Highlight Tech Corp. and its Subsidiaries

Consolidated Financial Report and Independent Auditors' Report 2023 and 2022

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

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Representation Letter

Considering that the companies to be included into the consolidated financial statements of associates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 for 2023 (from Jan. 1, 2023 to Dec. 31, 2023), and the relevant information to be disclosed in the consolidated financial statements of associates has already been disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of associates were prepared separately.

It is hereby certified that the information disclosed herein is true and correct.

Highlight Tech Corp.

Chairman: Ming-Tien, Wu

Mar. 8, 2023

Independent Auditor ’s Report

To Highlight Tech Corp.,

Audit Opinion

We have reviewed the accompanying consolidated balance sheets of Highlight Tech Corp. (the “Company”) and its subsidiaries (collectively, the “Group”) for the years ended Dec. 31, 2023and 2022 and the relevant consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended Dec. 31, 2023 and 2022, and Notes to the consolidated financial statement, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements).

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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. Based on our audit results, we are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key Audit Matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended Dec. 31, 2023 based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended Dec. 31, 2023 are stated as follows:

Revenue recognition

The operating revenue of the Group mainly comes from the manufacturing of vacuum components and the sales and maintenance of vacuum equipment. In addition, due to sales revenue that is material to the consolidated financial statements and in accordance with the provisions of the Statements on Auditing Standards regarding the recognition of predetermined revenue as a significant risk, we have listed the revenue authenticity of specific customers for maintenance as a key audit matter. Please refer to Notes 4 and 23 to the consolidated financial statements for the relevant accounting policies related to the generation of operating revenue.

The audit procedures performed by us for the revenue recognition include:

I. Understand and evaluate the effectiveness of the design and implementation of the internal control system for the recognition of above revenue.

II. Inspect the breakdown of revenue from specific customer for maintenance, and review the customer orders, delivery confirmation, and proof of payment to confirm the authenticity of the maintenance revenue.

Other Matters

The Company has prepared individual financial reports for 2023 and 2022, and we have issued an audit report containing our unqualified opinion for reference.

Responsibilities of the Management and Governing Bodies for the Consolidated Financial Statements

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and regulations of IFRS and IAS as well as IFRIC and SIC interpretations endorsed and issued into effect by the FSC, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

When the consolidated financial statements are prepared, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The governing bodies of the Group (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors’ report. Reasonable assurance is a high-level 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. Misstatement can arise from fraud or error. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

I. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute appropriate countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.

II. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

III. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.

IV. Conclude on the appropriateness of the management’s adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we are of the opinion that a material uncertainty exists for said events or conditions, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

V. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.

VI. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing bodies include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governance bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended Dec. 31, 2023. We have clearly indicated such matters in the auditors' report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte & Touche

CPA Hung-Ju, Liao

CPA Chi-Chen, Li

Financial Supervisory Commission
R.O.C. Approval Document No.
Jing-Guang-Zheng-Shen-Zi No.
0990031652

Securities and Futures Commission
Approval Document No.
Tai-Cai-Zheng-Liu-Zi No. 0920123784

Mar. 8, 2024

Highlight Tech Corp. and its Subsidiaries

Consolidated Balance Sheet

Dec. 31, 2023 and 2022

Unit: NTD thousand

Code	Assets	Dec. 31, 2023 Amount	%	Dec. 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 & 6)	$ 821,990	11	$ 690,474	10
1110	Financial assets at fair value through profit or loss - current (Notes 4 & 7)	-	-	33,184	1
1136	Financial assets at amortized cost - current (Notes 4, 9 & 33)	47,576	-	47,612	1
1140	Contract assets - current (Notes 4 & 23)	195,147	3	16,475	-
1150	Notes receivable (Notes 4, 10 & 23)	131,194	2	11,893	-
1170	Accounts receivable (Notes 4, 10, 23 & 32)	796,082	11	549,815	8
1200	Other receivables (Note 4)	4,422	-	4,552	-
1220	Current income tax assets (Notes 4 & 25)	59	-	4,658	-
130X	Inventories (Notes 4 & 11)	1,368,833	19	1,476,978	22
1410	Prepayments	67,891	1	226,425	3
1479	Other current assets	4,948	-	1,283	-
11XX	Total current assets	3,438,142	47	3,063,349	45
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 & 8)	6,007	-	5,985	-
1535	Financial assets at amortized cost - non-current (Notes 4 & 9)	17,341	-	17,638	-
1550	Investments accounted for using equity method (Notes 4 & 13)	210,286	3	243,126	4
1600	Property, plant and equipment (Notes 4, 14, & 33)	3,307,794	45	3,119,487	46
1755	Right-of-use assets (Notes 4 & 15)	64,709	1	82,224	1
1805	Goodwill (Notes 4 & 16)	51,471	1	51,471	1
1821	Other intangible assets (Notes 4 & 17)	52,495	1	57,631	1
1840	Deferred tax assets (Notes 4 & 25)	40,288	1	46,210	1
1915	Prepayment for land and equipment	76,500	1	77,452	1
1920	Refundable deposits	11,514	-	11,580	-
1990	Other non-current assets	329	-	-	-
15XX	Total non-current assets	3,838,734	53	3,712,804	55
1XXX	Total assets	$ 7,276,876	100	$ 6,776,153	100
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term debts (Notes 4 & 18)	$ 807,000	11	$ 440,000	7
2130	Contract liabilities - current (Note 23)	130,515	2	233,144	3
2170	Accounts payable (Note 32)	442,136	6	645,030	10
2200	Other payables (Notes 19 & 32)	464,072	7	736,093	11
2230	Current income tax liabilities (Notes 4 & 25)	27,074	-	113,316	2
2250	Current provisions (Notes 4 & 20)	10,855	-	10,676	-
2280	Lease liabilities - current (Note 15)	18,376	-	19,537	-
2322	Current portion of long-term loans payable within 1 year (Notes 4, 18 & 33)	324,121	5	291,803	4
2399	Other current liabilities	15,068	-	4,784	-
21XX	Total current liabilities	2,239,217	31	2,494,383	37
	Non-current liabilities				
2540	Long-term loans (Notes 4, 18 & 33)	1,421,689	20	864,509	13
2570	Deferred tax liabilities (Notes 4 & 25)	12,450	-	15,297	-
2580	Lease liabilities - non-current (Note 15)	27,626	-	43,618	-
2630	Deferred revenue – non-current	6,084	-	-	-
2640	Net defined benefit liability - non-current (Notes 4 and 21)	1,242	-	1,557	-
2645	Guarantee deposits received	1,134	-	380	-
25XX	Total non-current liabilities	1,470,225	20	925,361	13
2XXX	Total liabilities	3,709,442	51	3,419,744	50
	Equity attributable to owners of the Company (Note 22)				
	Share capital				
3110	Common stock	1,182,017	16	1,182,017	17
3200	Capital surplus	361,290	5	445,417	7
	Retained earnings				
3310	Legal reserve	329,441	5	280,652	4
3320	Special reserves	64,768	1	64,768	1
3350	Undistributed earnings	1,021,470	14	930,915	14
3300	Total retained earnings	1,415,679	20	1,276,335	19
3400	Other equity	(41,451)	(1)	(27,007)	-
31XX	Total owners' equity of the Company	2,917,535	40	2,876,762	43
36XX	Non-controlling interests (Note 22)	649,899	9	479,647	7
3XXX	Total equity	3,567,434	49	3,356,409	50
	Total liabilities and equity	$ 7,276,876	100	$ 6,776,153	100

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

Chairman: Manager: Accounting Manager:

Highlight Tech Corp. and its Subsidiaries

Consolidated Statements of Comprehensive

For the Years Ended Dec. 31, 2023 and 2022

Unit: NTD thousand (Except for earnings per share which is in NTD)

		2023		2022	
Code		Amount	%	Amount	%
4100	Operating revenue, net (Notes 4, 23 & 32)	$ 4,205,436	100	$ 3,907,642	100
5110	Operating costs (Notes 11, 24 & 32)	2,767,895	66	2,403,648	62
5900	Gross profit	1,437,541	34	1,503,994	38
	Operating expenses (Notes 10, 24 & 32)				
6100	Selling and marketing expenses	314,917	8	321,358	8
6200	Administrative expenses	333,103	8	355,253	9
6300	Research and development expenses	229,470	5	193,872	5
6450	Expected credit impairment losses	8,357	-	4,673	-
6000	Total operating expenses	885,847	21	875,156	22
6500	Other income and expenses, net (Note 24)	(919)	-	944	-
6900	Net operating income	550,775	13	629,782	16
	Non-operating income and expenses (Notes 13, 24)				
7100	Interest income	8,415	-	3,846	-
7010	Other income	2,992	-	6,707	-
7020	Other gains or losses	9,559	-	47,695	1
7050	Financial costs	(33,809)	(1)	(11,076)	-
7060	Share of profit or loss on associates accounted for using equity method	(14,296)	-	26,481	1
7000	Total non-operating income and expenses	(27,139)	(1)	73,653	2
7900	Net income before tax	523,636	12	703,435	18
7950	Income tax expense (Notes 4 & 25)	105,409	2	136,681	3
8200	Current net income	418,227	10	566,754	15
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Re-measurement of the defined benefit plan (Note 21)	225	-	2,164	-
		225	-	2,164	-

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Code		2023 Amount	2023 %	2022 Amount	2022 %
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations (Note 22)	($ 18,101)	-	$ 9,366	-
8370	Share of other comprehensive income of associates accounted for using equity method (Note 13)	(695)	-	467	-
8399	Income tax related to items that may be reclassified (Notes 22 & 25)	2,559	-	(1,638)	-
		(16,237)	-	8,195	-
8300	Other comprehensive income (net of tax)	(16,012)	-	10,359	-
8500	Total comprehensive income for the current year	$ 402,215	10	$ 577,113	15
	Net income attributable to:				
8610	Owners of the Company	$ 356,988	9	$ 494,980	12
8620	Non-controlling interests	61,239	1	71,774	2
8600		$ 418,227	10	$ 566,754	14
	Total comprehensive income attributable to				
8710	Owners of the Company	$ 342,088	8	$ 503,917	13
8720	Non-controlling interests	60,127	2	73,196	2
8700		$ 402,215	10	$ 577,113	15
	Earnings per share (Note 26)				
9750	Basic	$ 3.02		$ 4.19	
9850	Diluted	2.98		4.13	

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

Chairman: Manager: Accounting Manager:

Highlight Tech Corp. and its Subsidiaries

Income Consolidated Statements of Changes in Equity

For the Years Ended Dec. 31, 2023 and 2022

Unit: NTD thousand

(Except for dividend per share which is in NTD)

		Equity attributable to owners of the Company												
					Retained earnings			Other equity items						
Code		Share capital	Advance receipts for common stock	Capital surplus	Legal reserve	Special reserves	Undistributed earnings	Exchange differences on translating the financial statements of foreign operations	Re-measurement of the defined benefit plan	Unearned compensation	Total	Total	Non-controlling interests	Total equity
A1	Balance at Jan. 1, 2022	$ 1,171,906	$ 10,111	$ 500,138	$ 245,818	$ 64,768	$ 655,163	($ 38,952)	$ 3,522	$ -	($ 35,430)	$ 2,612,474	$ 391,079	$ 3,003,553
	Earnings appropriation and allocation for 2021 (Note 24)													
B1	Legal reserve	-	-	-	34,834	-	(34,834)	-	-	-	-	-	-	-
B5	Shareholders' cash dividends of the Company - NT$1.5 per share	-	-	-	-	-	(177,303)	-	-	-	-	(177,303)	-	(177,303)
		-	-	-	34,834	-	(212,137)	-	-	-	-	(177,303)	-	(177,303)
C15	Cash dividends from capital surplus - NT$ 0.7 per share (Note 24)	-	-	(82,741)	-	-	-	-	-	-	-	(82,741)	-	(82,741)
C17	Changes in other capital surplus	-	-	10	-	-	-	-	-	-	-	10	-	10
D1	Net income for 2022	-	-	-	-	-	494,980	-	-	-	-	494,980	71,774	566,754
D3	Other comprehensive income after tax for 2022	-	-	-	-	-	-	7,569	1,368	-	8,937	8,937	1,422	10,359
D5	Total comprehensive income for 2022	-	-	-	-	-	494,980	7,569	1,368	-	8,937	503,917	73,196	577,113
I1	Convertible bonds (Note 20)	10,111	(10,111)	-	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests of subsidiaries (Notes 24 & 29)	-	-	-	-	-	(7,091)	-	-	-	-	(7,091)	(13,036)	(20,127)
N1	Issuance of employee stock warrants by associated companies	-	-	15,790	-	-	-	-	-	-	-	15,790	-	15,790
E3	Cash-refunding capital reduction of non-controlling interest from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(7,590)	(7,590)
O1	Shareholders' cash dividends of subsidiaries (Note 24)	-	-	-	-	-	-	-	-	-	-	-	(33,175)	(33,175)
T1	Issuance of new restricted employee shares by subsidiaries	-	-	12,220	-	-	-	-	-	(514)	(514)	11,706	69,173	80,879
Z1	Balance at Dec. 31, 2022	1,182,017	-	445,417	280,652	64,768	930,915	(31,383)	4,890	(514)	(27,007)	2,876,762	479,647	3,356,409
	Earnings appropriation and allocation for 2022 (Note 24)													
B1	Legal reserve	-	-	-	48,789	-	(48,789)	-	-	-	-	-	-	-
B5	Shareholders' cash dividends of the Company - NT$1.84 per share	-	-	-	-	-	(217,491)	-	-	-	-	(217,491)	-	(217,491)
		-	-	-	48,789	-	(266,280)	-	-	-	-	(217,491)	-	(217,491)
C7	Changes in associates accounted for using the equity method	-	-	(11,900)	-	-	-	-	-	-	-	(11,900)	-	(11,900)
C15	Cash dividends from capital surplus - NT$ 0.86 per share (Note 24)	-	-	(101,654)	-	-	-	-	-	-	-	(101,654)	-	(101,654)
D1	Net income for 2023	-	-	-	-	-	356,988	-	-	-	-	356,988	61,239	418,227
D3	Other comprehensive income after tax for 2023	-	-	-	-	-	-	(15,040)	140	-	(14,900)	(14,900)	(1,112)	(16,012)
D5	Total comprehensive income for 2023	-	-	-	-	-	356,988	(15,040)	140	-	(14,900)	342,088	60,127	402,215
M7	Changes in ownership interests of subsidiaries (Notes 12, 24 & 29)	-	-	20,200	-	-	(153)	-	-	-	-	20,047	125,319	145,366
N1	Share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	15,456	15,456
O1	Shareholders' cash dividends of subsidiaries (Note 24)	-	-	-	-	-	-	-	-	-	-	-	(63,756)	(63,756)
T1	Shares distributed by subsidiaries as employees' compensation	-	-	9,227	-	-	-	-	-	456	456	9,683	33,106	42,789
Z1	Balance at Dec. 31, 2023	$ 1,182,017	$ -	$ 361,290	$ 329,441	$ 64,768	$ 1,021,470	($ 46,423)	$ 5,030	($ 58)	($ 41,451)	$ 2,917,535	$ 649,899	$ 3,567,434

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

Chairman: Manager: Accounting Manager:

Highlight Tech Corp. and its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended Dec. 31, 2023 and 2022

Unit: NTD thousand

Code		2023	2022
	Cash flows from operating activities		
A10000	Current net income before tax	$ 523,636	$ 703,435
A20010	Adjustments for:		
A20100	Depreciation expenses	199,258	151,492
A20200	Amortization expenses	26,808	23,486
A20300	Expected credit impairment losses	8,357	4,673
A20400	Net gains (losses) on financial assets at fair value through profit or loss	(116)	21,664
A20900	Financial costs	33,809	11,076
A21200	Interest income	(8,415)	(3,846)
A21300	Dividend income	(958)	(2,550)
A21900	Cost of share-based payment	15,456	-
A22300	Share of profit (loss) on associates accounted for using equity method	14,296	(26,481)
A22500	Losses (gains) on disposal and scrapping of property, plant and equipment	919	(944)
A23700	Inventory valuation losses	8,043	5,063
A29900	Gains from lease modification	(825)	-
A22700	Losses on disposal of investment property	-	(15,672)
A29900	Liability provisions	179	10,676
A29900	Other income	(22)	-
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(178,672)	(16,475)
A31130	Notes receivable	(119,301)	61,329
A31150	Accounts receivable	(254,507)	(69,555)
A31180	Other receivables	554	475
A31200	Inventories	103,158	(267,170)
A31230	Prepayments	124,137	(118,973)
A31240	Other current assets	(3,665)	(57)
A32990	Other non-current assets	(329)	-
A32110	Financial liabilities held for trading	-	(32)
A32125	Contract liabilities	(102,629)	(131,506)
A32150	Accounts payable	(202,894)	168,739
A32180	Other payables	5,909	97,280
A32990	Deferred revenue	6,084	-
A32230	Other current liabilities	10,284	(1,305)
A32240	Net defined benefit liabilities	(90)	(158)
A33000	Cash generated from operations	208,464	604,664
A33100	Interest received	7,991	5,227
A33200	Dividends received	6,907	8,417
A33300	Interest paid	(33,377)	(10,595)
A33500	Income tax paid	(180,904)	(103,924)
AAAA	Net cash inflow from operating activities	9,081	503,789

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Code		2023	2022
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	(127,539)	(5,300)
B00050	Proceeds from disposal of financial asset price at amortized cost	127,575	6,640
B00100	Acquisition of financial assets at fair value through profit or loss	(10,000)	(24,000)
B00200	Proceeds from disposal of financial assets at fair value through profit or loss	43,300	71,842
B02300	Net cash outflow on disposal of subsidiaries (Note 27)	(764)	-
B02700	Purchase of property, plant and equipment	(466,541)	(871,720)
B02800	Proceeds from disposal of property, plant and equipment	1,845	5,489
B03700	Increase in refundable deposits	(3,404)	(2,551)
B03800	Decrease in refundable deposits	3,463	1,709
B04500	Purchase of intangible assets	(21,433)	(20,422)
B05500	Proceeds from disposal of investment properties	-	251,200
B07100	Increase in prepayment for land and equipment	(105,968)	(117,962)
BBBB	Net cash outflow from investing activities	(559,466)	(705,075)
	Cash flows from financing activities		
C00100	Increase in short-term debts	6,696,000	2,387,000
C00200	Decrease in short-term debts	(6,329,000)	(2,287,000)
C00500	Increase in short-term bills payable	50,000	36,971
C00600	Decrease in short-term bills payable	(50,000)	(50,964)
C01600	New long-term loans	738,510	884,550
C01700	Repayment of long-term loans	(149,012)	(433,509)
C03000	Increase in guarantee deposits	826	150
C03100	Return of guarantee deposits received	(52)	(4,326)
C04020	Principal repayment of lease liabilities	(21,795)	(21,594)
C04500	Issue of cash dividends	(319,145)	(260,044)
C05500	Proceeds from partial disposal of interests in subsidiaries	40,620	-
C05800	Payment of cash dividends to non-controlling interests	(63,756)	(33,175)
C09900	Acquisition of non-controlling interests	(448)	(20,127)
C09900	Issuance of new restricted employee shares by subsidiaries	-	80,879
C09900	Cash capital increase from subsidiaries	105,442	-
C09900	Cash capital reduction from subsidiaries	-	(7,590)
C09900	Gain from the exercise of disgorgement by the Company	-	10
CCCC	Net cash inflow from financing activities	698,190	271,231
DDDD	Effect of changes in exchange rates on cash and cash equivalents	(16,289)	5,915
EEEE	Net increase in cash and cash equivalents	131,516	75,860
E00100	Opening balance of cash and cash equivalents	690,474	614,614
E00200	Ending balance of cash and cash equivalents	$ 821,990	$ 690,474

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

(Refer to the audit report of Deloitte & Touche on Mar. 8, 2024)

Chairman: Manager: Accounting Manager:

Highlight Tech Corp. and its Subsidiaries

Notes to Consolidated Financial Statements

For the Years Ended Dec. 31, 2023 and 2022

(Unless stated otherwise, the unit is NTD thousand)

I. Organization and Operations

The Company was incorporated in April 1997 and started operations in May of the same year. It is mainly engaged in the manufacturing of vacuum components for high-tech processes, the design and production of system modules, and the sales and maintenance of vacuum equipment.

Since December 2002, the Company's stock has been listed on Taipei Exchange for trading.

The consolidated financial statements are presented in New Taiwan dollars, the Company's functional currency.

II. Date and Procedures for Approval of the Financial Report

The consolidated financial statements were approved by the board of directors and authorized for issue on Mar. 8, 2024.

III. Application of Newly Issued and Amended Standards and Interpretations

(I) 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, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the amendments to the IFRS Accounting Standards endorsed and issued into effect by the FSC will not have a material impact on the accounting policies of the Company and the entities controlled by the Company (collectively, the "Group").

(II) IFRS Accounting Standards endorsed by FSC that are applicable from 2024 onwards

New/ Revised/ Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 "Lease liability in a Sale and Leaseback"	Jan. 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Jan. 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	Jan. 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	Jan. 1, 2024 (Note 3)

Note 1: Unless otherwise specified, the above-mentioned new/ revised/ amended standards or interpretations will take effect during the annual reporting period beginning on or after each date.

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

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

As of the date the consolidated financial statements were approved for release, the amendments to the above-mentioned standards and interpretations will not have a significant impact on the Group's financial position and financial performance based on the assessment.

(III) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New/ Revised/ Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9- Comparative Information"	Jan. 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	Jan. 1, 2025 (Note 2)

Note 1: Unless otherwise specified, the above-mentioned new/ revised/ amended standards or interpretations will take effect during the annual reporting period beginning on or after each date.

Note 2: This amendment applies for annual reporting periods beginning after Jan. 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the Company uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were approved for release, the Group continued to assess the possible impact of the application of the above standards and interpretations on its financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

(II) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments measured at fair value.

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

1. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
3. Level 3 inputs: Unobservable inputs for assets or liabilities.

(III) 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 balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the

balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (subsidiaries) controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisition up to the effective dates of disposal. The financial statements of subsidiaries have been adjusted to ensure consistency between their accounting policies and the Group's. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 and Tables 5 and 6 for the detailed information on subsidiaries (including the percentage of ownership and main business).

(V) Business combination

Business combination are accounted for using the acquisition method. Acquisition-related costs are recognized in expenses in the period in which the costs are incurred and the services are obtained.

Goodwill is measured based on the total amount by which the fair value of the consideration of the transfer and the fair value of the acquiree's interests held by the acquirer at the acquisition date exceeds the net amount of identifiable assets acquired and liabilities assumed at the acquisition date. If, after reassessment, the net amount of identifiable assets acquired and liabilities assumed at the acquisition date still exceeds the sum of the fair value of the consideration of the transfer and the fair value of the acquiree's interests held by the acquirer at the acquisition date, the difference is a bargain purchase gain and shall be recognized in profit or loss immediately.

(VI) Foreign currency

When the financial statements of each individual entity in the Group are prepared, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

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

When the consolidated financial statements are prepared, the assets and liabilities of the Company's foreign operations (including subsidiaries or associates that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollars at the rates of exchange prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income (and attributed to the owners of the Company and non-controlling interests).

(VII) Inventories

Inventories include raw materials (maintenance materials), finished goods, work in progress, and merchandise. The value of inventories is determined based on the cost or net realizable value, whichever is lower. The comparison of the cost and the realizable value is based on individual items except for inventories of the same category. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(VIII) Investments in associates

An associate is an entity on which the Group has significant influence and is not a subsidiary.

The Group adopts the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates based on the percentage of ownership.

(IX) Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment under construction are recognized at cost less accumulated impairment loss. The cost shall include professional service expenses and the borrowing costs eligible for capitalization. Such assets are classified into appropriate property, plant and equipment categories upon completion and reaching the status of intended use, and the depreciation will begin.

Except for self-owned land, which is not depreciated, each significant component of the remaining property, plant and equipment is depreciated separately on a straight-line basis within their useful lives. Where the lease term is shorter than the useful life, property, plant and equipment shall be depreciated over the lease term. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, and applies the effect of changes in applicable accounting estimates prospectively.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(X) Goodwill

The cost of goodwill from business combination is the amount of goodwill recognized at the acquisition date. It is subsequently measured at cost less accumulated impairment loss.

To measure impairment, goodwill is allocated among cash generating units (the "CGUs") or a group of CGUs, which are expected to benefit from the synergy.

The carrying amount and recoverable amount of the CGUs to which goodwill is allocated will be compared every year (and whenever there are signs of impairment) as impairment testing on the units. If the goodwill allocated to the CGUs was obtained through business combination during the year, the CGUs shall undergo the impairment testing before the end of the year. If the recoverable amount of CGUs to which goodwill is allocated is lower than its carrying amount, the impairment loss is first deducted from the carrying amount of the goodwill of said CGUs. Next, the carrying amount of other assets within said CGUs is deducted from the carrying amount of the goodwill of said CGUs in proportion to the carrying amount of each asset. Any impairment loss is recognized in loss in the current period. Impairment loss of goodwill shall not be reversed subsequently.

When a certain operation within a CGU to which goodwill is allocated is disposed of, the amount of goodwill related to the operation disposed of is included in the carrying amount of said operation to determine the gain or loss on disposal.

(XI) Intangible assets

1. Acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, and applies the effect of changes in applicable accounting estimates prospectively.

2. Acquired through business combination

   The intangible assets acquired in a business combination are recognized at fair value at the acquisition date and recognized separately from goodwill. The subsequent measurement method is the same as that adopted for the intangible assets acquired separately.

3. Derecognition

   When investment property is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(XII) Impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets (excluding goodwill)

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use, investment property and intangible assets (excluding goodwill) at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of an individual asset or a CGU is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the CGU is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or the CGU, which was not recognized in impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XIII) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

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

1. Financial assets

   Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

   (1) Measurement types

   Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

   A. Financial assets at FVTPL

   Financial assets measured at FVTPL are those mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instrument that the Group has not designated to measure at FVTOCI, and debt instruments that are not eligible to be classified as measured at amortized cost or at FVTOCI.

   Financial assets measured at FVTPL are measured at fair value; the dividends and interest generated from which are recognized in other income and interest income, and the gains or losses arising from re-measurement are recognized in profit or loss. Please refer to Note 31 for the method of determining the fair value.

   B. Financial assets at amortized cost

   When the Group’s investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets (including cash and cash equivalents, financial assets at amortized cost (including current and non-current), notes receivable, accounts receivable, other receivables, and refundable deposits) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any foreign currency exchange gains or losses are recognized in profit or loss.

Except for the following two cases, interest revenue is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

a. For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
b. For a financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets refer to a situation in which the issuer or debtor has experienced significant financial difficulties or defaulted, the debtor is likely to apply for bankruptcy or other financial restructuring, or the active market for such financial assets disappears due to financial difficulties.

Cash equivalents include time deposits that are highly liquid and readily convertible into a fixed amount of cash at any time within 3 months from the date of acquisition while featuring little risk of value changes, which are used to meet short-term cash commitments.

C. Investments in equity instruments at FVTOCI

The Group may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. At the time of disposal of such investments, the accumulated gains and losses are directly reclassified to retained earnings and will not be reclassified to profit or loss.

Dividends of investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Group's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets and contract assets

The Group assesses and contract assets the impairment loss of financial assets measured at amortized cost (including accounts receivable) based on the expected credit loss at each balance sheet date.

Accounts receivable and contract assets the recognized as allowance losses based on lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to lifetime ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

A. Internal or external information indicates that it is impossible for the debtor to settle the debt.

B. It is overdue for more than 30 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Group recognizes an impairment loss for all financial assets with a corresponding downward adjustment to their carrying amount through a loss allowance account. However, the loss allowance for investment in debt instruments measured at FVTOCI is recognized in other comprehensive income without a downward adjustment to the carrying amount.

(3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Group are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liability

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(XIV) Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation.

<u>Warranties</u>

The warranty obligation to ensure that the product conforms to the agreed specifications is recognized when the relevant product is recognized as revenue based on the management's best estimate of the expense required to settle the obligations of the Group.

(XV) Revenue recognition

After the performance obligations are identified in a customer contract, the Group allocates the transaction price to each performance obligation, and recognizes it in revenue when each performance obligation is satisfied.

1. Merchandise sales revenue

When the products are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence, upon which revenue and accounts receivable/contract assets are recognized by the Group and transferred to accounts receivable when the remaining obligations are satisfied.

2. Service income

Service income comes from the provision of maintenance and cleaning services. The Group's contract to perform maintenance and cleaning is to create or strengthen assets for the customer. The Group accounts for a contract with a customer when the agreement creates enforceable rights and obligations under the law. The Group measures the completion progress based on the committed costs to the estimated total costs. As the payment of customer occurs upon acceptance, the Group recognizes the service provided as contract asset. Consequently, the related revenue is recognized when services are rendered.

(XVI) Leasing

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

1. The Group as lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

Under operating leases, lease payments less lease incentives are recognized in income on a straight-line basis over the relevant lease terms. The original direct cost incurred in obtaining an operating lease is added to the carrying amount of the underlying asset and recognized in expenses on a straight-line basis over the lease term.

When a lease covers both land and building elements, the Group assesses whether almost all the risks and rewards attached to the ownership of each element have been transferred to the lessee to assess whether each element is classified as a financial lease or an operating lease. A lease payment is allocated to land and buildings based on the proportion of the fair value of lease rights of the land element to that of the building element on the date that the contract is established. If a lease payment can be reliably allocated to these two elements, each element is treated according to the applicable lease category. If a lease payment cannot be allocated to these two elements reliably, the overall lease is classified as a finance lease, but if both of these elements clearly meet the criteria for an operating lease, the overall lease is classified as an operating lease.

2. The Group as lessee

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

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any re-measurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payment (fixed payment). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee’s incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining re-measurement amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, re-measurement of the lease liabilities due to the reduced scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of the partial or full termination of the lease; the re-measurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The variable rent in a lease arrangement that is not dependent on the index or rate is recognized in expenses in the period in which it is incurred.

(XVII) Borrowing costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

For specific borrowings, if the investment income earned by making a temporary investment before the capital expenditure that meets the requirements is incurred, it is deducted from the borrowing costs that meet the capitalization conditions.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(XVIII) Employee benefits

1. Short-term employee benefits

   Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

   For pension under the defined contribution plan, the amount of pension contributed is recognized in expenses during employees' service period.

   The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and re-measurement) is calculated based on the projected unit credit method. The service cost (including the service costs for the current period) and the net interest on the net defined benefit liabilities (assets) are recognized in employee benefit expenses as they occur. The re-measurement (including actuarial gains and losses, and the return on plan assets, net of interest) is recognized in other comprehensive income and listed in retained earnings when it occurs, and will not be reclassified to profit or loss subsequently.

   The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

(XIX) Income tax

The income tax expense represents the sum of the current income tax and deferred tax.

1. Current income tax

   The Group determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction for income tax declaration, and calculates the income tax payable (recoverable) accordingly.

   A surtax imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized in the year in which it is resolved by the annual shareholders' meeting.

   Adjustment to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

   Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

   Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences.

   Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized in deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

   The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes

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

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

The accounting policies adopted by the Group does not involve critical accounting judgments, estimates, and assumptions.

VI. Cash and Cash Equivalents

	Dec. 31, 2023	Dec. 31, 2022
Cash on hand and petty cash	$ 804	$ 1,062
Checking accounts and demand deposits	801,186	624,739
Cash equivalents		
Time deposits	20,000	64,673
	$ 821,990	$ 690,474

VII. Financial Instruments at FVTPL

	Dec. 31, 2023	Dec. 31, 2022
Financial assets - current		
Mandatorily at FVTPL		
Non-derivative financial assets		
- Fund beneficiary certificates	$ -	$ 33,184

VIII. Financial Assets at Fair Value Through Other Comprehensive Income

	Dec. 31, 2023	Dec. 31, 2022
Non-current		
Investments in equity instruments at FVTOCI		
Domestic investment		
Unlisted stocks	$ 6,007	$ 5,985

The Group's investment in aforesaid equity investments is based on a mid and long-term strategy, so it has elected to designate said investments as measured at FVTOCI.

IX. Financial Assets at Amortized Cost

	Dec. 31, 2023	Dec. 31, 2022
Current		
Time deposits with original maturity date of more than 3 months (I & II)	$ 47,576	$ 47,612
Non-current		
Time deposits with original maturity date of more than 1 year (annual interest rate at 2.25% - 2.75%)	$ 17,341	$ 17,638

(I) As of Dec. 31, 2023 and 2022, the annual interest rate range of time deposits with original maturity date of more than 3 months was 0.59%-4.85% and 0.23%-3.3%, respectively.

(II) For information on pledging of financial assets measured at amortized cost, please refer to Note 33.

(III) The policy adopted by the Group is to invest only in debt instruments with low credit risk based on impairment assessment. The Group measured the 12-month ECL or lifetime ECL of the investments in debt instruments based on the historical default loss rate and the prospects of its industry. Because debtors' credit risk was low and had sufficient ability to pay off contractual debts. As of Dec. 31, 2023 and 2022, there is no ECL recognized for financial assets measured at amortized cost.

X. Notes Receivable and Accounts Receivable

	Dec. 31, 2023	Dec. 31, 2022
Notes receivable from operations		
At amortized cost	$ 131,194	$ 11,893
Accounts receivable from operations		
At amortized cost		
Total carrying amount	$ 821,006	$ 584,004
Less: Allowance for losses	24,924	34,189
	$ 796,082	$ 549,815

Accounts receivable

The Group’s average credit period for sales is 30 days to 120 days. The policy adopted by the Group is to only transact with reputable counterparties and obtain full guarantees when necessary to reduce the risk of financial losses due to defaults. The Group will adopt other publicly available financial data and records of transaction between both sides to rate major customers. The business units will classify customers and grant credit limits based on the ratings. If necessary, customers will be required to provide guarantees or conduct transactions in cash. The Group’s management will review and approve counterparties’ credit limits to control the exposure to the credit risk.

The Group recognizes the loss allowance for accounts receivable based on the lifetime ECLs. The lifetime ECLs are calculated using a provision matrix based on the consideration for customers’ past default records, current financial position, and industrial economic situation. As the Group’s historical experience in credit loss shows that there is no significant difference in the loss patterns among different customer groups, the customer groups are not further differentiated in the provision matrix, and only the ECLs are set based on the overdue days of the accounts receivable.

If there is evidence that a counterparty is facing serious financial difficulties and the Group cannot reasonably expect to recover the amount, the Group will directly write off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The loss allowance for accounts and notes receivable measured by the Group based on the provision matrix as follows:

Dec. 31, 2023

	Less than 90 days	91-180 days	181-210 days	Over 211 days	Total
ECLs	0%～12%	17%～36%	39%～56%	100%	
Total carrying amount	$ 915,773	$ 17,225	$ 1,787	$ 17,415	$ 952,200
Allowance for losses (lifetime ECLs)	(5,473)	(1,668)	(368)	(17,415)	(24,924)
Amortized cost	$ 910,300	$ 15,557	$ 1,419	$ -	$ 927,276

Dec. 31, 2022

	Less than 90 days	91-180 days	181-365 days	Over 366 days	Total
ECLs	0%	1%	30%	50%～100%	
Total carrying amount	$ 474,021	$ 66,750	$ 28,307	$ 26,819	$ 595,897
Allowance for losses (lifetime ECLs)	-	(1,064)	(8,459)	(24,666)	(34,189)
Amortized cost	$ 474,021	$ 65,686	$ 19,848	$ 2,153	$ 561,708

The information on changes in the loss allowance for accounts receivable is as follows:

	2023	2022
Balance at beginning of the year	$ 34,189	$ 31,568
Add: Impairment loss recognized for the year	8,357	4,673
Less: Actual write-off for the year	(17,505)	(89)
Foreign currency translation difference	(117)	(1,963)
Balance at end of the year	$ 24,924	$ 34,189

XI. Inventories

	Dec. 31, 2023	Dec. 31, 2022
Finished goods	$ 598,743	$ 731,308
Work in progress	152,744	164,856
Raw materials (including maintenance materials)	409,806	420,917
Merchandise	207,540	159,897
	$ 1,368,833	$ 1,476,978

In 2023 and 2022, the cost of sales related to inventories was NT$2,767,895,000 and NT$2,403,648,000, respectively. The cost of sales for 2023 and 2022, including inventory valuation losses, were NT$8,043,000 and NT$5,063,000 respectively.

XII. Subsidiaries

(I) Subsidiaries included in the consolidated financial statements

The main entities in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Nature of business	Shareholding percentage Dec. 31, 2023	Shareholding percentage Dec. 31, 2022	Description
The Company	Highlight Tech International Corp.	A holding company that invests in businesses in Mainland China	100	100	
The Company	Finesse Technology Co., Ltd. (Finesse Technology)	Maintenance of electronic product components and mechanical equipment and sales of relevant parts	33.29	39.82	Note 2
The Company	Shanorm Tech Co., Ltd. (Shanorm Tech)	Maintenance of mechanical equipment and electronic components and retail of mechanical appliances and electronic materials	100	99.26	Note 1
The Company	Schmidt Scientific Taiwan Ltd. (Schmidt Scientific)	Sales of medical equipment, electronic components, optical instruments, and automatic solar cell stringer machines	57.17	57.17	
The Company	Highlight Tech Japan Co., Ltd.	Sales of electronic equipment, manufacturing of vacuum components, and sales and maintenance of vacuum equipment	100	-	Note 4
Finesse Technology	Highlight Tech System Corp.	Surface treatment, automatic control equipment engineering, mechanical equipment manufacturing, as well as design, manufacturing, wholesale, and retail of electronic components	-	100	Note 6
Finesse Technology	Finesse Lifecare Co., Ltd. (Finesse Lifecare)	Manufacturing of electronic components as well as wholesale and retail of precision instruments and electronic materials	-	35.29	Note 3
Finesse Technology	Finesse Technology (Shanghai) Co., Ltd.	Maintenance and sales of electronic product components as well as mechanical and electrical equipment	100	100	
Finesse Technology	Finesse Technology Co., Ltd.	Maintenance and sales of electronic product components as well as mechanical and electrical equipment	100	-	Note 5
Highlight Tech International Corp.	Highlight Tech (Shanghai) Corp.	Sales of electronic equipment, manufacturing of vacuum components, and sales and maintenance of vacuum equipment	100	100	
Finesse Technology	Highlight Tech System International Limited	A holding company that invests in businesses in Mainland China	100	100	Note 6
Highlight Tech System International Limited	Highlight Tech System (Shanghai) Corp.	Manufacturing of mechanical equipment, as well as design, manufacturing, wholesale, and retail of electronic components.	100	100	

Note 1: In 2023, the Company increased the capital of Shanorm Tech Co., Ltd. with NT$50,000,000 and acquired shares from non-related parties for

NT$448,000, increasing the shareholding ratio to 100%. Please refer to Note 28 for more descriptions. The Company acquired 33.10% of equity from non-related party in January 2022 with the amount of NT$20,127,000, please refer to the description in Note 28.

Note 2: Because the Company has obtained more than half of the board seats of Finesse Technology, it has control over Finesse Technology, which was therefore listed as a subsidiary. In 2023, the Group's shareholding ratio decreased from to 33.29% due to the capital increase of Finesse Technology Co., Ltd., the issuance of new shares with employee compensation and the sale of part of the Company's shares.

Note 3: In Mar. 2023, the Board of Directors approved the disposal. Please refer to Note 27 for details.

Note 4: The Company established HIGHLIGHT TECH JAPAN Co., Ltd. on Aug. 28, 2020 with capital injection made in Jul. 2023. The incorporation registration was completed.

Note 5: The Group established Finesse Technology Co., Ltd. on Jul. 28, 2023 with capital injection made in same month. The incorporation registration was completed.

Note 6: To integrate resources and management, the Group merged its subsidiaries Highlight Tech System Corp. and Finesse Technology Co., Ltd. in Sep. 2023. The merged company remains as Finesse Technology Co., Ltd.

(II) Information on subsidiaries with significant non-controlling interests

	Percentage of equity and voting rights held by non-controlling interests	
Name of subsidiary	Dec. 31, 2023	Dec. 31, 2022
Finesse Technology	66.71%	60.18%

Please refer to Table 5 for the information on the main place of business and country of company registration.

	Profit or loss allocated to non-controlling interests		Non-controlling interests	
Name of subsidiary	2023	2022	Dec. 31, 2023	Dec. 31, 2022
Finesse Technology	$ 60,164	$ 72,784	$ 610,749	$ 441,090

The aggregate financial information of the subsidiary below is compiled based on the amount before the elimination of inter-company transactions:

Finesse Technology

	Dec. 31, 2023	Dec. 31, 2022
Current assets	$ 674,113	$ 539,710
Non-current assets	469,841	412,756
Current liabilities	(172,140)	(177,019)
Non-current liabilities	(19,548)	(5,746)
Equity	$ 952,266	$ 769,701
Equity attributable to:		
Owners of the Company	$ 341,517	$ 328,611
Non-controlling interests of Finesse Technology	610,749	441,090
	$ 952,266	$ 769,701

	2023	2022
Operating revenue	$ 657,400	$ 614,875
Current net income	$ 95,298	$ 125,390
Other comprehensive income	(1,726)	1,497
Total comprehensive income	$ 93,572	$ 126,887
Net income attributable to:		
Owners of the Company	$ 35,134	$ 52,606
Non-controlling interests of Finesse Technology	60,164	72,784
	$ 95,298	$ 125,390
Total comprehensive income attributable to:		
Owners of the Company	$ 34,582	$ 53,280
Non-controlling interests of Finesse Technology	58,990	73,607
	$ 93,572	$ 126,887
Cash flows		
Operating activities	$ 93,878	$ 151,697
Investing activities	(27,779)	261,917
Financing activities	(37,591)	(259,477)
Net cash inflow	$ 28,508	$ 154,137
Payment of dividends to non-controlling interests Finesse Technology	($ 63,756)	($ 33,175)

XIII. Investments Accounted for Using Equity Method

Investments in associates

	Dec. 31, 2023	Dec. 31, 2022
Associates that are not individually material		
HTC & Solar Tech Service Limited	$ 210,286	$ 243,126

Aggregate information on associates that are not individually material

	2023	2022
The Group's share		
Current net income (loss)	($ 14,296)	$ 26,481
Other comprehensive income	(695)	467
Total comprehensive income	($ 14,991)	$ 26,948

In 2023, the Group's shareholding ratio decreased from 37.08% to 35.81% due to the exercise of employee stock options by HTC & Solar Tech Service Limited.

The Group's share of profit or loss and other comprehensive income of the investment in the company under the equity method in 2023 and 2022 was recognized based on the associates' financial statements that have been audited by CPAs for the same period.

XIV. Property, Plant and Equipment

The Group's property, plant and equipment are for self-use.

The changes in property, plant and equipment over the two phases are detailed in Table 1.

Depreciation expenses are recognized on a straight-line basis based on the number of useful lives below:

Buildings	
Main buildings of plants	5-50 years
Plant renovation projects	10 years
Machinery and equipment	2-21 years
Transportation equipment	5-6 years
Office equipment	3-10 years
Leasehold improvements	2-11 years
Other equipment	1-10 years

The Group's property, plant and equipment are pledged as collateral for borrowings, please refer to Note 33.

XV. Lease Arrangements

(I) Right-of-use assets

	Dec. 31, 2023	Dec. 31, 2022
Carrying amount of right-of-use assets		
Land	$ 23,249	$ 26,525
Buildings	14,159	33,022
Transportation equipment	27,301	22,677
	$ 64,709	$ 82,224

	2023	2022
Additions to right-of-use assets	$ 35,371	$ 20,537
Depreciation expenses of right-of-use assets		
Land	$ 1,677	$ 1,856
Buildings	8,043	8,499
Transportation equipment	12,931	12,034
	$ 22,651	$ 22,389

(II) Lease liabilities

	2023	2022
Carrying amount of lease liabilities		
Current	$ 18,376	$ 19,537
Non-current	$ 27,626	$ 43,618

Range of discount rate for lease liabilities is as follows:

	2023	2022
Land	1.9%	1.9%
Buildings	1.26%～1.38%	1.26%～2.68%
Transportation equipment	0.03%～1.43%	0.03%～4.75%

(III) Other leasing information

	2023	2022
Short-term lease expenses	$ 16,298	$ 10,847
Lease expenses of low-value assets	$ 3,051	$ 5,503
Total cash outflow from leases	($ 41,823)	($ 38,757)

The Group has leased certain office equipment which qualifies for short-term leases and transportation equipment which qualifies for low-value asset leases.

The Group has elected to apply the recognition exemption for said equipment and, thus, did not recognize the right-of-use assets and lease liabilities of said leases.

XVI. Goodwill

	2023	2022
Finesse Technology	$ 36,738	$ 36,738
Shanorm Tech	14,733	14,733
	$ 51,471	$ 51,471

The goodwill generated by the Group's acquisition of Finesse Technology came from the benefits brought by the expected benefits of the business integration and growth of mechanical equipment maintenance.

The goodwill generated by the Group's acquisition of Shanorm Tech came from the expected benefits of the business integration and growth of vacuum pump maintenance as well as sales of used machines and spare parts.

The Group did not recognize any impairment loss of goodwill for the years ended Dec. 31, 2023 and 2022

XVII. Other Intangible Assets

	Customer relations	Computer software licenses	Professional technologies	Royalties	Total
Costs					
Balance at Jan. 1, 2022	$ 56,047	$ 59,852	$ 7,500	$ 500	$ 123,899
Acquired separately	-	20,422	-	-	20,422
Reclassification	-	2,621	-	-	2,621
Derecognized upon maturity	-	(4,580)	-	-	(4,580)
Net exchange difference	-	59	-	-	59
Balance at Dec. 31, 2022	$ 56,047	$ 78,374	$ 7,500	$ 500	$ 142,421
Accumulated amortization					
Balance at Jan. 1, 2022	$ 32,540	$ 26,712	$ 6,097	$ 500	$ 65,849
Amortization expenses	8,652	14,448	386	-	23,486
Derecognized upon maturity	-	(4,580)	-	-	(4,580)
Net exchange difference	-	35	-	-	35
Balance at Dec. 31, 2022	$ 41,192	$ 36,615	$ 6,483	$ 500	$ 84,790
Net amount at Dec. 31, 2022	$ 14,855	$ 41,759	$ 1,017	$ -	$ 57,631
Costs					
Balance at Jan. 1, 2023	$ 56,047	$ 78,374	$ 7,500	$ 500	$ 142,421
Acquired separately	-	21,433	-	-	21,433
Reclassification	-	290	-	-	290
Derecognized upon maturity	-	(29,761)	-	-	(29,761)
Net exchange difference	-	(119)	-	-	(119)
Balance at Dec. 31, 2023	$ 56,047	$ 70,217	$ 7,500	$ 500	$ 134,264
Accumulated amortization					
Balance at Jan. 1, 2023	$ 41,192	$ 36,615	$ 6,483	$ 500	$ 84,790
Amortization expenses	8,652	17,867	289	-	26,808
Derecognized upon maturity	-	(29,761)	-	-	(29,761)
Net exchange difference	-	(68)	-	-	(68)
Balance at Dec. 31, 2023	$ 49,844	$ 24,653	$ 6,772	$ 500	$ 81,769
Net amount at Dec. 31, 2023	$ 6,203	$ 45,564	$ 728	$ -	$ 52,495

Amortization expenses are recognized on a straight-line basis based on the number of useful lives below:

Customer relations	6-10 years
Computer software licenses	1-15 years
Professional technologies	20 years

The Group’s other intangible assets were not pledged as collateral.

XVIII. Borrowings

(I) Short-term debts

	Dec. 31, 2023	Dec. 31, 2022
Bank credit borrowings	$ 807,000	$ 440,000

The annual interest rates for short-term debts are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Credit borrowings	1.61%～2.22%	1.2%～2.04%

(II) Long-term loans

Lending bank	Maturity date	Annual interest rate	Dec. 31, 2023	Dec. 31, 2022
Secured borrowings				
First Commercial Bank	Aug. 5, 2039	1.875%	$ -	$ 62,345
First Commercial Bank	Feb. 26, 2040	1.950%	77,571	81,601
First Commercial Bank	Feb. 26, 2035	1.950%	12,885	14,039
Bank of Taiwan	Aug. 15, 2026	1.250%	143,634	158,493
Bank of Taiwan	Nov. 15, 2026	1.250%	53,442	58,452
Bank of Taiwan	Jan. 15, 2027	1.250%	18,360	19,980
Bank of Taiwan	Jul. 15, 2027	1.250%	588,890	452,016
Bank of Taiwan	Apr. 15, 2028	1.250%	427,099	288,626
Bank of Taiwan	Dec. 15, 2028	1.250%	269,996	20,760
Unsecured borrowings				
First Commercial Bank	Oct. 31, 2028	1.595%	983	-
First Commercial Bank	Oct. 31, 2028	2.095%	2,950	-
Taipei Fubon Bank	Dec. 20, 2026	1.896%	150,000	-
			1,745,810	1,156,312
Less: Current portion within 1 year			324,121	291,803
			$ 1,421,689	$ 864,509

Secured borrowings were secured by the Group's own land and buildings, please refer to Note 33.

XIX. Other Payables

	Dec. 31, 2023	Dec. 31, 2022
Salaries and bonuses payable	$ 168,058	$ 228,244
Remuneration payable to directors, supervisors and employees	118,288	175,547
Construction payable and retainage and equipment payable	38,829	181,135
Travel allowances payable to employees	17,849	44,654
Unused annual leave payable	18,878	20,979
Pension payable	4,406	4,219
Others	97,764	81,315
	$ 464,072	$ 736,093

XX. Provisions

	Dec. 31, 2023	Dec. 31, 2022
Current		
Warranties	$ 10,855	$ 10,676

The information on changes in the warranties is as follows:

	2023	2022
Balance at beginning of the year	$ 10,676	$ -
Increase for this period	179	10,676
Balance at end of the year	$ 10,855	$ 10,676

The warranties provision for liabilities is the present value of the best estimate of the future economic outflows due to the warranties obligations by the management of the Group according to the contract for the sale of goods. This estimate is based on historical warranties and adjusted by taking into account new raw materials, changes in the process or other factors that affect product quality.

XXI. Post-Employment Benefit Plans

(I) Defined contribution plans

The Company, Finesse Technology, Highlight Tech System, and Shanorm Tech in the Group have adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the companies make monthly contributions to employees' individual pension accounts of the Bureau of Labor Insurance at 6% of monthly salaries and wages. The employees of the Group's subsidiaries in China are members of the pension benefit plan operated by the local government in China. The subsidiaries must contribute a certain percentage of the salary cost to the pension benefit plan to provide funding for the plan. The Group's obligation for this government-managed pension benefit plan is only to contribute a specific amount of funds.

(II) Defined benefit plans

The pension system adopted by Schmidt Scientific in the Group in accordance with the Labor Standards Act of R.O.C. is a state-managed defined benefit pension plan. The payment for employee pensions is calculated based on the length of service and the average salary in the 6 months prior to the approved retirement date. The company contributes pensions at 2% of the total monthly employee salaries, which are deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contribute an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Present value of defined benefit obligations	$ 5,730	$ 5,840
Fair value of plan asset	(4,488)	(4,283)
Net defined benefit liabilities	$ 1,242	$ 1,557

Changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liabilities (assets)
Jan. 1, 2022	$ 10,151	($ 6,272)	$ 3,879
Interest expense (income)	70	(44)	26
Recognized in profit or loss	70	(44)	26
Re-measurement			
Return on plan asset (except for the amount included in the net interest)	-	(595)	(595)
Actuarial (gains) losses			
- Changes in financial assumptions	(319)	-	(319)
- Experience adjustments	(1,250)	-	(1,250)
Recognized in other comprehensive income	(1,569)	(595)	(2,164)
Contributions from the employer	-	(184)	(184)
Benefits payment	(2,812)	2,812	-
Dec. 31, 2022	5,840	(4,283)	1,557
Interest expense (income)	$ 75	($ 55)	$ 20
Recognized in profit or loss	75	(55)	20
Re-measurement			
Return on plan asset (except for the amount included in the net interest)	-	(40)	(40)
Actuarial (gains) losses			
- Changes in financial assumptions	48	-	48
- Experience adjustments	(233)	-	(233)
Recognized in other comprehensive income	(185)	(40)	(225)
Contributions from the employer	-	(110)	(110)
Dec. 31, 2023	$ 5,730	($ 4,488)	$ 1,242

Due to the pension plans under the Labor Standards Act, the Group is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the income from the Group’s amount allocated to plan assets is calculated based on the interest rate not lower than the local bank’s interest rate for 2-year time deposits.

2. Interest risk: A decrease in the interest rate in the government bonds and corporate bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Discount rate	1.2%	1.3%
Expected salary increase rate	2%	2%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	Dec. 31, 2023	Dec. 31, 2022
Discount rate		
Increase by 0.25%	($ 119)	($ 126)
Decrease by 0.25%	$ 122	$ 130
Expected salary increase rate		
Increase by 0.25%	$ 121	$ 129
Decrease by 0.25%	($ 118)	($ 126)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	Dec. 31, 2023	Dec. 31, 2022
The expected contributions to the plan for the following year	$ 115	$ 114
The weighted average duration of the defined benefit obligation	8 years	9 years

XXII. Equity

(I) Common stock

	Dec. 31, 2023	Dec. 31, 2022
Authorized shares (in thousands)	250,000	250,000
Authorized capital	$ 2,500,000	$ 2,500,000
Issued and paid shares (in thousands)	118,202	118,202
Issued capital	$ 1,182,017	$ 1,182,017

The ordinary shares issued, with a par value of NT$10 per share, are entitled to one voting right per share and to the right to receive dividends.

To increase the return on shareholders' equity and adjust the capital structure, the Board of Directors approved a cash capital reduction on Mar. 8, 2024 to return shareholders' shares. The amount of capital reduction was NT$236,403,000 and with 23,640,000 shares canceled and a capital reduction ratio of 20%. Once the above-mentioned capital reduction proposal is approved by the shareholders' meeting and approved by the competent authority for effective registration, the Chairman will be authorized to stipulate the record dates for capital reduction, replacement of old share certificates by new ones as a result of a reduction in capital, and other related matters.

(II) Capital surplus

	Dec. 31, 2023	Dec. 31, 2022
May be used to compensate losses, distribute cash, or replenish capital (Note 1)		
Share premium	$ 297,538	$ 399,192
Exercise of employee stock options	2,765	2,765
Expired employee stock options	7,003	7,003
Stock options for expired convertible corporate bonds	8,232	8,232
May only be used to compensate losses		
Recognition of changes in ownership interests of subsidiaries and associates (Note 2)	45,537	28,010
Exercise of disgorgement by the Company	215	215
	$ 361,290	$ 445,417

Note 1: This type of capital surplus can be used to make up for losses, and can also be used to pay cash dividends or to replenish capital when the Company does not suffer losses, but when capital is replenished, it is limited to a certain percentage of the paid-in capital each year.

Note 2: This type of capital surplus is the amount of adjustments to changes in the equity of subsidiaries recognized by the Company using the equity method.

(III) Retained earnings and dividends policy

In accordance with the Company's Articles of Incorporation regarding the earnings distribution policy, if there is a surplus in the Company's annual final accounts, it shall first pay taxes and make up for prior years' losses, set aside 10% of balance for the legal reserve, and make an appropriation for or reverse the special reserves according to laws and regulations. The balance, together with the cumulative undistributed earnings from prior years, are used for distribution of shareholders' dividends and bonuses. For the amount to be distributed, the board of directors shall put forth an earnings distribution proposal, and when the earnings are to be distributed in the same method as issue of new shares, the board of directors shall submit the proposal to the shareholders' meeting for resolution before distribution. Pursuant to Paragraph 5, Article 240 of the Company Act, the Company authorizes the board of directors to resolve to distribute the dividends and bonuses or all or part of the legal reserve and capital surplus as stipulated in Paragraph 1, Article 241 of the Company Act in the form of cash with a majority vote of attending directors at a board meeting attended by two-thirds of all directors, which shall be reported to the shareholders' meeting.

For the employee compensation and directors' remuneration distribution policy stipulated in the Company's Articles of Incorporation, please refer to Note 24(8) regarding employee compensation and directors' remuneration.

In addition, according to the Company's Articles of Incorporation, based on the measurement of the future annual capital needs according to the Company's future capital budget plan, some stock dividends will be issued to retain the Company's operating funds as in the dividend policy. However, if the profitability is greatly diluted, the board of directors will consider the operating and capital expenditures and shareholders' demand for cash inflows and decide an appropriate ratio of cash and stock dividends, and the ratio of cash dividends to total dividends shall not be less than 20%.

The legal reserve shall not be appropriated when its balance reaches the amount of the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company does not suffer losses, the part of the legal reserve in excess of 25% of the total paid-in capital can be distributed in cash in addition to being used to replenish the capital.

The Company set aside and reversed a special reserve in accordance with the FSC Letters Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490, Jin-Guan-Zheng-Fa-Zi No. 1030006415, and the directive, entitled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The Company's 2022 and 2021 earnings distribution plans are as follows:

	2022	2021
Legal reserve	$ 48,789	$ 34,834
Cash dividends	$ 217,491	$ 177,303
Cash dividend per share (NTD)	$ 1.84	$ 1.5

In addition, the Board of Directors decided to pay out cash dividends (NT$0.86 and NT$0.7 per share) from the capital surplus of NT$101,654,000 NT$82,741,000 on Feb. 23, 2023 and Feb. 24, 2022 respectively.

The above cash dividends have been approved as resolved by the board of directors on Feb. 23, 2023 and Feb. 24, 2022, respectively. The remaining earnings distribution items in 2022 and 2021 were resolved by the annual general meeting held on Jun. 8, 2023 and Jun. 9, 2022, respectively.

The 2023 earnings distribution proposal put forth by the Company's board of directors on Mar. 8, 2024 is as follows:

	2023
Legal reserve	$ 35,684

The proposal for the 2023 earnings distribution awaits approval at the shareholders' meeting on June 7, 2024.

(IV) Special reserves

In accordance with the FSC Letter Jin-Guan-Zheng-Fa-Zi No. 1090150022 dated Mar. 31, 2021, when IFRSs are adopted for the first time, for the cumulative translation adjustments (gains) under shareholders' equity, a special reserve shall be set aside in the same amount of the portion reclassified to retained earnings for application of the exemption as in IFRS 1. As the increase in retained earnings generated due to the first-time application of IFRSs was insufficient to be recognized, the increase in retained earnings generated due to the conversion to IFRSs by NT$50,031,000 was recognized in special reserves. The appraised cost of the Company's acquisition of property from a related party in 2017 was lower than the actual transaction price. Therefore, the Company set aside a special reserve of NT$14,737,000 for the difference in accordance with the provisions of the Securities and Exchange Act.

(V) Other equity items

1. Exchange differences on translating the financial statements of foreign operations

	2023	2022
Balance at beginning of the year	$ 31,383	($ 38,952)
Generated in the current year		
Exchange differences on translating foreign operations	(16,904)	8,740
Income tax related to other comprehensive income components	2,559	(1,638)
Share of associates under equity method	(695)	467
Other comprehensive income for the current year	(15,040)	7,569
Balance at end of the year	($ 46,423)	($ 31,383)

2. Re-measurement of the defined benefit plan

	2023	2022
Balance at beginning of the year	$ 4,890	$ 3,522
Generated in the current year		
Share of subsidiaries under equity method	140	1,368
Balance at end of the year	$ 5,030	$ 4,890

3. Unearned compensation

	2023	2022
Balance at beginning of the year	($ 514)	$ -
Generated in the current year		
Share of subsidiaries under equity method	456	(514)
Balance at end of the year	($ 58)	($ 514)

(VI) Non-controlling interests

	2023	2022
Balance at beginning of the year	$ 479,647	$ 391,079
Current net income	61,239	71,774
Other comprehensive income for the current year		
Exchange differences on translating the financial statements of foreign operations	(1,197)	626
Re-measurement of the defined benefit plan	85	796
Disposal of subsidiaries	(248)	-
Cash capital increase from subsidiaries	105,442	-
Share-based payment of subsidiaries	15,456	-
Disposal of non-controlling interests in subsidiaries (Note 28)	20,420	-
Increase in non-controlling interests resulted by shares distributed by subsidiaries as employees' compensation	33,106	-
Increase in non-controlling interests with issuance of new restrict employee shares by subsidiaries (Notes 12 and 28)	-	69,173
Refunding capital reduction of non-controlling interest from subsidiaries	-	(7,590)

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	2023	2022
Acquisition of non-controlling interests in subsidiaries (Notes 12 & 28)	($ 295)	($ 13,036)
Shareholders' cash dividends of subsidiaries	(63,756)	(33,175)
Balance at end of the year	$ 649,899	$ 479,647

XXIII. Revenue

(I) Breakdown of revenue from customer contracts

	2023	2022
Revenue from customer contracts		
Merchandise sales revenue	$ 2,382,295	$ 1,939,412
Service income	1,349,316	1,587,863
Others	473,825	380,367
	$ 4,205,436	$ 3,907,642

1. Merchandise sales revenue

The Group recognizes revenue and contract assets when products of vacuum equipment and components are delivered to the designated location. The Group's average credit period for merchandise sales ranges from 30 days to 120 days. Each contract is recognized in accounts receivable when goods are transferred with the right to receive the consideration unconditionally. However, for some contracts, part of the consideration is received first from customers before the goods are transferred, and the Group is required to assume the obligation to transfer the goods subsequently; thus, the consideration received is recognized in contract liabilities.

2. Service income

The Group recognizes revenue and accounts receivable when it provides services, such as maintenance and cleaning, and the acceptance is completed. The Group's average credit period for the maintenance and cleaning services ranges from 30 days to 120 days. Each contract is recognized in the account receivable when services are accepted by the customer. However, for some contracts, part of the consideration is received first from customers before the maintenance and cleaning services are provided, and the Group is required to assume the obligation to provide the maintenance and cleaning services subsequently; thus, the consideration received is recognized in contract liabilities.

(II) Balance of contracts

	Dec. 31, 2023	Dec. 31, 2022	Jan. 1, 2022
Contract assets	$ 195,147	$ 16,475	$ -
Notes and accounts receivable (Note 10)	927,276	561,708	556,192
	$1,122,423	$ 578,183	$ 556,192
Contract liabilities			
Advance sales receipts	$ 130,515	$ 233,144	$ 364,650

The amount of contract liabilities from the beginning of the year and performance obligations fulfilled in the previous period recognized in revenue in the current period is as follows:

	2023	2022
Contract liabilities from the beginning of the year		
Merchandise sales	$ 233,144	$ 364,650

XXIV. Net Income Before Tax

Net income before tax includes the following items:

(I) Other income and expenses, net

	2023	2022
Gains (losses) on disposal of property, plant and equipment, net	($ 919)	$ 944

(II) Interest income

	2023	2022
Cash in banks	$ 8,415	$ 3,846

(III) Other income

	2023	2022
Rental income	$ 2,034	$ 4,157
Dividend income	958	2,550
	$ 2,992	$ 6,707

(IV) Other gains or losses

	2023	2022
Gains or losses on financial assets and financial liabilities		
Financial assets designated at FVTPL	$ 116	($ 21,664)
Net foreign currency exchange gains	5,522	36,342
Gains on disposal of investment property	-	15,672
Grant income	-	11,000
Others	3,921	6,345
	$ 9,559	$ 47,695

(V) Financial costs

	2023	2022
Interest on bank borrowings	$ 35,480	$ 15,670
Interest on lease liabilities	679	813
Total interest expense on financial liabilities not at FVTPL	36,159	16,483
Less: The amount with the cost of eligible assets included (recognized under property, plant and equipment, and under prepayments for equipment)	(2,350)	(5,407)
	$ 33,809	$ 11,076

Relevant information on capitalization of interest is as follows:

	2023	2022
Amount of capitalized interest	$ 2,350	$ 5,407
Interest rate of capitalized interest	1.194%～1.618%	0.5484%～1.2204%

(VI) Depreciation and amortization

	2023	2022
An analysis of depreciation expenses by function		
Operating costs	$ 129,619	$ 91,437
Operating expenses	69,639	59,766
Other losses	-	289
	$ 199,258	$ 151,492
An analysis of amortization expenses by function		
Operating costs	$ 6,577	$ 5,692
Operating expenses	20,231	17,794
	$ 26,808	$ 23,486

(VII) Employee benefits expenses

	2023	2022
Short-term employee benefits		
Salaries and wages	$ 698,945	$ 847,893
Labor and health insurance	65,459	51,715
Others	46,957	39,247
	811,361	938,855
Post-employment benefits		
Defined contribution plans	37,880	30,216
Defined benefit plans (Note 21)	20	140
	37,900	30,356
Share-based payment Equity-settled	15,456	-
	$ 864,717	$ 969,211
An analysis by function		
Operating costs	$ 380,758	$ 392,322
Operating expenses	483,959	576,889
	$ 864,717	$ 969,211

(VIII) Employee compensation and directors' remuneration

In accordance with the provisions of the Articles of Incorporation, the Company shall allocate 10%-15% and no more than 2% of the pre-tax income before the employee compensation and directors' remuneration distributed are deducted for employee compensation and directors' remuneration, respectively. The estimated employee compensation and directors' remuneration for 2023 and 2022 resolved by the board of directors on Mar. 8, 2024 and Feb. 23, 2023, respectively, are as follows:

Estimated percentage

	2023	2022
Employee compensation	11.4%	11.4%
Directors' remuneration	2%	2%

Amount

	2023	2022
Employee compensation	$ 54,573	$ 75,028
Directors' remuneration	9,574	13,163

If there is a change in the amount after the annual consolidated financial statements are approved for release, it shall be treated as a change in accounting estimates and adjusted and accounted for in the next year.

There was no difference between the actual amount of employee compensation and directors' remuneration distributed for 2022 and 2021 and the amount recognized in the 2022 and 2021 consolidated financial statements.

For information on employee compensation and directors' remuneration decided by the Company's board of directors, please visit the Market Observatory Post System (MOPS) of Taiwan Stock Exchange.

(IX) Gains (losses) on foreign currency exchange

	2023	2022
Total foreign currency exchange gains	$ 16,273	$ 48,521
Total foreign currency exchange losses	(10,751)	(12,179)
Net gains (losses)	$ 5,522	$ 36,342

XXV. Income Tax

(I) Income tax recognized in profit or loss

Major components of tax expenses are as follows:

	2023	2022
Current income tax		
Incurred in the current year	$ 103,376	$ 157,776
Surtax on undistributed earnings	-	3,063
Adjustments to prior years	(3,601)	(7,413)
	99,775	153,426
Deferred tax		
Incurred in the current year	5,634	(16,745)
Income tax expense recognized in profit or loss	$ 105,409	$ 136,681

The reconciliation between the accounting income and the current income tax expense is as follows:

	2023	2022
Net income before tax	$ 523,636	$ 703,435
Income tax calculated based on statutory tax rate for pre-tax income	$ 134,922	$ 185,244
Non-taxable income		
Income on domestic investment under the equity method	(9,869)	(16,740)
Financial asset valuation gains	-	4,345
Others	506	3,722
Unrecognized deductible temporary differences	(15,157)	(39,458)
Used loss carryforwards	(1,392)	-
Surtax on undistributed earnings	-	3,063
Land value increment tax	-	3,918
Adjustments to income tax expenses from prior years in the current year	(3,601)	(7,413)
Income tax expense recognized in profit or loss	$ 105,409	$ 136,681

(II) Income tax recognized in other comprehensive income

	2023	2022
Deferred tax		
Incurred in the current year		
Translation of foreign operations	$ 2,559	($ 1,638)

(III) Current income tax assets and liabilities

	Dec. 31, 2023	Dec. 31, 2022
Current income tax assets		
Tax refund receivable	$ 59	$ 4,658
Current income tax liabilities		
Income tax payable	$ 27,074	$ 113,316

(IV) Deferred tax assets and liabilities

The changes in deferred tax assets and liabilities are as follows:

2023

Deferred tax assets	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Inventory valuation losses	$ 18,275	$ 1,930	$ -	$ 20,205
Bad debts loss	7,044	(3,332)	-	3,712
Others	20,891	(4,520)	-	16,371
	$ 46,210	($ 5,922)	$ -	$ 40,288

Deferred tax liabilities	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Exchange differences on translating foreign operations	$ 6,921	$ -	($ 2,559)	$ 4,362
Provisions for land value increment tax	8,041	-	-	8,041
Others	335	(288)	-	47
	$ 15,297	($ 288)	($ 2,559)	$ 12,450

2022

Deferred tax assets	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Inventory valuation losses	$ 9,947	$ 8,328	$ -	$ 18,275
Bad debts loss	356	6,688	-	7,044
Unrealized investment losses	11,024	(11,024)	-	-
Others	11,208	9,683	-	20,891
	$ 32,535	$ 13,675	$ -	$ 46,210

Deferred tax liabilities	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Exchange differences on translating foreign operations	$ 5,283	$ -	$ 1,638	$ 6,921
Provisions for land value increment tax	8,041	-	-	8,041
Profit or loss on subsidiaries accounted for using equity method	3,358	(3,358)	-	-
Others	47	288	-	335
	$ 16,729	($ 3,070)	$ 1,638	$ 15,297

(V) Deductible temporary differences from deferred tax assets not recognized in the consolidated balance sheet

	Dec. 31, 2023	Dec. 31, 2022
Deductible temporary differences		
Losses on overseas investment recognized using equity method	$ 304,072	$ 368,208
Inventory valuation losses	3,229	1,930
	$ 307,301	$ 370,138

(VI) Income tax approval

The profit-seeking enterprise income tax returns filed by the Company and its subsidiaries of Finesse Technology, Highlight Tech System, Shanorm Tech, and Schmidt Scientific up to 2021 have been approved by the tax collection authority.

XXVI. Earnings per Share

The earnings and the weighted average number of ordinary shares adopted to calculate the earnings per share are as follows:

Current net income

	2023	2022
Net income attributable to owners of the Company	$ 356,988	$ 494,980

Number of shares

Unit: Thousand shares

	2023	2022
Weighted average number of ordinary shares in computation of basic earnings per share	118,202	118,202
Effect of potentially dilutive ordinary shares:		
Employee compensation	1,526	1,726
Weighted average number of ordinary shares used in the computation of diluted earnings per share	119,728	119,928

If the Group can settle the compensation to employees in cash or shares, the Group assumes the entire amount of the compensation would 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 if the effect is dilutive.

Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXVII. Disposal of Subsidiaries

The Group approved the resolution of the Board of Directors on Mar. 10, 2023, to dispose of Finesse Lifecare Co., Ltd., completed the disposal in May. 2023, and lost control of the subsidiary.

(I) Consideration received

	Amount
Cash and cash equivalents	$ 135

(II) Analysis of assets and liabilities on the date control was lost

	Amount
Current assets	
Cash and cash equivalents	$ 899
Current liabilities	
Payables	(516)
Net assets disposed of	$ 383

(III) Gain on disposals of subsidiaries

	Amount
Consideration received	$ 135
Net assets disposed of	(383)
Non-controlling interests	248
Gain on disposal	$ -

(IV) Net cash outflow on disposal of subsidiaries

	Amount
Consideration received in cash and cash equivalents	$ 135
Less: Cash and cash equivalent balances disposed of	899
	($ 764)

XXVIII. Equity Transactions with Non-Controlling Interests

In 2023, the Group increased the capital of Shanorm Tech Co., Ltd. and purchased shares from non-controlling interests, resulting in the total shareholding ratio increasing from 99.26% to 100%.

In 2023, the Group's shareholding ratio decreased from 39.82% to 33.29% due to the capital increase of Finesse Technology Co., Ltd., the issuance of new shares with employee compensation and the sale of part of the Company's shares.

Subsidiary Finesse Technology Co., Ltd. issued new restricted employee shares in 2022, resulting in a decrease in the total shareholding ratio from 43.2% to 39.82%.

The Group purchased Shanorm Tech's shares from the non-controlling interests in 2022, resulting in an increase in its total shareholding ratio from 66.16% to 99.26%.

Since the transactions above did not change the Group's control over these subsidiaries, the Group treated them as equity transactions.

2023

	Finesse Technology	Shanorm Tech
Cash consideration receive (paid)	$ 40,620	($ 448)
The amount that shall be reclassified from the non-controlling interests is calculated based on the relative equity changes for the carrying amount of the net assets	(20,420)	295
Equity transaction difference	$ 20,200	($ 153)
Account adjusted for equity transaction difference		
Capital surplus - recognition of changes in all equity interests in subsidiaries	$ 20,200	$ -
Undistributed earnings	-	(153)
	$ 20,200	($ 153)

2022

	Finesse Technology	Shanorm Tech
Cash consideration receive (paid)	$ 80,879	($ 20,127)
The amount that shall be reclassified from the non-controlling interests is calculated based on the relative equity changes for the carrying amount of the net assets	(69,173)	13,036
Equity transaction difference	$ 11,706	($ 7,091)
Account adjusted for equity transaction difference		
Capital surplus - recognition of changes in all equity interests in subsidiaries	$ 12,220	$ -
Undistributed earnings	-	(7,091)
Other equity, unearned compensation.	(514)	-
	$ 11,706	($ 7,091)

XXIX. Non-Cash Transactions

The Group conducted the following non-cash transaction/investment activities in 2023and 2022

	2023	2022
Investment activities that affect both cash and non-cash items		
Purchase of property, plant and equipment	$ 324,235	$ 764,089
Construction and equipment payable and construction retainage at the beginning of the period	181,135	151,330
Construction and equipment payable and construction retainage at the end of the period	(38,829)	(181,135)
Notes payable at the beginning of the period	-	137,436
Amount of cash paid	$ 466,541	$ 871,720

XXX. Capital Risk Management

he Group's capital management is to optimize the balances of debts and equity to make effective use of capital and ensure the smooth operation of each company. The Group's capital structure is composed of net liabilities and equity, and does not need to comply with other external capital requirements. The Group's main management reviews the capital structure quarterly, including considering the costs of various types of capital and relevant risks while investing in financial products to increase the Company's income and manage the capital structure.

XXXI. Financial Instruments

(I) Fair value - financial instruments not at fair value

Financial assets with significant difference between carrying amount and fair value

The carrying amount of the Company's financial instruments not measured at fair value is a reasonable approximation of fair value.

(II) Fair value - financial instruments at fair value on a recurring basis

1. Fair value hierarchy

Dec. 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Investment in equity instruments				
Domestic unlisted stocks	$ -	$ -	$ 6,007	$ 6,007

Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Fund beneficiary certificates	$ 33,184	$ -	$ -	$ 33,184
Financial assets at fair value through other comprehensive income				
Investment in equity instruments				
Domestic unlisted stocks	$ -	$ -	$ 5,985	$ 5,985

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

2023

Financial assets	Financial assets at fair value through other comprehensive income Equity instruments
Balance at beginning of the year	$ 5,985
Purchase	22
Balance at end of the year	$ 6,007

2022

Financial assets	Financial assets at fair value through other comprehensive income Equity instruments
Balance at beginning of the year	$ 6,156
Disposal	(171)
Balance at end of the year	$ 5,985

3. Valuation techniques and inputs applied for Level 3 fair value measurement

Investments in domestic and overseas unlisted equity are estimated with reference to the most recent net worth of the investees.

(III) Categories of financial instruments

	Dec. 31, 2023	Dec. 31, 2022
Financial assets		
At FVTPL		
Mandatorily at FVTPL	$ -	$ 33,184
Financial assets at amortized cost (Note 1)	1,830,119	1,333,564
Financial assets at fair value through other comprehensive income		
Investment in equity instruments	6,007	5,985
Financial liability		
At amortized cost (Note 2)	3,460,152	2,977,815

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortized cost (including current and non-current), and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term debts, notes payable, accounts payable, other payables, and long-term loans (including current portion within 1 year), and guarantee deposits received.

(IV) Financial risk management objective and policies

The Group’s financial management department provides services to various business units, coordinates the operations in the domestic and international financial markets, and supervises and manages the financial risks related to the Group’s operations through the internal reports on risk exposure analyses based on the degree and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

1. Market risk

(1) Exchange rate risk

The Group is engaged in sales and purchase transactions denominated in foreign currencies, thus causing the Group to be exposed to the risk of exchange rate fluctuations. The Group's management of the exchange rate risk is to adopt forward foreign exchange contracts to manage the risk within the scope permitted by the policy.

For the carrying amount of the Group's monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements), please refer to Note 35.

Sensitivity analysis

The Group is mainly affected by fluctuations in the exchange rates of USD, RMB and JPY. The table details the Group's sensitivity analysis when the exchange rates between the foreign currencies and the Group's functional currency change. When each of said foreign currencies appreciates by 1% against each functional currency, the effect on the Group's profit or loss is as follows:

	Effect on USD	
	2023	2022
Increase in net income before tax	$ 1,898	$ 1,971

	Effect on RMB	
	2023	2022
Increase in net income before tax	$ 1,043	$ 802

	Effect on JPY	
	2023	2022
Increase in net income before tax	$ 262	$ 626

The aforesaid exchange rate impact is mainly arising from the Group's cash and cash equivalents, receivables, and payables denominated in foreign currencies that are still in circulation without cash flow hedging at the balance sheet date.

The decrease in the Group's exchange rate sensitivity this year was mainly due to the decrease in the net assets in USD.

(2) Interest rate risk

Because the Group's entities manage capital by adopting floating interest rates; thus, the interest rate risk exposure arises. The carrying amount of the Group's financial assets and financial liabilities exposed to the interest rate risk at the balance sheet date is as follows:

	Dec. 31, 2023	Dec. 31, 2022
Cash flow interest rate risk		
Financial assets	$ 801,186	$ 624,739
Financial liability	2,552,810	1,596,312

If the interest rate increased by 1% and all other variables remain unchanged, the Group's net income before tax for 2023 and 2022 would have decreased by NT$17,516,000 and NT$9,716,000, respectively, mainly because of the Group's deposits and borrowings at floating interest rates exposed to the cash flow interest rate risk.

The Group's increased sensitivity to interest rates this year was mainly due to the increase in variable rate net debt.

(3) Other value risks

The Group's exposure to the equity price risk arises from the investment in fund beneficiary certificates and stocks; the Group's equity prices are mainly concentrated in Taiwan's fund and stock markets.

If the equity price increased/ decreased by 5%, the pre-tax profit or loss for 2023 and 2022 would have increased/ decreased by NT$0 and NT$1,659,000, respectively, due to the increase/decrease in the fair value of financial assets at FVTPL. The pre-tax other comprehensive income for 2023 and 2022 would have increased/ decreased by NT$300,000 and NT$299,000, due to the increase/decrease in the fair value of financial assets at FVTOCI.

2. Credit risk

Credit risk refers to the risk that a counterparty defaults on the contract obligation and causes the financial loss to the Group. The greatest risk comes from the failure to recover customers' accounts receivables. The policy adopted by the Group is to only transact with reputable counterparties and obtain full guarantees when necessary to reduce the risk of financial losses due to defaults. The Group will adopt other publicly available financial data and records of transaction between both sides to rate major customers. The business units will classify customers and grant credit limits based on the ratings. If necessary, customers will be required to provide guarantees or conduct transactions in cash. The Group's management will review and approve counterparties' credit limits to control the exposure to the credit risk.

In addition, the Group will review the recoverable amounts of receivables one by one at the balance sheet date to ensure that the unrecoverable receivables have been properly recognized in impairment losses. Accordingly, the Group's management believes that its credit risk has been significantly reduced.

The accounts receivable involve many customers from different industries and geographic regions. The balance of the Group's accounts receivable with significant concentration of credit risk is as follows:

	Dec. 31, 2023		Dec. 31, 2022	
	Amount	%	Amount	%
Company A	$ 139,802	18	$ 23,368	7
Company B	$ 86,990	11	$ 7	-

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents or liquid financial products to support its operations. In addition, it signs credit agreements with banks to maintain appropriate borrowing facilities to meet operational needs.

Borrowings from banks are an important source of liquidity for the Group. As of Dec. 31, 2023 and 2022, the Group's undrawn borrowing facilities were NT$1,552,146,000 and NT$1,854,927,000, respectively.

Table of liquidity and interest rate risks of non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period in the table below, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

For interest cash flows paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the balance sheet date.

Dec. 31, 2023

	0-180 days	181-365 days	Over 365 days
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 906,208	$ -	$ 1,134
Lease liabilities	9,536	9,536	28,773
Floating interest rate instruments	983,895	164,541	1,443,450
	$ 1,899,639	$ 174,077	$ 1,473,357

Dec. 31, 2022

	0-180 days	181-365 days	Over 365 days
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 1,381,123	$ -	$ 380
Lease liabilities	10,070	10,070	43,922
Floating interest rate instruments	589,966	146,914	870,506
	$ 1,981,159	$ 156,984	$ 914,808

XXXII. Related Party Transactions

The transactions, account balances, as well as income and expenses between the Company and its subsidiaries (which are related parties of the Company) are all eliminated upon consolidation, so they are not disclosed in this note. The transactions between the Group and other related parties are as follows:

(I) Name of related parties and relationship

Name of related party	Relationship with the Group
HTC & Solar Tech Service Limited	Associate

(II) Operating revenue

Account title	Related party category	2023	2022
Sales revenue	Associate	$ 404	$ 37

The Group sells various types of components and customized products and provides cleaning services. In particular, the unit price of various components is not significantly different from that for general customers, and the customized products and the parts of each customer's customized products for maintenance and replacement are different, so the prices cannot be compared.

The Group's collection of the sales revenue from the above-mentioned related parties is open account (O/A) with net 90 days, and it is O/A with net 30 to 120 days for general customers.

(III) Purchases

Related party category	2023	2022
Associate	$ 853	$ 1,317

The Group's purchases from related parties mainly include parts. Since the Company does not purchase the same products from other non-related parties, the prices cannot be compared.

The Group's purchases from the above-mentioned related parties are based on O/A with net 90 days after acceptance, and there is no major difference from general suppliers.

(IV) Receivables from related parties

Account title	Related party category	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable	Associate	$ 326	$ 26

The outstanding receivables from related parties are not guaranteed. No allowance for losses was provided for receivables from related parties in 2023and 2022

(V) Payables to related parties (excluding borrowings from related parties)

Account title	Related party category	Dec. 31, 2023	Dec. 31, 2022
Accounts payable	Associate	$ 6,945	$ 8,982
Other payables	Associate	249	156
		$ 7,194	$ 9,138

The balance of the outstanding payables to related parties is not guaranteed.

(VI) Transactions with other related parties

The processing and maintenance fees paid by the Group to its associates in 2023 and 2022 were NT$16,582,000 and NT$22,501,000, respectively, which were recognized in production overheads and operating expenses.

(VII) Remuneration of key management personnel

The total remuneration of directors and other key management personnel is as follows:

	2023	2022
Short-term employee benefits	$ 74,494	$ 69,841
Post-employment benefits	808	791
	$ 75,302	$ 70,632

XXXIII. Pledged Assets

The following assets have been provided as collateral for borrowings from banks:

	Dec. 31, 2023	Dec. 31, 2022
Self-owned land	$ 960,582	$ 1,050,397
Buildings	1,507,908	521,239
Certificates of deposit pledged (under financial assets at amortized cost - current)	3,008	3,021
	$ 2,471,498	$ 1,574,657

XXXIV. Significant Contingent Liabilities and Unrecognized Commitments

The significant commitments and contingencies of the Group at the balance sheet date are as follows:

(I) As of Dec. 31, 2023 and 2022, the amount of the performance guarantees provided by the banks entrusted by the Group for the purchase of goods from suppliers was both NT$10,000,000.

(II) Subsidiary Highlight Tech (Shanghai) Corp. and Guangdong Tisnawell New Material Technology Co., Ltd. signed a vacuum product sales contract. As the company failed to make a payment for the goods, the Group filed a lawsuit against the company on Aug. 18, 2020, requesting the company to pay RMB 5,080,000 for the goods and RMB 135,000 for the loss from overdue payment. However, Guangdong Tisnawell New Material Technology Co., Ltd. filed a counterclaim with the court, requiring the Group to pay a total of RMB 6,964,000 for liquidated damages and maintenance costs. The court of first instance verdict in favor of subsidiary Highlight Tech (Shanghai) Corp and the Group received a total compensation of RMB 1,145,000 under compulsory enforcement in Feb. 2023.

(III) Subsidiaries Highlight Tech (Shanghai) Corp. and Guangdong Tisnawell New Material Technology Co., Ltd. incurred a loss of RMB 3,869,000 due to a dispute over the retrieval of installation equipment, and the company sought compensation from the Group. As of Dec. 31, 2023, the judgment has not yet been made, and the Group has continued to follow up and evaluate the potential impact of the litigation results on its financial statements.

XXXV. Information on Foreign Currency Financial Assets and Liabilities with Significant Impact

The information below is aggregated and presented in foreign currencies other than the functional currency of each entity of the Group. The exchange rates disclosed refer to the exchange rates of such foreign currencies to the functional currency. Foreign currency assets and liabilities with significant impact are as follows:

Unit: NTD thousand/ thousands of foreign currencies

Dec. 31, 2023

Financial assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 7,510	30.7050 (USD: NTD)	$ 230,585
USD	1,327	7.0827 (USD: RMB)	40,739
RMB	24,583	4.3352 (RMB: NTD)	106,573
JPY	166,587	0.2172 (JPY: NTD)	36,183
JPY	13,121	0.0502 (JPY: RMB)	2,856
Financial liability			
Monetary item			
USD	2,629	30.7050 (USD: NTD)	80,714
USD	26	7.0827 (USD: RMB)	787
RMB	530	4.3352 (RMB: NTD)	2,298
JPY	59,294	0.2172 (JPY: NTD)	12,879

Dec. 31, 2022

Financial assets	Foreign currency	Exchange rate	Carrying amount
Monetary item			
USD	$ 8,861	30.7100 (USD: NTD)	$ 272,117
USD	1,751	6.9646 (USD: RMB)	53,785
RMB	21,800	4.4094 (RMB: NTD)	96,125
JPY	293,332	0.2324 (JPY: NTD)	68,170
JPY	10,813	0.0524 (JPY: RMB)	2,496
Financial liability			
Monetary item			
USD	4,199	30.7100 (USD: NTD)	128,948
USD	28	6.9646 (USD: RMB)	856
RMB	3,613	4.4094 (RMB: NTD)	15,930
JPY	34,833	0.2324 (JPY: NTD)	8,095

The Group mainly bears foreign currency exchange rate risks for USD, RMB, and JPY. The information below is aggregated and presented in the functional currencies of the entities holding foreign currencies, and the exchange rates disclosed refer to the exchange rates of these functional currencies to the presentation currency. The foreign currency exchange gains (losses) (realized and unrealized) with a significant impact are as follows:

	2023		2022	
Functional currency	Functional currency to presentation currency	Net gains (losses) on foreign currency exchange	Functional currency to presentation currency	Net gains (losses) on foreign currency exchange
NTD	1 (NTD: NTD)	$ 4,415	1 (NTD: NTD)	$ 31,280
RMB	4.4235 (RMB: NTD)	1,107	4.4254 (RMB: NTD)	5,062
		$ 5,522		$ 36,342

XXXVI. Additional Disclosures

(I) Information on significant transactions and (II) Information on investees:

1. Loaning funds to others: None.
2. Endorsements/Guarantees provided: Table 2.
3. Marketable securities held at the end of period (excluding investment in subsidiaries and associates): Table 3.

4. Marketable securities acquired or sold at costs or prices at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual property at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual property at costs of at least NT$300 million or 20% of the paid-in capital: None.
7. Disposal of individual property at costs of at least NT$100 million or 20% of the paid-in capital: Table 4.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
9. Trading in derivative instruments: None.
10. Information on investees: Table 5.
11. Others: Business relationship and significant transactions between the parent company and its subsidiaries: Table 8.

(III) Information on investments in Mainland China:

1. Information on any investee in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current income or loss and investment income or loss recognized, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.
2. Any of the following significant transactions with investees in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 7.
   (1) The amount and percentage of purchases and the closing balance and percentage of relevant payables.
   (2) The amount and percentage of sales and the closing balance and percentage of relevant receivables.
   (3) The amount of property transactions and the amount of profit (loss) generated.
   (4) The closing balance of endorsement/guarantee bills or the collateral provided and the purpose.
   (5) The maximum balance, closing balance, interest rate range, and total interest of the current period of the financing provided.

(6) Other transactions that have a significant impact on the current profit or loss or financial position, such as the provision or receipt of services.

(IV) Information on major shareholders: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 9.

XXXVII. Segments Information

Both the Company and its subsidiaries belong to an operating segment for manufacturing, maintaining, and trading electronic components. The information provided to chief operating decision makers to allocate resources and evaluate segment performance is focused on the operating results of the Company and its subsidiaries. The information on the Group's segment assets and liabilities is not provided to the main management for decision-making purposes, so there is no need to disclose segment assets and liabilities.

(I) Segment revenue and operating results

	The Company	Highlight Tech (Shanghai) Corp.	Finesse Technology	Others	Reconciliation and write-off	Total
2023						
Revenue from customers other than the parent company and its subsidiaries	$ 2,331,929	$ 945,196	$ 570,726	$ 357,585	$ -	$ 4,205,436
Revenue from the parent company and its subsidiaries	233,084	17,265	86,674	64,858	(401,881)	-
Total revenue	$ 2,565,013	$ 962,461	$ 657,400	$ 422,443	($ 401,881)	$ 4,205,436
Segment profit (loss)	$ 331,649	$ 90,418	$ 103,717	$ 18,373	$ 6,618	$ 550,775
Interest income						8,415
Other income						2,992
Other gains or losses						9,559
Financial costs						(33,809)
Share of profit or loss on associates accounted for using equity method						(14,296)
Net income before tax						$ 523,636
2022						
Revenue from customers other than the parent company and its subsidiaries	$ 2,274,300	$ 763,478	$ 494,212	$ 375,652	$ -	$ 3,907,642
Revenue from the parent company and its subsidiaries	201,883	32,209	120,663	97,837	(452,592)	-
Total revenue	$ 2,476,183	$ 795,687	$ 614,875	$ 473,489	($ 452,592)	$ 3,907,642
Segment profit (loss)	$ 378,038	$ 101,778	$ 121,711	$ 19,948	$ 8,307	$ 629,782
Interest income						3,846
Other income						6,707
Other gains or losses						47,695
Financial costs						(11,076)
Share of profit or loss on associates accounted for using equity method						26,481
Net income before tax						$ 703,435

Segment profit (loss) refers to the profit earned by each segment, excluding non-operating income and expenditures and income tax expenses. The amounts measured are provided to the chief operating decision maker to allocate resources to the segment and measure its performance.

(II) Revenue from main products and services

The analysis of the revenue main products and services of the Group's continuing operations is as follows:

	2023	2022
Merchandise sales revenue	$ 2,382,295	$ 1,939,412
Service income	1,349,316	1,587,863
Others	473,825	380,367
	$ 4,205,436	$ 3,907,642

(III) Segment by geographical location

The Group mainly operates in two regions: Taiwan and China.

The information on the revenue from the Group's continuing operations from external customers based on operating location and the location where non-current assets are located is listed below:

	Revenue from external customers	
	2023	2022
Taiwan	$ 3,116,207	$ 3,032,547
China	1,089,229	875,095
	$ 4,205,436	$ 3,907,642

	Non-current assets	
	Dec. 31, 2023	Dec. 31, 2022
Taiwan	$ 3,558,888	$ 3,418,465
China	204,696	212,926
	$ 3,763,584	$ 3,631,391

Non-current assets exclude assets classified as financial instruments and deferred tax assets.

(IV) Information on major customers

The individual customer contributing to at least 10% of the Group's total revenue is as follows:

	2023	2022
Company A	$ 772,851	$ 869,081

Highlight Tech Corp. and its Subsidiaries

Property, Plant and Equipment

For the Years Ended Dec. 31, 2023 and 2022

Table 1 Unit: NTD thousand

	Self-owned Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Leased Assets	Other Equipment	Property Under Construction	Total
Costs										
Balance at Jan. 1, 2022	$ 1,127,124	$ 1,178,248	$ 570,699	$ 12,495	$ 43,334	$ 55,817	$ 1,564	$ 123,874	$ 366,113	$ 3,479,268
Additions	-	92,000	56,957	-	2,653	2,393	-	23,194	586,892	764,089
Disposal	-	(529)	(36,738)	(1,181)	(1,758)	(1,564)	-	(4,081)	-	(45,851)
Reclassification	-	759,966	58,417	-	635	7,962	(1,564)	5,793	(733,446)	97,763
Derecognized in current period	-	-	(519)	-	-	-	-	(1,459)	-	(1,978)
Net exchange difference	-	7,302	2,500	55	187	-	-	474	9	10,527
Balance at Dec. 31, 2022	$ 1,127,124	$ 2,036,987	$ 651,316	$ 11,369	$ 45,051	$ 64,608	$ -	$ 147,795	$ 219,568	$ 4,303,818
Accumulated depreciation and impairment										
Balance at Jan. 1, 2022	$ -	$ 520,966	$ 397,649	$ 6,927	$ 31,720	$ 51,599	$ 384	$ 89,678	$ -	$ 1,098,923
Depreciation expenses	-	47,431	54,685	1,553	4,442	5,712	27	14,964	-	128,814
Disposal	-	(260)	(33,622)	(1,181)	(1,755)	(631)	-	(3,857)	-	(41,306)
Reclassification	-	-	(8,290)	-	336	4,332	(411)	(4,258)	-	(8,291)
Derecognized in current period	-	-	(519)	-	-	-	-	(1,459)	-	(1,978)
Net exchange difference	-	5,454	2,169	19	174	-	-	353	-	8,169
Balance at Dec. 31, 2022	$ -	$ 573,591	$ 412,072	$ 7,318	$ 34,917	$ 61,012	$ -	$ 95,421	$ -	$ 1,184,331
Net amount at Dec. 31, 2022	$ 1,127,124	$ 1,463,396	$ 239,244	$ 4,051	$ 10,134	$ 3,596	$ -	$ 52,374	$ 219,568	$ 3,119,487
Costs										
Balance at Jan. 1, 2023	$ 1,127,124	$ 2,036,987	$ 651,316	$ 11,369	$ 45,051	$ 64,608	$ -	$ 147,795	$ 219,568	$ 4,303,818
Additions	-	75,672	91,808	637	9,366	3,265	-	46,909	96,578	324,235
Disposal	-	(99,420)	(82,021)	(3,632)	(11,206)	(48,596)	-	(14,933)	-	(259,808)
Reclassification	42,219	221,730	61,358	1,445	2,383	3,649	-	15,307	(308,052)	40,039
Derecognized in current period	-	-	-	(2,362)	-	(4,892)	-	(151)	-	(7,405)
Net exchange difference	-	(8,660)	(2,747)	(61)	(214)	-	-	(894)	(17)	(12,593)
Balance at Dec. 31, 2023	$ 1,169,343	$ 2,226,309	$ 719,714	$ 7,396	$ 45,380	$ 18,034	$ -	$ 194,033	$ 8,077	$ 4,388,286
Accumulated depreciation and impairment										
Balance at Jan. 1, 2023	$ -	$ 573,590	$ 412,072	$ 7,318	$ 34,917	$ 61,012	$ -	$ 95,422	$ -	$ 1,184,331
Depreciation expenses	-	75,653	69,196	1,587	4,617	2,025	-	23,529	-	176,607
Disposal	-	(98,604)	(79,360)	(2,696)	(10,395)	(48,596)	-	(17,393)	-	(257,044)
Reclassification	-	-	(5,770)	-	-	(283)	-	283	-	(5,770)
Derecognized in current period	-	-	-	(2,362)	-	(4,892)	-	(151)	-	(7,405)
Net exchange difference	-	(7,023)	(2,371)	(38)	(214)	-	-	(581)	-	(10,227)
Balance at Dec. 31, 2023	$ -	$ 543,616	$ 393,767	$ 3,809	$ 28,925	$ 9,266	$ -	$ 101,109	$ -	$ 1,080,492
Net amount at Dec. 31, 2023	$ 1,169,343	$ 1,682,693	$ 325,947	$ 3,587	$ 16,455	$ 8,768	$ -	$ 92,924	$ 8,077	$ 3,307,794

Highlight Tech Corp. and its Subsidiaries

Endorsement/Guarantee Provided

For the Year Ended Dec. 31, 2023

Table 2

Unit: NTD thousand (Except for foreign currencies which are in dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Party Endorsed/Guaranteed		Limit of Endorsement/ Guarantee for Single Enterprise (Note 3)	Maximum Endorsement/ Guarantee Balance in this Period	Ending Balance of Endorsements/ Guarantees Provided	Amount Drawn (Note 6)	Amount of Endorsements/ Guarantees with Assets Pledged	Ratio of Cumulative Endorsements/ Guarantees to Net Worth as in the Latest Financial Statements	Upper Limit on Endorsements/ Guarantees (Notes 4 & 5)	Parent Company to Subsidiary	Subsidiary to Parent Company	To Entity in Mainland China
		Company Name	Relationship (Note 2)										
0	Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	(3)	$ 875,261	$ 30,346 (RMB 7,000,000)	$ 30,346 (RMB 7,000,000)	$ - (RMB -)	$ -	1.04%	$ 1,458,768	Y	N	Y

Note 1: The Company is coded “0”. The investees are coded sequentially beginning from “1” by each individual company.

Note 2: (1) A company with which it does business.

(2) A company in which the Company directly or indirectly holds more than fifty percent (50%) of the voting shares.

(3) A company that directly or indirectly holds more than fifty percent (50%) of the voting shares in the Company.

(4) Companies that are endorsed and guaranteed by all shareholders based on their shareholding ratios because of a joint investment relationship.

Note 3: The limit of endorsement/guarantee for a single enterprise is 20% of the net worth of the Company or any of its subsidiaries at the end of the period, but for a single overseas associate, it shall not exceed 30% of the net worth of the Company or any of its subsidiaries at the end of the period.

Note 4: The upper limit of endorsements/guarantees provided to external entities is 50% of the Company’s net worth at the end of the period.

Note 5: The upper limit of endorsements/guarantees provided to external entities by a subsidiary is 50% of the subsidiary’s net worth at the end of the period.

Note 6: It is the actual amount of the endorsement/guarantee drawn by the company endorsed/guaranteed within the scope of the endorsement/guarantee balance.

Note 7: The total external endorsements/guarantees provided by the Company and its subsidiaries are limited to no more than 50% of the net consolidated worth at the end of the period, and the total endorsements/guarantees provided to a single enterprise is limited to no more than 20% of the net consolidated worth at the end of the period, except for a single overseas associate, which shall not exceed 30% of the net consolidated worth at the end of the period.

Highlight Tech Corp. and its Subsidiaries

Statement of Marketable Securities Held at the End of Period

Dec. 31, 2023

Table 3

Unit: NTD thousand

Company	Type and Name of Marketable Securities	Marketable Securities Relationship with Securities Issuer	Account Title	End of Period				Remarks
				Number of Shares or Units	Carrying Amount	Shareholding Ratio (%)	Fair Value	
Shanorm Tech Co., Ltd.	Stocks ProMOS Technologies Inc.	—	Financial assets at FVTOCI - non-current	2,210	$ 22	-	$ 22	
Schmidt Scientific Taiwan Ltd.	Stocks Syntec Scientific Corporation	—	Financial assets at FVTOCI - non-current	598,500	$ 5,985	4.52	$ 5,985	

Note: For information on investments in subsidiaries and associates, please refer to Table 5.

Highlight Tech Corp. and its Subsidiaries

Disposal of Individual Property at Costs of at Least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended Dec. 31, 2023

Table 4

Unit: NTD thousand (Unless stated otherwise)

Company Name	Counterparty	Relationship	Transaction				Situation and Reason that Transaction Terms are Different from General Ones (Note 1)		Notes/Accounts Receivable (Payable)		Remarks (Note 2)
			Purchase/ Sale	Amount	As a Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	As a Percentage of Total Notes/Accounts Receivable (Payable) (%)	
Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	Sales	$ 176,782	7	O/A with net 60 days after the sale	There is no major difference in the unit price of the various components sold; the customized products and the parts of each customer's customized products for maintenance and replacement are different, so the prices cannot be compared.	O/A with net 60 days to 120 days for general customers	$ 45,723	8	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reason in the "Unit price" and "Credit term" columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transaction, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transaction compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. If the shares issued by an issuer have no par value or a par value other than NT$10 per share, the threshold of 20% of paid-in capital, as set out in the preceding item, shall be replaced by 10% of equity attributable to owners of the indicated parent company, as stated in the respective balance sheet.

Highlight Tech Corp. and its Subsidiaries

Information on Investees

For the Year Ended Dec. 31, 2023

Table 5

Unit: NTD thousand (Unless stated otherwise)

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Held at the End of Period			Net Profit (Loss) on Investee in this Period	Investment Income (Loss) Recognized for this Period (Note 5)	Remarks
				End of Current Period	End of Last Period	Number of Shares	Percentage (%)	Carrying Amount			
Highlight Tech Corp.	Highlight Tech International Corp.	British Virgin Islands	A holding company that invests in businesses in Mainland China	$ 977,954 (US$31,850,000)	$ 977,954 (US$31,850,000)	27,414,695	100	$ 724,802	$ 70,730	$ 71,810	Subsidiary; Note 1
	Htc & Solar Tech Service Limited	Hsinchu County	Equipment maintenance and cleaning business	117,024	117,024	12,322,052	35.81	210,286	(39,087)	(14,296)	
	Schmidt Scientific Taiwan Ltd.	Taipei City	Sales and maintenance of medical equipment, electronic components, optical instruments, semiconductor and optoelectronic process facilities, testing equipment, and automatic solar cell stringer machines	19,000	19,000	4,785,014	57.17	80,948	3,867	2,210	Subsidiaries
	Shanorm Tech Co., Ltd.	Hsinchu County	Maintenance of mechanical equipment and electronic components and retail of mechanical appliances and electronic materials	114,831	64,383	11,080,800	100	109,846	6,933	5,894	Subsidiaries
	Finesse Technology Co., Ltd.	Hsinchu County	Maintenance of electronic product components and mechanical equipment and sales of relevant parts	190,861	201,017	10,189,353	33.29	341,516	102,917	35,135	Subsidiary; Note 2
	HIGHLIGHT TECH JAPAN Co., Ltd.	Japan	Sales of electronic equipment, manufacturing of vacuum components, and sales and maintenance of vacuum equipment	21,720 (JPY 100,000,000)	-	100,000,000	100	14,216	(7,673)	(7,673)	Subsidiaries
Finesse Technology Co., Ltd.	Highlight Tech System Corp.	Hsinchu County	Surface treatment, automatic control equipment engineering, mechanical equipment manufacturing, as well as design, manufacturing, wholesale, and retail of electronic components	-	73,868	-	-	-	14,369		Subsidiary; Note 7
	Finesse Lifecare Co., Ltd.	Hsinchu County	Manufacturing of electronic components as well as wholesale and retail of precision instruments and electronic materials	-	360	-	-	-	-		Note 6
	Schmidt Scientific Taiwan Ltd.	Taipei City	Sales and maintenance of medical equipment, electronic components, optical instruments, semiconductor and optoelectronic process facilities, testing equipment, and automatic solar cell stringer machines	4,955	4,955	1,270,541	15.18	21,494	3,867		Subsidiaries
	Highlight Tech System International Limited	Samoa	A holding company that invests in businesses in Mainland China	29,170 (US$950,000)	29,170 (US$950,000)	950,000	100	69,691	11,746		Subsidiary; Notes 3 & 7
	Finesse Technology Co., Ltd.	Japan	Manufacturing of electronic components as well as wholesale and retail of precision instruments and electronic materials	19,548 (JPY 90,000,000)	-	90,000,000	100	18,319	(1,257)	-	Subsidiaries

Note 1: The difference between the net equity value of Highlight Tech International Corp. of NT$738,046,000 and the carrying amount is due to the unrealized profit on deferred credits of NT$12,132,000 and the unrealized profit on upstream transactions of NT$1,112,000.

Note 2: The investment income or losses recognized in the current period include the current income of NT$37,931,000 and minus the customer relationship amortization of NT$2,796,000.

Note 3: The difference between the net equity value of Highlight Tech System International Limited of NT$70,060,000 and the carrying amount is the unrealized profit of deferred credit of NT$369,000.

Note 4: Please refer to Table 6 for relevant information on investees in Mainland China.

Note 5: It is only necessary to list the amount of profit and loss of each subsidiary recognized by the Company as a direct reinvestment and each subsidiaries accounted for using the equity method.

Note 6: In Mar. 2023, the Board of Directors approved the disposal.

Note 7: To integrate resources and management, the Group merged its subsidiaries Highlight Tech System Corp. and Finesse Technology Co., Ltd. in Sep. 2023. The merged company remains as Finesse Technology Co., Ltd.

Highlight Tech Corp. and its Subsidiaries

Information on Investments in Mainland China

For the Year Ended Dec. 31, 2023

Table 6

Unit: NTD thousand (Unless stated otherwise)

Name of Investee	Main Business Activities	Paid-in Capital (Note 3)	Method of Investments (Note 1)	Cumulative Amount of Remittance from Taiwan to Mainland China, Beginning of Current Period (Note 3)	Amount Remitted from Taiwan to Mainland China/Amount Remitted Back to Taiwan for Current Period		Cumulative Amount of Remittance from Taiwan to Mainland China, End of Current Period (Note 3)	Net Profit (Loss) on Investee in this Period	Shareholding of the Company (Direct or Indirect)	Investment Income (Loss) Recognized for this Period	Carrying Amount of Investments at the End of the Period	Cumulative Amount of Investment Income Repatriated to Taiwan as of the Current Period
					Outflow	Inflow						
Highlight Tech (Shanghai) Corp.	Sales of electronic equipment, manufacturing of vacuum components, and sales and maintenance of vacuum equipment	$ 898,121 (US$29,250,000)	(2) Highlight Tech International Corp.	$ 898,121 (US$29,250,000)	$ -	$ -	$ 898,121 (US$29,250,000)	$ 70,628	100	$ 70,628 (Note 2)	$ 732,233 (Note 2)	$ -
Highlight Tech System (Shanghai) Corp.	Surface treatment, automatic control equipment engineering, mechanical equipment manufacturing, as well as design, manufacturing, wholesale, and retail of electronic components	27,635 (US$900,000)	(2) Highlight Tech System International Limited	27,635 (US$900,000)	-	-	27,635 (US$900,000)	11,883	100	11,883 (Note 2)	69,195 (Note 2)	-
Finesse Technology (Shanghai) Co., Ltd.	Maintenance and sales of electronic product components as well as mechanical and electrical equipment	9,212 (US$300,000)	(1) Finesse Technology Co., Ltd.	9,212 (US$300,000)	-	-	9,212 (US$300,000)	9,327	100	9,327 (Note 2)	27,537 (Note 2)	-

Name of Investor	Cumulative Amount of Remittance from Taiwan to Mainland China, End of Current Period (Note 3)	Investment Amount Approved by the Investment Commission of MOEA (Note 3)	Limit on Investments in Mainland China Imposed by the Investment Commission
The Company	$ 898,121 (US$29,250,000)	$ 1,156,043 (US$37,650,000)	Note 4
Highlight Tech System Corp.	-	-	$ - (Note 6)
Finesse Technology Co., Ltd.	36,847 (US$1,200,000)	36,847 (US$1,200,000)	$ 549,317(Note 5)

Note 1: Investment methods are divided into the following three types, just enter the code:

(1) Direct investment in Mainland China.

(2) Indirect investment in mainland China through third-region companies (please indicate the investment companies in the third regions).

(3) Other methods.

Note 2: Recognized based on the financial statements audited and attested by CPAs appointed by the parent company in Taiwan.

Note 3: The relevant figures in this table are listed in NTD (1: 30.705).

Note 4: In accordance with the newly amended "Principles for the Review of Investment or Technical Cooperation in Mainland China" on Aug. 29, 2008, the Company obtained the certification documents issued by the Industrial Development Bureau, Ministry of Economic Affairs, on Nov. 16, 2020 for meeting the operating scope of the operations headquarters in the manufacturing industry, so there is no need to calculate the investment limit.

Note 5: For Finesse Technology Co., Ltd., based on the newly amended Principles for the Review of Investment or Technical Cooperation in Mainland China on Aug. 29, 2008, the investment limit for small- and medium-sized enterprises is NT$80,000,000 or 60% of net worth, whichever is higher.

Note 6: To integrate resources and management, the Group merged its subsidiaries Highlight Tech System Corp. and Finesse Technology Co., Ltd. in Sep. 2023. The merged company remains as Finesse Technology Co., Ltd.

Highlight Tech Corp. and its Subsidiaries

Information on Significant Transactions with Investees in Mainland China, Either Directly or Indirectly Through a Third Party, and their Prices, Payment Terms, Unrealized Gains or Losses, and Other Relevant Information

For the Year Ended Dec. 31, 2023

Table 7

Unit: NTD thousand

I. The Amount and Percentage of Purchases and Sales and the Closing Balance and Percentage of Relevant Receivables.

Company Name	Counterparty	Relationship	Transaction				Amount and Reason that Transaction Terms are Different from General Ones		Notes/Accounts Receivable (Payable)		Unrealized Gain/(Loss)	Remarks
			Purchase/ Sale	Amount	As a Percentage of Total Purchases (Sales)	Credit Period	Unit Price	Credit Conditions	Balance	As a Percentage of Total Notes/Accounts Receivable (Payable) (%)		
Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	Sales	$ 176,782	4	O/A with net 60 days after the sale	There is no major difference in the unit price of the various components sold; the customized products and the parts of each customer's customized products for maintenance and replacement are different, so the prices cannot be compared.	O/A with net 60 days to 120 days for general customers	$ 45,723	8	$ 12,132	
Finesse Technology Co., Ltd.	Finesse Technology (Shanghai) Co., Ltd.	Subsidiary (Direct Ownership of 100% of Equity)	Sales	20,846	1	O/A with net 90 days after the sale	There is no major difference in the unit price of the various components and equipment sold; the customized products and the parts of each customer's customized products for maintenance and replacement are different, so the prices cannot be compared.	O/A with net 30 days to 120 days for general customers	-	-	-	
Finesse Technology Co., Ltd.	Highlight Tech System (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	Sales	38,322	1	O/A with net 90 days after the sale	There is no major difference in the unit price of the various components and equipment sold; the customized products and the parts of each customer's customized products for maintenance and replacement are different, so the prices cannot be compared.	O/A with net 30 days to 120 days for general customers	-	-	-	

II. The Closing Balance of Endorsement/Guarantee Bills or the Collateral Provided and the Purpose

Unit: NTD thousand (Except for USD and RMB which are in dollars)

Name of Related Party	Relationship Between the Company and the Related Party	Closing Balance of Endorsement, Guarantee, or Collateral Provided, End of Period	Purpose of Endorsement, Guarantee, or Collateral Provided
Highlight Tech (Shanghai) Corp.	Subsidiary (indirect ownership of 100% of the equity)	$ 30,346 (RMB 7,000,000) (Note)	In order to cope with the expansion of Highlight Tech (Shanghai) Corp. and the insufficiency of initial investment funds, the Company provided it with endorsement/ guarantee, so that it can apply for loans from banks to replenish its working capital.

Note: This is the closing balance of endorsement/guarantee provided by the Company to Highlight Tech (Shanghai) Corp.

Highlight Tech Corp. and its Subsidiaries

Business Relationship and Significant Transactions Between the Parent Company and its Subsidiaries

For the Year Ended Dec. 31, 2023

Table 8

Unit: NTD thousand

No.	Company Name	Counterparty	Relationship with the Company (Note)	Transaction			
				Financial Statement Account	Amount	Transaction Condition	As a Percentage of Consolidated Total Operating Revenues or Total Assets
0	Highlight Tech Corp.	Highlight Tech (Shanghai) Corp.	1.	Sales revenue	$ 176,782	Pricing at general transaction prices - O/A with net 60 days	4.20
			1.	Accounts receivable	45,723	-	0.63
		Shanorm Tech Co., Ltd.	1.	Sales revenue	56,109	Pricing at general transaction prices - O/A with net 90 days	1.33
			1.	Accounts receivable	13,016	-	0.18
		HIGHLIGHT TECH JAPAN Co., Ltd.	1.	Payment on behalf of other	5,562	-	0.08
1	Shanorm Tech Co., Ltd.	Highlight Tech Corp.	2.	Lease income	3,960	-	0.09
2	Highlight Tech (Shanghai) Corp.	Highlight Tech Corp.	2.	Sales revenue	12,519	Pricing at general transaction prices - O/A with net 60 days	0.03
		Highlight Tech System (Shanghai) Corp.	3.	Lease income	2,844	-	0.07
3	Finesse Technology Co., Ltd.	Finesse Technology (Shanghai) Co., Ltd.	3.	Sales revenue	20,846	Pricing at general transaction prices - O/A with net 90 days	0.50
		Highlight Tech System (Shanghai) Corp.	3.	Sales revenue	52,838	Pricing at general transaction prices - O/A with net 90 days	1.26
			3.	Accounts receivable	3,448	-	0.05
		Highlight Tech Corp.	2.	Sales revenue	8,985	Pricing at general transaction prices - O/A with net 90 days	0.21
			2.	Accounts receivable	77	-	-
4	Schmidt Scientific Taiwan Ltd.	Highlight Tech (Shanghai) Corp.	3.	Sales revenue	9,163	Pricing at general transaction prices - O/A with net 90 days	0.22
5	Highlight Tech System (Shanghai) Corp.	Finesse Technology Co., Ltd.	3.	Sales revenue	29,579	Pricing at general transaction prices - O/A with net 90 days	0.70
			3.	Accounts receivable	3,870	-	0.05
		Finesse Technology (Shanghai) Co., Ltd.	3.	Sales revenue	17,975	Pricing at general transaction prices - O/A with net 90 days	0.43
6	Finesse Technology (Shanghai) Co., Ltd.	Highlight Tech System (Shanghai) Corp.	3.	Sales revenue	7,033	Pricing at general transaction prices - O/A with net 90 days	0.17

Note: There are three types of relations with the transaction company, just enter the code:

1. Parent to subsidiary
2. Subsidiary to parent.
3. Between subsidiaries.

Highlight Tech Corp.

Information on Major Shareholders

Dec. 31, 2023

Table 9

Name of Major Shareholders	Shares	
	Number of Shares Held (Shares)	Shareholding Ratio
Ming-Tien, Wu	6,593,037	5.57%
Sherng Tar Industrial Co., Ltd.	6,380,728	5.39%

Note 1: In this chart, major shareholders are defined as shareholders with more than 5% collective holding interest in common shares that have been delivered via book entry, as shown in the records of TDCC on the final business day of each quarter. Share capital, as shown in the financial statements, may differ from the number of shares that have been delivered via book entry due to differences in the preparation basis.

Note 2: For shareholders who have placed shareholding under trust, the above information shall be provided based on trust accounts created by the trustee. In which case, these shareholders may be required under the Securities and Exchange Act to make regulatory reporting on insiders with more than 10% ownership interest, which include shares held in own name and shares placed under trust that the shareholder has control over. Refer to Market Observation Post System for information on the reporting of insider shareholding.