CHANG TYPE INDUSTRIAL CO., LTD. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
31 DECEMBER 2023 AND 2022

Address: No. 41, Nan-tsuen Road, Ho-Li, Taichung City, Taiwan, R.O.C
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Notice to readers:
The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Statement

For the year ended 31 December 2023 (from 1 January 2023 to 31 December 2023), pursuant to "Criteria Governing Preparation of Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and Affiliation Reports," the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements under International Financial Reporting Standards 10. In addition, information required to be disclosed in the consolidated financial statements of affiliates is included in the aforementioned consolidated financial statements. Accordingly, it is not required to prepare a separate set of consolidated financial statements of affiliates.

Hereby declare,

Change Type Industrial Co., Ltd.

CEO: CHANG, CHING-CHIN

14 March 2024

Independent Auditor's Report

To Chang Type Industrial Co., Ltd.

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiary (the "Group") as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 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 Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiary 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 2023 consolidated financial statements. 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.

Inventory valuation

As of 31 December 2023, the net inventories amounted to NT$1,127,187 thousand, accounting for 28% of the consolidated total assets. Because the amount was material to the Group's financial statements, the sales were affected by the uncertainty due to market demand, and the valuation policy of the inventories involved a high level of management judgment, we determined this to be a key audit matter. Our audit procedures included, but were not limited to: performing simple test to assess the effectiveness of inventory internal control established by management; understanding the accounting policy around obsolete and slow-moving inventories; selecting important storage locations to observe inventory counts; sampling and testing the accuracy of inventory aging intervals to verify whether the aging reports were reasonable; in addition, in order to evaluate the reasonableness of inventories valuation, we also obtained inventory movement report, sampled and tested related certificates of purchases and sales, and verified the unit cost of inventories to access the net realizable value of inventories. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

Provision for warranties

As of 31 December 2023, the provision for warranties amounted to NT$50,007 thousand. The management determined the estimate of the provision for warranties by the past experience of repairing consumers' defective products. Because the estimates involved significant management judgment, we determined this to be a key audit matter. Our audit procedures included, but were not limited to: understanding the internal control of provision for warranties established by management; evaluating the reasonableness of accounting policy around provision for warranties and the accuracy of recalculating provision for warranties according to the accounting policy; analyzing the reasonableness of provision for warranties by comparing the amounts year over year. In addition, we obtained details of provision for warranties of the subsequent period to check the actual amounts or reversal of the provision for warranties of the subsequent period. We also assessed the adequacy of disclosures related to provision for warranties in Notes 5 and 6.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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 by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiary.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiary.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiary. 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 auditor's report. However, future events or conditions may cause the Company and its subsidiary to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiary to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2023 and 2022.

Lo,Wen-Chen
Huang,Yu-Ting

Ernst & Young, Taiwan
14 March 2024

<u>Notice to Readers</u>

The accompanying parent company only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying parent company only financial statements and report of independent auditors are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation

CHANG TYPE INDUSTRIAL CO., LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
31 December 2023 and 31 December 2022
(Expressed in Thousands of New Taiwan Dollars)

		As at	
Assets	Notes	31 Dec 2023	31 Dec 2022
Current assets			
Cash and cash equivalents	4, 6(1)	$82,560	$172,827
Accounts receivable - net	4, 6(2), 6(11)	1,342,435	896,111
Other receivables	4	18,201	28,318
Current tax assets		3,071	613
Inventories, net	4, 6(3)	1,127,187	1,363,756
Prepayment	4	19,689	15,128
Other current assets		3,369	472
Total current assets		2,596,512	2,477,225
Non-current assets			
Property, plant and equipment	4, 6(4), 8	617,149	645,831
Right-of-use assets	4, 6(12)	613,545	344,336
Intangible assets	4	22,051	31,882
Deferred tax assets	4, 6(16)	57,391	50,357
Other non-current assets	6(7),8	71,609	61,485
Total non-current assets		1,381,745	1,133,891
Total assets		$3,978,257	$3,611,116

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

CHANG TYPE INDUSTRIAL CO., LTD. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
31 December 2023 and 31 December 2022
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at 31 Dec 2023	As at 31 Dec 2022
Current liabilities			
Short-term loans	4, 6(5)	$569,700	$544,000
Contract liabilities, current	6(10)	323	239
Notes payable		278,012	220,399
Accounts payable		333,507	168,669
Other payables		174,393	232,718
Current tax liabilities	6(6)	48,016	41,970
Provisions, current	4, 6(8)	16,648	17,794
Other current liabilities	6(12)	62,919	56,323
Total current liabilities		1,483,518	1,282,112
Non-current liabilities			
Provision, non-current	4, 6(8)	50,522	62,850
Deferred tax liabilities	4, 6(16)	92,374	101,988
Lease liabilities, non-current	6(12)	440,631	288,210
Other non-current liabilities		30	30
Total non-current liabilities		583,557	453,078
Total liabilities		2,067,075	1,735,190
Equity attributable to the parent company	4, 6(9)		
Capital			
Common stock		788,000	788,000
Capital surplus		1,364	1,364
Retained earnings			
Legal reserve		324,128	296,146
Special reserve		9,918	34,688
Retained earnings		797,303	765,646
Total retained earnings		1,131,349	1,096,480
Other components of equity			
Exchange differences on translation of foreign operations		(9,531)	(9,918)
Total equity		1,911,182	1,875,926
Total liabilities and equity		$3,978,257	$3,611,116

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

CHANG TYPE INDUSTRIAL CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the Years Ended 31 December	
	Notes	2023	2022
Net sales	4, 6(10)	$3,378,030	$4,057,447
Cost of sales	6(3),6(13), 7	(2,715,202)	(3,462,976)
Gross profit		662,828	594,471
Operating expenses	6(13), 7		
Sales and marketing		(230,273)	(222,893)
General and administrative		(120,417)	(178,369)
Research and development		(17,508)	(22,451)
Expected credit losses	6(11)	(9,447)	-
Total operating expenses		(377,645)	(423,713)
Operating income		285,183	170,758
Non-operating income and expenses	6(14)		
Other revenue		19,249	24,641
Other gains and losses		(139,374)	183,037
Financial costs		(18,879)	(22,470)
Total non-operating income and expenses		(139,004)	185,208
Income from continuing operations before income tax		146,179	355,966
Income tax expense	4, 6(16)	(30,989)	(83,907)
Income from continuing operations, net of tax		115,190	272,059
Other comprehensive income (loss)	6(15)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(1,901)	9,710
Income tax related to items that may not to be reclassified subsequently		380	(1,942)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operation		387	24,770
Income tax related to items that may be reclassified subsequently loss		-	-
Total other comprehensive income (loss), net of tax		(1,134)	32,538
Total comprehensive income		$114,056	$304,597
Net income attributable to:			
Shareholders of the parent		$115,190	$272,059
Non-controlling interests		-	-
		$115,190	$272,059
Comprehensive income attributable to:			
Shareholders of the parent		$114,056	$304,597
Non-controlling interest		-	-
		$114,056	$304,597
Earnings per share (NTD)	4, 6(17)		
Earnings per share-basic		$1.46	$3.45
Earnings per share-diluted		$1.46	$3.45

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

CHANG TYPE INDUSTRIAL CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Item	Notes	Capital		Retained Earnings			Other components of equity	Total equity
		Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	
Balance as of 1 January 2022	6(9)	$788,000	$1,364	$266,054	$24,047	$723,552	$(34,688)	$1,768,329
Appropriations of earnings, 2021:								-
Legal reserve				30,092		(30,092)		-
Special reserve					10,641	(10,641)		-
Cash dividend						(197,000)		(197,000)
Net income in 2022						272,059		272,059
Other comprehensive income (loss), net of tax in 2022	6(15)					7,768	24,770	32,538
Total comprehensive income (loss)						279,827	24,770	304,597
Balance as of 31 December 2022	6(9)	$788,000	$1,364	$296,146	$34,688	$765,646	$(9,918)	$1,875,926
Balance as of 1 January 2023	6(9)	$788,000	$1,364	$296,146	$34,688	$765,646	$(9,918)	$1,875,926
Appropriations of earnings, 2022:								
Legal reserve				27,982		(27,982)		-
Special reserve					(24,770)	24,770		-
Cash dividends						(78,800)		(78,800)
Net income in 2023						115,190		115,190
Other comprehensive income, net of tax in 2023	6(15)					(1,521)	387	(1,134)
Total comprehensive income						279,827	387	114,056
Balance as of 31 December 2023	6(9)	$788,000	$1,364	$324,128	$9,918	$797,303	$(9,531)	$1,911,182

(The accompanying notes are an integral part of the parent company only financial statements)

CHANG TYPE INDUSTRIAL CO., LTD. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended 31 December	
	2023	2022
Cash flows from operating activities:		
Net income before tax	$146,179	$355,966
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	103,873	103,526
Amortization	13,628	13,962
Expected credit losses	9,447	-
Interest expense	18,879	22,470
Interest income	(287)	(502)
Loss (gain) on disposal of property, plant and equipment	1	(135)
Loss on decline in value and obsolescence of inventories	23,630	9,206
Gain from lease modification	-	(120)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(455,669)	1,499,357
Decrease in other receivables	10,131	17,937
Decrease in inventories, net	213,153	94,081
(Increase) decrease in prepayments	(6,462)	24,254
(Increase) decrease in other current assets	(2,897)	7,685
Increase other non-current assets	(4,473)	(11,792)
Increase (decrease) in contract liabilities	84	(50)
Increase (decrease) in notes payable	69,351	(529,254)
Increase (decrease) in accounts payable	164,838	(489,185)
(Decrease) increase in other payables	(59,913)	75,004
(Decrease) increase in provisions	(13,474)	8,864
Increase (decrease) in other current liabilities	2,841	(217)
Cash generated from from operations	232,860	1,201,057
Interest received	273	493
Interest paid	(9,925)	(13,627)
Income tax paid	(43,762)	(42,984)
Net cash generated from operating activities	179,446	1,144,939

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

CHANG TYPE INDUSTRIAL CO., LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	For the Years Ended 31 December	
	2023	2022
(Continued)		
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(23,718)	(37,536)
Disposal of property, plant and equipment	124	135
Increase refundable deposits	(12,505)	(2,354)
Acquisition of intangible assets	(259)	(1,997)
Acquisition of right-of-use assets	(125,183)	-
Increase inprepayment for equipment	(4,208)	(4,598)
Net cash used in investing activities	(165,749)	(46,350)
Cash flows from financing activities:		
Increase in short-term loans	4,228,800	9,513,800
Decrease in short-term loans	(4,203,100)	(10,116,600)
Increase in short-term bills payable	460,000	-
Decrease in short-term bills payable	(460,000)	(190,000)
Decrease in lease liabilities	(50,838)	(51,412)
Decrease in other non-current liabilities	-	(82)
Cash dividend	(78,800)	(197,000)
Net cash used in financing activities	(103,938)	(1,041,294)
Effect of exchange rate changes on cash and cash equivalents	(26)	11,700
Net (decrease) increase in cash and cash equivalents	(90,267)	68,995
Cash and cash equivalents at beginning of period	172,827	103,832
Cash and cash equivalents at end of period	$82,560	$172,827

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

1. HISTORY AND ORGANIZATION

Chang Type Industrial Co., Ltd. ("the Company") was incorporated on 21 April 1989 to manufacture, process and sell hand tools, electric machines, motors, power tools, automatic control system, computer machinery, electric test instruments, woodworking machines and metal parts. The Company is also the agent to import and export raw materials for all related products mentioned above and to design various molds and fixtures.

The Company's stocks were approved by the authority to be listed on the OTC on 14 January 2003 by the Securities and Futures Bureau, Ministry of Finance. The Company's registered office and, main business location, is at No. 41, Nancun Road, Houli District, Taichung, Taiwan (R.O.C.).

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2023 and 2022 were authorized for issue by the Company's board of directors on 14 March 2024.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying certain standards and amendments for the first time

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised, or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	Newly released, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

(c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2024. Apart from item explained below, the remaining standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised, or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	Newly released, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(a) IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the interests of unrelated investors in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation, and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as "TIFRSs").

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("$") unless otherwise stated.

(3) Basis of consolidation

(a) Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group starts to control an investee if and only if the Group has:

A. power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
B. exposure or rights comes from involvement and return variations with the investee; and
C. the ability to use its power over the investee to affect its returns

When the Group directly or indirectly holds less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

A. the contractual arrangement with the other vote holders of the investee
B. rights arising from other contractual arrangements
C. the Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All internal group account balances, income and expenses, unrealized gains (losses), and dividends resulting from internal group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests that have a deficit balance.

If the Company loses control of a subsidiary, it:

A. derecognizes the assets (including goodwill) and liabilities of the subsidiary
B. derecognizes the carrying amount of any non-controlling interest
C. recognizes the fair value of the consideration received
D. recognizes the fair value of any investment retained
E. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
F. recognizes any resulting difference in profit or loss.

(b) The consolidated entities are as follows:

			Percentage of ownership (%)	
			31 December	31 December
Investor	Subsidiary	Main Business	2023	2022
Chang Type Industrial Co., Ltd.	Delta Power Equipment Corporation	Import and export trade of Power tool manufacturing	100.00%	100.00%

(4) Foreign Currency Transactions

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

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs, are included in the borrowing costs that are eligible for capitalization as the costs of that asset.

(b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date, and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Group holds the asset primarily for the purpose of trading.
(c) The Group expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or 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.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle.
(b) The Group holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value and directly attribute to financial assets and financial liabilities (except for financial assets and liabilities classified through fair value measurement). The transaction costs that are acquired or distributed are added or deducted from the fair value of financial assets and financial liabilities.

(1) Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group's business model for managing the financial assets and
B. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivables, accounts receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money;
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition, fees, and transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to liquidate on a net basis, or to realize the assets and liquidate the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place on either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants based on their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are evaluated at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost under weighted average method.
Finished goods and work in progress – include cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs under weighted average method.

Net realizable value is the balance of estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Property, plant, and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	10 – 50 years
Machinery and equipment	5 – 12 years
Transportation equipment	5 – 7 years
Office equipment	3 – 8 years
Other equipment	2 – 10 years

An item of property, plant, and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(12) Leases

On the date that contracts are established, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether throughout the period of use, has both of the following:

(a) the right to obtain substantially all the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

<u>Group as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost.

The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use asset by applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the comprehensive income statements.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

<u>Group as a lessor</u>

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group apportions the disclosure in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index, or a rate are recognized as rental income when incurred.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. The amortization period or method is adjusted for changes in expected useful life or the expected pattern of consumption from future economic benefits of the assets and recognized as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Trademark rights	Computer software
Useful lives	Limited 15 years	Limited 3-5 years
Amortization method used	Amortized on a straight-line basis over the term of the trademark rights	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(14) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is recognized as impaired loss and is written down to its recoverable amount. Recoverable amount is the higher of net fair value or useful life.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset, accordingly.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management’s judgement, and the optimal estimated number of future economic benefits caused by warranty obligation.

(16) Revenue recognition

The Group’s revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Company are hand tools and power tools, and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. So the Company estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 97 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as accounts receivables. The Group usually collects the payments shortly after transfer of goods to customers, therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in accordance with the borrowing of funds.

(18) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grants.

(19) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Group. Therefore, fund assets are not included in the Group’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs or termination welfare

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the resolution of Shareholders’ meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provisions for liability

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration, and rehabilitation costs

The provision for decommissioning, restoration, and rehabilitation costs arose on construction of a property, plant, and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for warranties

A provision is recognized as a liability, based on the contracts with consumers and the optimal estimate management judges with past experience to determine an outflow of resources embodying economic benefits to settle the obligation in the future. Please refer to Note 4 for more details on the policy of the provision for warranties.

(b) Evaluation of inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of 31 December	
	2023	2022
Cash on hand	$90	$90
Bank deposits	82,470	172,737
Total	$82,560	$172,827

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Accounts receivables

(a) Details as follows:

	As of 31 December	
	2023	2022
Accounts receivables	$1,361,555	$907,550
Less: loss allowance	(19,120)	(11,439)
Total	$1,342,435	$896,111

(b) Accounts receivables are generally on 97~150 day terms. The total carrying amount as of 31 December 2023 and 2022 were $1,361,554 and $907,550, respectively. Please refer to Note 6(11) for more details on loss allowance of accounts receivables for the years ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

(c) Trade receivables were not pledged.

(3) Inventories

(a) Details as follows:

	As of 31 December	
	2023	2022
Raw materials	$324,135	$423,266
Work in progress	73,628	54,477
Manufacturing goods	33,341	39,151
Finished goods	556,384	694,925
Inventories	139,699	151,937
Total	$1,127,187	$1,363,756

(b) The inventory cost recognized as operating costs for the years ended 31 December 2023 and 2022 were $2,715,202 and $3,462,976, respectively. The loss on decline in value and obsolescence of inventories or gain from price recovery of inventories included in the amounts were $23,630 and $9,206, respectively.

(c) No inventories were pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Property, plant, and equipment

	As of 31 December	
	2023	2022
Owner occupied property, plant, and equipment	$617,149	$645,831

(a) Owner occupied property, plant, and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost:							
As at 1 Jan. 2023	$148,768	$570,924	$290,545	$10,561	$10,299	$124,145	$1,155,242
Additions	-	-	8,482	-	-	5,125	13,607
Disposals	-	-	(436)	(1,353)	-	(401)	(2,190)
Transfers	-	-	7,524	-	-	-	7,524
Exchange differences	4	49	-	1	-	-	54
As at 31 Dec. 2023	$148,772	$570,973	$306,115	$9,209	$10,299	$128,869	$1,174,237
Depreciation and impairment:							
As at 1 Jan. 2023	$-	$224,254	$163,392	$6,465	$8,921	$106,379	$509,411
Depreciation	-	12,900	26,537	1,445	513	8,402	49,797
Disposals	-	-	(436)	(1,287)	-	(342)	(2,065)
Exchange differences	-	(42)	-	(13)	-	-	(55)
As at 31 Dec. 2023	$-	$237,112	$189,493	$6,610	$9,434	$114,439	$557,088

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost:							
As at 1 Jan. 2022	$147,397	$556,405	$252,739	$10,461	$10,299	$119,071	$1,096,372
Additions	-	-	23,345	3,385	-	4,724	31,454
Disposals	-	-	-	(3,580)	-	-	(3,580)
Transfers	-	-	14,461	-	-	350	14,811
Exchange differences	1,371	14,519	-	295	-	-	16,185
As at 31 Dec. 2022	$148,768	$570,924	$290,545	$10,561	$10,299	$124,145	$1,155,242

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Depreciation and impairment:							
As at 1 Jan. 2022	$-	$209,309	$137,369	$8,485	$8,407	$96,331	$459,901
Depreciation	-	12,744	26,023	1,379	514	10,048	50,708
Disposals	-	-	-	(3,580)	-	-	(3,580)
Exchange differences	-	2,201	-	181	-	-	2,382
As at 31 Dec. 2022	$-	$224,254	$163,392	$6,465	$8,921	$106,379	$509,411
Net carrying amount as at:							
31 Dec. 2023	$148,772	$333,861	$116,622	$2,599	$865	$14,430	$617,149
31 Dec. 2022	$148,768	$346,670	$127,153	$4,096	$1,378	$17,766	$645,831

(b) The land located in Dunnan section, Houli district and amounting to NT$440 thousand is agriculture land, so its owner is temporarily registered as natural person.

(c) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment.

(d) Please refer to Note 8 for more details on property, plant, and equipment under pledge.

(5) Short-term loans

	As of 31 December	
	2023	2022
Unsecured bank loans	$450,700	$437,500
Secured bank loans	119,000	106,500
Total	$569,700	$544,000
Unused short-term lines of credits	$2,107,300	$2,343,000
Interest Rates (%)	1.68%~1.70%	1.54%~1.93%

Please refer to Note 8 for more details on financial assets at Land, Buildings pledged as security for short-term borrowings.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Other payables

	As of 31 December	
	2023	2022
Accrued salary and bonus	$25,097	$26,852
Accrued employees' compensation, and directors' and supervisors' remuneration	16,650	26,025
Accrued compensation	60,334 (Note 1)	107,485 (Note 2)
Others	72,312	72,356
Total	$174,393	$232,718

Note 1: The Group has reached a consensus with Stanley Black & Decker, Inc. ("SBD") on 10 July 2023, based on commercial considerations, to compensate for product design modification rework by paying US$4,650,000. As of 31 December 2023, the unpaid amount totaled US$1,940,000.

Note 2: The patent infringement suit between the Company and Robert Bosch Tool Corporation. ("Bosch") had been settled because of commercial consideration. They signed the conciliation agreement on 20 January 2023, for which the Company shall pay US$3,500,000 and Bosch withdrew the action and the damages claim against the Company.

(7) Post-employment benefit

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to their individual pension accounts. The Company has made monthly contributions of 6% of each employee's salary or wage to their individual pension accounts from Bureau of Labor Insurance.

Expenses under the defined contribution plan:

	For the years ended 31 December	
	2023	2022
Defined contribution plan	$13,399	$14,031

Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute $256 to its defined benefit plan during the 12 months beginning after 31 December 2023.

As of 31 December 2023, the Group's defined benefit plan is expected to expire in 2033.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2023	2022
Expected return on planned assets	$(341)	$(177)
Net interest on the net defined benefit liabilities	141	134
Total	$(200)	$(43)

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of 31 December	
	2023	2022
Defined benefit obligation	$13,619	$11,450
Planned assets at fair value	(28,445)	(27,720)
Contribution	(14,826)	(16,270)
Other non-current liabilities - defined benefit obligation	$(14,826)	$(16,270)

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Defined benefit liability (asset)
As of 1 January 2022	$19,076	$(25,321)	$(6,245)
Interest expense (income)	134	(177)	(43)
Subtotal	19,210	(25,498)	(6,288)
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	14	-	14
Actuarial gains and losses arising from changes in financial assumptions	(460)	(1,950)	(2,410)
Experience adjustments	(7,314)	-	(7,314)
Subtotal	(7,760)	(1,950)	(9,710)
Contributions by employer	-	(272)	(272)
As of 31 December 2022	11,450	(27,720)	(16,270)
Interest expense (income)	141	(341)	(200)
Subtotal	11,591	(28,061)	(16,470)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Defined benefit obligation	Fair value of plan assets	Defined benefit liability (asset)
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	119	-	119
Actuarial gains and losses arising from changes in financial assumptions	1,220	(127)	1,093
Experience adjustments	689	-	689
Subtotal	2,028	(127)	1,901
Contributions by employer	-	(257)	(257)
As of 31 December 2023	$13,619	$(28,445)	$(14,826)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of 31 December	
	2023	2022
Discount rate	1.26%	1.23%
Expected rate of salary increases	2.00%	0.20%
Rate of expected return on planned assets	1.26%	1.23%

Sensitivity analysis for significant assumption are shown below:

	For the years ended 31 December			
	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	$-	$722	$-	$394
Discount rates decrease by 0.50%	971	-	434	-
Expected salary increase by 0.50%	959	-	436	-
Expected salary decrease by 0.50%	-	721	-	83

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or expected salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There were no changes in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(8) Provisions

	Warranty	Decommissioning, restoration and rehabilitation costs	Total
1 Jan, 2023	$63,655	$16,989	$80,644
Arising during the period	14,270	174	14,444
Utilized	(20,693)	-	(20,693)
Reversed	(7,322)	-	(7,322)
Exchange differences	97	-	97
31 Dec, 2023	$50,007	$17,163	$67,170
Current－31 Dec, 2023	$16,648	$-	$16,648
Non-current－31 Dec, 2023	33,359	17,163	50,522
31 Dec, 2023	$50,007	$17,163	$67,170
1 Jan, 2022	$54,940	$16,840	$71,780
Arising during the period	17,372	149	17,521
Utilized	(11,161)	-	(11,161)
Exchange differences	2,504	-	2,504
31 Dec, 2022	$63,655	$16,989	$80,644
Current－31 Dec, 2022	$17,794	$-	$17,794
Non-current－31 Dec, 2022	45,861	16,989	62,850
31 Dec, 2022	$63,655	$16,989	$80,644

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Warranty

A provision is used to estimate the possibility of repairing the defective products in the future, based on historical experience, management's judgement and other known factors. Please refer to Note 4 (15) for more details on the policy of the provision for warranties.

Decommissioning, restoration and rehabilitation costs

Decommissioning costs associated with owned factories are recognized as the provision. After the plants are decommissioned, the Company will restore the locations.

(9) Equity

(a) Common stock

The Company's authorized capital was $1,180,000 as of 31 December 2023 and 2022 divided into 118,000,000 shares issued with par value of NT$10 each. The paid-in capital amounted to $788,000 divided into 78,800,000 shares.

(b) Capital surplus

	2023.12.31	2022.12.31
Additional paid-in capital	$1,364	$1,364

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Payment of all taxes and dues.
B. Offset operation losses in prior years.
C. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve.
D. Set aside or reverse special reserve in accordance with law and regulations.
E. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company's policy on dividend distribution must be based on the factors, such as the Company's current and future investment environment, needs of capital, domestic and foreign competitive conditions, and capital budget, taking into account the interests of shareholders, and balancing dividends and the Company's long-term financial planning, etc. The board of directors shall plan the distribution each year according to law and report to the shareholders resolution meeting. When the Company distributes the dividends in the preceding paragraph, the annual cash dividends to shareholders shall not be less than 5% of the total amount of cash and stock dividends distributed in the current year.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Details of the 2023 and 2022 earnings distribution and dividends per share as approved and resolved by the shareholders' meeting on 14 March 2024 and 27 June 2023, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2023	2022	2023	2022
Legal reserve	$11,367	$27,982		
Special reserve	(387)	(24,770)		
Common stock - cash dividend	39,400	78,800	$0.50	$1.00

Please refer to Note 6 (13) for more details on employees' compensation and remuneration to directors.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Net sales

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Sale of goods	$3,378,030	$4,057,447

Analysis of the Group's revenue from contracts with customers for the years ended 31 December 2023 and 2022 are as follows:

(1) Disaggregation of revenue

2023

	Taiwan Segment	America Segment	Total
Sale of goods	$2,838,057	$539,973	$3,378,030

2022

	Taiwan Segment	America Segment	Total
Sale of goods	$3,389,803	$667,644	$4,057,447

The Group recognizes revenue when transferring the goods to customers, so the contract performance obligation is satisfied at a point in time.

(2) Contract balances

Contract liabilities – current

	2023.12.31	2022.12.31	2022.1.1
Sale of goods	$323	$239	$289

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The significant changes in the Group's balances of contract liabilities for the years ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
The opening balance transferred to revenue	$(239)	$(289)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	323	239

(3) Transaction price allocated to unsatisfied performance obligations: None.

(4) Assets recognized from costs to fulfil a contract: None.

11. Expected credit losses

	2023	2022
Operating expense- Expected credit losses		
Accounts receivable	$(9,447)	$-

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its accounts receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of 31 December 2023 and 2022 is as follows:

The Group considers the grouping of accounts receivable by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of 31 December 2023

Group 1

		Overdue							
	Not yet due	<=30 days	31-60days	61-90days	91-120days	121-365 days	366days -2years	>=2years	Total
Gross carrying amount	$68,438	$27,310	$7,985	$13,454	$2,001	$3,188	$6,269	$1,192	$129,837
Loss ratio		0%-1%	1%-10%	10%-15%	15%-20%	20%-95%	100%	100%	
Lifetime expected credit losses	-	(273)	(399)	(2,018)	(400)	(2,996)	(6,269)	(1,192)	(13,547)
Carrying amount	$68,438	$27,037	$7,586	$11,436	$1,601	$192	$-	$-	$116,290

Group2

		Overdue			
	Not yet due	<=30 days	31-60days	61-90days	Total
Gross carrying amount	$1,164,986	$64,144	$2,588	$-	$1,231,718
Lifetime expected credit losses	-	(2,985)	(2,588)	-	(5,573)
Carrying amount	$1,164,986	$61,159	$-	$-	$1,226,145

As of 31 December 2022

Group 1

		Overdue							
	Not yet due	<=30 days	31-60days	61-90days	91-120days	121-365 days	366days -2years	>=2years	Total
Gross carrying amount	$174,342	$42,869	$5,079	$3,339	$989	$7,736	$1,415	$1,135	$236,904
Loss ratio		0%-1%	1%-10%	10%-15%	15%-20%	20%-25%	25%-100%	100%	
Lifetime expected credit losses		(429)	(254)	(501)	(198)	(1,934)	(1,415)	(1,135)	(5,866)
Carrying amount	$174,342	$42,440	$4,825	$2,838	$791	$5,802	$-	$-	$231,038

Group2

		Overdue			
	Not yet due	<=30 days	31-60days	61-90days	Total
Gross carrying amount	$665,073	$5,573	$-	$-	$670,646
Lifetime expected credit losses	-	(5,573)	-	-	(5,573)
Carrying amount	$665,073	$-	$-	$-	$665,073

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The movement in the provision for impairment of notes receivable and accounts receivable during the years ended 31 December 2023 and 2022 is as follows:

	Accounts receivable
Beginning balance at 2023.1.1	$11,439
Addition for the current period	9,447
Current write-off	(1,665)
Exchange differences	(101)
Ending balance at 2023.12.31	$19,120
Beginning balance at 2022.1.1	$12,428
Addition for the current period	-
Current write-off	(1,683)
Exchange differences	694
Ending balance at 2022.12.31	$11,439

12. Leases

(a) Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery, transportation, and office equipment. The lease terms range from 2 to 20 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	2023.12.31	2022.12.31
Land	$499,822	$188,256
Buildings	112,744	153,267
Transportation equipment	979	2,813
Total	$613,545	$344,336

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

During the years ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounted to $324,999 and $16,477, respectively.

(b) Lease liabilities

	2023.12.31	2022.12.31
Lease liabilities	$497,078	$340,902
Current	$56,447	$52,692
Non-Current	$440,631	$288,210

Please refer to Note 6(14)(3) for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022. Refer to Note 12 (5) liquidity risk management for the maturity analysis for lease liabilities as of 31 December 2023 and 2022.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2023	2022
Land	$13,433	$11,459
Buildings	38,809	39,443
Transportation equipment	1,834	1,916
Total	$54,076	$52,818

C. Income and costs relating to leasing activities

	2023	2022
The expenses relating to short-term leases	$637	$841

D. Cash outflow related to lessee and lease activities

During the years ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounted to $51,475 and $52,253, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

13. Summary statement of employee benefits, depreciation, and amortization expenses by function for the years ended 31 December 2023 and 2022:

	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$137,026	$127,282	$264,308	$156,808	$130,396	$287,204
Labor and health insurance	14,661	7,466	22,127	16,193	8,303	24,496
Pension	4,322	8,877	13,199	4,796	9,192	13,988
Other employee benefits expense	8,339	2,248	10,587	10,445	2,150	12,595
Depreciation	44,377	59,496	103,873	48,354	55,172	103,526
Amortization	1,005	12,623	13,628	1,923	12,039	13,962

According to the Articles of Incorporation, no less than 1% of profit of the current year is distributable as employees’ compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders’ meeting. Information on the resolution of Board of Directors’ regarding the employees’ compensation and remuneration to directors and supervisors can be obtained from the “Market Observation Post System” on the website of the TWSE.

Based on profit of 31 December 2023 and 2022, the Group estimated the amounts of the employees’ compensation and remuneration to directors and supervisors for the year ended of 31 December 2023 and 2022 to be 2.5% and 2% of profit, respectively, recognized as employee benefits expense.

	2023	2022
Employee compensation	$4,125	$8,789
Compensation of directors and supervisors	3,300	7,031

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A resolution was passed at the board meeting held on 14 March 2024 to distribute $4,125 thousand and $3,300 thousand in cash as the compensation and remuneration to employees and directors in 2023, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2023.

A resolution was passed at a board meeting held on 23 March 2023 to distribute $8,789 thousand and $7,031 thousand in cash as compensation and remuneration to employees and directors in 2022, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2022.

14. Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2023	2022
Rental income	$492	$456
Interest income		
Financial assets measured at amortized cost	287	502
Others	18,470	23,683
Total	$19,249	$24,641

(b) Other gains and losses

	For the years ended 31 December	
	2023	2022
Foreign exchange gains(losses), net	$5,428	$290,267
Gain on disposal of property, plant, and equipment	(1)	135
Compensation of gain on reversal	-	120
Others	(144,801)	(107,485)
Total	$(139,374)	$183,037

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	$9,723	$13,547
Interest on decommissioning labilities	8,983	8,774
Interest on lease liabilities	173	149
Total	$18,879	$22,470

15. Components of other comprehensive income

For the year ended 31 December 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$-	$-	$(1,901)	$380	$(1,521)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	387	-	-	-	387
Total	$387	$-	$(1,901)	$380	$(1,134)

For the year ended 31 December 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$-	$-	$9,710	$(1,942)	$7,768
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	24,770	-	-	-	24,770
Total	$24,770	$-	$9,710	$(1,942)	$32,538

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

16. Income tax expense

The major components of income tax expense are as follows:

A. Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense:		
Current income tax payable	$40,104	$73,055
Adjustments in respect of current income tax in prior periods	(760)	(372)
Deferred tax expense:	8,006	1,198
Deferred tax expense relating to origination and reversal of temporary differences	(16,361)	10,026
Total income tax expense	$30,989	$83,907

B. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred tax expense (income):		
Exchange differences on translation of foreign operations	$-	$-
Remeasurements of defined benefit plans	(380)	1,942
Income tax relating to the components of other comprehensive income	$(380)	$1,942

C. Reconciliation between income tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended 31 December	
	2023	2022
Accounting profit before tax from continuing operations	$146,179	$355,966
Tax amount at the domestic tax rates applicable to country incomes	$22,397	$75,007
Adjustments in respect of current income tax in prior periods	(760)	(372)
Tax effect of not deductible expense for tax purposes	-	164
Tax effect of deferred tax assets/liabilities	1,346	5,876
Additional income tax on undistributed retained earnings	8,006	1,198
Tax effect of other adjustments according to the tax law	-	2,034
Total income tax expense recognized in profit or loss	$30,989	$83,907

D. Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2023:

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance as of 31 December
Temporary differences					
Unrealized intragroup profits and losses	$(14,005)	$4,494	$-	$-	$(9,511)
Unrealized foreign exchange gains or losses-Parent company	(1,024)	10,495	-	-	9,471
Unrealized foreign exchange gains or losses -Subsidiaries	(9,360)	(23)	-	(3)	(9,386)
Allowance for Prepayments to suppliers	463	-	-	-	463
Allowance to reduce inventories to market value	7,919	4,888	-	(46)	12,761
Cost of decommissioning liability	1,387	98	-	-	1,485
Investments accounted for using the equity method	(74,981)	3,636	-	-	(71,345)
No-vacation bonus	-	702	-	-	702
Actuarial profit and loss of defined benefits plan	(1,994)	(39)	380	-	(1,653)
Compensation loss	23,458	(9,937)	-	-	13,521
Unrealized sales gain	2,874	(244)	-	-	2,630
Unrealized after-sales service and warranty preparation	12,592	(2,685)	-	21	9,928

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance as of 31 December
Unused loss on taxes	-	2,894	-	(39)	2,855
Prepaid insurance expense	(92)	(394)	-	7	(479)
Loss allowance – accounts receivable	1,232	1,634	-	(21)	2,845
Depreciation expense	(532)	952	-	(14)	406
Apportion of upfront cost	432	(110)	-	2	324
Deferred tax expense/ (income)		$16,361	$380	$(93)	
Net deferred tax assets/ (liabilities)	$(51,631)				$(34,983)
Reflected in balance sheet as follows:					
Deferred tax assets	$50,357				$57,391
Deferred tax liabilities	$(101,988)				$(92,374)

For the year ended 31 December 2022

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance as of 31 December
Temporary differences					
Unrealized intragroup profits and losses	$(3,209)	$(10,796)	$-	$-	$(14,005)
Unrealized foreign exchange gains or losses-Parent company	1,147	(2,171)	-	-	(1,024)
Unrealized foreign exchange gains or losses - Subsidiaries	420	(9,500)	-	(280)	(9,360)
Allowance for Prepayments to suppliers	463	-	-	-	463
Allowance to reduce inventories to market value	5,928	1,835	-	156	7,919
Cost of decommissioning liability	1,294	93	-	-	1,387
Investments accounted for using the equity method	(68,743)	(6,238)	-	-	(74,981)
No-vacation bonus	986	(986)	-	-	-
Actuarial profit and loss of defined benefits plan	(42)	(9)	(1,942)	-	(1,994)
Compensation loss	2,563	20,895	-	-	23,458
Unrealized sales gain	5,778	(2,904)	-	-	2,874
Unrealized after-sales service and warranty	11,502	565	-	525	12,592

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance as of 31 December
preparation					
Unused loss on taxes	1,331	(1,428)	-	97	-
Prepaid insurance expense	(84)	-	-	(8)	(92)
Loss allowance – accounts receivable	1,439	(353)	-	146	1,232
Depreciation expense	(1,482)	1,076	-	(126)	(532)
Apportion of upfront cost	487	105	-	50	432
Deferred tax expense/ (income)		$(10,026)	$(1,942)	$560	
Net deferred tax assets/ (liabilities)	$(40,222)				$(51,631)
Reflected in balance sheet as follows:					
Deferred tax assets	$33,338				$50,357
Deferred tax liabilities	$(73,560)				$(101,988)

E. Summary of loss on single unused taxes of the Group are as follows:

None.

F. Unrecognized deferred tax assets

None.

G. The assessment of income tax returns

	The assessment of income tax returns
The Company	Approved as of the year ended 2021
Subsidiary - Delta Power Equipment Corporation	Declared as of the year ended 2022

17. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended 31 December	
	2023	2022
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT$)	$115,190	$272,059
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands of shares)	78,800	78,800
Basic earnings per share (NT$)	$1.46	$3.45
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Parent Company (in thousands of NT$)	$115,190	$272,059
Profit attributable to ordinary equity holders of the Parent Company after dilution (in thousand NT$)	$115,190	$272,059
Weighted average share amount of basic earning per share (in thousands of NT$)	78,800	78,800
Dilution effect:		
Weighed average share amount after dilution effect adjustment (in thousands of shares)	78,800	78,800
Diluted earning per share (NT$ dollar)	$1.46	$3.45

There is no difference between the calculation outcome of dilution earning per share and basic earnings per share of the Company.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

1. The transactions between single and consolidation of the Group had been eliminated during the formation of the consolidated financial statement, no significant transactions of related parties except for single and consolidation of the Group remained.

2. Compensation of key management personnel compensation

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	$17,616	$18,662

8. ASSETS PLEDGED AS SECURITY

The following assets of the Group have banks provided as the warranties for borrowings or the application of financing limit and set up deposits for land rental from Taiwan Sugar Corporation.

	Carrying amount as at 31 December		
	2023	2022	Secured liabilities
Land	$131,694	$131,694	Short-term borrowings
Buildings	61,707	63,764	Short-term borrowings
Other non-current asset – Time deposit	8,342	8,342	Deposit for the rental of land
Total	$201,743	$203,800	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

1. As of 2023 and 2022, the Company has issued an unused letter of credit by US$0 and US$609, respectively.

2. The significant lease contracts signed by the Company are as follows:

Contract party	Item	Duration	Amortization expense of annual lease payment	Deposit
Taiwan Sugar Co.	Land	October 2004 ~ October 2024	$2,032	$8,342
Taiwan Sugar Co.	Land	January 2006 ~ October 2024	632	-
Taiwan Sugar Co.	Land	October 2023 ~ October 2043	2,146	12,500
Exeter Victor Hill Land LLC.	Land and buildings	December 2021 ~ November 2026	USD1,414,000 (3% annual increase)	USD500,000

10. SIGNIFICANT DISASTER LOSS

None.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

1. Categories of financial instruments

Financial assets

	As of 31 December	
	2023	2022
Financial assets measured at amortize cost		
Cash and cash equivalents (not include cash on hand)	$82,470	$172,737
Accounts receivable	1,342,135	896,111
Other receivables	18,201	28,318

Financial liabilities

	As of 31 December	
	2023	2022
Financial liabilities at amortized cost:		
Short-term loans	$569,700	$544,000
Short-term notes and bills payable	-	-
Notes payable	278,012	220,399
Accounts payable	333,507	168,669
Lease liability	497,078	340,902
Other payables	174,393	232,718

2. Financial risk management objectives and policies

The Group’s principal financial risk management objective is to manage the market risk, credit risk, and liquidity risk related to its operating activities.

The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures, and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk, and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates primarily relates to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore, natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purpose, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies at the end of the reporting period, and the related effect of appreciation or depreciation of foreign currency on profit and loss of the Group.

The Group’s foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analyses as follows:

When NTD appreciates or depreciates against USD by 1%, the Group’s profit and loss increase by $10,310 thousand and decrease by $2,038 thousand as of 2023 and 2022, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profits for the years ended 31 December 2023 and 2022 to decrease by $570 thousand and increase by $544 thousand, respectively.

4. Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial positions, ratings from credit rating agencies, historical experiences, prevailing economic condition, and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of 31 December 2023 and 2022, accounts receivable from top ten customers represented 99% of the total accounts receivable of the Group. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities, and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies, and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank loans. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve at the end of the reporting period.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial liabilities

	Less than 1year	2 to 3 years	4 to 5 years	> 5 years	Total
As of 31 December 2023					
Short-term borrowings	$570,030	-	-	-	$570,030
Notes payable	278,012	-	-	-	278,012
Accounts payable	333,507	-	-	-	333,507
Lease liability(Note)	56,447	169,536	8,625	474,983	709,591
As of 31 December 2022					
Short-term borrowings	$544,369	$-	$-	$-	$544,369
Short-term notes and bills payable	-	-	-	-	-
Notes payable	220,399	-	-	-	220,399
Accounts payable	168,669	-	-	-	168,669
Lease liability	52,705	160,005	57,029	126,350	396,089

Note: the following table provides further information about the expire analysis of leasing liability.

	Expiry period					
	Less than 1 year	1 to 5 years	6 to 10 years	10 to 15 years	> 15 years	Total
Lease liability	$56,447	$178,161	$21,562	$21,562	$431,859	$709,591

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023

	Short-term borrowings	Short-term notes and bills payable	Other non-curren liabilities
As of 1 January 2023	$544,000	$-	$-
Cash flows	25,700	-	-
As of 31 December 2023	$569,700	$-	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term borrowings	Short-term notes and bills payable	Other non-curren liabilities
As of 1 January 2022	$1,146,80	$190,000	$82
Cash flows	(602,800)	(190,000)	(82)
As of 31 December 2022	$544,000	$-	$-

7. Fair values of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(2) Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group’s financial assets and liabilities measured at amortized cost approximate their fair value.

(3) No transactions applied the fair value measurement on balance sheet as of the year ended 2023 and 2022, due to no financial instruments measured at fair value are held by the Group.

8. No derivative financial instruments hold by the Group as of the year ended 2023 and 2022.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2023			As of 31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$47,173	30.72	$1,449,155	$36,167	30.71	$1,110,689
Financial liabilities						
Monetary items:						
USD	$13,612	30.72	$418,161	$29,531	30.71	$906,897

(1) Due to the Group’s major functional currency is USD, information on the exchange gains and losses of monetary financial assets and liabilities has been disclosed according to the currency of each material impact. The profit and loss on foreign currency of the Group as of the year ended 2023 and 2022 are $5,428 thousand and $290,267 thousand, respectively.

(2) The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

10. Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

13. Other disclosure

Related information of significant transaction item, re-invest business and investment on China as of the year ended 2023 and 2022 of the Company and subsidiaries are as follows:

1. Information at significant transactions

(a) Financing provided to others for the year ended 31 December 2023: All transactions below were between consolidated entities and have been eliminated in consolidation.

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 3)	Number of sales to (purchases from) counterparty	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty (note 1)	Limit of total financing amount (note 2)
													Item	Value		
0	CHANG TYPE INDUSTRIAL CO., LTD.	Delta Power Equipment Corporation	Other receivables	Yes	$258,218	$258,218	$258,218	-	1	$668,785	-	$-	-	$-	$668,785	$668,785
0	CHANG TYPE INDUSTRIAL CO., LTD.	Delta Power Equipment Corporation	Other receivables	Yes	$200,000	-	$-	-	2	$-	For operating	$-	-	$-	$764,473	$764,473

Note 1: The limit amount of financing provided to individual counterparty:

(1) The amount of funds loaned to the company or bank with which the Company has business dealings shall not exceed the business transaction amount between the two parties, and shall not exceed 100% of net equity of the Company.

(2) The financing amount to the individual counterparty due to necessary short-term financing shall not exceed 40% of net equity of the Company.

Note 2: The total amount of funds loaned by the Company to others shall not exceed 100% of net equity of the Company.

(1) The total amount of funds loaned to the company or bank with which the Company has business dealings shall not exceed 100% of net equity of the Company.

(2) The total financing amount to the individual counterparty due to necessary short-term financing shall not exceed 40% of net equity of the Company.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note 3: The method of filling in the loan and nature of funds is as follows:

(1) code 1 represents an intercompany transaction call for a loan arrangement.
(2) code 2 represents short-term financing.

(2) Endorsement guarantee to others:

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty (Note1)	Maximum balance for the period	Guarantee Amount for the year ended 31 December 2023 (Note3)	Amount drawn	Value of Collateral Properties secured by the endorsement	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount (Note2)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from the Mainland China
		Company Name	Relationship										
0	CHANG TYPE INDUSTRIAL CO., LTD.	Delta Power Equipment Corporation	Subsidiaries	$1,911,182	$919,480	$589,120	$-	N	30.80%	$3,822,364	Y	N	N

Note 1: 100% of the financial statement net number of guarantees/endorsements.
Note 2: 200% of the net amount of financial statement of guarantees/endorsements.
Note 3: Should list the amount that approved by the board of directors. However, the board of directors shall, in accordance with Paragraph 8, Article 12 of the “Public Issuance Company's Fund Loan and Endorsement Guarantee Handling Guidelines”, to authorize the chairman to make decisions, this refers to the amount finalized by the board of director.

(c) Securities held as of 31 December 2023 (excluding subsidiaries, associates, and joint venture): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the paid-in capital for the year ended 31 December 2023: None.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(e) Acquisition of individual real estate with amount exceeding NT$300 million or 20 percent of the paid-in capital for the year ended 31 December 2023: None.

(f) Disposal of individual real estate with amount exceeding NT$300 million or 20 percent of the paid-in capital for the year ended 31 December 2023: None.

(g) Related party transactions for purchases and sales exceeding NT$100 million or 20 percent of the paid-in capital for the year ended 31 December 2023:

Company Name	Counterparty	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Transactions	Details of non-arm's length transaction	Notes and accounts receivable (payable)	Note	Unit price	Credit period	Balance	Percentage of total accounts receivable item	
CHANG TYPE INDUSTRIAL CO., LTD.	Delta Power Equipment Corporation	Subsidiary	Sales	$(176,966)	5.87%	120 days	Regular trading	Regular trading	$137,014	10.05%	-
Delta Power Equipment Corporation	CHANG TYPE INDUSTRIAL CO., LTD.	Parent company	Purchase	$176,966	57.69%	120 days	Regular trading	Regular trading	$(137,014)	22.41%	-

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of 31 December 2023:

Accounted for account payable Company	Counterparty	Relationship	Receivable parties	Turnover rate	Overdue receivables for related parties		Recovered receivable amount for the related parties after the period	Allowance for doubtful accounts
			Account balance		Amount	Dealing method		
Change Type Industrial Co., Ltd.	Delta Power Equipment Corporation	Parent and subsidaries	Accounts receivable $137,014	0.61 times	$77,604	Note	$14,090	$-

Note: The accounts overdue for more than 90 days amounted to $77,604 thousand, which the Company deemed to be of non-financing nature through the resolution of the board meeting held on 22 January 2024.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(i) Financial instruments and derivative transactions: None.

(j) Significant transaction conditions and amount of the parent and subsidiary Company: the transactions of single and consolidated that should be eliminated has been eliminated.

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)	Transaction condition (Note 4)
0	Change Type Industrial Co., Ltd.	Delta Power Equipment Corporation	1	Sales revenue	$176,966	5.24%	Note 4
0	Change Type Industrial Co., Ltd.	Delta Power Equipment Corporation	1	Accounts receivable	$137,014	3.42%	Note 4
0	Change Type Industrial Co., Ltd.	Delta Power Equipment Corporation	1	Other receivables (include financing)	$258,218	6.45%	Note 4
1	Delta Power Equipment Corporation	Change Type Industrial Co., Ltd.	2	Purchase	$176,966	5.24%	Note 4
1	Delta Power Equipment Corporation	Change Type Industrial Co., Ltd.	2	Accounts receivable	$137,014	3.42%	Note 4
1	Delta Power Equipment Corporation	Change Type Industrial Co., Ltd.	2	Other receivables (include financing)	$258,218	6.45%	Note 4

Note 1: 0 represents parent company, others are different subsidiaries.

Note 2: 1 represents the transaction from parent company to subsidiary.
2 represents the transaction from subsidiary to parent company.

Note 3:For the calculation of percentage on the transaction amount accounts to the consolidated total revenue or total asset, if subject to assets or liabilities, is calculate as the percentage of ending balance accounts to consolidated total assets; if subject to profits and losses, is calculate as the percentage of gross amount during the period accounts to consolidated total assets.

Note 4: The credit period is based on consideration of subsidiary’s demand, no significant difference with regular customers.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as of 31 December 2023, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2023:

Investor Company	Investee Company	Address	Main operating item	Initial Investment Amount		Investment as of 31 December 2023			Net loss of investee company	Current investment loss recognized	Note
				The ending of this period	The end of last year	Number of shares	Ratio	Note			
CHANG TYPE INDUSTRIAL CO., LTD	Delta Power Equipment Corporation	America	Manufacturing and trading of hand tools, electrical machinery...etc	$314,095 (USD 10,010,000)	$314,095 (USD 10,010,000)	10,010	100%	$584,499	$15,116 (USD 485,451)	$10,622	Note

Note：Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

(3) Information on investments in the Mainland China: None.

(4) Information on major shareholders:

31 December 2023

Shares / Name	Shareholding	Shareholding ratio
CHANG, CHIN-CHIN	18,080,201	22.94%
LIU, XIU-YUE	11,549,766	14.65%
CHANG, HSIANG-I	7,090,569	8.99%
CHANG, QUN-YU	6,937,444	8.80%
Special investment account of E. Sun Bank Safe Deposit Box Quinton International Ltd.	4,752,351	6.03%
HUNG GRAND INTERNATIONAL INVESTMENT CORP.	4,281,400	5.43%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

14. DEPARTMENT INFORMATION

For the purpose of operation, the Company operates in a single industry segment by different strategic segments, and they are classified into two segments as follows:

Taiwan operating department is in charge of the production and sales of electronic (pneumatic) tools.

The America operating department is in charge of selling electronic (pneumatic) tools.

No operating segments have been aggregated to form the above reportable operating segments

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the financial costs, financial income and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on a regular transaction basis, similar to transactions with the external third parties.

(1) Information on profit or loss of the reportable segment:

(a) For the year ended 31 December 2023

	Taiwan department	America department	Adjustment and elimination	Consolidated Total
Revenue				
External customers	$2,838,057	$539,973	-	$3,378,030
Interdepartmental	176,966	-	$(176,966)	-
Total revenue	$3,015,023	$539,973	$(176,966)	$3,378,030
Interest expenses	$(13,984)	$(4,895)	$-	$(18,879)
Depreciation and amortization	(74,011)	(43,490)	-	(117,501)
Investment profit	(10,622)	-	10,622	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Department profit and loss	$157,561	$(22,004)	$10,622	$146,179
Assets				
Investments accounted for using the equity method	$584,499	$-	$(584,499)	$-
Capital expenditure	$153,368	$-	$-	$153,368
Department assets	$3,787,341	$1,125,356	$(934,440)	$3,978,257
Department liabilities	$1,876,159	$576,637	$(385,721)	$2,067,075

(b) For the year ended 31 December 2022

	Taiwan department	America department	Adjustment and elimination	Consolidated Total
Revenue				
External customers	$3,389,803	$667,644	$-	$4,057,447
Interdepartmental	668,785	-	(668,785)	-
Total revenue	$4,058,588	$667,644	$(668,785)	$4,057,447
Interest expenses	$(16,325)	$(6,145)	$-	$(22,470)
Depreciation and amortization	(73,575)	(43,913)	-	(117,488)
Investment profit	17,197	-	(17,197)	-
Department profit and loss	$335,731	$37,432	$(17,197)	$355,966
Assets				
Investments accounted for using the equity method	$616,135	$-	$(616,135)	$-
Capital expenditure	$44,131	$-	$-	$44,131
Department assets	$3,369,815	$1,496,784	$(1,255,483)	$3,611,116
Department liabilities	$1,493,889	$933,335	$(692,034)	$1,735,190

(2) Geographic information:

(a) Revenue from external customers:

	As of 31 December	
	2023	2022
America	$3,189,261	$3,867,775
Others	188,769	189,672
Total	$3,378,030	$4,057,447

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Non-current assets:

	As of 31 December	
	2023	2022
Asia	$1,098,311	$816,699
America	283,434	317,192
Total	$1,381,745	$1,133,891

(4) Information about major customers

A customer to those the Company's sales exceeded 10% of its net consolidated sales in 2023 and 2022 is as follows:

	2023		2022	
Client name	Sales amount	%	Sales amount	%
Customer A	$2,814,832	83%	$3,373,444	83%