH EQUIVALENTS BALANCE AT THE END OF THE YEAR	\$ 247,853	\$ 118,797

The accompanying notes are an integral part of the parent financial statements.  
(With Deloitte & Touche audit report dated February 27, 2024)

## ChenFull International Co., Ltd.

### NOTES TO PARENT ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

#### 1. Company history:

ChenFull International Co., Ltd. (the “Company”) was established in April, 1982. ChenFull International’s business scope includes semiconductor control equipment system engineering; buying, selling, designing, manufacturing, and constructing cleanroom, ultrapure water equipment pipelines, and various chemical engineering equipment; manufacturing and trading of various hydraulic, mechanical parts, factory engineering pipeline materials, and precision molds; design planning of package plant machinery and equipment and the manufacturing, processing, and trading of related material products; as well as the manufacturing and trading of various aircraft equipment.

ChenFull International’s stock has been listed and traded on Taipei Exchange (TPEX) since September 2004.

This parent only financial report is expressed in functional New Taiwan dollars of ChenFull International.

#### 2. Approval date and procedures of financial statements:

The parent only financial statements were authorized for issuance by the Board of Directors on Feb 22, 2024.

#### 3. New standards, amendments and interpretations adopted:

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company’s accounting policies:

- b. IFRSs approved by the Financial Supervisory Commission (FSC) for the year 2024.

<b>New standards, amendments and interpretations adopted</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless otherwise specified, the above new, revised, or amended standards or interpretations are effective for annual reporting periods beginning on or after the respective dates

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

Note 3: Exemption applicable to part of the disclosure requirements on first application of the Amendments.

As of the date of approval of this parent only financial report, the Company has assessed that the amendments to other standards and interpretations will not have a significant impact on its financial position and financial performance.

- c. IFRSs that have been issued by the IASB but have not yet been approved and published by the FSC for implementation.

<b>New standards, amendments and interpretations adopted</b>	<b>Effective Date Issued by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Undefined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendment to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless otherwise specified, the above new, revised, or amended standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: Applicable to annual reporting periods beginning on or after January 1, 2025. Effects are recognized in retained earnings of the first-time application date upon the first-time application of the Amendment. Should the presentation currency of the Company is a non-functional currency, the effects shall be recognized in exchange differences of foreign operations under the equity item denominated in first-time application date.

As of the date of issuance of this consolidated financial report, the Company continues to evaluate the impact of other new or revised standards or interpretations on its financial position and performance, and such impacts will be disclosed upon completion of the assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

This parent only financial report is prepared in accordance with the Financial Reporting Standards for Issuers of Securities.

- b. Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at fair value less plan assets, the parent only financial statements are prepared on a historical cost basis.

Fair value measurement is categorized into Level 1, Level 2, and Level 3 based on the degree of observability and significance of the inputs as follows:

- 1) Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in an active market on the measurement date.
- 2) Level 2 inputs: 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: Unobservable inputs for the asset or liability.

When preparing this parent only financial statement, subsidiaries, associates, and joint ventures were accounted for using equity method. To ensure that the profit or loss, other comprehensive income, and equity in this parent only financial statement for the reporting period is identical to the profit or loss, other comprehensive income, and equity attributable to the owner of the Company set out in the consolidated financial statement, several accounting differences between the preparation bases of the parent only and consolidated financial statements are adjustments in “investments accounted for using equity method,” “share of profit or loss of subsidiaries accounted for using equity method,” and other related equity items.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted for being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

The Company engages in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Company’s construction-related assets and liabilities.

d. Foreign currency

When the Company is preparing financial statements, transactions denominated in currencies other than the functional currency of each entity are translated into the functional currency at the exchange rates prevailing on the transaction dates.

Monetary items denominated in foreign currencies are translated into the functional currency at the closing exchange rates on each balance sheet date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rates on the dates when the fair values are determined, and any resulting exchange differences are recognized in current profit or loss, or in other comprehensive income, if the differences are due to changes in fair value and recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates on the transaction dates and are not re-measured subsequently.

When parent only financial statements are under preparation, assets and liabilities of foreign operations (including subsidiaries, associates, joint ventures, or branches whose operations are conducted in countries or currencies different from those of the Company) are translated into New Taiwan dollars at the exchange rates prevailing on each balance sheet date. Revenues and expenses are translated at the average exchange rates for the period, and any resulting exchange differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, semi-finished goods, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Costs and net realizable values are compared on the basis of items, except inventories belong to the same item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company accounts for its investments in subsidiaries using equity method.

Subsidiaries are entities (including structural entities) controlled by the Company.

Under equity method, investments are initially recognized according to the costs. Carrying amounts acquired subsequently will increase or decrease according to the Company’s share in subsidiaries’ profit or loss and other comprehensive income, and interest distribution. In addition, subsidiaries’ changes in equity are recognized according to the Company’s shareholding.

If changes in The Company’s ownership interests in subsidiaries do not lead to loss of control, the changes are accounted for as equity transaction. The differences between the carrying amount of investment and the fair value of considerations paid or received are recognized directly in equity.

When the Company’s loss in share in a subsidiary equals or exceeds its equity in that subsidiary (equity includes the carrying amount of the subsidiary and other long-term equity in The Company’s net investment in that subsidiary), the loss is recognized according to the shareholding.

The Company assesses impairment by considering cash generating units with the entire financial reports and comparing the recoverable and carrying amounts. If the recoverable amount of an asset increases, the reversal of the impairment loss is recognized as interest, given that the carrying amount after the reversal does not exceed the carrying amount of the asset without recognizing impairment loss less necessary amortization. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When losing control of a subsidiary, The Company evaluates its remaining investments in that subsidiary at fair value prevailing on the date of loss of control. The difference between fair value of the remaining investments and any disposal proceeds, and the carrying amount of the investments on the date of loss of control, is recognized in current profit or loss. In addition, the basis of accounting for all amounts related to the subsidiary

recognized in other comprehensive income shall be the same as the basis on which the Company directly disposes of relevant assets or liabilities.

The unrealized profits or losses of the Company's downstream transactions with subsidiaries are eliminated in parent only financial statements. Profits or losses arising from the Company's upstream and sidestream transactions, if irrelevant to the Company's equity in subsidiaries, are recognized in parent only financial statements.

g. Property, plant, and equipment

Property, plant and equipment are recognized with cost and are subsequently measured by the amounts of cost less accumulated depreciation and accumulated impairment.

For every significant part of property, plant and equipment, depreciation is accounted on a straight-line basis within their useful lives. At least annually, the estimated useful lives, residual values and depreciation method are reviewed, with changes in accounting estimates deferred.

When property, plant, and equipment are disposed of, the differences between the net disposal proceeds and the carrying amounts of the assets are recognized in profit or loss.

h. Investment property

Investment properties are held for earning rental income or capital appreciation or both.

Freehold investment properties are initially measured at cost (including transaction costs) and subsequently at cost less accumulated depreciation and accumulated impairment losses. Straight-line depreciation is used for the Company's investment properties.

Property, plant and equipment that are transferred to investment properties are measured at their carrying amounts at the date of reclassification.

When investment properties are disposed of, the differences between the net disposal proceeds and the carrying amounts of the assets are recognized in profit or loss.

i. Intangible assets

1) Acquired separately

Intangible assets with a limited useful life acquired separately are initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized using the straight-line method over their useful lives. At least annually, the estimated useful lives, residual values and amortization method are reviewed, with changes in accounting estimates deferred. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment losses.

2) Disposal

When intangible assets are disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in current profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets, investment properties, intangible assets (excluding goodwill), and contract costs

At each balance sheet date, the Company assesses whether there are any indications that property, plant and equipment, right-of-use assets, investment properties, intangible assets (excluding goodwill) may be impaired. If any impairment indicator exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to individual cash-generating units on a reasonable and consistent basis.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. When the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit or loss.

When an impairment loss reverses in a subsequent period, the carrying amount of the asset, cash-generating unit, or contract costs related asset is increased to the revised recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized in prior years (after deducting depreciation or amortization). The reversal of the impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized in the parent only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

On initial recognition of financial assets and financial liabilities, if financial assets and financial liabilities are not measured at fair value, they are measured at fair value plus transaction costs directly attributable to acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on the date of settlement.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss (FVTPL), financial assets at amortized cost, and equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with dividends and interests arising from the measurement recognized in other income and any gains or losses arising from remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and accounts receivable at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset; and
- ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by multiplying the effective interest rate by the amortized cost of the financial asset as of the reporting period subsequent to the credit impairment.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial and contract assets

The Company evaluates the impairment losses of financial assets measured at amortized cost (including accounts receivables), investments in equity instruments at FVTOCI, and contract assets according to expected credit loss on each balance sheet date.

The Company always recognizes a loss allowance for lifetime expected credit loss (i.e. ECL) for accounts receivables and contract assets. Other financial assets are first evaluated by their credit risks as of initial recognitions. When credit risks do not increase significantly, loss allowance is recognized for 12-month ECL. When credit risks increase significantly, loss allowance is recognized for lifetime ECL.

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

The carrying amounts of impairment losses of all financial assets are reduced by the allowance account, but, since loss allowance of investments in debt instruments at FVTOCI are recognized in other comprehensive income, their carrying amounts are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when the rights have been transferred to financial assets and nearly all the risks and rewards of ownership of the assets to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and consideration received is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount, and consideration received plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss. On derecognition of investments in equity instruments at FVTOCI, the cumulative gains or losses are transferred directly to retained earnings, instead of being reclassified as profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

On derecognizing a financial liability, the difference between its carrying amount and the consideration paid (including any non-cash asset transferred or liability assumed) is recognized in profit or loss.

1. Revenue recognition

1) Sales revenue

Revenue from the sale of goods and trade receivables are recognized when goods are delivered to locations designated by clients because clients have the rights of pricing and using the goods, and they are held liable for resale and the risks of obsolescence by that point in time.

2) Construction contracts

For construction contracts where the property is under the control of the customer during the construction process, the Company recognizes revenue over time. Since the costs incurred in construction are directly related to the degree of completion of the performance obligations, the Company measures the progress towards completion based on the proportion of actual costs incurred to the estimated total costs. The Company recognizes contract assets progressively during the construction process and reclassifies them as receivables upon billing. If the payments received from the work exceed the amount of revenue recognized, the difference is recognized as a contract liability. Retentions held by the customer under the contract terms are intended to ensure the Company fulfills all contract obligations and are recognized as contract assets until the performance obligations are completed.

If the outcome of the performance obligations cannot be measured reliably, revenue from the construction is recognized only to the extent that it is probable that the incurred costs will be recoverable.

m. Leasing

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

1) The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred from operating lease payments are calculated with the carrying amounts of the target assets, and are recognized as expenses on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the amount of initial measurement of lease liabilities, lease payments less lease incentives received before the commencement date, and any initial direct costs incurred and an estimate of costs needed 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 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, in-substance fixed payments, variable lease payments which depend on an index or a rate, lessee's expected payment with guaranteed residual value, exercise prices of prospective option purchases with reasonable assurance, and penalties of termination of leases incurred during the lease terms, less lease incentives received. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined contribution retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, changes in effects of asset limits, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. The remeasurement is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

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

1) Current tax

Income tax imposed on unappropriated earnings according to the Income Tax Act of the Republic of China is recognized in the years of the resolutions of shareholders' meetings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is calculated according to the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized when there are probable taxable profits for offsetting tax arising from deductible temporary differences, loss carryforwards, and research and development expenditures.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except when the Company is able to control the point in time when the reversal of the temporary difference occurs and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized when it is probable that there will be sufficient taxable profits for realizing the benefits from the temporary differences and that the temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period. Its carrying amount is increased when it is probable to generate a sufficient taxable profit for it to recover all or part of the asset.

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

3) Current and deferred taxes for the period

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

**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

When adopting accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other relevant factors when information is not readily available from other sources. Actual results may differ from estimates.

The management will continue to review estimates and underlying assumptions. If the revision of estimates affects only the current period, it will be recognized in that period. If the revision of accounting estimates affects both the current period and future periods, it will be recognized in both the current and future periods.

**6. CASH AND CASH EQUIVALENTS**

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 551	\$ 635
Checking accounts and demand deposits	<u>247,302</u>	<u>118,162</u>
	<u>\$ 247,853</u>	<u>\$ 118,797</u>

The interest rate ranges for bank deposits and time deposits on the balance sheet dates are as follows:

	December 31, 2023	December 31, 2022
Bank deposits	0.51%~1.45%	0.001%~1.05%

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31, 2023	December 31, 2022
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares investments	\$ 8,525	\$ 8,540
Mutual funds	<u>60,598</u>	<u>57,104</u>
	<u>\$ 69,123</u>	<u>\$ 65,644</u>

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Investments in equity instruments at FVTOCI

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic investment		
Unlisted stocks		
Ordinary shares	\$ 30,084	\$ 30,004

the Company invests in unlisted stocks for its medium to long-term strategic objectives and expects to earn profits through long-term investments. The management believes that if the short-term fair value fluctuations of these investments are recognized in the income statement, it would not align with the aforementioned long-term investment plan. Therefore, the Company chooses to designate these investments as measured at fair value through other comprehensive income.

#### 9. NOTES RECEIVABLE, TRADE RECEIVABLE, OTHER RECEIVABLES AND OVERDUE RECEIVABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 14,322	\$ 9,663
Less: Loss allowance	( 271 )	( 281 )
	<u>\$ 14,051</u>	<u>\$ 9,392</u>
<u>Trade receivable – non-related parties</u>		
At amortized cost		
Gross carrying amount	\$ 71,961	\$ 243,737
Less: Loss allowance	( 3,565 )	( 3,436 )
	<u>\$ 68,396</u>	<u>\$ 240,301</u>
<u>Other receivables</u>		
Others	<u>\$ 1,855</u>	<u>\$ 1,953</u>
<u>Other receivables – related parties</u>		
Others	<u>\$ 746</u>	<u>\$ 480</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 12,726	\$ 10,810
Less: Loss allowance	( 12,726 )	( 10,810 )
	<u>\$ -</u>	<u>\$ -</u>

##### a. Notes receivable

###### December 31, 2023

	<u>Non-overdue</u>	<u>Overdue 1~90 days</u>	<u>Total</u>
ECL rate	1.89%	-	
Gross carrying amount	\$ 14,322	\$ -	\$ 14,322
Loss allowance (lifetime ECL)	( 271 )	-	( 271 )
Amortized cost	<u>\$ 14,051</u>	<u>\$ -</u>	<u>\$ 14,051</u>

###### December 31, 2022

	<u>Non-overdue</u>	<u>Overdue 1~90 days</u>	<u>Total</u>
ECL rate	2.90%	-	
Gross carrying amount	\$ 9,663	\$ -	\$ 9,663
Loss allowance (lifetime ECL)	( 271 )	-	( 271 )
Amortized cost	<u>\$ 9,392</u>	<u>\$ -</u>	<u>\$ 9,392</u>

There is no change in loss allowance for notes receivables for the years ended December 31, 2023 and 2022.

##### b. Trade receivable

###### Trade receivable measured at amortized cost

The Company's average credit period of goods sale is net 60 days end of month, from the date of invoice. When determining the recoverability of trade receivables, the Company shall consider all the changes in credit quality from the initial date of the credit period to the balance sheet date.

To mitigate credit risks, the management assigns a task force responsible for credit limit determination, credit granting, and other monitoring procedures to ensure proper actions be taken to recover overdue trade receivables. In addition, the Company shall review the recoverable amount of each trade receivable on the balance sheet date to ensure the irrecoverable trade receivables are recognized as proper impairment loss. Regarding this, the management believes that the Company's credit risks have significantly decreased.

The Company adopts a simplified approach of IFRS 9 and recognizes the loss allowance for trade receivables for lifetime ECLs. Lifetime ECLs are calculated with provision matrix, which considers clients' default records, present financial situations, and the economic situations in their industries. the Company's experience of credit loss suggests no difference among the losses of different clients. Hence, the provision matrix calculates the ECL rate with solely the overdue days of trade receivables instead of client types.

If evidence shows the counterparty is in serious financial difficulties and the Company cannot reasonably expect the recoverable amounts, such as the counterparty is under liquidation, the Company shall write off relevant trade receivables and continue the recourse activities. The recourse amounts are recognized in profit and loss.

The Company's loss allowance for trade receivables measured with provision matrix:

December 31, 2023

	<u>Non-overdue</u>	<u>Overdue 1~ 90 days</u>	<u>Overdue 91~ 180 days</u>	<u>Overdue 181~270 days</u>	<u>Overdue more than 270 days</u>	<u>Total</u>
ECL rate	0.62%	0.62%	62.61%	100%	100%	
Gross carrying amount	\$66,843	\$ 1,789	\$ 511	\$ 1,901	\$ 917	\$ 71,961
Loss allowance (lifetime ECL)	( <u>416</u> )	( <u>11</u> )	( <u>320</u> )	( <u>1,901</u> )	( <u>917</u> )	( <u>3,565</u> )
Amortized cost	<u>\$ 66,427</u>	<u>\$ 1,778</u>	<u>\$ 191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,396</u>

December 31, 2022

	<u>Non-overdue</u>	<u>Overdue 1~ 90 days</u>	<u>Overdue 91~ 180 days</u>	<u>Overdue 181 ~270 days</u>	<u>Overdue more than 270 days</u>	<u>Total</u>
ECL rate	0.66%	28.20%	45.47%	59.93%	100%	
Gross carrying amount	\$239,031	\$ 2,907	\$ 1,094	\$ 409	\$ 296	\$ 243,737
Loss allowance (lifetime ECL)	( <u>1,578</u> )	( <u>820</u> )	( <u>497</u> )	( <u>245</u> )	( <u>296</u> )	( <u>3,436</u> )
Amortized cost	<u>\$ 237,453</u>	<u>\$ 2,087</u>	<u>\$ 597</u>	<u>\$ 164</u>	<u>\$ -</u>	<u>\$ 240,301</u>

Changes in loss allowance for trade receivables:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Balance on January 1	\$ 3,436	\$ 3,242
Plus: Recognized impairment loss of the year	2,045	959
Less: Reclassification of the year	( <u>1,916</u> )	( <u>765</u> )
Balance on December 31	<u>\$ 3,565</u>	<u>\$ 3,436</u>

Changes in loss allowance for overdue receivables:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Balance on January 1	\$ 10,810	\$ 10,045
Plus: Reclassification of the year	<u>1,916</u>	<u>765</u>
Balance on December 31	<u>\$ 12,726</u>	<u>\$ 10,810</u>

## 10. INVENTORIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 149,755	\$ 151,893
Work-in-process	101,074	159,495
Finished goods	44,631	89,590
Inventory goods	<u>215</u>	<u>398</u>
	<u>\$ 295,675</u>	<u>\$ 401,376</u>

Detailed costs of goods sold:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Costs of sold inventories	\$ 320,892	\$ 453,108
Loss (gain) of write-downs of inventories	( 7,142)	912
Others	<u>2,445</u>	<u>11,092</u>
	<u>\$ 316,195</u>	<u>\$ 465,112</u>

Recovery on net realizable values of inventories is due to partial inventory price increase.

## 2. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-listed companies		
CHENFENG MACHINERY & ENTERPRICE CO., LTD.	\$ 176,747	\$ 128,389
CHEN FULL HOLDING CO., LTD.	78,115	124,960
CHENFULL PRECISION CO., LTD.	<u>1,162,295</u>	<u>1,233,001</u>
	<u>\$ 1,417,157</u>	<u>\$ 1,486,350</u>
	<u>Percentage of ownership interests and voting rights</u>	
<u>Subsidiary</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
CHENFENG MACHINERY & ENTERPRICE CO., LTD.	100%	100%
CHEN FULL HOLDING CO., LTD.	100%	100%
CHENFULL PRECISION CO., LTD.	63%	63%
	<u>The Company's share</u>	
<u>Subsidiary</u>	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
CHENFENG MACHINERY & ENTERPRICE CO., LTD.	\$ 25,436	\$ 6,751
CHEN FULL HOLDING CO., LTD.	( 385 )	22,636
CHENFULL WATER RESOURCES CO., LTD.	-	( 25,385 )
CHENFULL PRECISION CO., LTD.	<u>130,849</u>	<u>227,463</u>
	<u>\$ 155,900</u>	<u>\$ 231,465</u>

For the disclosure of the Company's disposal of ChenFull Water Resources Co., Ltd., please refer to Note 28 of the consolidated financial report for the year ended December 31, 2023.

For details of the Company's indirect investments in subsidiaries, please refer to Table 4.

The shares of subsidiaries' profit or loss and other comprehensive income accounted for using equity method for the years ended December 31, 2023 and 2022, are recognized according to each subsidiary's audited financial report for the same period.

## 3. PROPERTY, PLANT, AND EQUIPMENT

### Freehold

	<u>Freehold land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2023	\$ 359,477	\$ 345,823	\$ 85,569	\$ 54,545	\$ 2,604	\$ 848,018
Addition	166,411	5,119	3,272	704	-	175,506
Disposal	-	( 2,250 )	( 1,114 )	( 1,400 )	-	( 4,764 )
Reclassification	68,288	1,659	-	-	( 1,714 )	68,233
Transfer to investment property	( 90,602 )	( 23,528 )	-	-	-	( 114,130 )
Balance at December 31, 2023	<u>\$ 503,574</u>	<u>\$ 326,823</u>	<u>\$ 87,727</u>	<u>\$ 53,849</u>	<u>\$ 890</u>	<u>\$ 972,863</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2023	\$ -	\$ 169,780	\$ 62,455	\$ 43,497	\$ -	\$ 275,732
Disposal	-	( 2,250 )	( 1,097 )	( 1,400 )	-	( 4,747 )
Depreciation expense	-	13,642	8,169	3,722	-	25,533
Transfer to investment property	-	( 5,489 )	-	-	-	( 5,489 )
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 175,683</u>	<u>\$ 69,527</u>	<u>\$ 45,819</u>	<u>\$ -</u>	<u>\$ 291,029</u>
Carrying amounts at December 31, 2023	<u>\$ 503,574</u>	<u>\$ 151,140</u>	<u>\$ 18,200</u>	<u>\$ 8,030</u>	<u>\$ 890</u>	<u>\$ 681,834</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 398,601	\$ 349,950	\$ 76,371	\$ 52,508	\$ 1,858	\$ 879,288
Addition	-	6,954	8,210	7,813	2,603	25,580
Disposal	-	( 335 )	( 88 )	( 6,266 )	-	( 6,689 )
Reclassification	-	1,857	1,076	490	( 1,857 )	1,566
Transfer to investment property	( 39,124 )	( 12,603 )	-	-	-	( 51,727 )
Balance at December 31, 2022	<u>\$ 359,477</u>	<u>\$ 345,823</u>	<u>\$ 85,569</u>	<u>\$ 54,545</u>	<u>\$ 2,604</u>	<u>\$ 848,018</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2022	\$ -	\$ 158,208	\$ 55,053	\$ 46,894	\$ -	\$ 260,155
Disposal	-	( 335 )	( 64 )	( 6,267 )	-	( 6,666 )
Depreciation expense	-	13,909	7,466	2,870	-	24,245
Transfer to investment property	-	( 2,002 )	-	-	-	( 2,002 )
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 169,780</u>	<u>\$ 62,455</u>	<u>\$ 43,497</u>	<u>\$ -</u>	<u>\$ 275,732</u>
Carrying amount at December 31, 2022	<u>\$ 359,477</u>	<u>\$ 176,043</u>	<u>\$ 23,114</u>	<u>\$ 11,048</u>	<u>\$ 2,604</u>	<u>\$ 572,286</u>

For the need of expansion and operation, the Company acquired 5,639.26 m<sup>2</sup> of farmlands in the Changfa section of Dayuan District, Taoyuan City, numbered 0497, 0499, and 0500, with a recognized freehold land cost of NT\$234,699 thousand. Due to legal restrictions, the Company was not allowed to register ownership of farmlands. The Company hence signed the Contract of Borrowing Other's Name for Real Estate Registration on March 3, 2023, with an employee with yeoman status, who acquired the farmlands, and stipulated the ownership of the farmlands. In addition, the caution of the land ownership is registered to the Company; the employee has no right of *de facto* disposal unless consented by the Company.

Depreciation expenses are accrued using the straight-line method over useful lives:

Building	
Main buildings	5 to 56 years
Electrical engineering	20 to 21 years
Water supply and drainage equipment	10 to 11 years
Air-conditioning equipment	7 to 9 years
Others	2 to 21 years
Machinery equipment	2 to 11 years
Other equipment	2 to 11 years

The Company did not recognize or reverse impairment losses for the years ended December 31, 2023 and 2022.

#### 4. LEASE AGREEMENT

##### Other lease information

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Expense from short-term leases	<u>\$ 14,998</u>	<u>\$ 18,591</u>
Expense from leases of low-value assets	<u>\$ 956</u>	<u>\$ 974</u>
Gross cash (outflow) of leases	<u>(\$ 15,954)</u>	<u>(\$ 19,565)</u>

The Company applied exemption of recognition to leases qualified as short-term leases and leases of low-value assets. These leases are not recognized as relevant right-of-use assets and lease liabilities.

#### 5. INVESTMENT PROPERTY

	<u>Completed investment property</u>
<u>Cost</u>	
Balance on January 1, 2023	\$ 293,884
From property, plant, and equipment	<u>114,130</u>
Balance on December 31, 2023	<u>\$ 408,014</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2023	\$ 34,634
From property, plant, and equipment	5,489
Depreciation expense	<u>4,923</u>
Balance on December 31, 2023	<u>\$ 45,046</u>
Net amount on December 31, 2023	<u>\$ 362,968</u>
<u>Cost</u>	
Balance on January 1, 2022	\$ 242,157
From property, plant, and equipment	<u>51,727</u>
Balance on December 31, 2022	<u>\$ 293,884</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2022	\$ 29,019
From property, plant, and equipment	2,002
Depreciation expense	<u>3,613</u>
Balance on December 31, 2022	<u>\$ 34,634</u>
Net amount on December 31, 2022	<u>\$ 259,250</u>

Lease terms for investment properties are 1-2 years. Lessees do not have the bargain purchase price option of the investment properties when the lease terminates.

Future receivable lease payments from leasing investment properties through operating lease are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
First year	\$ 6,422	\$ 3,690
Second year	<u>58</u>	<u>-</u>
	<u>\$ 6,480</u>	<u>\$ 2,194</u>

Depreciation expenses are accrued using the straight-line method over useful lives:

Main building	20 years
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The fair value of the investment properties on December 31, 2023, was NT\$613,682 thousand. Such fair value was evaluated by the Company's management according to the market trend of transaction prices similar to those of real estate in its vicinity, instead of by an independent evaluator.

## 6. OTHER INTANGIBLE ASSETS

	Cost of computer software
<u>Cost</u>	
Balance at January 1, 2023	\$ 22,794
Addition	636
Disposal	( 6,922 )
Balance at December 31, 2023	<u>\$ 16,508</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2023	\$ 11,924
Amortization expense	4,814
Disposal	( 6,922 )
Balance at December 31, 2023	<u>\$ 9,816</u>
Carrying amount at December 31, 2023	<u>\$ 6,692</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 27,715
Addition	3,624
Disposal	( 8,545 )
Balance at December 31, 2022	<u>\$ 22,794</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 14,194
Amortization expense	6,275
Disposal	( 8,545 )
Balance at December 31, 2022	<u>\$ 11,924</u>
Carrying amount at December 31, 2022	<u>\$ 10,870</u>

In addition to the recognition of amortization expense, no significant disposal and impairment of the Company's intangible assets occurred in the years ended December 31, 2023 and 2022.

Amortization expenses are accrued using the straight-line method over useful lives:

Cost of computer software	1 to 5 years
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Aggregated amortization expenses by functions:

	For the years ended December 31, 2023	For the years ended December 31, 2022
Operating cost	\$ 1,514	\$ 970
Operating expense	<u>3,300</u>	<u>5,305</u>
	<u>\$ 4,814</u>	<u>\$ 6,275</u>

## 7. OTHER ASSETS

	For the year ended December 31, 2023	For the year ended December 31, 2022
<u>Current</u>		
Prepayments	<u>\$ 11,712</u>	<u>\$ 12,618</u>
Other financial assets – current		
Time deposits pledged (a) (Note 33)	<u>\$ 101</u>	<u>\$ 101</u>
Other current assets		
Temporary payments	\$ 6,645	\$ 6,822
Advances to employees	<u>22</u>	<u>44</u>
	<u>\$ 6,667</u>	<u>\$ 6,866</u>
<u>Non-current</u>		
Other non-current assets		
Other receivables (b)		
Other receivables	\$ 73,948	\$ 73,948
Less: Allowance for uncollectible accounts	( 73,948 )	( 73,948 )
Equipment prepayments	42,356	68,729
Conveyancing land (c)	1,114	1,114
Refundable deposits	<u>2,083</u>	<u>4,534</u>
	<u>\$ 45,553</u>	<u>\$ 74,377</u>

- a. As of December 31, 2023 and December 31, 2022, the annual interest rate range of time deposits pledged were 1.565% and 1.44%, respectively.
- b. Other receivables – non-current

ChenFull International contracted the construction of Haohan Zhongxiao Construction Co., Ltd. (hereinafter referred to as Haohan Co. Ltd.). Because of the dispute about contract interpretation, payments and amount between both sides, ChenFull International appealed to Haohan Co., Ltd. for construction payments of NT\$110,821 thousand. Subsequently, on September 30, 2011, excluding the NT\$7,368 thousand still under

litigation, the Company reached a settlement and made a notarial certificate with Haohan Co., Ltd., with Haohan Co., Ltd. paying NT\$92,499 thousand for the rest of the amount (including construction receivable and performance guarantee NT\$84,851 thousand, and court costs NT\$7,468 thousand, reported as other non-current assets). Regarding the lawsuit above, on March 25, 2014, the high court judged that Haohan Co., Ltd. had to pay the Company construction payments plus interest totalled NT\$9,383 thousand, which was issued for debt obligation on record by the court. In addition, because Haohan Co., Ltd. did not repay its debt according to the settlement, the Company has petitioned to the court for the compulsory execution. It won the lawsuit and received debt obligation from the court for appealing to the former person in charge of Haohan Co., Ltd., Chen Shui-Tu, for NT\$92,499 thousand according to the liability for endorsement. After the compulsory execution, the Company has gradually received NT\$10,903 thousand. The rest appealed NT\$73,948 thousand to Haohan Co., Ltd mentioned above has been recognized as 100% allowance for uncollectible accounts.

c. Conveyancing land

For the need of operation expansion, ChenFull International acquired 6,454 m<sup>2</sup> farmlands with land number 1065-0086 and 0015 at Xucuo Harbor, Dayuan Township, Taoyuan County, which cost \$25,120 thousand. Due to legal restrictions, the Company was not allowed to register farmland ownership. the Company (hereinafter referred to as Party A) hence entered into an agreement on October 21, 2002, with its former chairman, Xu Zhi-Hong (hereinafter referred to as Party B), who had the yeoman status, that Party B acquired the farmland for Party A. The land was transferred to Party A on November 5, 2002. Both sides expressed clearly the ownership of the farmland. Party B agreed to unconditionally waive all claims of right, and, when the regulation on farmland transfer was loosened, or farmland transfer became possible due to changes in urban planning, to unconditionally provide documents necessary for the transfer without causing difficulties or demanding a markup. the Company obtained the approval letter of changing part of land categories from the competent authority and completed the land transfer in August, 2009. At the end of 2011, a new plant in Dayuan was completed; it serves as the production base for factory engineering tubes manufacturing.

As of December 31, 2023, lands numbered 0488-0000 and 0484-0000, split out from the land numbered 1065-0015, measured 281.98 m<sup>2</sup>, are still farmlands. They are reserved for the government for waterway management plans and recognized as other non-current assets – other for NT\$1,114 thousand.

**8. PAYABLES**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Payables (including related parties)</u>		
Incurred by operation	<u>\$ 132,815</u>	<u>\$ 493,714</u>

The average credit period for purchases of a part of the goods is one to four months. No interest shall arise for payables. the Company has formulated its financial risk management policy to ensure that all the payables are settled within the agreed credit period.

**9. OTHER LIABILITIES**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Payables for purchases of equipment	\$ 537	\$ 3,391
Payables for salaries and premiums	34,773	46,945
Payables for employees' compensations	26,589	20,804
Payables for directors' remunerations	3,800	3,810
Payables for annual leaves	4,352	4,906
Others	<u>16,472</u>	<u>43,842</u>
	<u>\$ 86,523</u>	<u>\$ 123,698</u>
Other current liabilities		
Temporary receipts	\$ 520	\$ -
Receipts under custody	<u>1,146</u>	<u>1,347</u>
	<u>\$ 1,666</u>	<u>\$ 1,347</u>
<u>Non-current</u>		
Other non-current liabilities		
Deposits received	<u>\$ 12</u>	<u>\$ 12</u>

**10. RETIREMENT BENEFIT PLANS**

a. Defined contribution plans

The Company adopted a pension plan applicable to the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

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

The amounts in respect of the defined benefit plans included in the consolidated balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 26,272	\$ 36,199
Fair value of plan assets	( 1,200)	( 11,516)
Net defined benefit liability	<u>\$ 25,072</u>	<u>\$ 24,683</u>

Changes in the net defined benefit liability are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
January 1, 2023	\$ 36,199	(\$ 11,516)	\$ 24,683
Interest expense (income)	<u>613</u>	<u>( 200)</u>	<u>413</u>
Recognized in profit or loss	<u>613</u>	<u>( 200)</u>	<u>413</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 18)	( 18)
Actuarial loss – changes in financial assumptions	1,881	-	1,881
Actuarial gain – experience adjustment	<u>( 1,486)</u>	<u>-</u>	<u>( 1,486)</u>
Recognized in other comprehensive income	<u>395</u>	<u>( 18)</u>	<u>377</u>
Contributions from the employer	-	( 401)	( 401)
Benefits paid	<u>( 10,935)</u>	<u>10,935</u>	<u>-</u>
December 31, 2023	<u>\$ 26,272</u>	<u>(\$ 1,200)</u>	<u>\$ 25,072</u>
January 1, 2022	\$ 50,242	(\$ 15,949)	\$ 34,293
Service cost			
Current service cost	58	-	58
Interest expense (income)	<u>251</u>	<u>( 81)</u>	<u>170</u>
Recognized in profit or loss	<u>309</u>	<u>( 81)</u>	<u>228</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 1,666)	( 1,666)
Actuarial loss – changes in financial assumptions	( 3,741)	-	( 3,741)
Actuarial gain – experience adjustment	<u>( 2,877)</u>	<u>-</u>	<u>( 2,877)</u>
Recognized in other comprehensive income	<u>( 6,618)</u>	<u>( 1,666)</u>	<u>( 8,284)</u>
Contributions from the employer	-	( 537)	( 537)
Benefits paid	<u>( 7,734)</u>	<u>6,717</u>	<u>( 1,017)</u>
December 31, 2022	<u>\$ 36,199</u>	<u>(\$ 11,516)</u>	<u>\$ 24,683</u>

Amounts in respect of defined benefit plans recognized in profit or loss are consolidated by their functions as follows:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Operating costs	\$ 98	\$ 117
Selling and marketing expenses	33	16
Administrative expenses	253	85
Research and development expenses	<u>29</u>	<u>10</u>
	<u>\$ 413</u>	<u>\$ 228</u>

The Company is exposed to the following risks due to the pension system under the Labor Standards Law:

- Investment risk: The plan assets are invested in domestic and foreign equity, debt securities, bank deposits, etc. at the discretion of the Bureau or under the mandated management. However, the returns generated by plan assets should not be below the amounts calculated with the interest rate for a 2-year time deposit at local banks.
- Interest risk: A decrease in government bond yield will increase the present value of the defined benefit obligation, which, however, will be offset by an increase in the return on debt investment of the plan assets, and influence the net defined benefit liability.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries and wages of plan participants. An increase in the participants' salaries and wages will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company were carried out by qualified actuaries. The significant assumptions used for the valuations are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.2224%	1.6940%
Expected rate of salary increase	3.0000%	2.5000%

Mortality rate is based on the data of the 2021 Taiwan Standard Ordinary Experience Mortality Table.

Disability rate is calculated as 10% of the mortality rate.

Dimission rate is a smoothed rate calculated based on the past data of dimission rate provided by the Company and the consideration of the future trend.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.5% increase	( \$ 932 )	( \$ 1,444 )
0.5% decrease	\$ 996	\$ 1,541
Expected rate of salary increase		
0.5% increase	\$ 966	\$ 1,508
0.5% decrease	( \$ 915 )	( \$ 1,428 )

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected contributions to the plan for the next year	\$ 413	\$ 551
Average duration of the defined benefit obligation	7.51 years	8.46 years

## 11. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	150,000	150,000
Authorized share capital	\$ 1,500,000	\$ 1,500,000
Shares issued and fully paid (in thousands)	113,761	113,761
Share capital issued	\$ 1,137,605	\$ 1,137,605

The face value of each ordinary share issued is NT\$10. Each share grants the holder the right to vote and receive dividends.

On May 12, 2022, the board of directors resolved to retire 4,432 thousand treasury shares. The record date of the capital reduction is May 27, 2022, and the registration of the retirement was completed on the same date, resulting in decreases in share capital by NT\$44,320 thousand, capital surplus by NT\$110,919 thousand, and unappropriated retained earnings by NT\$25,969.

### b. Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u>		
Additional paid-in capital	\$ 258,010	\$ 258,010
Premium over bond conversion	207,018	207,018
Treasury share transactions	1,440	736
Difference between consideration and carrying amount of subsidiaries acquired or disposed	544,174	521,174
Consolidated excess	10,618	10,618
<u>May only be used to offset a deficit</u>		
Changes in ownership interests in subsidiaries (Note 2)	211,006	211,006
	<u>\$ 1,232,266</u>	<u>\$ 1,208,562</u>

Note 1: This capital surplus category may be used to offset deficits, and distributed as cash or transferred to share capital when the Company suffers no deficits. However, only a fixed proportion of the annual paid-in capital can be transferred to share capital.

Note 2: This capital surplus category refers to the effects of equity transactions recognized due to changes in interests in subsidiaries or the adjustments from capital surplus of subsidiaries recognized by the Company using the equity method when the Company does not acquire or dispose of the equity of subsidiaries.

### c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit unless the legal reserve has reached the paid-in capital of the Company, and setting aside or reversing a special reserve in accordance with the laws and regulations or partially retaining the profit. Any remaining profit, together with any undistributed retained earnings, shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors in the Articles of Incorporation, refer to employees' compensation and remuneration of directors and supervisors in Note 22-g.

The Company's dividends policy is enforced in accordance with the comprehensive operating environment and industrial characteristics. An appropriate distribution plan is devised based on the Company's future financial structure and capital budgets, comprehensively considering the Company's profit status, unappropriated retained earnings, and capital surplus. In principle, to ensure a stable corporate development and maximize the shareholders' interests, dividends distributed for a fiscal year shall not be lower than 50% of the distributable earnings of the year, and cash dividends shall be no lower than 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for the years ended December 31, 2022 and 2021, were resolved by the board of directors on May 31, 2023, and May 27, 2022, in the shareholders' meetings and are as follows:

	Appropriation of earnings	
	For the year ended December 31, 2022	For the year ended December 31, 2021
Legal reserve	\$ 28,012	\$ -
Special reserve	( \$ 5,033 )	\$ 409
Cash dividends	\$ 282,726	\$ -
Cash dividends per share (NT\$)	\$ 2.5	\$ -

The Company's shareholders' meeting on May 27, 2022, also resolved to distribute NT\$295,481 thousand cash from the capital surplus.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the year ended December 31, 2023	For the year ended December 31, 2022
Balance at January 1	( \$ 16,964 )	( \$ 19,202 )
Recognized during the period		
Exchange differences on translation of foreign financial statements	( 1,683 )	2,238
Other comprehensive income during the period	( 1,683 )	2,238
Balance at December 31	( \$ 18,647 )	( \$ 16,964 )

2) Unrealized profit or loss of financial assets measured at fair value through other comprehensive income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Balance at January 1	\$ 3,858	\$ 1,063
Recognized during the period		
Unrealized profit or loss of equity instruments	80	951
Influences of subsidiaries recognized using equity method	( 782 )	1,844
Other comprehensive income for the period	( 702 )	2,795
Balance at December 31	\$ 3,156	\$ 3,858

e. Treasury shares

Purpose of buyback	Shares dividend (in thousands of shares)	Shares transferred to employees (in thousands of shares)	Buyback for retirement (in thousands of shares)	Shares held by subsidiaries (in thousands of shares)	Total (in thousands of shares)
Number of shares at January 1, 2023	63	670	-	219	952
Number of shares at December 31, 2023	63	670	-	219	952
Number of shares at January 1, 2022	63	-	-	219	282
Increase	-	670	4,432	-	5,102
Decrease	-	-	( 4,432 )	-	( 4,432 )
Number of shares at December 31, 2022	63	670	-	219	952

To motivate employees, increase solidarity, maintain the Company's creditworthiness and shareholders' interests, the Company's board of directors resolved to buy back 10,000 thousand shares on March 9, 2022, at the shareholders' meeting, of which 2,000 thousand shares were transferred to employees and 8,000 thousand shares were used for maintaining the Company's creditworthiness and shareholders' interests. The buyback periods were between March 10, 2022, and March 18, 2022, and between March 21, 2022, and May 8, 2022. The buyback price range was NT\$28.63 to NT\$48. The buyback continued when the price was below the price range. The Company had bought back 5,102 thousand shares for the year ended December 31, 2022, which was NT\$207,720 thousand in total.

The buyback shares shall be transferred to employees within five years as stipulated by the Securities and Exchange Act. Shares not transferred within this period shall be considered unissued shares. The Company shall register for the change.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

The Company's shares held by its subsidiaries on the balance sheet date are as follows:

Name of subsidiary	Number of shares held (in thousands of shares)	Carrying amount	Market price
<u>December 31, 2023</u>			
Chenfeng Machinery & Enterprise Co., Ltd.	282	\$ 10,735	\$ 10,735
<u>December 31, 2022</u>			
Chenfeng Machinery & Enterprise Co., Ltd.	282	\$ 10,636	\$ 10,636

The subsidiaries holding treasury shares retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 12. REVENUE

	For the year ended December 31, 2023	For the year ended December 31, 2022
Customer contract revenue		
Sale of goods revenue	\$ 393,866	\$ 615,744
Construction revenue	855,278	1,355,697
	<u>\$ 1,249,144</u>	<u>\$ 1,971,441</u>

### a. Description of customer contract revenue

#### 1) Sale of goods revenue

As the goods are delivered to the customer's designated place, the customer has the right to set the price and use the goods, and has the primary responsibility for reselling, and bears the risk of obsolescence of the goods. The Company recognizes the income and receivable at that point in time.

#### 2) Construction revenue

Property is a property construction contract controlled by the client during the construction process, and the Company gradually recognizes revenue over time.

### b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Trade receivables (Note 9)	\$ 68,396	\$ 240,301	\$ 159,377
Contract assets – current			
Construction	\$ 534,092	\$ 956,645	\$ 633,983
Contract liabilities – current			
Sale of goods	\$ 4,303	\$ 8,542	\$ 8,520
Construction	151,530	110,091	85,646
	<u>\$ 155,833</u>	<u>\$ 118,633</u>	<u>\$ 94,166</u>

## 13. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### a. Interest income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Bank deposits	\$ 1,266	\$ 665
Repurchase agreements collateralized by bonds	-	5
Financial assets at FVTPL	666	-
Others	53	78
	<u>\$ 1,985</u>	<u>\$ 748</u>

### b. Other income

	For the year ended December 31, 2023	For the year ended December 31, 2022
Rental income		
Investment property (Note 14)	\$ 5,918	\$ 6,109
Rental income from operating leases		
– Others	354	351
Dividends income	6,834	6,174
Other income	20,692	19,657
	<u>\$ 33,798</u>	<u>\$ 32,291</u>

c. Other gains and losses

	For the year ended December 31, 2023	For the year ended December 31, 2022
Gain on disposal of property, plant, and equipment	\$ 470	\$ 69
Loss on disposal of financial assets		
Financial assets at FVTPL	-	( 803 )
Gain/(loss) on financial assets		
Financial assets at FVTPL	3,479	( 6,590 )
Gain on disposal of subsidiaries	-	66,092
Net foreign exchange gains/(losses)	251	5,151
Other losses	( 155 )	( 365 )
	<u>\$ 4,045</u>	<u>\$ 63,554</u>

d. Finance costs

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest on bank loans	<u>\$ 1,181</u>	<u>\$ 254</u>

e. Depreciation and amortization

	For the year ended December 31, 2023	For the year ended December 31, 2022
Property, plant, and equipment	\$ 25,533	\$ 24,245
Investment property	4,923	3,613
Intangible assets	4,814	6,275
	<u>\$ 35,270</u>	<u>\$ 34,133</u>
Analysis of depreciation by function		
Operating costs	\$ 17,780	\$ 14,536
Operating expenses	12,676	13,322
	<u>\$ 30,456</u>	<u>\$ 27,858</u>
Analysis of amortization by function		
Operating costs	\$ 1,514	\$ 970
Operating expenses	3,300	5,305
	<u>\$ 4,814</u>	<u>\$ 6,275</u>

f. Employee benefit expense

	For the year ended December 31, 2023	For the year ended December 31, 2022
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 11,517	\$ 12,292
Defined benefit plans	413	228
	<u>11,930</u>	<u>12,520</u>
Share-based payments		
Equity-settled payments (Note 25)	-	6,762
Other employee benefits	290,922	336,730
Total employee benefits expense	<u>\$ 302,852</u>	<u>\$ 356,012</u>
Analysis of employee benefits expense by function		
Operating costs	\$ 175,346	\$ 203,391
Operating expenses	127,506	152,621
	<u>\$ 302,852</u>	<u>\$ 356,012</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the year ended December 31, 2023 and 2022, the employees' compensation and the remuneration of directors and supervisors were resolved by the board of directors on February 22, 2024, and March 13, 2023, respectively, and are shown as follows:

Accrual rate

	For the year ended December 31, 2023	For the year ended December 31, 2022
Employees' compensation	5.27%	4.30%
Remuneration of directors and supervisors	1.99%	1.09%

Amount

	For the year ended December 31, 2023	For the year ended December 31, 2022
	Cash	Cash
Employees' compensation	\$ 10,090	\$ 15,000
Remuneration of directors and supervisors	3,800	3,810

If there is a change in the amounts after the annual parent only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and carried to the report for the next fiscal year.

There is no difference between the amounts of the employees' compensation and the remuneration of directors and supervisors resolved by the board of directors in 2022 and 2021, and the amounts recognized in the parent only financial statements on 2022 and 2021.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

#### 14. INCOME TAX RELATED TO CONTINUING OPERATION

##### a. Major components of tax expense (income) recognized in profit or loss

	For the year ended December 31, 2023	For the year ended December 31, 2022
Current tax		
Current period	\$ 1,661	\$ 3,741
Repatriated offshore funds	8,871	-
Adjustment for prior periods	( 593 )	13,600
	<u>9,939</u>	<u>17,341</u>
Deferred tax		
In respect of the current period	( 64 )	4,301
Adjustments on prior years	( 71 )	8,465
	<u>( 135 )</u>	<u>12,766</u>
Income tax recognized in profit or loss	<u>\$ 9,804</u>	<u>\$ 30,107</u>

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
Profit before tax from continuing operations	<u>\$ 177,559</u>	<u>\$ 329,632</u>
Income tax expense calculated with profit before tax at the statutory rate	\$ 35,512	\$ 65,926
Nondeductible expenses in determining taxable income	20	5,283
Repatriated offshore funds	8,871	-
Tax-exempt income	( 32,554 )	( 61,564 )
Investment tax credits for the period	( 1,381 )	( 1,603 )
Adjustments for prior years' deferred tax	( 71 )	8,465
Adjustments for prior years' tax	( 593 )	13,600
Income tax expenses recognized in profit or loss	<u>\$ 9,804</u>	<u>\$ 30,107</u>

##### b. Income tax recognized in other comprehensive income

	For the year ended December 31, 2023	For the year ended December 31, 2022
<u>Deferred tax</u>		
In respect of the current period		
-Exchange on foreign operations	\$ 419	( \$ 559 )
-Remeasurement of defined benefit plans	76	( 1,657 )
Income tax expenses recognized in other comprehensive income	<u>\$ 495</u>	<u>( \$ 2,216 )</u>

##### c. Current tax assets and liabilities

	December 31, 2023	December 31, 2022
Current tax liabilities		
Income tax payable	<u>\$ 5,941</u>	<u>\$ 3,688</u>

##### d. Deferred tax assets and liabilities

###### For the year ended December 31, 2023

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized cost of goods sold	\$ 542	\$ 1,394	\$ -	\$ 1,936
Payable for annual leave	1,104	( 111 )	-	993
Unrealized profit or loss on exchanges	6	163	-	169
Unrealized loss on allowance for inventory valuation	\$ 14,524	( \$ 1,428 )	\$ -	\$ 13,096
Excess in allowance for uncollectible accounts	17,016	739	-	17,755
Defined benefit plans	5,201	( 3 )	76	5,274
Exchange difference on foreign operations	2,576	-	419	2,995
Financial assets at FVTPL	1,502	( 696 )	-	806
	<u>\$ 42,471</u>	<u>\$ 58</u>	<u>\$ 495</u>	<u>\$ 43,024</u>

(Continued)

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investment	(\$ 13,551)	\$ 77	\$ -	(\$ 13,474)

For the year ended December 31, 2022

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized costs of goods sold	\$ 702	(\$ 160)	\$ -	\$ 702
Payable for annual leave	1,095	9	-	1,095
Unrealized gross profit	915	( 915)	-	915
Unrealized profit or loss on exchanges	268	( 262)	-	268
Unrealized loss on allowance for inventory valuation	20,068	( 5,544)	-	20,068
Excess in allowance for uncollectible accounts	19,752	( 2,736)	-	19,752
Defined benefit plans	6,858	-	( 1,657)	6,858
Exchange difference on foreign operations	3,135	-	( 559)	3,135
Financial assets at FVTPL	133	1,369	-	133
	<u>\$ 52,926</u>	<u>(\$ 8,239)</u>	<u>(\$ 2,216)</u>	<u>\$ 52,926</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Foreign investments	(\$ 9,024)	(\$ 4,527)	\$ -	(\$ 9,024)

e. Income tax assessment

The profit-seeking enterprise income taxes declared by the Company until the year ended December 31, 2021, have been assessed by the tax authorities.

**15. EARNINGS PER SHARE**

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

Net profit for the period

	For the year ended December 31, 2023	For the year ended December 31, 2022
Profits used in the computation of basic earnings per share	<u>\$ 167,755</u>	<u>\$ 299,525</u>
Profits used in the computation of diluted earnings per share	<u>\$ 167,755</u>	<u>\$ 299,525</u>

Number of ordinary shares (in thousands of shares)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	112,809	114,179
Effect of potentially dilutive ordinary shares: Employees' compensation	<u>334</u>	<u>397</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>113,143</u>	<u>114,576</u>

If the Company offers to settle compensation or bonuses paid to employees in cash or shares, it assumes the entire amount of the compensation or bonuses be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

**16. SHARE-BASED PAYMENT TRANSACTION**

Retaining employees' share options for cash capital increase

The board of directors of ChenFull Precision, a subsidiary of the Company, resolved on December 10, 2021, to issue 5,379 thousand new shares through cash capital increase before listing on the OTC market. This cash capital increase was authorized by Taipei Exchange and effective on December 28, 2021. As resolved by the board of directors, the record date for the cash capital increase is March 9, 2022.

A part of the shares issued through the above-mentioned cash capital increase were retained for control and for the employees to subscribe to. The grant date was January 21, 2022.

Information of the employees' share options is as follows:

Employees' share options	For the year ended December 31, 2022	
	Unit (in thousands of shares)	Weighted average exercise price (NT\$)
Ordinary shares outstanding in the beginning of the period	-	\$ -
Granted in the period	215	66
Exercised in the period	( 215 )	66
Ordinary shares outstanding in the end of the period	-	-
Exercisable in the end of the period	-	-
Weighted average of fair value of share options granted to employees for the period (NT\$)	\$ 31.4515	

For share options exercised in the year ended December 31, 2022, the weighted average of exercise price on the exercise date was NT\$66.

The Company used the Black-Scholes model to price the share options granted to employees. The input values for the model is as follows:

	January, 2022
Number of shares	215 thousand shares
Restriction period of share transfer	No restriction
Fair value per share on grant date	NT\$97.42
Exercise price	NT\$66
Expected volatility	18.563%
Duration	0.1123 year
Risk-free rate	0.48755%

The recognized cost of compensations and remunerations for the year ended December 31, 2022, was NT\$25,350 thousand.

#### 17. DISPOSAL OF INVESTMENTS IN SUBSIDIARIES – LOSS OF CONTROL

The Company signed an equity transfer agreement with Yuanshan Management Consulting Co., Ltd. in May, 2022, to transfer all the shares of ChenFull Water Resources. The transfer was completed on May 30, 2022, and the Company has since lost control of that subsidiary. For information about the disposal of ChenFull Water Resources, please refer to Note 28 of the Company's consolidated financial report for the year ended December 31, 2023.

#### 18. PARTIAL ACQUISITION OR DISPOSAL OF INVESTMENTS IN SUBSIDIARIES – NO EFFECT ON CONTROLLING INTEREST

The Company waived its right to subscribe to ChenFull Precision's shares issued through cash capital increase and disposed of 0.74% of its shares, lowering the shareholding from 70.12% to 63%.

The transaction above did not alter the Company's control over the stated subsidiary, so it is viewed as an equity transaction. Relevant information can be found in Note 29 of the Company's consolidated financial report for the year ended December 31, 2023.

#### 19. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital, capital surplus, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, the Company may balance the capital structure through dividend payments, share issuance and buyback, new debt issuance, or existing debt redemption.

#### 20. FINANCIAL INSTRUMENT

##### a. Information of fair value – Financial instruments not measured at fair value

The management of the Company believed that the carrying amounts of financial liabilities financial instruments not measured at fair value approach their fair value.

##### b. Information of fair value – Financial instruments measured at fair value on a recurring basis

###### 1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ 8,525	\$ -	\$ -	\$ 8,525
Mutual funds	60,598	-	-	60,598
	<u>\$ 69,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,123</u>
<u>Financial assets at FVTOCI</u>				
Equity instrument investment				
– Domestic unlisted shares	\$ -	\$ -	\$ 30,084	\$ 30,084

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares	\$ 8,540	\$ -	\$ -	\$ 8,540
Mutual funds	<u>57,104</u>	<u>-</u>	<u>-</u>	<u>57,104</u>
	<u>\$ 65,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,644</u>
<u>Financial assets at FVTOCI</u>				
Equity instrument investment				
– Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,004</u>	<u>\$ 30,004</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of financial instruments measured at Level 3 fair value

For the year ended December 31, 2023

<u>Financial assets</u>	<u>Financial assets at FVTOCI Equity instruments</u>
Opening balance	\$ 30,004
Recognized in other comprehensive income (unrealized valued profit or loss of financial assets at FVTOCI)	<u>80</u>
Closing balance	<u>\$ 30,084</u>

For the year ended December 31, 2022

<u>Financial assets</u>	<u>Financial assets at FVTOCI Equity instruments</u>
Opening balance	\$ 29,053
Recognized in other comprehensive income (unrealized valued profit or loss of financial assets at FVTOCI)	<u>951</u>
Closing balance	<u>\$ 30,004</u>

3) Evaluation techniques and assumptions for fair value measurement

The fair values of financial assets and financial liabilities are determined in the following ways:

The fair values of financial assets and financial liabilities meeting standard criteria and traded at a volatile market are determined by the market price. If no market price is available for reference, they are estimated using valuation approaches. The estimates and assumptions used by the Company in the valuation approach are consistent with the information used by market participants as estimates and assumptions when pricing financial products.

Unquoted equity securities

Unquoted equity securities measured at fair value are included in the Company's financial statement. Such fair value is evaluated reasonably by market valuation approaches – price-to-earnings ratio approach, price-to-sales ratio approach, and price-book ratio approach.

c. Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
<u>FVTPL</u>		
Mandatorily at FVTPL	\$ 69,123	\$ 65,644
Financial assets at amortized cost (1)	333,002	371,024
Refundable deposits	2,083	4,534
<u>Financial assets at FVTOCI</u>		
Equity instrument investment	30,084	30,004
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	147,282	537,711

- (1) The balances comprise financial assets measured at amortized cost, which include cash and cash equivalents, note receivables, trade receivables, other receivables, other financial assets, etc.
- (2) The balances comprise financial liabilities measured at amortized cost, which include trade payables (including those for related parties) and other payables (including those for related parties, but excluding payable employees' benefits), etc.

d. Financial risk management objectives and policies

The Company's prime objective of risk management is to manage operation-relevant market, credit, and liquidity risks. The Company identifies, measures, and manages the above risks based on its policies and risk appetite.

The Company has established appropriate policies, procedures, and internal control systems in accordance with relevant regulations for the above financial risks management. Important financial activities shall be reviewed by the board of directors in accordance with relevant regulations and internal control systems. The Company shall comply with relevant financial risk management regulations.

1) Market risk

The Company's operating activities exposed it primarily to the financial risks of changes in foreign exchange rates (see (a) below) and interest rates (see (b) below).

(a) Currency risk

The carrying amounts of the Company's non-functional currency-denominated monetary assets and monetary liabilities are set out in Note 33.

Sensitivity analysis

The Company is mainly subject to the fluctuations of the U.S. dollar exchange rate.

The table below details the Company's sensitivity to a 1% increase or decrease in New Taiwan dollar (the functional currency) against the relevant foreign currencies. One percent is the sensitivity rate used when reporting currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in exchange rates. The positive numbers below indicate an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal impact on pre-tax profit and other equity, except that the numbers would be negative.

	Impact of U.S. dollar	
	For the year ended December 31, 2023	For the year ended December 31, 2022
Profit or loss	\$ 460	\$ 420

(b) Interest rate risk

Interest rate risks refer to the fluctuation risks of fair values of financial instruments or future cash flows incurred by changes in the market interest rates.

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

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
– Financial assets	\$ 101	\$ 101
– Financial liabilities	-	-
Cash flow interest rate risk		
– Financial assets	247,302	118,162
– Financial liabilities	-	-

Sensitivity analysis

The Company's fixed-rate financial assets and financial liabilities are not analyzed because they are measured at amortized costs. The computations in the sensitivity analysis relevant to interest rate risks are based on the financial assets at the end of the reporting period. The Company reports to the management about changes in interest rates when the market rate increases/decreases by 0.25% for reasonable risk assessment. If all the other variables had remained unchanged and the market rate had increased/decreased by 25%, the Company's profits before tax from January to December, 2023 and 2022, would have increased/decreased NT\$618 thousand and NT\$295 thousand, respectively.

(c) Other price risks

The Company is exposed to equity price risks due to equity security investments and mutual funds.

Sensitivity analysis

The following sensitivity analysis is conducted with the equity price exposure on the balance sheet date.

If equity prices had increased/decreased by 5%, the profits before tax from January to December, 2023 and 2022, would have increased/decreased NT\$3,456 thousand and NT\$3,282 thousand respectively due to the increase/decrease in the fair values of financial assets at FVTPL. Other comprehensive incomes before tax from January to December, 2023 and 2022, would have increased/decreased NT\$1,504 thousand and NT\$1,500 thousand respectively due to the increase/decrease in the fair values of financial assets at FVTOCI.

There were no significant changes in the Company's sensitivity to equity security investments this period, compared to the prior period.

2) Credit management

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risks which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopts a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. To mitigate credit risks, the Company's management has established a management and control procedure to determine the lines of credit and grant credits, ensuring the recovery of overdue receivables. In addition, the Company will double-check the recovered receivables one after another at the end of the reporting period to ensure the unrecoverable receivables are accounted as reasonable impairment loss. The Company's management believes that the Company's credit risks have been significantly mitigated, so the credit risks are limited.

The Company's credit risks mainly concentrate on its top five clients. As of December 31, 2023 and 2022, respectively, 88% and 87% of the Company's receivables were on the top five clients. Other receivables did not impose credit concentration risks as significant as those clients.

### 3) Liquidity risk

The Company manages liquidity risks by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, the Company's management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Bank borrowings constitute an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company had available unutilized financing facilities set out in (b) below.

#### (a) Table of liquidity and interest rate risks for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table is drawn up based on the undiscounted cash flows of financial liabilities (including the principle and estimated interests) from the earliest date on which the Company can be required to pay. The maturity analysis for other non-derivative financial liabilities are based on the agreed repayment dates.

##### December 31, 2023

	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3+ years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Trade payables	\$132,815	\$ -	\$ -	\$ -	\$132,815
Other payables	<u>14,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,467</u>
	<u>\$147,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$147,282</u>

##### December 31, 2022

	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3+ years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Trade payables	\$493,714	\$ -	\$ -	\$ -	\$493,714
Other payables	<u>43,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,997</u>
	<u>\$537,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$537,711</u>

#### (b) Financing facilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank credit and commercial paper facilities (reviewed annually)		
— Amount used	\$ 2,000	\$ 2,000
— Amount unused	<u>998,000</u>	<u>1,198,000</u>
	<u>\$ 1,000,000</u>	<u>\$ 1,200,000</u>

## 21. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

#### a. Related parties and their relationships with the Company

<u>Related party</u>	<u>Relationship</u>
Chenfeng Machinery (Dongguan) Co., Ltd.	Subsidiary
Chenfeng Machinery & Enterprise Co., Ltd.	Subsidiary
ChenFull Precision Co., Ltd.	Subsidiary

#### b. Operating revenue

<u>Account</u>	<u>Related party</u>	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Sales revenue	Chenfeng Machinery & Enterprise Co., Ltd.	<u>\$ 13,321</u>	<u>\$ 2,768</u>
Sales return	Chenfeng Machinery & Enterprise Co., Ltd.	<u>\$ -</u>	<u>\$ 8,057</u>

The prices of transactions and payment terms for the Company's sales to related parties are not significantly different from those to general clients.

#### c. Purchases

<u>Related party</u>	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Chenfeng Machinery & Enterprise Co., Ltd.	<u>\$ -</u>	<u>\$ 17,571</u>
Chenfeng Machinery (Dongguan) Co., Ltd.	<u>\$ 602</u>	<u>\$ 603</u>

The prices of transactions and payment terms for the Company's purchases from related parties are not significantly different from those from general clients.

#### d. Receivables from related parties

<u>Account</u>	<u>Related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables	Chenfeng Machinery & Enterprise Co., Ltd.	\$ 343	\$ 480
	ChenFull Precision Co., Ltd.	<u>403</u>	<u>-</u>
		<u>\$ 746</u>	<u>\$ 480</u>

No guarantees are collected for the outstanding receivables from related parties. Receivables from related parties for the years ended December 31, 2023 and 2022, are not accounted as loss allowance.

e. Payables to related parties

Account	Related party	December 31, 2023	December 31, 2022
Trade receivables	Chenfeng Machinery (Dongguan) Co., Ltd.	\$ 731	\$ 345

No guarantees are provided for the balance of outstanding payables to related parties.

f. Lease agreements – lessee

Lease expense

Lessor	Subject matter	Lease and rental payment	For the year ended December 31, 2023	For the year ended December 31, 2022
ChenFull Precision Co., Ltd.	Equipment room	NT\$8,000 per month, paid monthly	\$ 96	\$ 96

g. Lease agreements – lessor

The aggregated lease payments which shall be received in the future are set out as follows:

Related parties	For the year ended December 31, 2023	For the year ended December 31, 2022
The Company's subsidiaries	\$ 4,920	\$ 4,920

An aggregated lease income is as follows:

Lessee	Subject matter	Rent collection	For the year ended December 31, 2023	For the year ended December 31, 2022
ChenFull Precision Co., Ltd.	Office and plant	NT\$400 thousand, collected monthly	\$ 4,800	\$ 4,800
ChenFull Precision Co., Ltd.	Office	NT\$10 thousand, collected monthly	\$ 120	\$ 120

h. Others

Account	Related party	December 31, 2023	December 31, 2022
Advance (accounted as contract liability)	Chenfeng Machinery (Dongguan) Co., Ltd.	\$ 2,360	\$ 7,326
Other advances	ChenFull Precision Co., Ltd.	\$ 59	\$ -
Service revenue (accounted as other revenues)	Chenfeng Machinery & Enterprise Co., Ltd.	\$ 3,086	\$ 3,715
Rental income (accounted as other revenues)	Chenfeng Machinery & Enterprise Co., Ltd.	\$ 998	\$ 1,189
Repairs and maintenance income (accounted as other revenues)	ChenFull Precision Co., Ltd.	\$ 14,787	\$ 14,058
Shipping income (accounted as other revenues)	Chenfeng Machinery (Dongguan) Co., Ltd.	\$ 19	\$ -
Shipping expense (accounted as other expenses)	ChenFull Precision Co., Ltd.	\$ 33	\$ 25

i. Remuneration of key management

	For the year ended December 31, 2023	For the year ended December 31, 2022
Short-term employees' benefits	\$ 17,514	\$ 17,628
Retirement benefits	487	494
	\$ 18,001	\$ 18,122

**22. PLEDGED ASSETS**

The following assets were provided as collateral for business needs:

	December 31, 2023	December 31, 2022
Other financial assets – current		
Pledged deposits	\$ 101	\$ 101

**23. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS**

In addition to those disclosed in other notes, significant commitments and contingencies of the Company are as follows:

- As of December 31, 2023, the Company deposited guarantee notes of NT\$1,037,138 thousand for lines of credit, business commitments, and construction warranties.
- As of December 31, 2023, ChenFull International of the Company received guarantee notes from providers of NT\$42,150 thousand for guaranteed commitments or warranties.

- c. The Company has entered into contracts with other companies for land and equipment purchase and plant refurbishment. The amount for the contracts totaled NT\$49,496 thousand. As of December 31, 2023, the Company has paid NT\$43,246 thousand (accounted as equipment advance and property under construction). The remaining NT\$6,250 thousand has not been paid yet.

## 24. INFORMATION OF FOREIGN-CURRENCY-DENOMINATED ASSETS AND LIABILITIES WITH SIGNIFICANT INFLUENCE

The following information is expressed with the Company's aggregated foreign currencies other than functional currencies. The disclosed exchange rates refer to the rates of translating foreign currencies into functional currencies. Foreign-currency-denominated assets and liabilities with significant influence are as follows:

December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 1,502	30.705 (USD:TWD)	\$ 46,135
RMB	6,073	4.327 (RMB:TWD)	26,277
EUR	72	33.98 (EUR:TWD)	2,439
JPY	18,705	0.217 (JPY:TWD)	4,063
			<u>\$ 78,914</u>
<u>Non-monetary items</u>			
Subsidiaries accounted for using equity method			
USD	2,544	30.705 (USD:TWD)	<u>\$ 78,115</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	5	30.705 (USD:TWD)	\$ 151
RMB	119	4.327 (RMB:TWD)	514
			<u>\$ 665</u>

December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 1,392	30.71 (USD:TWD)	\$ 42,747
RMB	447	4.408 (RMB:TWD)	1,971
EUR	62	32.72 (EUR:TWD)	2,028
JPY	2,508	0.232 (JPY:TWD)	582
			<u>\$ 47,328</u>
<u>Non-monetary items</u>			
Subsidiaries accounted for using equity method			
USD	4,069	30.71 (USD:TWD)	<u>\$ 124,960</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	25	30.71 (USD:TWD)	<u>\$ 776</u>

For the years ended December 31, 2023 and 2022, the Company's realized and unrealized foreign exchange gains and losses were a NT\$251 thousand gain and a NT\$5,151 thousand gain, respectively. It is impractical to disclose net foreign exchange gains (losses) by each foreign currency significant influence due to the variety of the foreign currency transactions and functional currencies of the Company's entities.

## 25. DISCLOSED ITEMS

- a. Significant transactions and,  
b. Reinvested enterprises:

No.	Item	Note
1	Loans to others	N.A.
2	Endorsements and guarantees provided	Table 1
3	Securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures)	Table 2
4	Accumulated amount of buying or selling the same security exceeding NT\$300 million or 20% of paid-in capital	N.A.
5	Amount of property acquired exceeding NT\$300 million or 20% of paid-in capital	Table 3
6	Amount of property disposed exceeding NT\$300 million or 20% of paid-in capital	N.A.
7	Amount of purchases and sales with related parties exceeding NT\$100 million or 20% of paid-in capital	N.A.
8	Amount of receivables from related parties exceeding NT\$100 million or 20% of paid-in capital	N.A.
9	Derivative transactions	N.A.
10	Information of investees	Table 4

c. Information of investments in mainland China:

No.	Item	Note
1	Name of investees in mainland China, their principal business activities, paid-in capitals, methods of investment, inward and outward remittance of funds, shareholding percentage, investment profits or losses, carrying amount of the investments at the end of the period, repatriations of investment incomes, and limits on the amount of investment in the mainland China area	Table 5
2	Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses	
	(1) Amount and percentage of purchases and balance and percentage of the related receivables at the end of the period	Table 6
	(2) Amount and percentage of sales and balance and percentage of the related receivables at the end of the period	Table 6
	(3) Amount of asset transactions and generated profits or losses	N.A.
	(4) Balance of note endorsements/guarantees or collaterals provided at the end of the period and their objectives	N.A.
	(5) Highest balance, period-end balance, interest rate interval, and total interest for the current period of financing	N.A.
	(6) Other transactions with significant influence in the current profit or loss or financial situation, such as providing or receiving services	N.A.

d. Information of key shareholders: The names, numbers and percentages of shares held of shareholders with more than 5% of shareholding. are set out in Table 7.

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023**  
(In Thousands of New Tawian Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limit on endorsement/guarantee given on behalf of a single party (Note 3: a, (2))	Maximum balance endorsed/guaranteed during the period	Period-end balance endorsed/ guaranteed	Actual borrowing amount	Amount endorsed/guaranteed by collateral	Ratio of accumulated endorsement/ guarantee to net equity in latest financial statements (%)	Aggregate endorsement/ guarantee limit (Note 3)	Endorsement /Guarantee given by parent on behalf of subsidiaries	Endorsement /Guarantee given by subsidiaries on behalf of parent	Endorsement /Guarantee given on behalf of companies in Mainland China
		Name	Relationship (Note 2)										
0	ChenFull International Co., Ltd.	ChenFull Precision Co., Ltd.	(2)	\$683,187	\$ 38,487	\$ 38,487	\$ 38,487	\$ -	1.13%	\$683,249	Y	N	N

Note 1: Explanation of the number column is as follows:

- (1) Issuer is numbered 0.
- (2) Investees are numbered from 1 to onwards.

Note 2: The relationships between endorser/guarantor and endorsee/guarantee are as follows:

- (1) Companies with business accounts
- (2) Subsidiaries holding more than 50% of ordinary equity of the Company
- (3) Investee companies of which more than 50% of ordinary equity is held by the parent and subsidiaries combined
- (4) Parent companies holding more than 50% of ordinary equity directly or indirectly through subsidiaries
- (5) Mutually endorsed/guaranteed companies based on contracts due to the need of contracting constructions
- (6) Companies endorsed/guaranteed by all the contributing shareholders according to their shareholding due to joint investments.

Note 3: Calculation and amount of limit on endorsement/guarantee

a. Limit on endorsement/guarantee given on behalf of a single party:

- (1) The Company's limit on endorsement/guarantee given on behalf of a single party is determined according to the Company's endorsement/guarantee procedure. The limit shall not exceed 10% of the Company's net value of the current period (2023.12.31).
- (2) The Company's limit on endorsement/guarantee given on behalf of a single affiliated Company is determined according to the Company's endorsement/guarantee procedure. The limit shall not exceed 20% of the Company's net value of the current period (2023.12.31).

b. Aggregate endorsed/guaranteed limit:

- (1) The Company's accumulated external endorsed/guaranteed limit is determined according to the Company's endorsement/guarantee procedure. The limit shall not exceed 20% of the Company's net value of the current period (2023.12.31).

**MARKETABLE SECURITIES HELD AT THE END OF THE PERIOD  
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In Thousands of New Tawian Dollars, Unless Stated Otherwise)

Name of holding subsidiary	Type and name of marketable securities	Relationship with the issuer	Financial statement account	At the end of the period				Note
				Shares	Carrying amount	Percentage of ownership	Fair value	
ChenFull International Co., Ltd.	<u>Domestic unlisted shares</u>							
	Main Chau Enterprise Co., Ltd.	N.A.	Financial assets at fair value through other comprehensive income – non-current	2,703,905	\$ 21,804	9.45	\$ 21,804	
	<u>Unpublic stocks</u>							
	Taiwan Incubator SME Development Corporation	N.A.	Ditto	854,360	\$ 8,280	1.21	\$ 8,280	
	<u>Domestic mutual funds</u>							
	Yuanta/P-shares Taiwan Top 50 ETF	N.A.	Financial assets at fair value through profit or loss – current	160,000	\$ 21,672	0.01	\$ 21,672	
	Yuanta 2-10 Year Investment Grade Corporate Bond Fund	N.A.	Ditto	3,000,000	30,259	3.23	30,259	
Cathay FTSE China A50 ETF	N.A.	Ditto	462,000	8,667	0.19	8,667		
					\$ 60,598		\$ 60,598	
	<u>Domestic listed shares</u>							
	Fubon Financial Holding Co., Ltd. Pfd.	N.A.	Financial assets at fair value through profit or loss – current	155,000	\$ 8,525	0.05	\$ 8,525	
Chenfeng Machinery & Enterprise Co., Ltd.	<u>Domestic listed shares</u>							
	ChenFull International Co., Ltd.	Parent Company	Financial assets at fair value through other comprehensive income – non-current	281,759	\$ 10,735	0.25	\$ 10,735	
	<u>Domestic emerging market shares</u>							
	IGIANT Optics Co., Ltd.	N.A.	Financial assets at fair value through other comprehensive income – non-current	66,000	\$ 1,062	0.19	\$ 1,062	

(Continued)

Name of holding subsidiary	Type and name of marketable securities	Relationship with the issuer	Financial statement account	At the end of the period				Note
				Shares	Carrying amount	Percentage of ownership	Fair value	
	<u>Unpublic stocks</u>							
	iMagic Technology Co., Ltd.	N.A.	Financial assets at fair value through other comprehensive income – non-current	46,750	\$ -	0.19	\$ -	
	EnviroLink Co., Ltd.	N.A.	Ditto	35,000	\$ -	0.25	\$ -	
	<u>Domestic mutual funds</u>							
	Yuanta/P-shares Taiwan Top 50 ETF	N.A.	Financial assets at fair value through profit or loss – current	100,000	\$ 13,545	-	\$ 13,545	
	Cathay FTSE China A50 ETF	N.A.	Ditto	490,000	9,192	0.21	9,192	
	Yuanta Japan Leaders Equity Fund (A)	N.A.	Ditto	1,002,004	10,020	-	10,020	
					<u>\$ 32,757</u>		<u>\$ 32,757</u>	
	<u>Domestic listed shares</u>							
	Feng Tay Enterprises Co., Ltd.	N.A.	Financial assets at fair value through profit or loss – current	24,640	\$ 4,312	-	\$ 4,312	
	Fubon Financial Holding Co., Ltd. Pfd.	N.A.	Ditto	155,000	8,525	0.05	8,525	
	Fully fiduciary discretionary investment account (Note 2)							
	Novatek Microelectronics Corp.	N.A.	Ditto	5,000	2,585	-	2,585	
	International Games System Co., Ltd.	N.A.	Ditto	4,000	2,896	-	2,896	
	Formosa Laboratories Inc.	N.A.	Ditto	32,000	3,264	0.03	3,264	
	Sercom Corporation	N.A.	Ditto	25,000	3,363	0.01	3,363	
	Brave C&H Supply Co., Ltd.	N.A.	Ditto	14,000	2,226	0.04	2,226	
					<u>\$ 27,171</u>		<u>\$ 27,171</u>	

Note 1: The marketable securities in this table refer to marketable securities derived from financial instruments within the scope of IFRS 9, including shares, bonds, funds, and the above-mentioned items.

Note 2: This refers to having the trustee make discretionary transactions at the centralized market by signing a fully fiduciary asset management contract with an investment consulting Company.

Note 3: For information of interests in investment in subsidiaries, please refer to Tables 4 and 5.

**AMOUNT OF PROPERTY ACQUIRED EXCEEDING NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023**  
(In Thousands of New Tawian Dollars, Unless Stated Otherwise)

Name of the company	Property	Date of occurrence	Amount	Payment status	Counterparty	Relationship	Data of prior transfer with related parties				Price reference	Purpose and utilization	Miscellaneous
							Owner	Relationship with the issuer	Transfer date	Amount			
ChenFull International Co., Ltd.	Freehold land	July 28, 2022	\$ 169,170	Paid	Chuang Chang Shu Juan	Not related	-	-	-	\$ -	Market price	Operation and self use	N.A.
ChenFull International Co., Ltd.	Freehold land	January, 18, 2023	44,901	Paid	Liu Jia Chang, Liu Fan Ying Mei	Not related	-	-	-	-	Market price	Operation and self use	N.A.
ChenFull International Co., Ltd.	Freehold land	June 29, 2023	14,050	Paid	Jiang Tsai Hsueh	Not related	-	-	-	-	Market price	Operation and self use	N.A.

Note 1: If the acquired property is required to be valued, the result shall be specified in the "Price reference" column.

Note 2: Paid-in capital refers to the Company's paid-in capital. If the shares of an issuer have no carrying amount or the amount is not NT\$10, for the requirement regarding the transaction amount exceeding 20% of the paid-in capital, the amount is calculated with equity attributable to the parent Company.

Note 3: The date of occurrence refers to the date of signing contract, payment date, transaction date, transfer date, date of board of directors' resolution, or other dates on which the counterparties and amounts are confirmed, whichever comes earlier.

**INVESTEES' NAMES, LOCATIONS, AND OTHER INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In Thousands of New Tawian Dollars, Unless Stated Otherwise)

Investor company	Investee company	Location	Main businesses	Original amount of investment		Shareholding at the end of the current period			Profit (loss) of the investee	Recognized investment gain (loss) for the period	Note
				End of the current period	End of the prior period	Shares	Percentage (%)	Carrying amount			
ChenFull International Co., Ltd.	Chenfeng Machinery & Enterprise Co., Ltd.	12F., No. 107, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City, R.O.C. (Taiwan)	Business center operation and shoemaking machinery sales	\$ 132,880	\$ 132,880	15,280,000	100	\$ 176,747	\$ 25,436	\$ 25,436	Subsidiary
	CHEN FULL HOLDING CO., LTD.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Holding Company	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	78,115	( 385 )	( 385 )	Subsidiary
	ChenFull Precision Co., Ltd.	No. 28, Houke S. Rd., Houli Dist., Taichung City, R.O.C. (Taiwan)	Precision components and aviation equipment processing and manufacturing	372,780	372,780	37,278,000	63	1,162,295	207,690	130,849	Subsidiary
Chenfeng Machinery & Enterprise Co., Ltd.	ChenFull Precision Co., Ltd.	No. 28, Houke S. Rd., Houli Dist., Taichung City, R.O.C. (Taiwan)	Precision components and aviation equipment processing and manufacturing	-	23,516	-	-	-	-	171	Subsidiary
CHEN FULL HOLDING CO., LTD.	NEW OPPORTUNITY LIMITED	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Holding Company	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	60,019 (USD 1,955)	540 (USD -17)	540 (USD 17)	Subsidiary
NEW OPPORTUNITY LIMITED	Chenfeng Machinery (Dongguan) Co., Ltd. (Note 1)	No. 23, Yanhe Rd., Houjie Town, Dongguan City, Guangdong Province, China	Precision machinery, shoemaking equipment, ventilation equipment, and related components sales and contracting	60,448 (USD 2,000)	60,448 (USD 2,000)	-	100	59,996 (USD 1,954)	( 562 ) (USD -18)	( 562 ) (USD -18)	Subsidiary

Note 1: For information about investee companies based in Mainland China, please refer to Table 5.

Not 2: Chenfeng Machinery &amp; Enterprise Co., Ltd. disposed of all the shares of ChenFull Precision Co., Ltd. between April and May, 2023; its period-end shareholding is 0%.

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023**  
(In Thousands of New Tawian Dollars, Unless Stated Otherwise)

Investee company in Mainland China	Main businesses	Paid-in capital	Method of investment (Note 1)	Accumulated outward remittance for investment from Taiwan as of the start of the period	Investment flow for the period		Accumulated outward remittance for investment from Taiwan as of the end of the period	Profit (loss) of the investee	Shreholding of direct or indirect investments (%)	Recognized investment gain (loss) for the period (Note 2)	Period-end carrying value of investments	Period-end accumulated investment profit repatriation
					Outflow	Inflow						
Chenfeng Machinery (Dongguan) Co., Ltd.	Precision machinery, shoemaking equipment, ventilation equipment, and related components sales and contracting	\$ 60,488 (USD2,000)	b	\$ 60,448 (USD 2,000 )	\$ -	\$ -	\$ 60,448 (USD 2,000 )	(\$ 562 ) (USD -18 )	100	(\$ 562 ) (USD -18 ) b-(2)	\$ 59,996 (USD 1,954 )	\$ 44,358 (USD 1,440 )

Accumulated outward remittance for investment in Mainland China as of the end of the period	Investment amounts authorized by Investment Commission, MOEA	Limit on the amounts of investment stipulated by Investment Commission, MOEA
NTD 60,448 (USD 2,000)	NTD 60,448 (USD 2,000)	NTD 2,049,748 (USD 66,756)

Note 1: There are three types of investment method. Only the types should be labelled:

- a. Investments made directly in Mainland China
- b. Re-investments in Mainland China through a third-region investment company (the third-region investment company should be specified)

Note 2: Recognized in investment profit and loss for the period:

- a. It shall be noted if no investment profit or loss can be reported because the investment is still under preparation.
- b. Investment profit or loss is basically recognized in the following three categories, which shall be noted:
  - (1) Financial statements audited and attested by international accounting firms in cooperation with accounting firms in the Republic of China
  - (2) Financial statements audited and attested by chartered accountants of the parent company in Taiwan
  - (3) Others

Note 3: The amounts in this Table is expressed in New Taiwan dollar. Foreign currencies are translated into New Taiwan dollar at the spot rates of the reporting date. (The spot rate of USD to TWD on December 31, 2023, was 30.705.)

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, UNREALIZED GAINS OR LOSSES, AND OTHER INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2023**  
(In Thousands of New Tawian Dollars, Unless Stated Otherwise)

Investee company in Mainland China	Transaction type	Purchase and sale		Price	Transaction terms		Notes and trade receivables (payables)		Unrealized profit or loss	Note
		Amount	%		Payment terms	Compared with general transactions	Amount	%		
Chenfeng Machinery (Dongguan) Co., Ltd.	Sale	\$ 13,321	0.51	Same as general clients	Same as general clients	Same as general clients	\$ -	-	\$ -	
	Purchase	602	0.02	Same as general clients	Same as general clients	Same as general clients	( 731 )	( 0.01 )	-	

**INFORMATION OF KEY SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Key shareholder	Shares	
	Shares held	Percentage
Futian Investment Co., Ltd.	9,004,180	7.91%

Note 1: The information of key shareholders in this Table is data of shareholders with more than 5% of the Company's dematerialized registered/delivered ordinary and special shares (including treasury shares) calculated by Taiwan Depository & Clearing Corporation on the last operating date of the current quarter. The share capital and dematerialized shares registered/delivered in this parent only financial statement might be different due to difference in the bases of calculation during preparation.

Note 2: The above information, if shares are delivered to a trust by the shareholders, is disclosed separately by the trustee in the individual trust account. As for shareholders who, pursuant to the Securities and Exchange Act, hold shares exceeding 10% and are required to report insiders' shareholding, their holdings include both their own shares and those held in trust, with decision-making rights over trust assets. For information regarding insiders' shareholding reporting, please refer to the Market Observation Post System.

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Cash and cash equivalents

December 31 2023

Schedule 1

Unit: Thousands of NT dollars and  
foreign currencies

<u>client's name</u>	<u>Summary</u>	<u>Amount</u>
cash		
cash in stock		\$ 150
petty cash		<u>401</u>
		<u>551</u>
Bank savings		
Check and demand deposit		212,168
Foreign Currency Demand Deposit	Including USD 97,000 @ 30.705, EUR 72,000 @ 33.98, RMB 6072,000 @ 4.327, JPY 15,843,000 @ 0.217	<u>35,134</u>
		<u>247,302</u>
		<u>\$ 247,853</u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Notes receivable

December 31 2023

Schedule 2

Unit: Thousands of NT dollars and  
foreign currencies

<u>client's name</u>	<u>Summary</u>	<u>Amount</u>
non-related person		
feng tai enterprise co., ltd.	operating income	\$ 12,296
Marketech International Corp.	"	1,302
Other (Note)	"	<u>724</u>
		14,322
Less: Allowance for doubtful debts		( <u>271</u> )
		<u>\$ 14,051</u>

Note: The balance of individual customers did not exceed 5 percent of the balance of this account.

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of receivable

December 31 2023

Schedule 3

Unit: Thousands of NT dollars and  
foreign currencies

<u>c l i e n t ' s n a m e</u>	<u>Summary</u>	<u>Amount</u>
Accounts of unrelated persons		
Taiwan Semiconductor Manufacturing Company Limited	operating income	26,755
THIEN PHO CO., LTD		15,879
PT.BULDYET INDONESIA	"	7,338
JG Environmental Technology Co.,Ltd.		4,935
Other (Note)	"	<u>17,054</u>
		71,961
Less: Allowance for doubtful debts		( <u>3,565</u> )
		<u>\$ 68,396</u>

Note: The balance of individual customers did not exceed 5 percent of the balance of this account.

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Inventory

December 31 2023

Schedule 4

Unit: Thousands of NT dollars and  
foreign currencies

Item	Summary	A C	m o s t	u n t market price
raw material		\$	186,527	\$ 154,016
WIP			120,112	166,910
finished product			54,079	64,650
commodity inventory			435	216
			361,153	\$ 385,792
Less: Provision for inventory decline and sluggish loss		(	65,478)	
			\$ 295,675	

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of prepayments

December 31 2023

Schedule 5

Unit: Thousands of NT dollars and  
foreign currencies

<u>I</u> <u>t</u> <u>e</u> <u>m</u>	<u>S</u> <u>u</u> <u>m</u> <u>m</u> <u>a</u> <u>r</u> <u>y</u>	<u>A</u> <u>m</u> <u>o</u> <u>u</u> <u>n</u> <u>t</u>
Advance payment		\$ 10,015
Other prepaid expenses (Note)		<u>1,697</u>
		<u>\$ 11,712</u>

Note: The balance of individual customers did not exceed 5 percent of the balance of this account.

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Financial assets at fair value through other comprehensive income - breakdown of non-current movements

From January 1st to December 31st in the 2023 and 2022

Schedule 6

Unit: unless otherwise specified  
, in thousands of NT dollars

I T E M	O p e n i n g   B a l a n c e		O p e n i n g   B a l a n c e		D e c r e a s e   i n   t h i s   p e r i o d		I m p a i r m e n t l o s s	E n d i n g   b a l a n c e			p r o v i d e   a g u a r a n t e e   o r P l e d g e s i t u a t i o n
	S H A R E S	A M O U N T S	S H A R E S	A M O U N T S	S H A R E S	A M O U N T S		S H A R E S	S h a r e %	A M O U N T S	
Ming Chao Enterprise Co., Ltd.	2,703,905	\$ 22,056	-	\$ -	-	(\$ 252)	\$ -	2,703,905	9.45	\$ 21,804	N/A
Taiwan Small and Medium Enterprise Development Corporation	854,360	7,948	-	332	-	-	-	854,360	1.21	8,280	//
		<u>\$ 30,004</u>		<u>\$ 332</u>		<u>(\$ 252)</u>	<u>\$ -</u>			<u>\$ 30,084</u>	

CHEN FULL INTERNATIONAL CO., LTD.  
Schedule of investment changes using the equity method  
From January 1st to December 31st in the 2023 and 2022

Schedule 7

Unit: unless otherwise specified  
, in thousands of NT dollars

	Opening Balance		Opening Balance		Decrease in this period		Investment (profit) loss	Defined benefits Actuarial profit and loss	S u r p l u s distribution	c u m u l a t i v e conversion adjustment	equity method net worth adjustment	Ending balance			market price or net equity value		Evaluation basis	provide a guarantee or Pledge situation	
	SHARES	AMOUNTS	SHARES	AMOUNTS	SHARES	AMOUNTS						S h a r e s	S h a r e %	A M O U N T S	P r i c e	T o t a l			
Unlisted company																			
Quan Feng Industrial Co., Ltd.	15,280,000	\$ 128,389	-	\$ 23,704	-	\$ -	\$ 25,436	\$ -	\$ -	\$ -	(\$ 782)	15,280,000	100	\$ 176,747	11.57	\$ 176,747	Equity method	None	
CHEN FULL HOLDING CO., LTD.	-	124,960	-	-	-	-	( 385)	-	( 44,358)	( 2,102)	-	-	100	78,115	-	78,115	Equity method	"	
CHENFU PRECISION CO., LTD.	37,278,000	<u>1,233,001</u>	-	-	-	-	<u>130,849</u>	( <u>254</u> )	( <u>201,301</u> )	-	-	37,278,000	63	<u>1,162,295</u>	31.18	<u>1,162,295</u>	"	"	
		<u>\$ 1,486,350</u>		<u>\$ 23,704</u>			<u>\$ 155,900</u>	( <u>\$ 254</u> )	( <u>\$ 245,659</u> )	( <u>\$ 2,102</u> )	( <u>\$ 782</u> )			<u>\$ 1,417,157</u>		<u>\$ 1,417,157</u>			

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Accounts Payable

From January 1st to December 31st in the 2023 and 2022

Schedule 8

Unit: in thousands of NT dollars

<u>C u s t o m e r N a m e</u>	<u>S u m m a r y</u>	<u>A m o u n t</u>
Accounts of unrelated persons		
Qichang Machinery Industry Co., Ltd.	payment	\$ 11,541
other	"	<u>120,543</u>
		<u>132,084</u>
Related person		
Dongguan Quanfeng Machinery Co., Ltd.	payment	<u>731</u>
		<u>\$ 132,815</u>

Note: The balance of individual vendors does not exceed 5 percent of this account.

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of operating Cost

From January 1st to December 31st in the 2023 and 2022

Schedule 9

Unit: in thousands of NT dollars

I m a n u f a c t u r i n g c o s t	Summary	Amount
	Beginning raw materials	\$ 186,306
	Current purchase	207,828
	Inventory surplus	450
	Raw materials at the end of the period	( 186,527 )
	Engineering picking	( 59,931 )
	Raw materials for sale other	( 53,998 )
	Scrap - raw material	( 6,686 )
	Current consumption	( 9 )
	Direct labor	87,433
	Manufacturing costs	44,982
	manufacturing cost	<u>135,159</u>
	WIP at the beginning of the period	267,574
	Current purchase	187,547
	Inventory surplus	83,152
	WIP	662
	Engineering picking other	( 120,112 )
	Scrap - WIP	( 68,107 )
	WIP	( 2,772 )
	finished product cost	( 7,925 )
	Beginning finished goods	( 52,008 )
	Current purchase	288,011
	Inventory Gain	99,642
	Engineering picking	1,241
	Finished Goods	( 150 )
	manufacturing cost of goods sold	( 123,197 )
	commodity inventory	( 54,079 )
	Beginning Inventory	<u>211,468</u>
	Current purchase	501
	other	4,038
	Scrap - Merchandise	( 2 )
	Ending inventory	( 7 )
	Merchandise Inventory Cost of Goods Sold	( 435 )
	other	<u>4,095</u>
	cost of raw materials sold	( 677 )
	cost of work in process sold	53,998
	Inventory depreciation and sluggish loss	52,008
		( 7,142 )

Inventory gain		( \$ 962 )
Inventory scrapping		7,941
Proceeds from the sale of scraps		( <u>4,533</u> )
		<u>316,196</u>
engineering cost	Input special materials in this period	1,002
	Input materials in this period	251,237
	Investment outsourcing in this period	215,455
	Labor invested in this period	124,003
	Input cost in this period	<u>139,883</u>
		<u>731,580</u>
		<u><u>\$1,047,776</u></u>

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of operating expenses

From January 1 to December 31 in 2023 and 2022

Schedule 10

Unit: in thousands of NT dollars

<u>I</u> <u>t</u> <u>e</u> <u>m</u>	<u>M</u> <u>a</u> <u>r</u> <u>k</u> <u>e</u> <u>t</u> <u>i</u> <u>n</u> <u>g</u> <u>e</u> <u>x</u> <u>p</u> <u>e</u> <u>n</u> <u>s</u> <u>e</u> <u>s</u>	<u>A</u> <u>d</u> <u>m</u> <u>i</u> <u>n</u> <u>i</u> <u>s</u> <u>t</u> <u>r</u> <u>a</u> <u>t</u> <u>i</u> <u>v</u> <u>e</u> <u>e</u> <u>x</u> <u>p</u> <u>e</u> <u>n</u> <u>s</u> <u>e</u> <u>s</u>	<u>R</u> <u>e</u> <u>s</u> <u>e</u> <u>a</u> <u>r</u> <u>c</u> <u>h</u> <u>a</u> <u>n</u> <u>d</u> <u>d</u> <u>e</u> <u>v</u> <u>e</u> <u>l</u> <u>o</u> <u>p</u> <u>m</u> <u>e</u> <u>n</u> <u>t</u>	<u>T</u> <u>o</u> <u>t</u> <u>a</u> <u>l</u>
Salary expenses (including pension, etc.)	\$ 25,221	\$ 71,015	\$ 17,963	\$ 114,199
freight	3	13,183	-	13,186
Water and electricity bills	2,566	7,432	1,760	11,758
Insurance fee	63	12,564	49	12,676
Depreciation expense	15,024	-	-	15,024
Commission expense	<u>12,587</u>	<u>33,258</u>	<u>3,624</u>	<u>49,469</u>
other fee	<u>\$ 55,464</u>	<u>\$ 137,452</u>	<u>\$ 23,396</u>	<u>\$ 216,312</u>
	\$ 25,221	\$ 71,015	\$ 17,963	\$ 114,199

CHEN FULL INTERNATIONAL CO., LTD.

Schedule of Summary of employee benefits and depreciation expenses incurred in the current period  
From January 1 to December 31 in 2023 and 2022

Schedule 11

Unit: unless otherwise specified  
, in thousands of NT dollars

	2023			2021		
	belonging to operating costs	belonging to operating expenses	total	belonging to operating costs	belonging to operating expenses	total
Employee benefits expenses (Note)						
Salary costs	\$ 145,542	\$ 104,153	\$ 249,695	\$ 172,068	\$ 127,658	\$ 299,726
labor health insurance	16,097	11,108	27,205	16,335	11,977	28,312
Pension costs	6,375	5,555	11,930	6,856	5,664	12,520
Director's remuneration	-	190	190	-	220	220
Other employee benefit expenses	<u>7,332</u>	<u>6,500</u>	<u>13,832</u>	<u>8,132</u>	<u>7,102</u>	<u>15,234</u>
	<u>\$ 175,346</u>	<u>\$ 127,506</u>	<u>\$ 302,852</u>	<u>\$ 203,391</u>	<u>\$ 152,621</u>	<u>\$ 356,012</u>
Depreciation expense	<u>\$ 17,780</u>	<u>\$ 12,676</u>	<u>\$ 30,456</u>	<u>\$ 14,536</u>	<u>\$ 13,322</u>	<u>\$ 27,858</u>
Amortization fee	<u>\$ 1,514</u>	<u>\$ 3,300</u>	<u>\$ 4,814</u>	<u>\$ 970</u>	<u>\$ 5,305</u>	<u>\$ 6,275</u>

Note 1: As of December 31, 2023 and 2022, the number of employees in the company were 407 and 446 respectively, among which the number of directors not concurrently serving as employees were 3 and 4 respectively.

Note 2: For companies whose stocks are listed on the stock exchange or traded at the securities trading center, additional disclosures are required:

(1) The average employee benefits expense for this year was 901 thousand (calculated as "total employee benefits for this year minus total director remuneration" divided by "number of employees for this year minus directors not serving as employees").

The average employee benefits expense for the previous year was 805 thousand (calculated as "total employee benefits for the previous year minus total director remuneration" divided by "number of employees for the previous year minus directors not serving as employees").

(2) The average employee salary expense for this year was 743 thousand (total salary expenses for this year divided by "number of employees for this year minus directors not serving as employees").

The average employee salary expense for the previous year was 678 thousand (total salary expenses for the previous year divided by "number of employees for the previous year minus directors not serving as employees").

(3) The change in average employee salary expenses was 9.59% ("this year's average employee salary expenses minus last year's average employee salary expenses" divided by last year's average employee salary expenses).

(4) The company's salary compensation policy (including directors, supervisors, managers, and employees) is as follows:

a. Employee Salary Compensation Policy:

According to the company's system for employee salary adjustments, bonuses, and bonuses, annual bonuses may be distributed before the Lunar New Year based on the operational status at the end of the year.

A certain proportion of the annual profit is allocated for employee compensation, sharing the operating results with employees. Article 19 of the company's articles of association stipulates that "employee compensation shall not be less than 2% of the current profit and may be distributed in stocks or cash, including employees of certain subsidiaries who meet specific conditions."

b. Compensation Policy for Directors, Supervisors, and Managers:

The compensation for directors, supervisors, and managers of the company is determined by the Compensation Committee based on their participation in and contribution to the company's operations, taking into account the usual industry levels, within the maximum salary range set by the company's salary administration method. Article 19 of the company's articles also specifies that if there is a profit in the current year, the compensation for directors and supervisors shall not exceed 2% of the current profit. According to the organizational regulations of the company's Compensation Committee, the performance assessment and salary compensation of directors, supervisors, and managers should be based on the usual industry levels and consider individual performance assessment results, time invested, responsibilities undertaken, achievement of

personal goals, performance in other positions, the company's recent salary compensation for the same position, as well as the achievement of the company's short-term and long-term business goals, company financial condition, and the evaluation of individual performance in relation to company operating performance and future risks

