

# Wendell Industrial Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and  
2022 and  
Independent Auditors' Review Report  
(Stock code: 6761)

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

Wendell Industrial Co., Ltd. and Subsidiaries  
Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Review Report

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Wendell Industrial Co., Ltd.  
Declaration of Consolidated Financial Statements of Affiliates

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Wendell Industrial Co., Ltd.

By

KAO, CHIH-HUNG  
Chairman

March 7, 2024

## Independent Auditors' Report

(113) Cai-Sheng-Bao-Tzu No. 23004639

Wendell Industrial Co., Ltd.:

### **Opinions**

We have audited the accompanying consolidated balance sheets of Wendell Industrial Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinions**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Auditing Standards. 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 ("The Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the Group and its subsidiaries for the year ended December 31, 2023. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the consolidated financial statements of Wendell Group in the year 2023 are as follows:

#### **Loss allowance for accounts receivable**

### Instruction for the matter

For the accounting policy regarding accounts receivable, accounting estimates and assumptions of impairment evaluation, and instructions related to impairment, please see Note 4 (9) and (10), Note 5 (2) and Note 6 (4) of the consolidated financial statements.

Wendell Group evaluates the impairment of accounts receivable and calculate expected loss ratio with reference to historical experience and in consideration of the customers' previous default records and current financial position, etc., to recognize loss allowance. Additionally, if the accounts receivable from individual customers are individually identified with a trace of impairment, or actual credit impairment, the Company will draw loss allowance. During the process of impairment evaluation of accounts receivable, the management applies judgment and estimates to determine the future recoverability, while its future recoverability is affected by various factors like the management's assumptions of credit risks of customers. Therefore, the CPA will include the estimates of impairment of accounts receivable as a key audit matter.

### Responsive audit procedures

The audit procedures already executed by this CPA are summarized as follows:

1. Learn about and evaluate credit risk management as well as policies related to impairment evaluation of accounts receivable and internal control.
2. Learn about the computational logic of the aging statement of ending accounts receivable provided by the management, review relevant supporting documents, and check the book records to confirm the correctness of the classification of aging periods.
3. Recheck the supporting documents provided by the management for evaluation regarding the major impairment of accounts receivable as individually recognized by the management, to evaluate the reasonableness of the possibility of recovery.
4. Verify the subsequent collections of overdue accounts receivable with a significant sampling amount.

### **Inventory valuation**

#### Instruction for the matter

For the accounting policy, accounting estimates and assumptions related to inventory valuation, please refer to Note 4 (12), Note 5 (2) and Note 6 (5) of the consolidated financial statements for details.

Wendell Group is mainly engaged in the sales of various kinds of electronic components. The ending inventories are measured at the cost or net realizable value, whichever is lower. At the same time, the falling price loss is drawn based on the useful status of outdated and obsolete inventories that have been individually identified. Such inventories feature short life cycle and fierce market competition, and the allowance for reduction of inventory individually identified as outdated and obsolete involves the management's subjective judgment. Therefore, the CPA includes the estimates of such inventory evaluation losses as a key audit matter.

## Responsive audit procedures

The audit procedures already executed by this CPA are summarized as follows:

1. Learn about the operation of the Group and the nature of the industry, and evaluate the reasonableness of the internal control procedure and withdrawal policy adopted by the Company to address the loss on the allowance for reduction of inventory.
2. Test the basis of market price of net realizable value of individual inventories and conduct spot check to confirm whether the net realizable value is correctly calculated.
3. Learn about the warehousing management process of the Group, review its annual inventory plan, and participate in the evaluation of its annual inventory checking on the site, to evaluate the effectiveness of the inventory control of the management.
4. Acquire the details of outdated inventories individually identified by the management, review relevant documents, and check them with the book records.

## **Other Matter – the Parent Company Only Financial Statements**

We have also audited the parent company only financial statements of Wendell Industrial Co., Ltd. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, the management is responsible for preparing prudent Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Groups' financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing

standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Group's audits.

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

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

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

PricewaterhouseCoopers Taiwan

CPA: CHEN, CHIN-CHANG  
TU, PEI-LING

Financial Supervisory Commission  
Auditing and Attestation No.: FSC (Sheng) No.  
1060025060  
Former Securities & Exchange Commission,  
Ministry of Finance  
Auditing and Attestation No.: (84) Tai-Cai-Cheng (6)  
No.13377  
March 7, 2024

Wendell Industrial Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code	Assets	Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	<b>Current assets</b>					
1100	Cash and cash equivalents	6(1)	\$ 478,129	24	\$ 373,921	19
1110	Current financial assets at fair value through profit or loss	6(2)	77,471	4	-	-
1136	Financial assets at amortized cost	6(3), 8	2,000	-	48,874	3
1150	Notes receivable	6(4)	39,510	2	30,115	2
1170	Accounts receivable	6(4)	559,593	29	528,596	28
130X	Inventories	6(5)	336,500	17	503,896	26
1470	Other current assets		19,066	1	27,829	1
11XX	<b>Total current assets</b>		<u>1,512,269</u>	<u>77</u>	<u>1,513,231</u>	<u>79</u>
	<b>Non-current assets</b>					
1600	Property, plant and equipment	6(6)	347,206	18	318,066	16
1755	Right-of-use assets	6(7)	58,053	3	72,725	4
1840	Deferred tax assets	6(19)	18,185	1	11,149	-
1900	Other non-current assets		18,880	1	11,542	1
15XX	<b>Total non-current assets</b>		<u>442,324</u>	<u>23</u>	<u>413,482</u>	<u>21</u>
1XXX	<b>Total assets</b>		<u>\$ 1,954,593</u>	<u>100</u>	<u>\$ 1,926,713</u>	<u>100</u>

(Continue on next page)

Wendell Industrial Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code	Assets	Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
	<b>Current liabilities</b>					
2100	Short-term loans	6(8)	\$ 217,191	11	\$ 114,306	6
2120	Financial liabilities at fair value through profit or loss	6(2)	840	-	1,200	-
2130	Current contract liabilities	6(15)	7,212	-	7,482	-
2170	Accounts payable		155,161	8	210,086	11
2200	Other accounts payable	6(9)	76,301	4	64,348	3
2230	Current tax liabilities		36,067	2	35,583	2
2280	Current lease liabilities (Note 13)	6(7)	29,507	2	33,487	2
2320	Long-term liabilities - current portion	6(10)	389,078	20	-	-
2399	Other current liabilities - other		2,666	-	3,468	-
21XX	<b>Total current liabilities</b>		<u>914,023</u>	<u>47</u>	<u>469,960</u>	<u>24</u>
	<b>Non-current liabilities</b>					
2530	Bonds payable	6(10)	-	-	381,825	20
2570	Deferred tax liabilities	6(19)	13,508	1	12,787	1
2580	Non-current lease liabilities	6(7)	29,476	1	40,583	2
2600	Other non-current liabilities	6(11)	3,907	-	6,308	-
25XX	<b>Total non-current liabilities</b>		<u>46,891</u>	<u>2</u>	<u>441,503</u>	<u>23</u>
2XXX	<b>Total liabilities</b>		<u>960,914</u>	<u>49</u>	<u>911,463</u>	<u>47</u>
	<b>Equity</b>					
	<b>Equity attributed to owners of parent</b>					
	Share	6(12)				
3110	Ordinary share		251,049	13	239,085	13
	Capital surplus	6(13)				
3200	Capital surplus		326,681	17	326,595	17
	Retained earnings	6(14)				
3310	Legal reserve		83,425	4	63,986	3
3320	Special reserve		-	-	4,196	-
3350	Unappropriated retained earnings		334,846	17	380,383	20
	Other equity					
3400	Other equity		( 2,322)	-	1,005	-
3XXX	<b>Total equity</b>		<u>993,679</u>	<u>51</u>	<u>1,015,250</u>	<u>53</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant subsequent events	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,954,593</u>	<u>100</u>	<u>\$ 1,926,713</u>	<u>100</u>

The accompanying notes constitute part of the consolidated financial statements.

**Wendell Industrial Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**December 31, 2023 and 2022**

Unit: In Thousands of New Taiwan Dollars,  
except for EPS in New Taiwan Dollars

Item	Note	2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	6(15)	\$ 1,743,459	100	\$ 1,923,029	100
5000 Operating costs	6(5)(18)	( 1,239,463)	( 71)	( 1,340,339)	( 70)
5900 Gross profit (loss) from operations		<u>503,996</u>	<u>29</u>	<u>582,690</u>	<u>30</u>
Operating expenses	6(18)				
6100 Selling expenses		( 150,500)	( 8)	( 145,936)	( 7)
6200 Administrative expenses		( 188,827)	( 11)	( 192,607)	( 10)
6300 Research and development expenses		( 14,561)	( 1)	( 13,164)	( 1)
6450 Impairment loss determined in accordance with IFRS 9	6(4)	( 2,131)	-	1,132	-
6000 Total operating expenses		<u>( 356,019)</u>	<u>( 20)</u>	<u>( 350,575)</u>	<u>( 18)</u>
6900 Net operating income		<u>147,977</u>	<u>9</u>	<u>232,115</u>	<u>12</u>
Non-operating income and expenses					
7100 Interest income		6,755	-	2,074	-
7010 Other income		2,970	-	7,970	1
7020 Other gains and losses	6(16)	( 8,393)	-	18,200	1
7050 Finance costs	6(17)	( 17,697)	( 1)	( 11,463)	( 1)
7000 Total non-operating income and expenses		<u>( 16,365)</u>	<u>( 1)</u>	<u>16,781</u>	<u>1</u>
7900 <b>Profit from continuing operations before tax</b>		131,612	8	248,896	13
7950 Tax expense	6(19)	( 30,283)	( 2)	( 55,508)	( 3)
8200 <b>Profit (loss)</b>		<u>\$ 101,329</u>	<u>6</u>	<u>\$ 193,388</u>	<u>10</u>
<b>Other comprehensive income (net)</b>					
<b>Items that will not be reclassified subsequently to profit or loss:</b>					
8311 Gains (losses) on remeasurements of defined benefit plans	6(11)	\$ 2,457	-	\$ 1,155	-
8349 Income tax related to items that will not be reclassified subsequently to profit or loss	6(19)	( 192)	-	( 154)	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
8361 Exchange differences on translation of financial statements of overseas operations		( 3,327)	-	5,201	-
8300 <b>Other comprehensive income (net)</b>		<u>(\$ 1,062)</u>	<u>-</u>	<u>\$ 6,202</u>	<u>-</u>
8500 <b>Total comprehensive income</b>		<u>\$ 100,267</u>	<u>6</u>	<u>\$ 199,590</u>	<u>10</u>
Profit attributable to:					
8610 Owners of parent		<u>\$ 101,329</u>	<u>6</u>	<u>\$ 193,388</u>	<u>10</u>
Comprehensive income attributable to:					
8710 Owners of parent		<u>\$ 100,267</u>	<u>6</u>	<u>\$ 199,590</u>	<u>10</u>
Earnings per share	6(20)				
9750 Total basic earnings per share		<u>\$</u>	<u>4.04</u>	<u>\$</u>	<u>7.70</u>
9850 Total diluted earnings per share		<u>\$</u>	<u>3.58</u>	<u>\$</u>	<u>7.18</u>

The accompanying notes constitute part of the consolidated financial statements.

Wendell Industrial Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	Note	Equity attributed to owners of parent					Exchange differences on translation of financial statements of overseas operations	Total
		Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
<b>2022</b>								
Balance at January 1		\$ 239,085	\$ 305,468	\$ 45,186	\$ 550	\$ 347,109	(\$ 4,196)	\$ 933,202
Net profit in the current period		-	-	-	-	193,388	-	193,388
Other comprehensive income in the current period		-	-	-	-	1,001	5,201	6,202
Total comprehensive income in the current period		-	-	-	-	194,389	5,201	199,590
Earnings Assignment and Distribution in 2021	6(14)							
Legal reserve		-	-	18,800	-	( 18,800)	-	-
Special reserve		-	-	-	3,646	( 3,646)	-	-
Cash dividends		-	-	-	-	( 138,669)	-	( 138,669)
Issuance of corporate bonds	6(10)(13)	-	21,127	-	-	-	-	21,127
Balance at December 31		<u>\$ 239,085</u>	<u>\$ 326,595</u>	<u>\$ 63,986</u>	<u>\$ 4,196</u>	<u>\$ 380,383</u>	<u>\$ 1,005</u>	<u>\$ 1,015,250</u>
<b>2023</b>								
Balance at January 1		\$ 239,085	\$ 326,595	\$ 63,986	\$ 4,196	\$ 380,383	\$ 1,005	\$ 1,015,250
Net profit in the current period		-	-	-	-	101,329	-	101,329
Other comprehensive income in the current period		-	-	-	-	2,265	( 3,327)	( 1,062)
Total comprehensive income in the current period		-	-	-	-	103,594	( 3,327)	100,267
Earnings Assignment and Distribution in 2022	6(14)							
Legal reserve		-	-	19,439	-	( 19,439)	-	-
Special reserve		-	-	-	( 4,196)	4,196	-	-
Cash dividends		-	-	-	-	( 121,934)	-	( 121,934)
Stock dividends		11,954	-	-	-	( 11,954)	-	-
Conversion of convertible corporate bonds	6(10)(13)	10	86	-	-	-	-	96
Balance at December 31		<u>\$ 251,049</u>	<u>\$ 326,681</u>	<u>\$ 83,425</u>	<u>\$ -</u>	<u>\$ 334,846</u>	<u>(\$ 2,322)</u>	<u>\$ 993,679</u>

The accompanying notes constitute part of the consolidated financial statements.

Wendell Industrial Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
December 31, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	Note	2023	2022
<u>Cash flows from operating activities, indirect method</u>			
Profit before tax		\$ 131,612	\$ 248,896
Adjustment items			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(18)	63,011	66,875
Amortization expense	6(18)	1,284	703
Expected credit loss	6(4)	2,131	( 1,132)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(16)	( 1,956)	1,240
Interest	6(17)	17,697	11,463
Interest income		( 6,755)	( 2,074)
Loss (gain) on disposal of property, plant and equipment	6(16)	10	699
Profit from lease modification	6(16)	( 252)	( 1,285)
Changes in operating assets and liabilities			
Total changes in operating assets			
Financial assets measured at fair value through profit or loss		( 76,676)	-
Notes receivable		( 9,398)	( 437)
Accounts receivable		( 33,233)	4,103
Inventories		167,396	( 39,100)
Other current assets		10,512	( 1,232)
Other non-current assets		54	( 169)
Total changes in operating liabilities			
Contract liabilities - current		( 270)	3,350
Accounts payable		( 54,925)	( 26,397)
Other accounts payable		2,981	( 1,263)
Other current liabilities - other		( 802)	317
Net defined benefit liability		196	( 4,047)
Cash generated from operations		212,617	260,510
Interest collected		5,006	2,074
Interest paid		( 11,320)	( 7,400)
Income tax paid		( 35,687)	( 54,756)
Net cash generated from operating activities		<u>170,616</u>	<u>200,428</u>
<u>Cash flows from investing activities</u>			
Financial assets measured at amortized cost - Decrease in current assets		46,874	14,996
Acquisition of property, plant and equipment	6(21)	( 46,789)	( 247,749)
Acquisition of intangible assets		( 2,723)	( 888)
Decrease (increase) in refundable deposits		( 5,856)	957
Net cash used in investing activities		<u>( 8,494)</u>	<u>( 232,684)</u>
<u>Cash flows from financing activities</u>			
Increase (decrease) in short-term loans	6(22)	102,885	( 85,232)
Issuance of corporate bonds payable	6(22)	-	398,849
(Decrease) increase in Guarantee deposits paid	6(22)	( 140)	140
Payments of lease liabilities	6(22)	( 35,051)	( 35,112)
Cash dividends paid	6(14)	( 121,934)	( 138,669)
Net cash generated from (used in) financing activities		<u>( 54,240)</u>	<u>139,976</u>
Effect of exchange rate changes		( 3,674)	5,109
Net increase in cash and cash equivalents		104,208	112,829
Cash and cash equivalents at beginning of period		373,921	261,092
Cash and cash equivalents at end of period		<u>\$ 478,129</u>	<u>\$ 373,921</u>

The accompanying notes constitute part of the consolidated financial statements.

Wendell Industrial Co., Ltd. and Subsidiaries  
Notes to Consolidated Financial Statements  
December 31, 2023 and 2022

Amount in Thousands of New Taiwan Dollars  
(Unless Otherwise Specified)

1. Company History

Wendell Industrial Co., Ltd. (hereinafter referred to as the “Company”) was incorporated on June 1979. The stock of the Company was approved for public offering in September 2019, and initially traded at Taipei Exchange since November 8, 2021. The Company and its subsidiaries (hereinafter referred to as “the Group”) is mainly engaged in the import and export trade business, sales of electronic and electromechanical materials like capacitors, resistors and inductors, and relevant services and certification regarding electromagnetic compatibility.

2. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 7, 2024.

3. Application of New and Amended Standards and Interpretations

(1) Impact of the adoption of new and amended International Financial Reporting Standards (IFRSs) recognized, released and enforced by the Financial Supervisory Commission (hereinafter referred to as “FSC”)

The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2023:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”	May 23, 2023

The Group confirmed through evaluation that the aforesaid standards and interpretations didn’t have a significant impact on its financial position and financial performance.

(2) Standards or interpretations issued, revised or amended, by IASB which are endorsed by FSC, but not yet adopted by the Group

The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2024:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendments to IAS 1 “Classify Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024

The Group confirmed through evaluation that the aforesaid standards and interpretations didn’t have a significant impact on its financial position and financial performance.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC are listed below:

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 7 “First-time Adoption of IFRS 17 and IFRS 9 - comparative information”	January 1, 2023
Amendments to IAS “Lack of Exchangeability”	January 1, 2025

The Group confirmed through evaluation that the aforesaid standards and interpretations didn’t have a significant impact on its financial position and financial performance.

4. Summary of Significant Accounting Policies

The significant accounting policies adopted for the preparation of the consolidated financial statements are described as follows. Unless otherwise specified, such policies should be consistently applied in all reporting periods.

(1) Statement of Compliance

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed (hereinafter referred to as “IFRSs”).

(2) Basis of Preparation

A. The consolidated financial statements were prepared at historical cost except the following important items:

- (A) Financial assets and liabilities measured at fair value through profit or loss
- (B) Defined benefit liabilities recognized at the net present value of retirement

fund assets after deduction of defined benefit obligations.

- B. Some significant accounting estimates shall be used to prepare financial statements that comply with IFRSs. In the application of the Group's accounting policies, the management is required to apply its judgment. For highly judgmental or complicated items, or items involving the significant assumptions and estimates of the consolidated financial statements, please see Note V for details.

(3) Basis of Consolidation

A. Preparation principle of consolidated financial statements

- (A) The Group includes all subsidiaries as individuals for the preparation of the consolidated financial statements. A subsidiary refers to an individual (including a structured individual) controlled by the Company. When the Company is exposed to variable compensation from its participation in this individual, or enjoys rights over the variable compensation, and the Company has the ability to impact such compensation through its power over this individual, the Company controls this individual. The subsidiaries are included into the consolidated financial statement since the date when the Group obtains the control over it, and the consolidation is terminated on the date when the control is lost.
- (B) The transactions, balance, and unrealized profit or loss between the companies in the Group have already been written off. The accounting policies of the subsidiaries have already been adjusted necessarily, to align with the policies adopted by the Group.
- (C) Each constituent part of profit or loss and other comprehensive income is attributable to the owners of the parent company as well as non-controlling interests; the total amount of comprehensive income is also attributable to the owners of the parent company as well as non-controlling interests, even it leads to the loss balance of the non-controlling interests.

B. The subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Main Business	Percentage of Ownership (%)		Illustrate
			2023.12.31	2022.12.31	
Wendell Industrial Co., Ltd. (Wendell Industrial)		Sales of electronic parts	100%	100%	
Wendell Industrial	Wendell Pte. Ltd. (Wendell Pte)	Sales of electronic parts	100%	100%	
Wendell Industrial	Wendell Korea Co., Ltd. (Wendell Korea)	Sales of electronic parts	100%	100%	
Wendell Industrial	Nichtek Industrial Co., Limited (Nichtek)	Controlling company of investee	100%	100%	
Wendell Industrial	Wendell Electrical Testing Co., Ltd. (Wendell Electrical Testing)	Testing and safety certification services	100%	100%	

Name of Investor	Name of Subsidiary	Main Business	Percentage of Ownership (%)		Illustrate
			2023.12.31	2022.12.31	
Nichtek	Shenzhen Qianhong Electronic Co., Ltd. (Shenzhen Qianhong)	Sales of electronic parts	100%	100%	
Shenzhen Qianhong	Suzhou Lianhong Electronic Co., Ltd. (Suzhou Lianhong)	Sales of electronic parts	100%	100%	
Shenzhen Qianhong	Shenzhen Qianhong Electrical Testing Co., Ltd. (Qianhong Electrical Testing)	Testing and certification services	100%	100%	

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Different adjustments and handling methods of subsidiaries in the accounting period: None.
- E. Significant restrictions: None.
- F. Subsidiaries of non-controlling interests significant for the Group: None.

(4) Foreign currency transactions

Each entity in the Group determines its functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency.

- A. Foreign currency transactions and balance
- (A) Foreign currency transactions are translated to functional currency at the spot rate on the trading date or measurement date. The translation difference resulting from the translation of such transactions is recognized as current profit or loss.
- (B) The balance of foreign currency monetary assets and liabilities is evaluated and adjusted at the spot rate on the balance sheet date. The translation difference resulting from such adjustment is recognized as current profit or loss.
- (C) The balance of foreign currency non-monetary assets and liabilities, if measured at fair value through profit or loss, is evaluated and adjusted to the spot rate on the balance sheet date. The translation difference resulting from such adjustment is recognized as current profit or loss.
- B. Translation of foreign operating institutions
- The operating results and financial position of all individuals of the Group with different functional currency and presentation currency are translated to the presentation currency using the following methods:
- (A) Assets and liabilities presented in each balance sheet are translated at the

- closing rate on this balance sheet date;
- (B) Income and expenses presented in each statement of comprehensive income are translated at the average exchange rate in the current period; and
  - (C) All exchange differences resulting from translation are recognized as other comprehensive income.

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

- A. An asset is classified as current when one of the following criteria is met:
  - (A) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle.
  - (B) It is held primarily for the purpose of trading.
  - (C) It is expected to be realized within twelve months after the reporting period.
  - (D) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all assets that do not comply with the aforesaid conditions as non-current assets.

- B. A liability is classified as current when one of the following criteria is met:
  - (A) It is expected to be settled in the normal operating cycle.
  - (B) It is held primarily for the purpose of trading.
  - (C) It is due to be settled within twelve months after the reporting period.

The Group classifies all liabilities that do not comply with the aforesaid conditions as non-current liabilities.

(6) Cash Equivalents

A cash equivalent refers to a short-term investment with high liquidity. This investment can be converted to fixed-amount cash at any time with a very small risk of change in its value. Time deposits that comply with the preceding definition with the purpose of holding to satisfy the short-term cash commitment in terms of operation are classified as cash equivalents.

(7) Financial assets at fair value through other comprehensive income

- A. Refer to financial assets measured at amortized cost, or fair value through other comprehensive income.
- B. The Group implements accounting of financial assets measured at fair value through profit or loss that comply with the trading practice on the trading date.
- C. The Group measures these financial assets at fair value upon original recognition, and recognizes relevant transaction cost as profit or loss. It will subsequently measure the assets at fair value, and recognize their interests or losses as profit or loss.

(8) Financial assets measured at amortized cost

- A. Refer to a financial asset that complies with the following conditions at the same time:
  - (A) This financial asset is held under a business model intended to collect contract cash flow.
  - (B) The cash flow from the covenant of this financial asset on a specific day is entirely for the payment of principal and interest on the outstanding principal amount.
- B. The Group implements accounting of financial assets measured at amortized cost that comply with the trading practice on the trading date.
- C. The Group measures these financial assets at fair value plus transaction cost upon original recognition, and subsequently takes effective interest method to recognize interest revenue and impairment loss within the circulation period per the amortization procedures. Besides, their interests or losses are recognized as profit or loss upon derecognition.
- D. The time deposits held by the Group that do not comply with the standards of cash equivalents are measured at investment amount in consideration of short holding period and insignificant impact of discount.

(9) Accounts and notes receivable

- A. Refer to accounts and notes already with an unconditional right to collect the amount of consideration exchanged for the transfer of products or labor services according to contract agreements.
- B. Short-term accounts and notes receivable with interest not yet paid are measured by the Group at the original invoice amount due to insignificant impact of discount.

(10) Impairments of Financial Assets

On each balance sheet, the Group considers all reasonable and verifiable information (including forward-looking information) and then measures loss allowance for financial assets measured at amortized cost with credit risk not significantly increased after original recognition per the amount of 12-month expected credit loss; the Group measures loss allowance for those with credit risk already significantly increased after original recognition per the amount of lifetime expected credit loss; the Company measures loss allowance for accounts and notes receivable and not containing significant financial constituents per the amount of lifetime expected credit loss.

(11) Derecognition of financial assets

When the contract right of the Group to collect cash flows from financial assets becomes invalid, these financial assets will be derecognized.

(12) Inventory

Inventories are measured at cost or net realizable value, whichever is lower, while the cost is determined using the method of weighted mean. When the cost and the net realizable value are compared, item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after deduction of estimated cost needed for the completion of the sale.

(13) Property, plant, and equipment

- A. The acquisition cost of property, plant, and equipment is adopted as the bookkeeping basis, and relevant interest incurred in the acquisition period is capitalized.
- B. The subsequent cost is included in the carrying amount of assets, or recognized as an individual asset only when the future economic benefits related to this item are likely to flow into the Group, and the cost of this item can be reliably measured. The carrying amount of the replaced part shall be derecognized. All other repair expenses are recognized as current profit or loss upon incurrence.
- C. Cost model is adopted for the subsequent measurement of property, plant, and equipment. The property, plant, and equipment are depreciated using the straight-line method according to durable years except land that is not depreciated. If each component of property, plant, and equipment is significant, they shall be depreciated individually.
- D. The Group reviews the residual value, durable years and depreciation method of each asset at the end of each fiscal year. If the expected values of residual value and durable years are different from the previous estimates, or a significant change is already present in the expected consumption type of the future economic benefits included in the assets, the provisions of IFS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding the changes in accounting estimates shall be followed since the date when the change occurs. The durable years of each asset are as follows:
- |                        |            |
|------------------------|------------|
| Machinery              | 3-10 years |
| Office Equipment       | 3-7 years  |
| Leasehold improvements | 3-10 years |
| Other Equipment        | 3-10 years |

(14) Lessee’s lease transactions - Right-of-use assets/lease liabilities

- A. Lease assets are recognized as right-of-use assets and lease liabilities on the date when they are available for use by the Group. When the lease contract is short-term lease or lease of a low-valued target asset, the lease payment is recognized as expense using the straight-line method during the lease term.
- B. Lease liabilities are recognized as present value of the lease payment not yet paid after discounting per the incremental loan interest rate of the Group on the lease inception. The lease payment is fixed payment, and any lease incentive that can

be collected shall be deducted.

Interest method is subsequently adopted for measurement per the amortized cost, and interest expenses is drawn in the lease term. When the lease term or lease payment is changed not due to modification of the contract, the lease liabilities will be reevaluated, and then the right-of-use assets will be adjusted using the gains (losses) on remeasurements.

- C. The right-of-use assets are recognized at cost on the lease inception. The cost is the originally measured amount of the lease liabilities.  
Cost model is used for subsequent measurement. Depreciation expenses are drawn upon the expiry of the durable years of the right-of-use assets, or expiry of the lease term, whichever is earlier.
- D. For lease modification intended to reduce the lease scope, the lessee will reduce the carrying amount of the right-of-use assets to reflect the partial or comprehensive termination of the lease, and recognize the difference between this carrying amount and the gains (losses) on remeasurements of the lease liabilities in the profit or loss.

(15) Intangible assets

Computer software costs are amortized on a straight-line basis over its estimated useful life (1-5 years).

(16) Impairment of non-financial assets

The Group estimates the recoverable amount of an asset with a sign of impairment on the balance sheet date. When the recoverable amount is lower than this asset's carrying amount, impairment loss is recognized. The recoverable amount refers to the amount obtained by deduction of disposal cost from the fair value of an asset or its use value, whichever is higher. When the asset impairment already recognized in the previous year no longer exists or decreases, the impairment loss will be reversed. However, the carrying amount of the asset increased due to the reversal of the impairment loss shall not exceed the carrying amount of this asset deducted with depreciation or amortization given that the impairment loss is not recognized.

(17) Borrowing

It refers to the short-term amount borrowed from the bank. The Group measures the borrowings at fair value deducted with transaction cost upon original recognition. For any subsequent difference between the price after deduction of transaction cost and the redeemed value, effective interest method is adopted to recognize interest expenses in the profit or loss in the circulation period per the amortization procedures.

(18) Accounts and notes payable

- A. Refer to debts generated from the purchasing of raw materials, products or labor services on credit as well as notes payable incurred not due to business

operations.

- B. Short-term accounts and notes receivable with interest not yet paid are measured by the Group at the original invoice amount due to insignificant impact of discount.

(19) Convertible corporate bonds payable

The convertible corporate bonds payable as issued by the Group are embedded with conversion right (i.e., the right of the holder to convert the corporate bonds to common shares of the Group with fixed-amount conversion and fixed number of shares converted), recall right, and right of redemption. During initial issue, the issue prices are distinguished as financial assets, financial liabilities or equity per the issue conditions. They are handled as follows:

- A. Embedded call right and right of redemption: The net amount of fair value of these rights are entered at “Financial assets or liabilities measured at fair value through profit or loss” upon original recognition; these rights are evaluated per the fair value then upon the balance sheet, and the difference is recognized as “Interests or losses of financial assets (liabilities) measured at fair value through profit or loss”.
- B. Master contract of corporate bond: It is measured at fair value upon original recognition. The difference between the fair value and the redeemed value is recognized as premium/discount price of corporate bond payable; effective interest method is subsequently adopted to recognize it as profit or loss within the circulation period per the amortization procedures. It will be used as an adjustment item of “Financial cost”.
- C. Embedded conversion right (complying with the definition of equity): The remaining value obtained after deduction of the aforesaid “Financial assets or liabilities measured at fair value through profit or loss” and “Corporate bonds payable” from the issued amount is entered into “Capital surplus - Subscription right” upon original recognition. It will not be remeasured subsequently.
- D. Any directly attributed transaction cost issued is distributed to the constituents of each liability and equity per the original carrying amount of each of the aforesaid portfolios.
- E. When the holder is converted, the constituents of the liabilities entered into the accounts (including “Corporate bonds payable” and “Financial assets or liabilities measured at fair value through profit or loss” are treated using the classified subsequent measurement method, and then the sum of the carrying amount of the constituents of liabilities and the carrying amount of “Capital surplus - Subscription right” is adopted as issue cost for converted common shares.

(20) Derecognition of financial liabilities

The Group derecognizes financial liabilities when the obligations expressly

determined in the contract are performed, canceled, or expired.

(21) Employee Benefits

A. Short-term employee benefits

Short-term employee benefits are measured at undiscounted amount of expected payments, and recognized as expenses upon provision of related services.

B. Retirement benefits

(A) Defined contribution plan

For the defined contribution plan, the amount of retirement fund that shall be appropriated is recognized as current pension cost on an accrual basis. The prepaid appropriation fund is recognized as an asset within a scope of refundable cash or reduced future payment.

(B) Defined benefit plan

- I. Net obligations under the defined benefit plan are calculated through the discounting of future benefit amount earned by employees in the current period or from previous services, and the present value of determined benefit obligations on the balance sheet date is deducted with fair value of planned assets. The defined net benefit obligations are calculated annually by actuaries using projected unit benefit method. The discount rate is determined with reference to the market dividend yield of the high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries without deep market for high-quality corporate bonds, the market dividend yield of government bonds is used (on the balance sheet date).
- II. The gains (losses) on remeasurements generated from the defined benefit plan is recognized as other comprehensive income in the current period, and presented in retained earnings.
- III. Relevant expenses of early service cost are immediately recognized as profit or loss.

(C) Remunerations of employee and remunerations of the Directors

Remunerations of employee and remunerations of the Directors are recognized as expenses and liabilities when there are legal or presumed obligations with amount reasonably estimable. When the actual allotment amount subsequently resolved is different from the estimated amount, it shall be handled as change in accounting estimates.

(22) Income Tax

- A. Income tax expenses include current and deferred income taxes. Income taxes are recognized as profit or loss except income taxes related to items included into other comprehensive income or directly included into equity which are

recognized as other comprehensive income or directly recognized as equity.

- B. The Group calculates current income tax according to its business operation as well as tax rate already legislated or substantially legislated by the country where the taxable income occurs on the balance sheet date. The management shall regularly evaluate the declaration status of income tax according to relevant provisions applicable to the income tax, and estimate income tax liabilities as applicable according to the taxes payable to the tax authority. If a profit distribution proposal is passed at the Shareholders' Meeting in the year following the year when the undistributed profit is generated according to the income tax collected per the income tax law, the income tax expenses of undistributed profit may be recognized based on the actual profit distribution.
- C. The deferred income taxes are recognized using the balance sheet method according to the tax base of assets and liabilities and the temporary differences generated from the carrying amount of the deferred income taxes in the consolidated balance sheet. The deferred income taxes are not recognized if they are sourced from the original recognition of assets or liabilities in the transactions (not including business combination), and the accounting profits or taxable income (taxable loss) haven't been affected, or equivalent taxable and deductible temporary differences haven't been generated upon the transactions. If the Group is able to control the time point of reversal of temporary differences generated from investments in subsidiaries, and the temporary differences are very likely not to be reversed in a foreseeable future, such temporary differences will not be recognized. The deferred income taxes shall be calculated according to the tax rate (and tax law) already legislated or substantially legislated and expected as applicable upon realization of relevant deferred income tax assets or repayment of deferred income tax liabilities.
- D. The deferred income tax assets are recognized within a scope where the temporary differences are very likely to deduct the future taxable income. Also, the deferred income tax assets unrecognized and recognized shall be reevaluated on each balance sheet date.

(23) Share capital

Ordinary shares are classified as equity. The net amount obtained by deducting income tax from the incremental cost directly attributable to issuance of new shares or subscription right is listed as price deduction in the equity.

(24) Dividends distribution

The dividends distributed to the shareholders of the Company are recognized in the financial statements when the Shareholders' Meeting of the Company makes a resolution to distribute dividends. The distributed cash dividends are recognized as liabilities, and the distributed stock dividends are recognized as stock dividends to be distributed and transferred to ordinary shares on the base date of the issuance of new shares.

(25) Revenue recognition

A. Sale of goods

- (A) The Group mainly operates import and export business and sales of sales of electronic and electromechanical materials like capacitors, resistors and inductors. The revenue from sale of goods is recognized when the control of the products is transferred to the customers, i.e., when the products are delivered to the customers, the customers have discretionary power over the sales channels and prices of the products, and the Group does not have any unperformed obligations that may affect the customers' acceptance of such products. A product is deemed as delivered when it is transported to the designated place, the risks of outdatedness and loss have already been transferred to the customer, the customer accepts the product according to the sales contract, or objective evidence indicates that all acceptance criteria have been satisfied.
- (B) The revenue from sale of goods of the Group is recognized as the net amount of the contract price obtained after deduction of estimated sales allowance or price reduction. The sales allowance or priced reduction provided to the customer is usually calculated on the basis of the sales volume in the current period. The Group estimates the sales allowance or price reduction based on its historical experience. The recognized amount of revenue is limited to the part which is highly likely not to be significantly reversed in the future, and the estimate is updated on each balance sheet date. The estimated sales allowance or price reduction payable to customers as related to the sale of goods is recognized as refund liability as of the balance sheet date. The collection condition of sales transaction is usually due 90-150 days after the shipment date. Since the time interval between the transfer of the promised products or services to the customer and the payment made by the customer does not exceed one year, the Group hasn't adjusted the transaction prices to reflect the time value of money.
- (C) Accounts receivable shall be recognized when the products are delivered to the customers. Since the Group has an unconditional right over the contract price from this time point, relevant consideration may be collected from the customers only with the time passing by.

B. Revenue from rendering of labor services

- (A) The Group provides electronic material testing and certification services. Revenue from rendering of labor services is recognized when the control of the transaction result of rendering of labor service is transferred to the customer, i.e., when the transaction result is delivered to the customer, and the Group does not have any unperformed obligations that may affect the customer's acceptance of this result.
- (B) Accounts receivable shall be recognized when the transaction result of rendering of labor services is delivered to the customer. Since the Group has an unconditional right over the contract price from this time point, relevant consideration may be collected from the customers only with the time passing by.
- (C) When the services already provided by the Group have exceeded the amount payable by the customers, they shall be recognized as contract

assets. If the amount payable by customers has exceeded the services already provided by the Group, they shall be recognized as contract liabilities.

(26) Government grant

A government grant is recognized at fair value when it may be reasonably assured that the enterprise will follow the conditions attached with the government grant, and this government grant can be received. If the nature of the government grant is to compensate for the expenses incurred to the Group, the government grant shall be recognized as current profit or loss during the period when relevant expenses are incurred on a systematic basis.

(27) Operation departments

The information of the operation departments of the Group is reported in such a way that is consistent with the method adopted for the internal management reports provided to the main operation decision-maker who is responsible for allocating resources to operation departments and evaluating their performance. It is identified that the main operation decision-maker of the Group is the Board of Directors.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the Group prepares these consolidated financial statements, the management has already applied its judgment to determine the accounting policies to adopt, and make accounting judgments and assumptions according to the reasonable expectations of the future events based on the situation on the balance date sheet. There may be discrepancies between the material accounting estimates and assumptions adopted and the actual results, and continual evaluation and adjustment will be implemented in consideration of the historical experience and other factors. These estimates and assumptions present a risk of significant adjustment of the carrying amount of assets and liabilities in the next fiscal year. Please see the instructions below for details regarding the uncertainties in material accounting judgments, estimates and assumptions:

(1) Material judgments adopted in the accounting policies

None.

(2) Material accounting estimates and assumptions

A. Evaluation of loss allowance of accounts receivable

When evaluating the impairment of accounts receivable, the Group shall apply judgments and estimates to determine the future recoverability of accounts receivable, while the future recoverability is under the impact of multiple factors like the customer's financial position, the internal credit rating of the Group, historical transaction records, current economic status and other factors that may affect the customer's paying ability. When there is a doubt about the

recoverability of accounts receivable, the Group may evaluate the possibility of recovery of these accounts receivable and draw appropriate allowances. This allowance is evaluated according to the reasonable expectations of the future events based on the situation on the balance sheet date. A significant change may arise if there are discrepancies between the actual results and the estimates.

The book balance of the accounts receivable of the Group was NT\$559,593 on December 31, 2023.

B. Evaluation of inventories

Since inventories are valued at cost or net realizable value, whichever is lower, the Group must apply judgments and estimates to determine the net realizable value of inventories on the balance sheet date. Due to the rapid change of science and technology, the Group evaluates the amount of inventories on the balance sheet date as corresponding to normal loss, outdatedness or absence of market sales value, and charges against the inventory cost to the net realizable value. A significant change may arise since the product demand within a specific period in the future is mainly adopted as the estimation basis of this inventory evaluation.

The book balance of inventories of the Group was NT\$336,500 on December 31, 2023.

6. Explanations of Significant Accounting Items

(1) Cash and cash equivalents

	<u>2023.12.31</u>	<u>2022.12.31</u>
Cash on hand and working capital	\$ 334	\$ 511
Cheque and demand deposits	399,014	361,124
Time deposits	<u>78,781</u>	<u>12,286</u>
Total	<u>\$ 478,129</u>	<u>\$ 373,921</u>

- A. The demand deposits mentioned above are highly liquid investments that are due within three months.
- B. The Group establishes business relations with multiple financial institutions of good credit quality to spread credit risks. Therefore, the possibility of default is very low as expected.
- C. The Group has already classified the guaranteed cash and cash equivalents as financial assets measured at amortized cost. Please see Note 6 (3) and Note 8 for details.

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

Item	2023.12.31	2022.12.31
Financial assets mandatorily measured at fair value through profit or loss		
Hybrid instruments - financial bonds	\$ 76,676	\$ -
Derivative instruments - forward exchange contracts	450	-
Evaluation and adjustment	345	-
Total	\$ 77,471	\$ -
Financial liabilities at fair value through profit or loss		
Derivative instruments - Right of redemption of convertible corporate bonds	800	800
Derivative instruments - Right of redemption of convertible corporate bonds	( 760)	( 760)
Evaluation and adjustment	( 880)	( 1,240)
Total	(\$ 840)	(\$ 1,200)

- A. Details regarding the recognition of financial assets and liabilities at fair value through profit or loss as profit or loss are as follows:

	2023	2022
Non-derivative instruments	\$ 1,186	\$ -
Derivative instruments	770	( 1,240)
Total	\$ 1,956	(\$ 1,240)

- B. Information regarding the transactions and contracts of derivative financial assets undertaken by the Group without the application of hedge accounting is described as follows:

	December 31, 2023	
Derivative financial assets	Contract amount (Nominal principal) (Thousands of NTD)	Contract period
Current Item:		
Forward exchange contracts - Sale of US dollar and purchasing of NTD	USD 920	2023/11/22- 2024/02/27

This situation didn't exist on December 31, 2022.

The forward foreign exchange contracts signed by the Group are to avoid the risk of exchange rate resulting from the export prices. However, hedge accounting hasn't been applied.

- C. The Group hasn't provided financial assets measured at fair value through profit or loss for pledge.
- D. For information regarding the credit risks of relevant financial assets measured at fair value through profit or loss, please refer to Note 12 (2) for details.

(3) Financial assets at amortized cost

Item	2023.12.31	2022.12.31
Current Item:		
Time deposits with original expiry date exceeding three months	\$ 2,000	\$ 36,858
Demand deposits of special compensation account	-	8,016
Time deposits restricted for the purpose of providing pledge	-	4,000
Total	\$ 2,000	\$ 48,874

- A. The amount exposed to the maximum credit risk on December 31, 2023 and December 31, 2022 regarding the most representative financial assets measured at amortized cost as held by the Group is the carrying amount of the financial assets recognized given that the collateral held or other credit enhancement is not taken into account.
- B. For the provision of financial assets measured at amortized cost by the Group for pledge guarantee, please refer to Note 8 for details.
- C. For information regarding the credit risks of relevant financial assets measured at amortized cost, please refer to Note 12 (2) for details.

(4) Notes and accounts receivable

	2023.12.31	2022.12.31
Notes receivable	\$ 39,522	\$ 30,124
Less: Loss allowances	( 12)	( 9)
	\$ 39,510	\$ 30,115
Accounts receivable	\$ 562,473	\$ 529,456
Less: Loss allowances	( 2,880)	( 860)
	\$ 559,593	\$ 528,596

- A. The average credit extension period offered by the Group to the customers lasts for 90~150 days in principle through monthly settlement. Except drawing of impairment loss for credit impairment actually occurring to individual customers, the Group calculates expected loss ratio to recognize loss allowance with reference to the historical experience and inconsideration of the customers' previous default records and current financial position as well as the future economic situation of the industry.
- B. The aging analysis of accounts and notes receivable is as follows:

	2023.12.31		2022.12.31	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	\$ 541,655	\$ 39,522	\$ 517,431	\$ 30,124
in 30 days	13,097	-	8,476	-
31-90 days	6,089	-	3,267	-
above 91 days	1,632	-	282	-
	\$ 562,473	\$ 39,522	\$ 529,456	\$ 30,124

The aging analysis above is carried out based on the number of overdue days.

- C. The balance of receivables (including notes receivable) contracted by the Group with customers reached NT\$601,995, NT\$559,580, and NT\$563,206 respectively on December 31, 2023, December 31, 2022, and January 1, 2022 respectively. Given that the collateral held or other credit enhancement is not taken into account, the maximum credit risk of the Group possibly resulting from the financial losses caused by the counterparties' failure to perform their obligations is the carrying amount of the financial assets recognized as of the ending date of the reporting period.
- D. The Group adopts a simplified practice to estimate the expected credit loss on the basis of preparation matrix and in consideration of characteristics such as geographical region, product type and customer rating.
- E. The Group charges against the amount of financial assets that appear not recoverable based on reasonable expectations after the recourse procedure. However, the Group will continually implement the legal recourse procedures to preserve its right over creditors' rights.
- F. The Group includes the loss ratios established based on the historical and current information in specific periods with future forward-looking considerations and adjustments, to estimate the loss allowance for accounts and notes receivable. The loss ratios on December 31, 2023 and December 31, 2022 are as follows:

	Not overdue	Overdue for 30 days	Overdue for 31-90 days	Overdue for more than 91 days	Total
<u>2023.12.31</u>					
Expected loss ratio	0.03%	0.01%-12.81%	7.92%-100%	100.00%	
Total Notes receivable	\$ 39,522	\$ -	\$ -	\$ -	\$ 39,522
Total accounts receivable	\$ 541,655	\$ 13,097	\$ 6,089	\$ 1,632	\$ 562,473
	Not overdue	Overdue for 30 days	Overdue for 31-90 days	Overdue for more than 91 days	Total
<u>2022.12.31</u>					
Expected loss ratio	0.03%	0.18%-50.03%	4.30%-100%	100.00%	
Total Notes receivable	\$ 30,124	\$ -	\$ -	\$ -	\$ 30,124
Total accounts receivable	\$ 517,431	\$ 8,476	\$ 3,267	\$ 282	\$ 529,456

- G. Table of changes in loss allowance for accounts and notes receivable by the Group through the use of the simplified practice is as follows:

	2023		2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Jan. 1	\$ 860	\$ 9	\$ 1,896	\$ 9
Drawing (reversal) of impairment loss	2,128	3 (	1,132)	-
Amounts charged against due to failure for recovery	( 100)	-	-	-
Recovery of overdue receivables	-	-	76	-
Amount affected by exchange rate	( 8)	-	20	-
Dec. 31	\$ 2,880	\$ 12	\$ 860	\$ 9

In the losses drawn in 2023 and 2022, the impairment (loss) interests recognized from the receivables (including notes receivable) generated from contracts with customers were (\$2,131) and \$1,132 respectively.

H. For information regarding the credit risks of relevant accounts receivable and notes receivable, please see Note 12 (2) for details.

(5) Inventories

	December 31, 2023		
	Cost	Allowance for falling price loss	Carrying amount
Commodities	\$ 386,356	(\$ 64,888)	\$ 321,468
Work in process	4,605	-	4,605
Finished goods	9,984	( 152)	9,832
Inventory in transit	595	-	595
Total	\$ 401,540	(\$ 65,040)	\$ 336,500
	December 31, 2022		
	Cost	Allowance for falling price loss	Carrying amount
Commodities	\$ 530,773	(\$ 44,141)	\$ 486,632
Work in process	3,559	-	3,559
Finished goods	7,318	( 226)	7,092
Inventory in transit	6,613	-	6,613
Total	\$ 548,263	(\$ 44,367)	\$ 503,896

Inventory cost recognized by the Group as expenses and losses in the current period:

	2023	2022
Cost of inventories sold	\$ 1,073,806	\$ 1,185,680
Falling price loss	20,673	19,287
	\$ 1,094,479	\$ 1,204,967

(6) Property, plant, and equipment

	2023						
	Land	Machinery	Office Equipment	Leasehold improvements	Other Equipment	Construction in Process	Total
Jan. 1							
Cost	\$ 240,928	\$ 101,067	\$ 9,258	\$ 80,614	\$ 2,713	\$ 2,055	\$436,635
Depreciation	- ( 72,388)	( 6,056)	( 39,400)	( 725)	-	( 118,569)	
	<u>\$ 240,928</u>	<u>\$ 28,679</u>	<u>\$ 3,202</u>	<u>\$ 41,214</u>	<u>\$ 1,988</u>	<u>\$ 2,055</u>	<u>\$318,066</u>
Jan. 1	\$ 240,928	\$ 28,679	\$ 3,202	\$ 41,214	\$ 1,988	\$ 2,055	\$318,066
Addition	-	5,861	1,767	368	-	49,709	57,705
Disposal and obsolescence	-	-	( 10)	-	-	-	( 10)
Transfer	-	3,288	-	-	-	( 3,288)	-
Depreciation fee	- ( 15,313)	( 1,781)	( 10,514)	( 529)	-	( 28,137)	
Net exchange difference	- ( 120)	( 16)	( 254)	( 28)	-	( 418)	
Dec. 31	<u>\$ 240,928</u>	<u>\$ 22,395</u>	<u>\$ 3,162</u>	<u>\$ 30,814</u>	<u>\$ 1,431</u>	<u>\$ 48,476</u>	<u>\$347,206</u>
Dec. 31							
Cost	\$ 240,928	\$ 78,916	\$ 8,363	\$ 69,157	\$ 2,665	\$ 48,476	\$448,505
Depreciation	- ( 56,521)	( 5,201)	( 38,343)	( 1,234)	-	( 101,299)	
	<u>\$ 240,928</u>	<u>\$ 22,395</u>	<u>\$ 3,162</u>	<u>\$ 30,814</u>	<u>\$ 1,431</u>	<u>\$ 48,476</u>	<u>\$347,206</u>

  

	2022						
	Land	Machinery	Office Equipment	Leasehold improvements	Other Equipment	Construction in Process	Total
Jan. 1							
Cost	\$ -	\$ 100,329	\$ 8,988	\$ 91,361	\$ 2,558	\$ -	\$203,236
Depreciation	- ( 58,142)	( 5,265)	( 37,520)	( 210)	-	( 101,137)	
	<u>\$ -</u>	<u>\$ 42,187</u>	<u>\$ 3,723</u>	<u>\$ 53,841</u>	<u>\$ 2,348</u>	<u>\$ -</u>	<u>\$102,099</u>
Jan. 1	\$ -	\$ 42,187	\$ 3,723	\$ 53,841	\$ 2,348	\$ -	\$102,099
Addition	240,928	3,116	1,501	238	116	2,112	248,011
Disposal and obsolescence	- ( 45)	( 90)	( 564)	-	-	-	( 699)
Transfer	-	57	-	-	-	( 57)	-
Depreciation fee	- ( 16,742)	( 1,958)	( 12,571)	( 513)	-	( 31,784)	
Net exchange difference	- 106	26	270	37	-	439	
Dec. 31	<u>\$ 240,928</u>	<u>\$ 28,679</u>	<u>\$ 3,202</u>	<u>\$ 41,214</u>	<u>\$ 1,988</u>	<u>\$ 2,055</u>	<u>\$318,066</u>
Dec. 31							
Cost	\$ 240,928	\$ 101,067	\$ 9,258	\$ 80,614	\$ 2,713	\$ 2,055	\$436,635
Depreciation	- ( 72,388)	( 6,056)	( 39,400)	( 725)	-	( 118,569)	
	<u>\$ 240,928</u>	<u>\$ 28,679</u>	<u>\$ 3,202</u>	<u>\$ 41,214</u>	<u>\$ 1,988</u>	<u>\$ 2,055</u>	<u>\$318,066</u>

A. The Group hasn't provided property, plant, and equipment for guarantee.

B. The amount of property, plant and equipment borrowing costs capitalized and their interest rates are as follows:

	2023
Capitalized amount	\$ 972
Interval of capitalized interest rate	5.69%

This situation didn't exist in 2022.

(7) Lease transactions - Lessee

	2023.12.31	2022.12.31
Right-of-use assets:		
Housing	\$ 43,625	\$ 63,331
Transportation Equipment (official cars)	14,428	9,394
	<u>\$ 58,053</u>	<u>\$ 72,725</u>
Leasehold liabilities:		
Current	\$ 29,507	\$ 33,487
Non-current	29,476	40,583
	<u>\$ 58,983</u>	<u>\$ 74,070</u>

- A. The target assets leased by the Group include housing and official cars. The lease contract term usually lasts for 1-5 years. The lease contracts are individually negotiated and contain various different terms and conditions. No other restrictions have been imposed except that the leased assets shall not be used for loan guarantee.
- B. The lease term of housing, parking spaces and copying machines leased by the Group does not exceed 12 months.
- C. The information of depreciation expenses of right-of-use assets recognized is as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
	Depreciation fee	Depreciation fee
Housing	\$ 28,677	\$ 29,294
Transportation Equipment (official cars)	6,197	5,797
	<u>\$ 34,874</u>	<u>\$ 35,091</u>

- D. The right-of-use assets added by the Group in 2023 and 2022 were NT\$25,689 and NT\$22,068 respectively.
- E. The information of other profit and loss items related to lease contracts except depreciation is as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
<u>Items that affect current profit or loss</u>		
Interest of lease liabilities	\$ 1,590	\$ 2,319
Expenses of short-term lease contracts	5,851	5,024
Interests from modification of lease	252	1,285

- F. The total amount of lease cash outflows of the Group reached NT\$42,492 and NT\$42,455 respectively in 2023 and 2022.

(8) Short-term loans

	<u>2023.12.31</u>	<u>2022.12.31</u>
Secured loans	\$ -	\$ 20,646
Credit loans	217,191	93,660
	<u>\$ 217,191</u>	<u>\$ 114,306</u>
Interest rate range	0.5%-7.30%	1.70%-6.25%

- A. The interest expenses recognized in profit or loss in 2023 and 2022 reached NT\$8,758 and NT\$4,926 respectively.
- B. For the collateral provided by the Group for short-term loans, please refer to the instructions in Note 8.

(9) Other payables

	<u>2023.12.31</u>	<u>2022.12.31</u>
Compensation and bonus payable	\$ 40,436	\$ 38,570
Remunerations of employee and remunerations of the Directors payable	5,639	7,500
Payables on equipment	9,972	28
Other	20,254	18,250
Total	<u>\$ 76,301</u>	<u>\$ 64,348</u>

(10) Bonds payable

	<u>2023.12.31</u>	<u>2022.12.31</u>
Bonds payable	\$ 399,900	\$ 400,000
Less: Discounts on bonds payable	( 10,822)	( 18,175)
Subtotal	<u>389,078</u>	<u>381,825</u>
Less: Bonds payable - current	( 389,078)	-
	<u>\$ -</u>	<u>\$ 381,825</u>

A. Domestic convertible corporate bonds issued by the Company

(A) The issuance conditions of the first unsecured convertible corporate bond of the Company in Taiwan are as follows:

- I. The Company raised and issued the first unsecured convertible corporate bond in Taiwan with the approval from the competent authority. The total amount issued reached NT\$400,000 with nominal interest rate of 0%, and the issuance term is 3 years. The circulation period starts from June 8, 2022 and ends on June 8, 2025. Upon maturity of this convertible corporate bond, it shall be repaid by cash in a lump-sum manner per the face value of the bond. This convertible corporate bond was listed at Taipei Exchange for trading on June 8, 2022.
- II. The holders of this convertible corporate bond may request the Group for conversion of the bond to the ordinary shares of the Company from the next day after three months following the issue date of this bond to the due date except periods stipulated by relevant measures or regulations when transfer should be suspended. The rights and obligations accompanying the converted ordinary shares are same as those of ordinary shares originally issued.
- III. The conversion price of this convertible corporate bond was determined according to the pricing model stipulated in corresponding regulation governing issuance and conversion. The conversion price is NT\$ 105.9. Since the Company issued cash dividends of ordinary shares, the conversion price should be adjusted on the ex-dividend base date in accordance with the provisions of Article 11 of the regulation governing issuance and conversion. Therefore, the conversion price was adjusted from NT\$ 105.9 to NT\$ 89.3.
- IV. The Company may recover all its bonds by cash per the face value of the bond at any time subsequently when the closing price of the ordinary shares of the Company exceeds 30% of the conversion price then for thirty consecutive business days, or the outstanding balance of this convertible corporate bond is lower than 10% of the original total

- issue amount forty days prior to the expiry of the issuance period from the next day after three months following the issuance of this convertible corporate bond,
- V. The holders of this convertible corporate bond may require the cash redemption of the bonds they hold at the face value of the bond within forty days prior to the issuance of the bond for two years.
  - VI. In accordance with the provisions of the regulation governing conversion, all the convertible corporate bonds recovered (including those repurchased from the Taipei Exchange), repaid or converted by the Company will be canceled, and all rights and obligations still accompanying the corporate bonds will be terminated and no longer issued.
- (B) As of December 31, 2023, the face amount of this convertible corporate bond, amounting to NT\$100, was already converted to 1,000 ordinary shares, and the change registration formalities were already handled.
  - (C) As of December 31, 2023, the Company didn't repurchase this convertible corporate bond from the Taipei Exchange.
- B. When issuing the convertible corporate bond, the Company separated the conversion right with nature of equity from the constituting element of each liability and recorded it in "Capital surplus - Subscription right" in accordance with IAS 32 "Financial Instruments: Presentation". As of December 31, 2023, the balance of "Capital surplus - Subscription right" was NT\$21,122. Besides, the embedded right of redemption and put right was separated according to the provisions of IFRS 9 "Financial Instruments" and considering that the economic characteristics of master contract debt products were not closely associated with risks. Also, the net amount of these embedded rights was recorded in "Financial assets or liabilities measured at fair value through profit or loss". The effective interest rate of the master contract was 1.91% after separation.
- (11) Retirement pension
- A. (A) The Company has established a defined-benefit retirement regulation in accordance with the provisions of the "Labor Standards Act". This regulation applies to service seniority of all former employees before implementation of the "Labor Pension Act" on July 1, 2005, as well as the subsequent service seniority of employees who chose the continual application of the Labor Standards Act after implementation of the "Labor Pension Act". For employees who comply with the conditions for retirement, their pension will be calculated according to the service seniority and the average salary in 6 months prior to their retirement. Two base numbers are provided for each year if the service seniority is within 15 years (including given figure). One base number is provided for each year if the service seniority exceeds 15 years. However, it is limited to 45 base numbers. The Company appropriates 2% of the total compensation every month as retirement fund, and deposit it in a specific account opened at the Bank of Taiwan under the name of labor retirement reserve supervisory committee. Additionally, the Company estimate the balance of the special account of labor retirement reserve mentioned above before the end of each year. If this balance is not sufficient to pay the retirement pension of laborers who are expected to comply with the retirement conditions in the next year, the Company will appropriate the difference in a lump-sum way prior to the end of March next year.

(B) Wendell Korea chooses to adopt defined payment retirement regulation according to the local laws and regulations, and draws relevant retirement pension expenses according to the projected unit benefit method.

(C) The amount recognized in the balance sheet is as follows:

	2023.12.31	2022.12.31
Present value of defined benefit obligation	(\$ 13,958)	(\$ 16,117)
Fair value of plan assets	10,051	9,949
Net defined benefit liability	<u>(\$ 3,907)</u>	<u>(\$ 6,168)</u>

(D) Movement in net defined benefit liability

	2023		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Jan. 1	(\$ 16,117)	\$ 9,949	(\$ 6,168)
Current service cost	( 1,199)	-	( 1,199)
Interest (expense) income	( 505)	490	( 15)
	<u>( 17,821)</u>	<u>10,439</u>	<u>( 7,382)</u>
Remeasurement:	-		
Benefits paid from plan assets	-	( 179)	( 179)
Empirical adjustment	2,636	-	2,636
	<u>2,636</u>	<u>( 179)</u>	<u>2,457</u>
Appropriation of retirement fund	-	1,044	1,044
Paying of retirement pension	1,002	( 1,002)	-
Exchange difference	225	( 251)	( 26)
Dec. 31	<u>(\$ 13,958)</u>	<u>\$ 10,051</u>	<u>(\$ 3,907)</u>
	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Jan. 1	(\$ 19,560)	\$ 8,498	(\$ 11,062)
Current service cost	( 1,370)	-	( 1,370)
Interest expense	( 379)	240	( 139)
	<u>( 21,309)</u>	<u>8,738</u>	<u>( 12,571)</u>
Remeasurement:			
Benefits paid from plan assets(Note)	-	82	82
Amount affected by changes in financial assumptions	1,762	-	1,762
Empirical adjustment	( 689)	-	( 689)
	<u>1,073</u>	<u>82</u>	<u>1,155</u>
Appropriation of retirement fund	-	5,192	5,192
Paying of retirement pension	4,460	( 4,460)	-
Exchange difference	( 341)	397	56
Dec. 31	<u>(\$ 16,117)</u>	<u>\$ 9,949</u>	<u>(\$ 6,168)</u>

Note: Not including amount contained in interest income or expenses.

(E) The Bank of Taiwan is responsible for handling the entrusted operation of the assets of the fund of the determined benefit retirement plan of the Company in accordance with the ratios and amount range of items entrusted for operation as determined in the annual investment utilization plan of this fund and pursuant to the items specified in Article 6 of *Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund* (i.e., deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter or private place equity securities, investment in domestic or foreign real estate and its securization products, etc.). Relevant utilization of the fund is supervised by the labor retirement fund supervisory commission. With respect to the utilization of this fund, the minimum income distributed in the annual final accounts shall not be lower than the income calculated at the interest rate of the two-year time deposit in the local bank. In case of insufficiency, it shall be supplemented by the national treasury after relevant approval is obtained from the competent authority. Since the Company is not authorized to participate in the operation and management of this fund, it is thus unable to disclose the classification of fair value of plan assets according to provisions of Section 142 of IAS 19. The fair value of the total assets of this fund was constituted on December 31, 2023 and December 2022. Please refer to the labor retirement fund utilization report of each year as announced by the government for details.

(F) The principal assumptions of the actuarial valuation were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate		
-the Company	<u>1.25%</u>	<u>1.25%</u>
-Wendell Korea	<u>4.60%</u>	<u>5.37%</u>
Future salary increase rate		
-the Company	<u>3.50%</u>	<u>3.50%</u>
-Wendell Korea	<u>4.80%</u>	<u>5.50%</u>

As for the assumption of future mortality, the Company conducts estimation according to the annuity insurance mortality table of Taiwan.

Wendell Korea conducts estimation according to the statistical figures locally announced as well as relevant experience.

The present value of defined benefit obligations affected due to the change in the main actuarial assumptions adopted is analyzed as follows:

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease 0.25%	Increase by 0.25%	Decrease 0.25%
2023.12.31 Impact on the present value of defined benefit obligations	<u>(\$ 311)</u>	<u>\$ 343</u>	<u>\$ 344</u>	<u>(\$ 304)</u>
2022.12.31 Impact on the present value of defined benefit obligations	<u>(\$ 411)</u>	<u>\$ 450</u>	<u>\$ 456</u>	<u>(\$ 398)</u>

The sensitivity analysis above refers to the analysis of the impact of change in a single assumption given that other assumptions remain unchanged. In practice, the changes of many assumptions may be linked with each other. The sensitivity analysis is consistent with the method adopted to calculate the net retirement pension liability in the balance sheet date.

The method used for the preparation of sensitivity analysis in the current period is same as that in the previous period.

- (G) The Group expects to pay appropriation amount of retirement plan as NT\$957 in 2024.
  - (H) As of December 31, 2023, the weighted average duration of the retirement plan of the Company lasts for 11.8 years; the weighted average duration of the retirement plan of Wendell Korea lasts for 10.17 years.
- B. (A) The Company and Wendell Electrical Testing established defined retirement pension appropriation measures applicable to all employees in Taiwan according to "Labor Pension Act" from July 1, 2005. If the employees choose to apply the labor pension system determined in "Labor Pension Act", the Company and its subsidiaries in Taiwan withdraw 6% of salaries as labor pension to the personal accounts opened by employees at the Bureau of Labor Insurance every month. The employees' pension will be paid on a monthly basis or in a lump-sum manner in accordance with the amount in the special personal pension accounts of employees and the amount of accumulated income.
- (B) Shenzhen Qianhong, Suzhou Lianhong, and Qianhong Electrical Testing appropriate a certain ratio of the total amount of local employees' remuneration as pension insurance every month according to the pension insurance system stipulated by the government of the People's Republic of China. The pension of each employee will be managed and uniformly arranged by the government. The Group does not have further obligations other than monthly appropriation.
- (C) Wendell Co., Ltd. appropriates pension insurance according to the

retirement regulation stipulated by the local government and based on the local employees' remuneration. This company does not have further obligations other than annual appropriation.

- (D) In 2023 and 2022, the Group recognizes retirement pension cost of NT\$10,873 and NT\$10,305 respectively in accordance with the preceding retirement pension measures.

(12) Capital stock / Subsequent events

- A. The normal capital of the Company reached NT\$600,000 on December 31, 2023, divided into 60,000,000 shares. The paid-in capital was NT\$251,049 with face value per share of NT\$ 10. The stock capital corresponding to the shares already issued by the Company were already received.

- B. The number of outstanding ordinary shares of the Company at the beginning and end of the period is adjusted as follows (Unit: 1,000 shares):

	<u>2023</u>	<u>2022</u>
January 1	23,908	23,908
Common Stock dividends	1,195	-
Convertible Bond	<u>1</u>	<u>-</u>
December 31	<u>25,104</u>	<u>23,908</u>

- C. For the requested conversion of convertible corporate bonds in 2023, please refer to the description of corporate bonds payable in Note 6 (10).

- D. The Company approved the conversion of earnings to increase capital in 2022 through a resolution made at the Shareholders' Meeting on May 30, 2023, involving amount of NT\$11,954 and 1,195,000 shares. The base date of capital increase was August 5, 2023. Change registration was already handled.

- E. Subsequent events

The Company approved the handling of capital increase by cash to issue 5,000,000 ordinary shares with face value per share of NT\$ 10 through a resolution made at the board meeting on November 14, 2023. Each share was issued at a premium price of NT\$ 52.5. The base date of capital increase by cash was February 26, 2024. Relevant procedures are now ongoing.

(13) Capital surplus

In accordance with the provisions of the Company Act, the surplus obtained from the issuance of stock beyond the nominal amount and the capital surplus received from donations may be used to compensate for losses. When the Company does not have any accumulated losses, new shares or cash will be distributed to shareholders based on their original shareholding ratios by using the aforesaid surplus. Besides, in accordance with relevant provisions of the Securities and Exchange Act, when the preceding capital surplus is used to increase the capital, the total amount increased shall not exceed ten percent of the paid-in capital every year. If the Company still has a loss after the earned surplus is used to make up for the capital losses, it is not

allowed to use the capital surplus to supplement the loss.

	2023		
	Share premium account	Subscription right	Total
Jan. 1	\$ 305,468	\$ 21,127	\$ 326,595
Convertible Bond	91	( 5)	86
Dec. 31	<u>\$ 305,559</u>	<u>\$ 21,122</u>	<u>\$ 326,681</u>
	2022		
	Share premium account	Subscription right	Total
Jan. 1	\$ 305,468	\$ -	\$ 305,468
Convertible Bond	-	21,127	21,127
Dec. 31	<u>\$ 305,468</u>	<u>\$ 21,127</u>	<u>\$ 326,595</u>

(14) Retained earnings / Subsequent events

- A. In accordance with the provisions of the Articles of Association of the Company, if there are any earnings in the annual final accounts, they shall be used to pay taxes, and make up losses first if any. Then, 10% of the retained earnings may be drawn as statutory surplus reserve; however, when the accumulated amount of the statutory surplus reserve reaches the total capital of the Company, this provision shall not apply. Also, special surplus reserve may be appropriated or reversed according to relevant laws and regulations or the competent authority's provisions. If there are still remaining earnings, the Board of Directors may draw up a distribution proposal regarding the earnings and the accumulated unappropriated earnings and then submit to the Shareholders' Meeting for a resolution on the distribution of shareholder dividends.
- B. The dividend policy of the Company is determined in accordance with the current and future development plans, and in consideration of investment environment, capital demand, domestic and foreign competition, shareholders' interests, and other relevant factors. At least 10% of the distributable earnings in the preceding paragraph shall be appropriated to distribute dividends to shareholders either by cash or stock. The cash dividends shall not be lower than 10% of the total dividends.
- C. Except compensation for the losses of the Company and the distribution of new shares or cash per shareholders' original shareholding ratios, the statutory surplus reserve shall not be used. If it is used to distribute new shares or cash, it shall be limited to the part of this surplus reserve above 25% of the paid-in capital.
- D. When distributing earnings, the Company shall draw special surplus reserve for the debit balance of other equity items on the balance sheet date of the current year according to regulatory provisions first. Later, when the debit balance of other equity items is reversed, the reversed amount may be included in the distributable earnings.
- E. During the Shareholders' Meeting on May 30, 2023 and June 16, 2022, the appropriations and distribution of earnings for 2022 and 2021 have been

separately proposed and approved with the following details:

F.

	2022		2021	
	Amount	Dividends Per Share (NT\$)	Amount	Dividends Per Share (NT\$)
Legal capital reserve	\$ 19,439		\$ 18,800	
Special capital reserve	( 4,196)		3,646	
Cash dividends	121,934	\$ 5.1	138,669	\$ 5.8
Stock dividends	11,954	0.5	-	-
	<u>\$ 149,131</u>		<u>\$ 161,115</u>	

G. Subsequent events

During the Company's Board of Directors' Meeting on March 7, 2024, the appropriations and distribution of earnings for 2023 have been separately proposed and approved with the following details:

	2023	
	Amount	Dividends Per Share (NT\$)
Legal capital reserve	\$ 10,360	
Special capital reserve	2,322	
Cash dividends	120,420	\$ 4.0
	<u>\$ 133,102</u>	

The proposal for distribution of earnings in 2023 as mentioned above hasn't been resolved by the Shareholders' Meeting yet.

H. Please see Note 6(18) for information on remunerations of employee and the Directors.

(15) Operating revenue

	2023	2022
Revenue from contracts with customers:		
Revenue from sale of goods	\$ 1,572,421	\$ 1,755,030
Revenue from labor services	171,038	167,999
Total	<u>\$ 1,743,459</u>	<u>\$ 1,923,029</u>

A. The source of revenue of the Group is the provision of commodities and labor services gradually transferred with the time and transferred upon a certain time point. Revenue can be segmented to the following primary geological areas:

2023	Taiwan	China	Korea	Other	Total
Revenue from sale of goods	\$ 670,159	\$ 546,450	\$ 191,230	\$ 164,582	\$ 1,572,421
Revenue from labor services	153,982	11,457	150	5,449	171,038
Revenue from contracts with external customers	<u>\$ 824,141</u>	<u>\$ 557,907</u>	<u>\$ 191,380</u>	<u>\$ 170,031</u>	<u>\$ 1,743,459</u>
Timing of revenue recognition					
At a fixed point in time	\$ 670,159	\$ 546,450	\$ 191,230	\$ 164,582	\$ 1,572,421
Revenue gradually recognized with the time	153,982	11,457	150	5,449	171,038
	<u>\$ 824,141</u>	<u>\$ 557,907</u>	<u>\$ 191,380</u>	<u>\$ 170,031</u>	<u>\$ 1,743,459</u>

2022	Taiwan	China	Korea	Other	Total
Revenue from sale of goods	\$ 676,230	\$ 594,854	\$ 274,134	\$ 209,812	\$ 1,755,030
Revenue from labor services	150,260	13,250	89	4,400	167,999
Revenue from contracts with external customers	<u>\$ 826,490</u>	<u>\$ 608,104</u>	<u>\$ 274,223</u>	<u>\$ 214,212</u>	<u>\$ 1,923,029</u>
Timing of revenue recognition:					
At a fixed point in time	\$ 676,230	\$ 594,854	\$ 274,134	\$ 209,812	\$ 1,755,030
Revenue gradually recognized with the time	150,260	13,250	89	4,400	167,999
	<u>\$ 826,490</u>	<u>\$ 608,104</u>	<u>\$ 274,223</u>	<u>\$ 214,212</u>	<u>\$ 1,923,029</u>

Note: The revenue is disclosed per the locations of the customers.

#### B. Contract liabilities

The Group recognizes the contract liabilities related to revenue from contracts with customers as follows:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities - current	<u>\$ 7,212</u>	<u>\$ 7,482</u>	<u>\$ 4,132</u>

The amount of beginning contract liabilities of the Group recognized as revenue in the current period for the years 2023 and 2022 reached NT\$6,649 and NT\$2,863 respectively.

#### (16) Other gains and losses

	2023	2022
Gains (losses) on foreign currency exchange	(\$ 9,347)	\$ 19,447
Gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	1,956	( 1,240)
Gains on modification of lease	252	1,285
Losses from disposal of property, plant, and equipment	( 10)	( 699)
Other	( 1,244)	( 593)
	<u>(\$ 8,393)</u>	<u>\$ 18,200</u>

#### (17) Finance costs

	2023	2022
Convertible Bond	\$ 7,349	\$ 4,063
Interest expense	8,758	5,081
Interest of lease liabilities	1,590	2,319
	<u>\$ 17,697</u>	<u>\$ 11,463</u>

(18) Depreciation, amortization expenses and employee benefits

	2023	2022
Salaries	\$ 230,724	\$ 218,650
Labor and health insurance	17,917	16,394
Pension	12,087	11,814
Other employee benefits	9,799	9,785
Total	<u>\$ 270,527</u>	<u>\$ 256,643</u>
Depreciation expenses	<u>\$ 63,011</u>	<u>\$ 66,875</u>
Amortization expenses	<u>\$ 1,284</u>	<u>\$ 703</u>

- A. In accordance with the provisions of the Articles of Association, if the Company makes a profit in the current year (i.e., before-tax interests deducted with remunerations of employee and remunerations of the Directors distributed), and there is still a remaining amount after deduction of accumulated losses, the Board of Directors shall appropriate at least 1.5% of the annual profit as remunerations of employee and no more than 3% of the profit as remunerations of the Directors respectively.
- B. The estimated amount of remunerations of the Directors and remunerations of employee of the Company is listed as follows, and relevant amount is recorded as compensation expenses:

	2023	2022
Remunerations of the Directors	\$ 3,502	\$ 3,724
Remunerations of employee	2,012	3,724
	<u>\$ 5,514</u>	<u>\$ 7,448</u>

Remunerations of the Directors and remunerations of employee in 2023 and 2022 were estimated based on the annual profits and pursuant to the provisions of the Articles of Association.

According to the resolution made by the Board of Directors on March 7, 2024, the remunerations of the Directors and the remunerations of employee reached NT\$3,502 and NT\$2,012 respectively in 2023. The remunerations of employee will be paid in cash.

- C. The remunerations of the Directors and the remunerations of employee resolved by the Board of Directors in 2022 are consistent with the amount recognized in the financial statements in 2022.
- D. For information related to the remunerations of the Directors and remunerations of employee approved by the Board of Directors of the Company, please query at the MOPS.

(19) Income tax

- A. Income tax expense

(A) Major components of income tax expense:

	2023	2022
Current income tax expense:		
Income tax generated by income for the current period	\$ 33,737	\$ 54,301
Undistributed earnings additionally taxed	1,893	1,395
Underestimation (overestimation) of income taxes in previous years	1,202	( 310)
Total current income tax expense	<u>36,832</u>	<u>55,386</u>
Deferred income tax expense:		
Relating to origination and reversal of temporary differences	( 6,549)	122
Income tax expense	<u>\$ 30,283</u>	<u>\$ 55,508</u>

(B) Income tax amount related to other comprehensive income:

	2023	2022
Remeasurement of defined benefit plans	<u>(\$ 192)</u>	<u>(\$ 154)</u>

B. Relationship between tax expense and accounting profit

	2023	2022
Income tax of pre-tax net profit calculated per statutory tax rate	\$ 29,093	\$ 56,250
Affected amount of items that shall not be recognized according to the provisions of tax law	279	143
Affected amount of income tax from investment deduction	( 2,184)	( 1,970)
Underestimation (overestimation) of income taxes in previous years	1,202	( 310)
Undistributed earnings additionally taxed	1,893	1,395
Income tax expense	<u>\$ 30,283</u>	<u>\$ 55,508</u>

C. Amount of each deferred income tax asset or liability generated from temporary differences is as follows:

	2023				
	Jan. 1	Recognized in profit or loss	Recognized in other comprehensive income	Arising from consolidation	Dec. 31
Deferred income tax assets:					
- Temporary differences:					
Losses of falling price and obsolete and slow-moving inventories	\$ 8,417	\$ 4,436	\$ -	(\$ 26)	\$ 12,827
Unrealized gains from sale of goods	2,204	( 317)	-	-	1,887
Unrealized exchange losses	-	2,925	-	-	2,925
Actuarial gains and losses	337	-	( 192)	( 9)	136
Other	191	226	-	( 7)	410
Subtotal	<u>\$ 11,149</u>	<u>\$ 7,270</u>	<u>(\$ 192)</u>	<u>(\$ 42)</u>	<u>\$ 18,185</u>
- Deferred income tax liabilities:					
Unrealized exchange gains	(\$ 245)	\$ 245	\$ -	\$ -	\$ -
Share of gains of subsidiaries recognized using the equity method	( 12,542)	( 639)	-	-	( 13,181)
Unrealized gains from evaluation	-	( 327)	-	-	( 327)
Subtotal	<u>(\$ 12,787)</u>	<u>(\$ 721)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 13,508)</u>
Total	<u>(\$ 1,638)</u>	<u>\$ 6,549</u>	<u>(\$ 192)</u>	<u>(\$ 42)</u>	<u>\$ 4,677</u>

	2022				
	Jan. 1	Recognized in profit or loss	Recognized in other comprehensive income	Arising from consolidation	Dec. 31
Deferred income tax assets:					
- Temporary differences:					
Losses of falling price and obsolete and slow-moving inventories	\$ 4,897	\$ 3,481	\$ -	\$ 39	\$ 8,417
Unrealized gains from sale of goods	1,357	847	-	-	2,204
Actuarial gains and losses	477	-	(154)	14	337
Other	515	(332)	-	8	191
Subtotal	\$ 7,246	\$ 3,996	(\$ 154)	\$ 61	\$ 11,149
- Deferred income tax liabilities:					
Unrealized exchange gains	(\$ 18)	(\$ 227)	\$ -	\$ -	(\$ 245)
Share of gains of subsidiaries recognized using the equity method	(8,651)	(3,891)	-	-	(12,542)
Subtotal	(\$ 8,669)	(\$ 4,118)	\$ -	\$ -	(\$ 12,787)
Total	(\$ 1,423)	(\$ 122)	(\$ 154)	\$ 61	(\$ 1,638)

- D. The Company may enjoy the deduction of taxable business income tax incurred in the current year within the limit of 15% of its R&D expenditure according to "Regulation Governing Industrial Innovation", but shall not exceed 30% of the taxable business income tax in the current year.
- E. The business income tax of the Company and its domestic subsidiary, i.e. Wendell Electrical Testing, was verified and approved by the tax collection authority until the year of 2021.

(20) Earnings per share

	2023		
	After-tax amount	Weighted average number of outstanding shares (1,000 shares)	Earnings per share (NT\$)
<u>Basic earnings (loss) per share</u>			
Profit (loss) attributable to ordinary equity owners of the parent	\$ 101,329	25,104	\$ 4.04
<u>Diluted earnings (loss) per share</u>			
Profit (loss) attributable to ordinary equity owners of the parent	\$ 101,329	25,104	
Effects of all dilutive potential common shares			
Convertible Bond	5,591	4,702	
Remunerations of employee	-	33	
Net profit for the current period as attributable to the shareholders of common shares of the parent company and the effects of potential common shares	\$ 106,920	29,839	\$ 3.58

	2022		
	After-tax amount	Weighted average number of outstanding shares (1,000 shares)	Earnings per share (NT\$)
<u>Basic earnings (loss) per share(Note)</u>			
Profit (loss) attributable to ordinary equity owners of the parent	\$ 193,388	25,103	\$ 7.70
<u>Diluted earnings (loss) per share(Note)</u>			
Profit (loss) attributable to ordinary equity owners of the parent	\$ 193,388	25,103	
Effects of all dilutive potential common shares			
Convertible Bond	4,243	2,387	
Remunerations of employee	-	51	
Net profit for the current period as attributable to the shareholders of common shares of the parent company and the effects of potential common shares	\$ 197,631	27,541	\$ 7.18

Note: The base date of the conversion of earnings to increase capital as resolved by the Shareholders' Meeting of the Company on May 30, 2023 was August 5, 2023. The weighted average number of outstanding shares in 2022 has already been retroactively adjusted according to the ratio of conversion of earnings to increase capital.

(21) Cash flow information

Investing activities only partially paid by cash:

	2023		2022	
Additions of property, plant and equipment	\$	57,705	\$	248,011
Add: Beginning payables on equipment		28		566
Less: Beginning prepaid payment for equipment		-	(	800)
Ending payables on equipment	(	9,972)	(	28)
Capitalization of loan cost	(	972)		-
Cash paid in the current period	\$	46,789	\$	247,749

(22) Reconciliation of liabilities arising from financing activities

	2023				
	Short-term loans	Bonds payable (including current)	Lease liabilities	Guarantee deposits paid	Total liabilities arising from financing activities
Jan. 1	\$ 114,306	\$ 381,825	\$ 74,070	\$ 140	\$ 570,341
Movement of Financing Cash Flow	102,885	-	( 35,051)	( 140)	67,694
Movement of other non-cash	-	7,253	19,964	-	27,217
Dec. 31	\$ 217,191	\$ 389,078	\$ 58,983	\$ -	\$ 665,252

	2022				
	Short-term loans	Bonds payable (including current)	Lease liabilities	Guarantee deposits paid	Total liabilities arising from financing activities
Jan. 1	\$ 199,538	\$ -	\$ 99,285	\$ -	\$ 298,823
Movement of Financing Cash Flow	( 85,232)	398,849	( 35,112)	140	278,645
Movement of other non-cash	-	( 17,024)	9,897	-	( 7,127)
Dec. 31	\$ 114,306	\$ 381,825	\$ 74,070	\$ 140	\$ 570,341

## 7. Related Party Transactions

Bonuses for the Company's key managerial officers

	2023	2022
Remuneration and short-term employee benefits	\$ 30,659	\$ 24,048
Retirement benefits	928	645
Total	\$ 31,587	\$ 24,693

## 8. Pledged Assets

The Company has pledged the following assets as collateral:

Item	Carrying amount		Content of the secured liabilities
	2023.12.31	2022.12.31	
Time deposits (Note)	\$ -	\$ 4,000	Customs duties guarantee
Demand deposits of special compensation account (Note)	-	8,016	Loan guarantee
Total	\$ -	\$ 12,016	

Note: Financial assets measured at amortized cost are recorded in accounts.

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

### (1) Contingencies

None.

### (2) Commitments

Capital expenditure already contracted but not yet incurred

	December 31, 2023	December 31, 2022
Property, plant and equipment	\$ 280,391	\$ 3,200

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

Please see Note 6(12) and 6 (14) for more information.

## 12. Other

### (1) Capital management

The objectives of the Group for capital management are to guarantee the continual operation of the Group, sustain the best capital structure to lower capital cost, and provide remuneration for shareholders. In order to sustain or adjust its capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares or sell assets to adjust into the most suitable capital structure.

### (2) Financial instruments

#### A. Category of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through loss and gain	\$ 77,471	\$ -
Financial assets at amortized cost (Note 1)	\$ 1,101,180	\$ 998,582
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through loss and gain	\$ 840	\$ 1,200
Financial assets at amortized cost (Note 2)	\$ 448,653	\$ 388,880
Bonds payable (including current)	\$ 389,078	\$ 381,825
Lease liabilities	\$ 58,983	\$ 74,070

Note 1: Including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables (recorded in other current assets), and guaranteed deposits paid.

Note 2: Including short-term loans, accounts payable, other payables, and guarantee deposit received.

#### B. Policy of financial risk management

(A) The daily operation of the Group is impacted by multiple financial risks, including market risks (such as risk of exchange rate, risk of interest rate, and price risk), credit risks, and liquidity risks. The overall risk management policy of the Group is determined in accordance with the economic environment, competition status, and change in market value. The Group has established relevant market risk management objectives and strived to minimize the potential adverse impact on the financial position and performance of the Group, to achieve the best risk positions, sustain appropriate liquidity positions, and centrally manage all market risks.

(B) The risk management work is executed by the Financial Department of the

Group in accordance with the policy approved by the Board of Directors. By closely cooperating with each operating unit in the Group, the Financial Department is responsible for identifying, assessing, and avoiding financial risks.

C. Nature and level of significant financial risks

(A) Market risk

Foreign exchange risk

- I. Since the Group operates business internationally, it is thus subject to the risk of exchange rate resulting from different functional currencies, mainly the US dollar, used in the transactions with the Company and its subsidiaries. Relevant risk of exchange rate comes from future commercial transactions and recognized assets and liabilities.
- II. The management of the Group stipulates that the risk of exchange rate corresponding to its functional currency shall be managed by each company in the Group. Each company shall hedge their overall risk of exchange rate through the Financial Department of the Group.
- III. Since the business of the Group involves several non-functional currencies (the functional currency of the Company and some subsidiaries is NTD, while the functional currencies of some subsidiaries are RMB and KRW), it is thus influenced by the fluctuation in exchange rate. The information of foreign currency assets and liabilities with a significant impact of fluctuation in exchange rate is as follows:

December 31, 2023					
(Foreign currency: Functional currency)	Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NT\$)	Sensitivity analysis	
				Amount of variation	Profit or loss affected
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 16,321	30.71	\$ 501,218	1%	\$ 5,012
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 6,942	30.71	\$ 213,189	1%	\$ 2,132
December 31, 2022					
(Foreign currency: Functional currency)	Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NT\$)	Sensitivity analysis	
				Amount of variation	Profit or loss affected
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	\$ 16,461	30.71	\$ 505,517	1%	\$ 5,055
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	\$ 7,788	30.71	\$ 239,169	1%	\$ 2,392

- IV. The summarized amounts of all exchange gains (losses) (both realized and unrealized) of the monetary items of the Group recognized with significant impact on the fluctuation of exchange rate in 2023 and 2022 reached (NT\$9,347) and NT\$19,447 respectively.

Price risk

The Group hasn't been exposed to the risks of product price and equity instrument investment.

Risk of interest rate in cash flows and fair value

- I. The risk of interest rate of the Group mainly comes from the short-term loans issued at the floating interest rates, making the Group exposed to the risk of interest rate in cash flows.
- II. The loans of the Group are measured at amortized cost. In accordance with the contract agreements, the interest rate is repriced annually. Therefore, the Group has been exposed to the risk of change of future market interest rate.
- III. Given that the loan interest rate (NTD) increases or decreases by 1% while all other factors remain unchanged, the before-tax net profit would be decreased or increased by NT\$2,172 and NT\$1,143 respectively in 2023 and 2022, which was mainly caused by the change of the interest expenses of the loans calculated at the floating interest rate.

(B) Credit risk

- I. The credit risk of the Group mainly refers to the risk of financial losses of the Group due to the failure of customers or counterparties of financial instruments to perform their contractual obligations. It mainly comes from accounts receivable that cannot be repaid by the counterparties according to the payment terms.
- II. The Group has established credit risk management from the perspective of a group. In accordance with the credit extension policy expressly determined in the Group, each operating individual of the Group shall conduct risk management and credit risk analysis before concluding terms and conditions for payment and delivery with each new customer. The internal risk control shall be conducted in consideration of the financial position, previous experience and other factors, to evaluate the credit quality of customers. The limits of individual risks are established by the Board of Directors according to internal or external ratings, and the Board of Directors is required to regularly monitor the use of the line of credit.
- III. The Group adopts the following assumption as the basis to judge whether the credit risk of financial instruments is significant increased

or default occurs after original recognition:

- (I) If the contract payment is overdue for more than 30 days according to the agreed payment terms, it will be deemed that the credit risk of the financial assets is already significantly increased after original recognition.
- (II) If the contract payment is overdue for more than 90 days according to the agreed payment terms, it will be deemed that default occurs.

IV. The indicators used by the Group to determine credit impairment of debt instrument investments are as follows:

- (I) The issuer suffers a major financial difficulty, or the possibility of bankruptcy or other financial reorganization is substantially increased;
- (II) The issuer delays or fails to pay interest or principal;
- (III) Adverse changes in the national or regional economic situation related to the issuer's default.

(C) Liquidity risk

- I. The Company is responsible for executing the forecasting of cash flows, and the Financial Department is responsible for summarization. Also, the Financial Department monitors the forecast of the demand of the Company for working capital to ensure sufficient capital is available to fulfill the operational demand.
- II. Except those listed in the table below, the non-derivative financial liabilities of the Group are due within one year. The amount of cash flows that are significant within one year as of December 31, 2023 and December 31, 2022, including notes payable, accounts payable, and other payables, refers to undiscounted amount which is consistent with the balance of each subject in the balance sheet.

December 31, 2023	Less than 1 year	2-5 years	5 years or above
<u>Non-derivative financial liabilities:</u>			
Short-term loan	\$ 217,526	\$ -	\$ -
Lease liability	29,507	29,476	-
Bonds payable (including current)	399,900	-	-
December 31, 2022	Less than 1 year	2-5 years	5 years or above
<u>Non-derivative financial liabilities:</u>			
Short-term loan	\$ 114,539	\$ -	\$ -
Lease liability	33,487	40,583	-
Bonds payable (including current)	-	400,000	-

(3) Information of fair value

- A. Each level of evaluation techniques adopted to measure the fair value of financial and non-financial instruments is defined as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market refers to a market where transactions of assets or liabilities with adequate frequency and quantity occur and pricing information is provided on a continuous basis. The fair value of hybrid instruments invested by the Group belongs to this level.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of forward foreign exchange contracts invested by the Group belongs to this level.
- Level 3: Unobservable inputs for the asset or liabilities. The fair value of the right of redemption and put right of convertible corporate bonds of the Group belongs to this level.

B. Financial instruments not measured at fair value

- (A) Except those listed in the table below, the carrying amount of cash and cash equivalents, notes receivable, accounts receivable, other payables (recorded in other current assets), short-term loans, accounts payable, and other payables is the reasonable approximate value of fair value:

	December 31, 2023			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (including current)	\$ 389,078	\$ -	\$ 390,777	\$ -
	December 31, 2022			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities				
Bonds payable (including current)	\$ 381,825	\$ -	\$ 384,709	\$ -

- (B) Methods and assumptions used to estimate fair value are as follows:

Corporate bonds payable: Measured at the present value discounted per the market interest rate on the balance sheet date according to the cash flows expected to be paid.

C. Financial and non-financial instruments measured at fair value

- (A) The Group classifies these financial instruments on the basis of the nature, characteristics, risks and fair value of assets and liabilities. Relevant information is as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets at FVTPL				
Hybrid instruments -				
Financial bonds	\$ 77,021	\$ -	\$ -	\$ 77,021
Forward exchange contracts		450		450
Right of redemption over convertible corporate bonds	-	-	-	-
Total	<u>\$ 77,021</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 77,471</u>
<b>Liabilities</b>				
<u>Recurring fair value</u>				
Financial liabilities at FVTPL				
Put right over convertible corporate bonds	\$ -	\$ -	\$ 840	\$ 840
December 31, 2022	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets at FVTPL				
Right of redemption over convertible corporate bonds	\$ -	\$ -	\$ 120	\$ 120
Total				
<b>Liabilities</b>				
<u>Recurring fair value</u>				
Financial liabilities at FVTPL				
Put right over convertible corporate bonds	\$ -	\$ -	\$ 1,320	\$ 1,320

(B) Methods and assumptions used by the Group to measure fair value are described as follows:

- I. Those with fair value determined by the Group as quoted market prices (i.e., Level 1) are stocks of TWSE/TPEX listed companies as well as bonds issued by them. The closing prices of these stocks and bonds are their quoted market prices.
- II. The derivative instruments held by the Group are mainly forward foreign exchange contracts. They are non-standardized and less complicated financial instruments. The Group adopts evaluation techniques widely used by the market participants, and the parameters used are market observable information.
- III. The output of the evaluation model is an estimated value, while the evaluation techniques may not reflect all factors related to the financial

and non-financial instruments held by the Group. Therefore, the estimated value of the evaluation model will be appropriately adjusted according to extra parameters, e.g., model risk or liquidity risk. In accordance with the fair value evaluation model management policy and related control procedures of the Group, the management believes that relevant evaluation and adjustment are appropriate and necessary for the fair presentation of the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the process of evaluation shall be prudently evaluated and appropriately adjusted according to the current conditions of the local markets.

D. No transfer between Level 1 and Level 2 occurred in 2023 and 2022.

E. The changes in Level 3 in 2023 and 2022 are presented in the following table:

	2023	
	Right of redemption over convertible corporate bonds	Put right over convertible corporate bonds
January 1	\$ 120	(\$ 1,320)
Evaluated profit or loss	( 120)	480
December 31	\$ -	(\$ 840)

  

	2022	
	Right of redemption over convertible corporate bonds	Put right over convertible corporate bonds
January 1	\$ -	\$ -
Acquired in the current period	800	( 760)
Evaluated profit or loss	( 680)	( 560)
December 31	\$ 120	(\$ 1,320)

F. No transfer-in and transfer-out of Level 3 occurred in 2023 and 2022.

G. As for the evaluation process adopted by the Group for fair value classified to Level 3, relevant department is responsible for conducting independent fair value verification of financial instruments, relying on data from independent sources to make the evaluation results close to the market status, confirming that the data sources are independent, reliable, consistent with other data and represent executable prices, and regularly calibrating and updating the input value and data needed for the evaluation model as well as any other necessary fair value adjustments, to ensure the reasonableness of the evaluation results.

H. The quantified information of significant unobservable input values of the evaluation model used for the evaluation of Level 3 fair value measurement items of the Group, and the sensitivity analysis of changes of these significant unobservable input values are described as follows:

	Dec 31, 2023 fair value	Evaluation technique	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Right of redemption over convertible corporate bonds	\$ -	Binary tree evaluation model	Degree of fluctuation	24.87%	The higher the degree of fluctuation, the higher the fair value
Put right over convertible corporate bonds	\$ 840				
	Dec 31, 2022 fair value	Evaluation technique	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Right of redemption over convertible corporate bonds	\$ 120	Binary tree evaluation model	Degree of fluctuation	34.60%	The higher the degree of fluctuation, the higher the fair value
Put right over convertible corporate bonds	\$ 1,320				

### 13. Supplementary Disclosures

#### (1) Information on Significant Transactions

- A. Financings provided to others: None.
- B. Endorsement / guarantee provided to others: None.
- C. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliates, and interests in joint ventures): Please refer to Attachment 1.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the paid-in capital: Please refer to Attachment 2.
- E. Acquisition of property with the amount exceeding NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of property with the amount exceeding NT\$300 million or 20% of the paid-in capital: None.
- G. Purchases or sales of goods from or to related parties with the amount exceeding NT\$100 million or 20% of paid-in capital: Please refer to Attachment 3.
- H. Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital: Please refer to Attachment 4.

- I. Derivatives transactions: Please refer to Note 6(2).
- J. Business relationships and significant transactions between parent and subsidiary: Please refer to Attachment 5.

(2) Information on the reinvestment business

Name of Investee Company, Location...etc. (excluding Mainland China investee companies): Please refer to Attachment 6.

(3) Information on investment in Mainland China

- 1. Basic information: Please refer to Attachment 7.
- 2. Major transactions with investees in Mainland China directly or indirectly through business in a third region: Please refer to Attachment 3, 4 and 5.

(4) Information on major shareholders

Information on major shareholders: Please refer to Attachment 8.

14. Segment Information

(1) General information

The Group only operates business in a single industry. The Board of Directors evaluates performance and allocates resources of the Group as a whole. It is identified that the Group is the single sector to be reported.

(2) Measurement of department information

As for the measurement of department information, the information of the department requiring reporting provided to the main operation decision-maker is as follows:

	2023	2022
Segment revenue	\$ 1,743,459	\$ 1,923,029
Segment profit or loss	\$ 131,613	\$ 248,896
Segment profit or loss includes:		
Depreciation, amortization expenses	\$ 64,295	\$ 67,578
Interest income	\$ 6,755	\$ 2,074
Finance costs	\$ 17,697	\$ 11,463

(3) Information on the adjustment of department profits and losses

Since the Board of Directors of the Group adopts after-tax net profit as the basis when evaluating departments' performance and deciding how to allocate resources, adjustment is thus not necessary.

(4) Information per product and per labor service

Please refer to Note 6(15).

(5) Information per region

The information of the Group per region in 2023 and 2022 is as follows. The revenue is disclosed based on the customers' locations, while non-current assets are disclosed based on the locations of assets.

	2023		2022	
	Income	Non-current assets	Income	Non-current assets
Taiwan	\$ 824,141	\$ 394,620	\$ 826,490	\$ 361,397
China	557,907	23,873	608,104	37,207
Kora	191,380	4,755	274,223	3,393
Other	170,031	575	214,212	65
Total	<u>\$ 1,743,459</u>	<u>\$ 423,823</u>	<u>\$ 1,923,029</u>	<u>\$ 402,062</u>

(6) Information of important customers

The Group does not have a single customer that contributes more than 10% of consolidated revenue from sale of goods.

Wendell Industrial Co., Ltd. and Subsidiaries  
 Securities held at end of period (excluding investments in subsidiaries, associates, and joint ventures)  
 Decembre 31, 2023

Attachment 1

Unit: NT\$ thousands  
 (Unless Otherwise Specified)

Securities Holding Company	Type and Name of Securities (Note 1)	Relationship with Issuer of Securities (Note 2)	Financial Statement Account	Ending Balance				Remark (Note 4)
				Number of Shares (share)	Carrying amount (Note 3)	Percentage of Ownership	Fair value	
Wendell Industrial Co., Ltd.	Bond Bank of America	-	Financial assets at fair value through loss and gain - current	-	\$ 77,021	-	\$ 77,021	

Note 1: Securities mentioned in this table refer to stocks, bonds, and beneficiary certificates within the scope of IAS 9 “Financial Instruments” as well as securities derived from the aforesaid items.

Note 2: It is not required to fill out this column of the issuer of securities is not a related party.

Note 3: For those measured at fair value, please fill out the book balance obtained after evaluation and adjustment of fair value and deduction of accumulated impairment in the column of “Carrying amount”; for those not measured at fair value, please fill out the book balance obtained after deduction of accumulated impairment from the original acquisition cost or amortized cost in the column of “Carrying amount”.

Note 4: If securities listed are subject to guarantee, pledge loan, or other agreed restrictions, the guaranteed or pledged number of shares, amount of guarantee or pledge loan, and restricted use shall be specified in the column of “Remark”.

Wendell Industrial Co., Ltd. and Subsidiaries  
Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the paid-in capital  
From January 1, 2023 to Decembre 31, 2023

Attachment 2

Unit: NT\$ thousands  
(Unless Otherwise Specified)

Trading company	Type and Name of Securities (Note 1)	Financial Statement Account	Counterparty	Relationship	Beginning		Buy in		Sold out			Ending			
					Unit number (thousand)	Amount	Unit number (thousand)	Amount	Unit number (thousand)	Price	Book cost	Profit or loss from disposal	Evaluated profit or loss (Note)	Unit number (thousand)	Amount
Wendell Industrial Co., Ltd.	Bank of America Bond	Financial assets at fair value through loss and gain - current	-	-	-	\$ -	250,000	\$76,676	-	\$ -	\$ -	-	\$345	250,000	\$ 77,021

Note: Including evaluated profit or loss and amount affected by exchange rate.

Wendell Industrial Co., Ltd. and Subsidiaries  
Purchases or sales of goods from or to related parties with the amount exceeding NT\$100 million or 20% of paid-in capital  
From January 1, 2023 to December 31, 2023

Attachment 3

Unit: NT\$ thousands  
(Unless Otherwise Specified)

Purchases or sales Company	Counterparty	Relationship	Description of Transactions				Differences between transaction conditions and general transactions and reasons thereof		Notes and accounts receivable (payable)		Remarks
			Purchases or sales of goods	Amount	Ratio in total purchases (sales)	Credit extension period	Unit price	Credit extension period	Balance (net)	Ratio in total notes and accounts receivable (payable)	
Wendell Industrial Co., Ltd.	Wendell Korea Co., Ltd.	Subsidiaries	Sales	\$ 182,790	12%	90 days through monthly settlement	Equivalent with general transactions	\$ 9,072	2%		
Wendell Industrial Co., Ltd.	Shenzhen Qianhong Electronic Co., Ltd.	Subsidiaries	Sales	123,730	8%	150 days through monthly settlement	Equivalent with general transactions	89,450	17%		
Wendell Industrial Co., Ltd.	Suzhou Lianhong Electronic Co., Ltd.	Subsidiaries	Sales	77,227	5%	120 days through monthly settlement	Equivalent with general transactions	25,452	5%		

Note 1: If the transaction conditions of related parties are different from general transaction conditions, the differences and reasons thereof shall be clearly indicated in the columns of "Unit price" and "Credit extension period".

Note 2: In case of advances received (prepayments), the reason, agreed contract terms, amount and differences from general transaction types shall be clearly indicated in the column of "Remark".

Wendell Industrial Co., Ltd. and Subsidiaries  
 Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital  
 Decembre 31, 2023

Attachment 4

Unit: NT\$ thousands  
 (Unless Otherwise Specified)

Company recording receivables	Counterparty	Relationship	Overdue accounts receivable from related parties				Disposal method	Amount of accounts receivable from related parties subsequently recovered	Amount with loss allowance drawn
			Balance of accounts receivable from related parties (Note)	Turnover rate	Amount				
Wendell Industrial Co., Ltd.	Shenzhen Qianhong Electronic Co., Ltd.	Subsidiaries	\$ 89,450	1.23	\$ 27,651	Enhanced collection	\$ 24,378	\$ -	

Note: Please fill out relevant contents respectively according to accounts and notes receivable from related parties, other receivables, etc.

Wendell Industrial Co., Ltd. and Subsidiaries  
Business relationships and significant transactions between parent and subsidiary  
From January 1, 2023 to Decembre 31, 2023

Attachment 5

Unit: NT\$ thousands  
(Unless Otherwise Specified)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Description of Transactions			Percentage of Total Revenue or Total Assets (%) (Note 3)
				Account	Amount	Transaction Term	
0	Wendell Industrial Co., Ltd.	Shenzhen Qianhong Electronic Co., Ltd.	1	Sales revenue	\$ 123,730	able to General Transaction	7%
0	Wendell Industrial Co., Ltd.	Shenzhen Qianhong Electronic Co., Ltd.	1	Accounts receivable	89,450	"	5%
0	Wendell Industrial Co., Ltd.	Suzhou Lianhong Electronic Co., Ltd.	1	Sales revenue	77,227	"	4%
0	Wendell Industrial Co., Ltd.	Suzhou Lianhong Electronic Co., Ltd.	1	Accounts receivable	25,452	"	1%
0	Wendell Industrial Co., Ltd.	Wendell Korea Co., Ltd.	1	Sales revenue	182,790	"	10%
0	Wendell Industrial Co., Ltd.	Wendell Pte. Ltd.	1	Sales revenue	21,168	"	1%
0	Wendell Industrial Co., Ltd.	Shenzhen Qianhong Electronic Co., Ltd.	1	Purchasing of goods	33,685	"	2%
1	Shenzhen Qianhong Electronic Co., Ltd.	Suzhou Lianhong Electronic Co., Ltd.	3	Sales revenue	25,594	"	1%

Note 1. The information on business dealings between the parent company and subsidiaries should be numbered according to the following method:

1. For the parent company, fill in 0.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2. Relationships with counterparties can be any one of the following three types (For a same transaction between parent company and a subsidiary or between subsidiaries, it is not required to disclose it repeatedly. For example, if the parent company has already disclosed a transaction with the subsidiary, the subsidiary will not be required to disclose this transaction repeatedly; if a subsidiary already discloses a transaction with another subsidiary, the latter will not be required to disclose this transaction repeatedly):

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3. The ratio of transaction amount to total revenue or total assets is calculated as the ending balance to total assets if it is an asset or liability account. For profit and loss accounts, the calculation is based on the cumulative amount to total revenue in the period.

Note 4. Individual transactions with amount not reaching 1% of the consolidated total operating revenue and the consolidated total assets will not be disclosed.

Wendell Industrial Co., Ltd. and Subsidiaries  
Name of Investee Company, Location...etc. (excluding Mainland China investee companies)  
From January 1, 2023 to December 31, 2023

Attachment 6

Unit: NT\$ thousands  
(Unless Otherwise Specified)

Name of Investor	Name of Investee (Note 1, 2)	Location	Principal Business	Initial Investment Amount		End of the Period			Profit (Loss) of Investee for the Period (Note 2(2))	Investment Profit (Loss) Recognized for the Period (Note 2(3))	Remarks
				Ending Balance for the Current	End of Last Year	Number of	Shareholding (%)	Carrying amount			
Wendell Industrial Co., Ltd.	Wendell Co., Ltd.	Japan	Sales of electronic components	\$ 6,802	\$ 6,802	500	100%	\$ 3,678	\$ 1,472	\$ 1,472	Subsidiaries
"	Wendell Pte. Ltd.	Singapore	Sales of electronic components	2,306	2,306	100,000	100%	10,308	1,069	1,069	"
"	Wendell Korea Co., Ltd.	Korea	Sales of electronic components	7,204	7,204	10,000	100%	76,964	9,416	9,416	"
"	Nichtek Industrial Co., Limited	Hong Kong	Reinvested holding company	65,847	65,847	18,591,400	100%	43,923	( 9,262)	( 8,766)	"
"	Wendell Electrical Testing Co., Ltd.	Taiwan	Testing and safety certification services	100,246	60,246	10,020,000	100%	110,177	3,253	3,253	"

Note 1. If a public company has a foreign holding company and is required by local laws and regulations to use consolidated financial statements as the primary financial statements, the disclosure of information about the investee company may be limited to the relevant information of the holding company.

Note 2. For cases other than those described in Note 1, the following regulations apply:

1. The columns of "Name of investee company", "Location", "Principal business", "Initial investment amount" and "Shareholding as of the end of the period" shall be determined in accordance with the circumstances the Company's transfer of investment and each direct investment. The Company shall fill in the following information in the order of the reinvestment of the investee company or the indirectly controlled investor. The relationship between each investee company and the Company (if it is a subsidiary or sub-subsidiary) shall be indicated in the Notes column.
2. The column of "Profit or loss of investee company for the period" shall be filled in the amount of profit or loss of each investee company for the period.
3. The column of "Gains or losses recognized during the period" shall be filled in only for each subsidiary and equity-method investee recognized by the (public) company. The remainder is not required. When filled "Amount of current profit or loss of each subsidiary recognized as a direct investment", the amount of current profit or loss of each subsidiary includes the investment income or loss that shall with the regulations for its reinvestment.

Wendell Industrial Co., Ltd. and Subsidiaries  
Information on investment in Mainland China – Basic information  
From January 1, 2023 to December 31, 2023

Attachment 7

Unit: NT\$ thousands  
(Unless Otherwise Specified)

Investee Company in Mainland China Name of Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments	Amount of Investments Remitted or Repatriated for		Accumulated Amount of Investments	Current profit or loss of investee	The Company's Direct or	Investment Profit (Loss) Recognized (Note 2)	Carrying Amount of Investments	Accumulated Investment Income	Remarks
					Remitted	Repatriated							
Shenzhen Qianhong Electronic Co., Ltd.	Sales of electronic components	\$ 69,585	2	\$ 65,660	\$ -	\$ -	\$ 65,660	(\$ 9,262)	100%	(\$ 8,766)	\$ 47,346	\$ -	
Suzhou Lianhong Electronic Co., Ltd.	Sales of electronic components	2,286	2	-	-	-	-	909	100%	909	13,489	-	
Shenzhen Qianhong Electrical Testing Co., Ltd.	Testing and certification services	2,227	2	-	-	-	-	473	100%	473	2,105	-	
Company Name		Accumulated Amount of Investments Remitted from Taiwan to		Amount of Investments Authorized by		Ceiling on Amount of Investments Stipulated							
Wendell Industrial Co., Ltd.		\$	65,660	\$	65,660	\$	596,207						

Note 1. Methods of investments are divided into the following three types:

1. Direct investment in mainland companies.
2. Investment in mainland companies through a third region remittance. (Please indicate the investment company in the third region)
  - A. Reinvestment in Shenzhen Qianhong Electronic Co., Ltd. through Nichteck Industrial Co., Limited
  - B. Investment in Shenzhen Qianhong Electronic Co., Ltd. through Nichteck Industrial Co., Limited, and then reinvestment in Suzhou Lianhong Electronic Co., Ltd.
  - C. Investment in Shenzhen Qianhong Electronic Co., Ltd. through Nichteck Industrial Co., Limited, and then reinvestment in Shenzhen Qianhong Electrical Testing Co., Ltd.
3. Others

Note 2. The investment profit or loss recognized in the current period is consistent with the financial statements of the parent company in Taiwan as audited by the CPAs.

Note 3. Relevant figures related to this table are presented in NTD.

Wendell Industrial Co., Ltd. and Subsidiaries  
Information on Major Shareholders  
Decembre 31, 2023

Attachment 8

Name of shareholders	Shareholding	
	Number of Shares Held (share) (Note)	Percentage of Ownership (%)
Po Hong Investment Co., Ltd.	4,639,996	18.48%
Wei Hong Assets Co., Ltd.	4,639,996	18.48%
China Development Advantage Venture Capital Limited Partnership	1,260,397	5.02%

Note: It refers to the number of shares disclosed on December 31, 2023.