# Allied Supreme Corp. and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as of and for the years ended December 31, 2023, as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

ALLIED SUPREME CORP.

By

________________________________________

March 8, 2024

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Allied Supreme Corp.

### Opinion

We have audited the accompanying consolidated financial statements of Allied Supreme Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

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

### Basis for Opinion

We conducted our audits in accordance with the 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is described as follows:

Occurrence of Operating Revenues from Specific Customers

For the year ended December 31, 2023, revenue amounted to $5,692,353 thousand. Since revenue recognition is a presumed significant risk under auditing standards and the amount of sales revenue from specific customers increased significantly compared with the previous year, we identified sales revenue from specific customers as the key audit matter for the year ended December 31, 2023.

For other relevant disclosures, refer to Notes 4, 21 and 32.

We performed the audit procedures regarding the key audit matter as follows:

1. We obtained an understanding of the design and implementation of the relevant internal controls for revenue recognition and evaluated the effectiveness of the relevant controls.

2. We sampled and examined the supporting documents for revenue recognition and the collected payments.

**Other Matter**

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material 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 maintain 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 Group's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Wen-Hsiang Chen and Shu-Lin Liu.

Wen-Hsiang Chen     Shu Lin Liu

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2024

<u>*Notice to Readers*</u>

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

## ALLIED SUPREME CORP. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 6 and 27) | $ 3,362,584 | 34 | $ 3,365,150 | 35 |
| Notes receivable (Notes 8, 21 and 27) | 636,847 | 7 | 268,399 | 3 |
| Trade receivables (Notes 8, 21 and 27) | 1,334,739 | 13 | 1,465,443 | 15 |
| Other receivables (Notes 8 and 27) | 3,218 | - | 3,053 | - |
| Current tax assets (Note 23) | 3,732 | - | 74 | - |
| Inventories (Note 9) | 2,424,911 | 24 | 2,037,463 | 22 |
| Other current financial assets (Notes 14, 27 and 29) | 219,605 | 2 | 403,237 | 4 |
| Other current assets (Note 14) | 115,218 | 1 | 124,155 | 1 |
| Total current assets | 8,100,854 | 81 | 7,666,974 | 80 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 7 and 27) | - | - | 4,715 | - |
| Property, plant and equipment (Notes 11 and 29) | 1,724,604 | 17 | 1,705,680 | 18 |
| Right-of-use assets (Note 12) | 64,453 | 1 | 74,567 | 1 |
| Other intangible assets (Note 13) | 7,368 | - | 7,101 | - |
| Deferred tax assets (Note 23) | 32,795 | - | 42,210 | 1 |
| Net defined benefit assets (Note 19) | 6,031 | - | - | - |
| Other non-current assets (Note 14) | 34,071 | 1 | 27,609 | - |
| Total non-current assets | 1,869,322 | 19 | 1,861,882 | 20 |
| TOTAL | $ 9,970,176 | 100 | $ 9,528,856 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Trade payables (Notes 16 and 27) | $ 440,856 | 4 | $ 552,050 | 6 |
| Other payables (Notes 17 and 27) | 529,698 | 5 | 542,792 | 6 |
| Current tax liabilities (Note 23) | 142,783 | 2 | 289,301 | 3 |
| Provisions - current (Note 18) | 41,761 | - | 36,497 | - |
| Lease liabilities - current (Note 12) | 8,379 | - | 9,912 | - |
| Contract liabilities (Note 21) | 767,471 | 8 | 849,341 | 9 |
| Current portion of long-term borrowings (Notes 15, 27 and 29) | 72,132 | 1 | 41,667 | - |
| Other current liabilities (Note 17) | 3,548 | - | 3,836 | - |
| Total current liabilities | 2,006,628 | 20 | 2,325,396 | 24 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 15, 27 and 29) | 428,111 | 4 | 371,038 | 4 |
| Non-current tax liabilities (Note 23) | 87,049 | 1 | 87,707 | 1 |
| Lease liabilities - non-current (Note 12) | 5,624 | - | 11,727 | - |
| Net defined benefit liabilities - non-current (Notes 18 and 19) | - | - | 2,702 | - |
| Other non-current liabilities (Notes 17 and 27) | 69 | - | 69 | - |
| Total non-current liabilities | 520,853 | 5 | 473,243 | 5 |
| Total liabilities | 2,527,481 | 25 | 2,798,639 | 29 |
| EQUITY (Note 20) | | | | |
| Share capital | | | | |
| Ordinary shares | 797,630 | 8 | 790,280 | 8 |
| Capital surplus | | | | |
| Share premium | 2,038,281 | 21 | 2,021,516 | 21 |
| Employee share options | 205 | - | 534 | - |
| Others | 1,876 | - | - | - |
| Retained earnings | | | | |
| Legal reserve | 749,168 | 8 | 571,635 | 6 |
| Special reserve | 21,134 | - | 45,229 | 1 |
| Unappropriated earnings | 3,909,780 | 39 | 3,322,157 | 35 |
| Other equity | | | | |
| Exchange differences on translating foreign operations | (75,379) | (1) | (21,134) | - |
| Total equity | 7,442,695 | 75 | 6,730,217 | 71 |
| TOTAL | $ 9,970,176 | 100 | $ 9,528,856 | 100 |

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

# ALLIED SUPREME CORP. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUE (Note 21) | $ 5,692,353 | 100 | $ 6,138,088 | 100 |
| OPERATING COSTS (Notes 9 and 22) | 3,048,357 | 54 | 3,372,749 | 55 |
| GROSS PROFIT | 2,643,996 | 46 | 2,765,339 | 45 |
| OPERATING EXPENSES (Notes 22 and 28) | | | | |
| Selling and marketing expenses | 251,938 | 4 | 253,504 | 4 |
| General and administrative expenses | 222,131 | 4 | 227,060 | 4 |
| Research and development expenses | 154,382 | 3 | 158,268 | 2 |
| Expected credit loss (reversal) | 12,598 | - | (5,698) | - |
| Total operating expenses | 641,049 | 11 | 633,134 | 10 |
| PROFIT FROM OPERATIONS | 2,002,947 | 35 | 2,132,205 | 35 |
| NON-OPERATING INCOME AND EXPENSES (Note 22) | | | | |
| Interest income | 55,665 | 1 | 30,629 | 1 |
| Other income | 31,538 | 1 | 7,589 | - |
| Other gains and losses | (3,098) | - | 15,040 | - |
| Finance costs | (5,928) | - | (3,747) | - |
| Total non-operating income and expenses | 78,177 | 2 | 49,511 | 1 |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 2,081,124 | 37 | 2,181,716 | 36 |
| INCOME TAX EXPENSE (Note 23) | (397,871) | (7) | (405,699) | (7) |
| NET PROFIT FOR THE YEAR | 1,683,253 | 30 | 1,776,017 | 29 |
| OTHER COMPREHENSIVE INCOME (Notes 19, 20 and 23) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | 7,815 | - | (862) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | (1,563) | - | 172 | - |
| | 6,252 | - | (690) | - |

(Continued)

# ALLIED SUPREME CORP. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations | $ (54,245) | (1) | $ 24,095 | - |
| Other comprehensive income (loss) for the year, net of income tax | (47,993) | (1) | 23,405 | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 1,635,260 | 29 | $ 1,799,422 | 29 |
| EARNINGS PER SHARE (Note 24) | | | | |
| From continuing operations | | | | |
| Basic | $ 21.22 | | $ 22.54 | |
| Diluted | $ 21.04 | | $ 22.16 | |

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

## ALLIED SUPREME CORP. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars)**

| | Share Capital | | Capital Surplus | | | Retained Earnings | | | Other Equity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary Shares (In Thousands of Shares) | Amount | Share Premium | Employee Share Options | Other | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Total Equity |
| BALANCE AT JANUARY 1, 2022 | 78,545 | $ 785,450 | $ 2,001,648 | $ 2,817 | $ - | $ 475,621 | $ 35,622 | $ 2,280,811 | $ (45,229) | $ 5,536,740 |
| Appropriation of 2021 earnings | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 96,014 | - | (96,014) | - | - |
| Special reserve | - | - | - | - | - | - | 9,607 | (9,607) | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | - | (628,360) | - | (628,360) |
| Net profit for the year ended December 31, 2022 | - | - | - | - | - | - | - | 1,776,017 | - | 1,776,017 |
| Other comprehensive (loss) income for the year ended December 31, 2022, net of income tax | - | - | - | - | - | - | - | (690) | 24,095 | 23,405 |
| Total comprehensive income for the year ended December 31, 2022 | - | - | - | - | - | - | - | 1,775,327 | 24,095 | 1,799,422 |
| Share-based payment transactions (Note 25) | - | - | - | 1,309 | - | - | - | - | - | 1,309 |
| Issuance of ordinary shares under employee share options | 483 | 4,830 | 19,868 | (3,592) | - | - | - | - | - | 21,106 |
| BALANCE AT DECEMBER 31, 2022 | 79,028 | 790,280 | 2,021,516 | 534 | - | 571,635 | 45,229 | 3,322,157 | (21,134) | 6,730,217 |
| Appropriation of 2022 earnings | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 177,533 | - | (177,533) | - | - |
| Special reserve | - | - | - | - | - | - | (24,095) | 24,095 | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | - | - | (948,444) | - | (948,444) |
| Net profit for the year ended December 31, 2023 | - | - | - | - | - | - | - | 1,683,253 | - | 1,683,253 |
| Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax | - | - | - | - | - | - | - | 6,252 | (54,245) | (47,993) |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | - | - | 1,689,505 | (54,245) | 1,635,260 |
| Exercise of disgorgement | - | - | - | - | 1,876 | - | - | - | - | 1,876 |
| Share-based payment transactions (Note 25) | - | - | - | 378 | - | - | - | - | - | 378 |
| Issuance of ordinary shares under employee share options | 735 | 7,350 | 16,765 | (707) | - | - | - | - | - | 23,408 |
| BALANCE AT DECEMBER 31, 2023 | 79,763 | $ 797,630 | $ 2,038,281 | $ 205 | $ 1,876 | $ 749,168 | $ 21,134 | $ 3,909,780 | $ (75,379) | $ 7,442,695 |

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

# ALLIED SUPREME CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars)**

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 2,081,124 | $ 2,181,716 |
| Adjustments for: | | |
| Depreciation expenses | 163,021 | 112,421 |
| Amortization expenses | 4,542 | 5,782 |
| Expected credit loss (reversal) | 12,598 | (5,698) |
| Net gain on fair value changes of financial asset at fair value through profit or loss | (189) | (449) |
| Finance costs | 5,928 | 3,747 |
| Interest income | (55,665) | (30,629) |
| Compensation costs of employees share-based payments | 378 | 1,309 |
| Loss on disposal of property, plant and equipment | 1,343 | 135 |
| Property, plant and equipment transferred to expenses | 2,733 | - |
| Gain on lease modification | (1) | - |
| Write-down (reversal of) inventories | 313 | (409) |
| (Gain) loss on foreign currency exchange | (74,832) | 27,538 |
| Recognition of provisions | 5,313 | 28,775 |
| Changes in operating assets and liabilities | | |
| Notes receivable | (368,448) | (61,209) |
| Trade receivables | 131,859 | (662,038) |
| Other receivables | (290) | 15 |
| Inventories | (385,719) | (658,119) |
| Other current assets | 8,937 | 12,120 |
| Other non-current assets | (11,181) | (7,605) |
| Notes payable | - | (6,615) |
| Trade payables | (106,005) | 91,017 |
| Other payables | (13,187) | 155,113 |
| Contract liabilities | (81,870) | (10,159) |
| Other current liabilities | (288) | 2,116 |
| Net defined benefit liabilities | (918) | (958) |
| Cash generated from operations | 1,319,496 | 1,177,916 |
| Interest received | 55,790 | 29,224 |
| Interest paid | (5,872) | (3,660) |
| Income tax paid | (540,853) | (328,054) |
| Net cash generated from operating activities | 828,561 | 875,426 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of financial assets at amortized cost | - | 55,360 |
| Proceeds from sale of financial assets at fair value through profit or loss | 4,904 | - |
| Payments for property, plant and equipment | (185,499) | (382,847) |
| Proceeds from disposal of property, plant and equipment | 2,721 | 3,267 |
| Increase in refundable deposits | - | (11,584) |
| Decrease in refundable deposits | 251 | - |

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## ALLIED SUPREME CORP. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars)**

| | 2023 | 2022 |
|---|---|---|
| Payments for intangible assets | $ (4,913) | $ (6,352) |
| Increase in other financial assets | - | (112,642) |
| Decrease in other financial assets | 183,632 | - |
| Increase in prepayments for equipment | (6,713) | (1,653) |
| Net cash used in investing activities | (5,617) | (456,451) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | - | (50,000) |
| Proceeds from long-term borrowings | 129,204 | - |
| Repayment of long-term loans | (41,666) | (128,000) |
| Proceeds from guarantee deposits received | - | 51 |
| Payment for principal portion of lease liabilities | (10,106) | (5,553) |
| Dividends paid to owners of the Company | (948,444) | (628,360) |
| Employee share options exercised | 23,408 | 21,106 |
| Exercise of disgorgement | 1,876 | - |
| Net cash used in financing activities | (845,728) | (790,756) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 20,218 | 16,528 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,566) | (355,253) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 3,365,150 | 3,720,403 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 3,362,584 | $ 3,365,150 |

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

## 1. GENERAL INFORMATION

Allied Supreme Corp. (the "Company") was established in the Republic of China (ROC) in 1981. The Company mainly manufactures and sells surface coating treatment of various metals and non-metals, special surface treatment of various machinery and parts, finished and semi-finished products such as fluorinated resin raw material round bars and flat plates.

In September 2020, the Company's shares were listed on the Emerging Stock Board of the Taipei Exchange. In September 2021, the Company's application for listing on the Taiwan Stock Exchange was approved by the Taiwan Stock Exchange Review Committee and submitted to the Financial Supervisory Commission for approval. In December 2021, the Company's shares have been listed on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar. The Company and its subsidiaries are collectively referred to as the "Group".

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 8, 2024.

## 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies.

   1) Amendments to IAS 1 "Disclosure of Accounting Policies"

      When applying the amendments, the Group refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

      - Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

      - The Group may consider the accounting policy information material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

      - Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The accounting policy information is likely to be considered material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Group chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or

e) The accounting is complex, and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for related accounting policy information.

2) Amendments to IAS 8 "Definition of Accounting Estimates"

The Group has applied the amendments since January 1, 2023, which defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2024 |
| Amendments to IAS 1 "Non-current Liabilities with Covenants" | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements" | January 1, 2024 (Note 3) |

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

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

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

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

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit assets (liabilities) which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

Principles for preparing the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 10 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, semi-finished goods, finished goods and work in process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those samples and the cost of those samples are recognized in profit or loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, and financial assets at amortized cost.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 720 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Warranty</u>

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Group of the expenditures required to settle the Group's obligations.

l. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Advance receipts from sales of products are recognized as contract liabilities before the products arrive.

2) Revenue from the rendering of services

Revenue from product design and construction services is recognized when the performance obligations of services are fulfilled. Advance receipts from rendering of services are recognized as contract liabilities before the rendering of services are completed.

m. Leases

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

<u>The Group as lessee</u>

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

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

n. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Share-based payment arrangements

The fair value at the grant date of the equity-settled share-based payments granted to employees is expensed on a straight-line basis over the vesting period, based on the Group’s best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - share-based payment. The share-based payment is recognized as an expense in full at the grant date if vested immediately. The grant date of the Group issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

q. Taxation

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

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow 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.

3) Current and deferred taxes for the year

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

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's material accounting policies, management is required to make judgments, estimates, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of climate change and related government policies and regulations, the economic environment implications of the military conflict between Russia, Ukraine and Red Sea, related international sanctions, inflation and interest rate fluctuations and volatility in energy markets when making its critical estimates on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Cash on hand | $ 919 | $ 962 |
| Checking accounts and demand deposits | 1,294,098 | 1,258,090 |
| Cash equivalents (investments with original maturities of 3 months or less) | | |
| Time deposits | 2,067,567 | 2,037,805 |
| Deposit in transit | - | 68,293 |
| | $ 3,362,584 | $ 3,365,150 |

As of December 31, 2023 and 2022, the market rate intervals of time deposits with original maturities of 3 months or less were 0.675%-6.2% and 1.10%-4.89%, respectively.

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

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Financial assets at FVTPL - non-current | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Non-derivative financial assets | | |
| Mutual funds | $ - | $ 4,715 |

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Notes receivable | | |
| At amortized cost | | |
| Gross carrying amount | $ 636,847 | $ 268,399 |
| Less: Allowance for impairment loss | - | - |
| | $ 636,847 | $ 268,399 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Trade receivables | | |
| At amortized cost | | |
| Gross carrying amount | $ 1,338,060 | $ 1,467,886 |
| Less: Allowance for impairment loss | (3,321) | (2,443) |
| | $ 1,334,739 | $ 1,465,443 |
| Overdue receivables | | |
| Gross carrying amount | $ 28,652 | $ 17,471 |
| Less: Allowance for impairment loss | (28,652) | (17,471) |
| | $ - | $ - |
| Other receivables | | |
| Interest receivable | $ 2,036 | $ 2,161 |
| Others | 1,182 | 892 |
| | $ 3,218 | $ 3,053 |

(Concluded)

Credit periods are typically provided in the Group's sales agreements. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit limits and scores attributed to customers are reviewed regularly.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. Since the historical experience of credit losses of the Group shows that, except for a few specific customers, there is no significant difference in the loss patterns of different customer bases, the provision matrix for group assessment does not further distinguish the customer bases and the expected credit loss rate is determined based only on the number of days of accounts receivable.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation, or when the trade receivables are past due. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables and overdue receivables based on the Group's provision matrix:

December 31, 2023

| | Invoice Date 1 to 180 Days | Invoice Date 181 to 270 Days | Invoice Date 271 to 360 Days | Invoice Date 361 to 450 Days | Invoice Date 450 Day or More | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0%-0.05% | 0%-1% | 0%-4.5% | 0%-50% | 0%-100% | |
| Gross carrying amount | $ 999,191 | $ 148,039 | $ 46,404 | $ 30,912 | $ 142,166 | $ 1,366,712 |
| Loss allowance (Lifetime ECLs) | (113) | (688) | (388) | (2,132) | (28,652) | (31,973) |
| Amortized cost | $ 999,078 | $ 147,351 | $ 46,016 | $ 28,780 | $ 113,514 | $ 1,334,739 |

December 31, 2022

| | Invoice Date 1 to 180 Days | Invoice Date 181 to 270 Days | Invoice Date 271 to 360 Days | Invoice Date 361 to 450 Days | Invoice Date 450 Day or More | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0% | 1% | 3% | 50% | 100% | |
| Gross carrying amount | $ 1,371,634 | $ 80,924 | $ 12,830 | $ 2,498 | $ 17,471 | $ 1,485,357 |
| Loss allowance (Lifetime ECLs) | - | (809) | (385) | (1,249) | (17,471) | (19,914) |
| Amortized cost | $ 1,371,634 | $ 80,115 | $ 12,445 | $ 1,249 | $ - | $ 1,465,443 |

The movements of the loss allowance were as follows:

| | For the Year Ended December 31, 2023 | | | |
|---|---|---|---|---|
| | **Notes Receivable** | **Trade Receivables** | **Overdue Receivables** | **Total** |
| Balance at January 1 | $ - | $ 2,443 | $ 17,471 | $ 19,914 |
| Expected credit loss recognized | - | 923 | 11,675 | 12,598 |
| Foreign exchange translation gains and losses | - | (45) | (494) | (539) |
| Balance at December 31 | $ - | $ 3,321 | $ 28,652 | $ 31,973 |

| | For the Year Ended December 31, 2022 | | | |
|---|---|---|---|---|
| | **Notes Receivable** | **Trade Receivables** | **Overdue Receivables** | **Total** |
| Balance at January 1 | $ - | $ 15,696 | $ 9,781 | $ 25,477 |
| Expected credit loss recognized (reversed) | - | (13,338) | 7,640 | (5,698) |
| Foreign exchange translation gains and losses | - | 85 | 50 | 135 |
| Balance at December 31 | $ - | $ 2,443 | $ 17,471 | $ 19,914 |

Overdue receivables were classified under other assets and provided with allowance for expected credit loss.

## 9. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Raw materials | $ 665,058 | $ 691,741 |
| Semi-finished goods | 86,173 | 85,376 |
| Work in process | 510,963 | 496,100 |
| Finished goods | 1,162,717 | 764,246 |
| | $ 2,424,911 | $ 2,037,463 |

The nature of the cost of goods sold is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cost of inventories sold | $ 3,048,044 | $ 3,373,158 |
| Inventory loss (reversal) of write-downs | 313 | (409) |
| | $ 3,048,357 | $ 3,372,749 |

## 10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

| | | | Percentage of Ownership December 31 | | |
|---|---|---|---|---|---|
| Investor | Investee | Nature of Activities | 2023 | 2022 | Remark |
| Allied Supreme Corp. (“ASC”) | Allied Supreme (Samoa) Corp. (“ASC (Samoa)”) | Investment | 100.00 | 100.00 | |
| Allied Supreme (Samoa) Corp. | Allied Supreme (China) Corp. (“ASC (China)”) | Investment | 100.00 | 100.00 | |
| Allied Supreme (China) Corp. | Allied Supreme (Jia Xing) Corp. (“ASC (Jia Xing)”) | Production of special functional composite materials and products and sales of self-produced products | 100.00 | 100.00 | |
| ASC | Aston Fluorotech Corp. (“AFTC”) | Sales of special functional composite materials and products | 100.00 | 100.00 | |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Machinery Equipment | Other Equipment | Construction-in-progress and Equipment Ready for Inspection | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at January 1, 2022 | $ 259,857 | $ 956,979 | $ 630,502 | $ 54,480 | $ 185,985 | $ 2,087,803 |
| Additions | - | 5,523 | 31,749 | 6,978 | 338,597 | 382,847 |
| Disposals | - | (2,520) | (29,667) | (828) | - | (33,015) |
| Reclassifications | - | 11,653 | 75,814 | 34,926 | (122,393) | - |
| Effect of exchange rate differences | - | 4,316 | 3,038 | 529 | (336) | 7,547 |
| Balance at December 31, 2022 | $ 259,857 | $ 975,951 | $ 711,436 | $ 96,085 | $ 401,853 | $ 2,445,182 |

(Continued)

| | Freehold Land | Buildings | Machinery Equipment | Other Equipment | Construction-in-progress and Equipment Ready for Inspection | Total |
|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2022 | $ - | $ 206,823 | $ 419,550 | $ 33,199 | $ - | $ 659,572 |
| Depreciation expense | - | 42,242 | 53,691 | 9,406 | - | 105,339 |
| Disposals | - | (1,800) | (27,054) | (759) | - | (29,613) |
| Effect of exchange rate differences | - | 1,665 | 2,222 | 317 | - | 4,204 |
| Balance at December 31, 2022 | $ - | $ 248,930 | $ 448,409 | $ 42,163 | $ - | $ 739,502 |
| Carrying amount at December 31, 2022 | $ 259,857 | $ 727,021 | $ 263,027 | $ 53,922 | $ 401,853 | $ 1,705,680 |
| Cost | | | | | | |
| Balance at January 1, 2023 | $ 259,857 | $ 975,951 | $ 711,436 | $ 96,085 | $ 401,853 | $ 2,445,182 |
| Additions | - | 2,597 | 35,490 | 35,783 | 111,629 | 185,499 |
| Disposals | - | (4,706) | (14,276) | (4,500) | - | (23,482) |
| Reclassifications | - | 253,282 | 191,770 | 25,516 | (473,301) | (2,733) |
| Effect of exchange rate differences | - | (7,770) | (5,428) | (931) | (625) | (14,754) |
| Balance at December 31, 2023 | $ 259,857 | $ 1,219,354 | $ 918,992 | $ 151,953 | $ 39,556 | $ 2,589,712 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2023 | $ - | $ 248,930 | $ 448,409 | $ 42,163 | $ - | $ 739,502 |
| Depreciation expense | - | 51,230 | 78,746 | 21,409 | - | 151,385 |
| Disposals | - | (1,860) | (13,418) | (4,140) | - | (19,418) |
| Effect of exchange rate differences | - | (2,687) | (3,279) | (395) | - | (6,361) |
| Balance at December 31, 2023 | $ - | $ 295,613 | $ 510,458 | $ 59,037 | $ - | $ 865,108 |
| Carrying amount at December 31, 2023 | $ 259,857 | $ 923,741 | $ 408,534 | $ 92,916 | $ 39,556 | $ 1,724,604 |

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 30-56 years |
| Building accessory equipment | 3-11 years |
| Machinery equipment | 3-11 years |
| Other equipment | 3-11 years |

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

## 12. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | | |
| Land | $ 63,262 | $ 73,374 |
| Buildings | 848 | 88 |
| Transportation equipment | 343 | 1,105 |
| | $ 64,453 | $ 74,567 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Additions to right-of-use assets | $ 2,566 | $ 23,460 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 10,505 | $ 6,129 |
| Buildings | 371 | 355 |
| Transportation equipment | 760 | 598 |
| | $ 11,636 | $ 7,082 |

Except for the above recognized depreciation expenses, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | | |
| Current | $ 8,379 | $ 9,912 |
| Non-current | $ 5,624 | $ 11,727 |

Range of discount rates for lease liabilities was as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Land | 1%-1.25% | 0.85%-1.08% |
| Buildings | 1.25% | 1.15% |
| Transportation equipment | 1%-4.23% | 1%-4.23% |

c. Material leasing activities and terms

The Group leases a number of buildings, as factories, offices, dormitories and office cars with lease terms of 2 to 4 years. Prepayments for land use rights in China are recognized as right-of-use assets - land. The Group does not have bargain purchase options to acquire the leasehold land, buildings and transport equipment at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor’s consent.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Expenses relating to short-term leases | $ 4,233 | $ 2,824 |
| Total cash outflow for leases | $ (14,517) | $ (8,473) |

The Group's leases of certain office equipment under leases which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 13. INTANGIBLE ASSETS

| | Computer Software | Patent | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2022 | $ 31,560 | $ 2,000 | $ 33,560 |
| Additions | 6,352 | - | 6,352 |
| Effect of foreign currency exchange differences | 304 | - | 304 |
| Balance at December 31, 2022 | $ 38,216 | $ 2,000 | $ 40,216 |
| Accumulated amortization and impairment | | | |
| Balance at January 1, 2022 | $ 25,760 | $ 1,320 | $ 27,080 |
| Amortization expense | 5,347 | 435 | 5,782 |
| Effect of foreign currency exchange differences | 253 | - | 253 |
| Balance at December 31, 2022 | $ 31,360 | $ 1,755 | $ 33,115 |
| Carrying amount at December 31, 2022 | $ 6,856 | $ 245 | $ 7,101 |
| Cost | | | |
| Balance at January 1, 2023 | $ 38,216 | $ 2,000 | $ 40,216 |
| Additions | 4,913 | - | 4,913 |
| Effect of foreign currency exchange differences | (520) | - | (520) |
| Balance at December 31, 2023 | $ 42,609 | $ 2,000 | $ 44,609 |
| Accumulated amortization and impairment | | | |
| Balance at January 1, 2023 | $ 31,360 | $ 1,755 | $ 33,115 |
| Amortization expense | 4,297 | 245 | 4,542 |
| Effect of foreign currency exchange differences | (416) | - | (416) |
| Balance at December 31, 2023 | $ 35,241 | $ 2,000 | $ 37,241 |
| Carrying amount at December 31, 2023 | $ 7,368 | $ - | $ 7,368 |

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Software | 1-3 years |
| Patent | 3-5 years |

## 14. OTHER ASSETS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current | | |
| Other financial assets (Note 29) | | |
| Guarantee deposits (Note) | $ 219,605 | $ 403,237 |
| Other non-current assets | | |
| Prepayments | $ 106,298 | $ 109,193 |
| Tax credit | 6,058 | 12,405 |
| Others | 2,862 | 2,557 |
| | $ 115,218 | $ 124,155 |
| Non-current | | |
| Other non-current assets | | |
| Refundable deposits | $ 20,050 | $ 20,301 |
| Prepayments for equipment | 14,021 | 7,308 |
| Overdue receivables | 28,652 | 17,471 |
| Allowance for impairment loss - overdue receivables | (28,652) | (17,471) |
| | $ 34,071 | $ 27,609 |

Note: Guarantee deposits are for financing loans. The ranges of weighted average effective interest rates on guarantee deposits were 0.045%-5.56% and 0.30%-4.15% at December 31, 2023 and 2022, respectively.

## 15. BORROWINGS

### Long-term Borrowings

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Secured borrowings (Note 29) | | |
| | $ 287,705 | $ 287,705 |
| Mega Bank (a) | 129,204 | - |
| Fubon Bank (b) | | |
| | 416,909 | 287,705 |
| Unsecured borrowings | | |
| Fubon Bank (c) | 83,334 | 125,000 |
| Less: Current portion of long-term borrowings | (72,132) | (41,667) |
| | $ 428,111 | $ 371,038 |

a. As of December 31, 2023 and 2022, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and buildings (see Note 29) were 1.25% and 1.125% per annum, respectively.

b. As of December 31, 2023, the weighted average effective interest rate of the bank borrowings secured by the Group's equipment (see Note 29) was 1.131% per annum.

c. As of December 31, 2023 and 2022, the weighted average effective interest rate of the bank borrowings unsecured were 1.131% and 0.999% per annum, respectively.

Repayment and interest payment methods:

| **Name** | **Period** | **Repayment and Interest Payment Methods** |
|---|---|---|
| Mega Bank (a) | 2021.05-2031.05 | Interest is paid monthly. Principal is payable in equal monthly amounts from the 37th month from the date of the loan. |
| Fubon Bank (b) | 2023.03-2028.03 | Interest is paid monthly. Principal is payable in equal monthly amounts from the 25th month from the date of the loan. |
| Fubon Bank (c) | 2020.12-2025.12 | Interest is paid monthly. Principal is payable in equal monthly amounts from the 25th month from the date of the loan. |

## 16. NOTES PAYABLE AND TRADE PAYABLES

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Trade payables | | |
| Operating | $ 440,856 | $ 552,050 |

## 17. OTHER LIABILITIES

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Current | | |
| Other payables | | |
| Payables for salaries | $ 249,458 | $ 290,175 |
| Business taxes payable | 87,605 | 67,920 |
| Payables for equipment | 48,737 | 68,113 |
| Others | 143,898 | 116,584 |
| | $ 529,698 | $ 542,792 |
| Other liabilities | | |
| Others | $ 3,548 | $ 3,836 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Non-current | | |
| Guarantee deposits received | $ 69 | $ 69 |

(Concluded)

## 18. PROVISIONS

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current | | |
| Warranties | $ 41,761 | $ 36,497 |
| Non-current | | |
| Employee benefits (Note 19) | $ - | $ 2,702 |

| | Warranties |
|---|---|
| Balance at January 1, 2022 | $ 7,663 |
| Additions | 28,775 |
| Effect of foreign currency exchange differences | 59 |
| Balance at December 31, 2022 | $ 36,497 |
| Balance at January 1, 2023 | $ 36,497 |
| Additions | 5,313 |
| Effect of foreign currency exchange differences | (49) |
| Balance at December 31, 2023 | $ 41,761 |

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under the legislation on the local sale of goods. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

## 19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the subsidiary Allied Supreme (Jia Xing) Corp. are members of a state-managed retirement benefit plan operated by the local government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

As Aston Fluorotech Corp. is not required to contribute to retirement benefit plan for employees, no related retirement benefit plan liabilities were recognized.

The amounts included in the consolidated statements of comprehensive income in respect of the Group's defined contribution plans were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Contributions | $ 45,822 | $ 38,533 |

b. Defined benefit plan

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

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan were as follows:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Present value of defined benefit obligation | $ 87,530 | $ 94,726 |
| Fair value of plan assets | (93,561) | (92,024) |
| Net defined benefit (assets) liabilities | $ (6,031) | $ 2,702 |

Movements in net defined benefit (assets) liabilities were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|---|---|---|
| Balance at January 1, 2022 | $ 86,051 | $ (83,253) | $ 2,798 |
| Service cost | | | |
| Current service cost | 174 | - | 174 |
| Interest expense (income) | 595 | (579) | 16 |
| Recognized in profit or loss | 769 | (579) | 190 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (7,044) | (7,044) |
| Actuarial gain - changes in financial assumptions | (2,833) | - | (2,833) |
| Actuarial loss - experience adjustments | 10,739 | - | 10,739 |
| Recognized in other comprehensive income | 7,906 | (7,044) | 862 |
| Contributions from the employer | - | (1,148) | (1,148) |
| Balance at December 31, 2022 | 94,726 | (92,024) | 2,702 |
| Service cost | | | |
| Current service cost | 185 | - | 185 |
| Interest expense (income) | 1,124 | (1,099) | 25 |
| Recognized in profit or loss | 1,309 | (1,099) | 210 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (843) | (843) |
| Actuarial gain - experience adjustments | (6,972) | - | (6,972) |
| Recognized in other comprehensive income | (6,972) | (843) | (7,815) |
| Contributions from the employer | - | (1,128) | (1,128) |
| Benefits paid | (1,533) | (1,533) | - |
| Balance at December 31, 2023 | $ 87,530 | $ (93,561) | $ (6,031) |

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Discount rate(s) | 1.2% | 1.2% |
| Expected rate(s) of salary increase | 4.0% | 4.0% |

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Discount rate | | |
| 0.1% increase | $ (87) | $ (547) |
| 0.1% decrease | $ 88 | $ 553 |
| Expected rate of salary increase | | |
| 0.1% increase | $ 88 | $ 466 |
| 0.1% decrease | $ (87) | $ (461) |

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Expected contributions to the plan for the next year | $ 1,200 | $ 1,320 |
| Average duration of the defined benefit obligation | 5.2 years | 5.7 years |

## 20. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Shares authorized (in thousands of shares) | 168,000 | 168,000 |
| Shares authorized, par value of $10 | $ 1,680,000 | $ 1,680,000 |
| Shares issued and fully paid (in thousands of shares) | 79,763 | 79,028 |
| Shares issued and fully paid | $ 797,630 | $ 790,280 |

As of December 31, 2023 and 2022, the Company's share capital increased by 735 thousand shares and 483 thousand shares, respectively, due to the employees exercising their share options to convert into ordinary shares.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital* | | |
| Issuance of ordinary shares | $ 2,038,281 | $ 2,021,516 |
| May only be used to offset deficits | | |
| Exercise of disgorgement | 1,876 | - |
| May not be used for any purpose | | |
| Employee share options | 205 | 534 |
| | $ 2,040,362 | $ 2,022,050 |

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The aforementioned distribution of dividends and bonuses from the legal reserve or capital surplus shall be authorized by the board of directors in their meeting attended by at least two-thirds of all directors and resolved by more than half of the directors present and reported to the shareholders in their meeting.

The Company's dividend policy is based on the consideration of the industrial environment, investment environment, capital needs, profit situation, capital structure and future operating needs, taking into account the interests of shareholders, balancing dividends and the Company's long-term financial planning, and setting aside the distributable surplus every year. No less than 10% of dividends shall be distributed to shareholders. If the share price is less than $0.1, dividends may not be distributed; when distributed to shareholders, dividends shall be distributed in cash or shares, of which cash dividends shall not be less than 30% of the total dividends.

For the rules on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 22-g.

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

The Company shall set aside from or reverse to unappropriated earnings amounts of special reserve for the net amount of other equity deductions accumulated in prior periods.

The appropriations of earnings and dividends per share for 2022 and 2021 were as follows:

| | Appropriation of Earnings For the Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Legal reserve | $ 177,533 | $ 96,014 |
| Special reserve | $ (24,095) | $ 9,607 |
| Cash dividends | $ 948,444 | $ 628,360 |
| Dividends per share (NT$) | $ 12 | $ 8 |

The above 2022 and 2021 appropriations for cash dividends for 2022 were resolved by the Company's board of directors on March 8, 2023 and March 14, 2022, respectively; the other proposed appropriations were resolved by the shareholders in their meetings to be held on May 26, 2023 and May 31, 2022.

The appropriations of earnings for 2023, which were proposed by the Company's board of directors on March 8, 2024, were as follows:

| | For the Year Ended December 31 |
|---|---|
| Provision of legal reserve | $ 168,950 |
| Reserved of special reserve | $ 54,245 |
| Cash dividends | $ 959,712 |
| Dividends per share (NT$) | $ 12 |

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 30, 2024.

d. Other equity

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Balance at January 1 | $ (21,134) | $ (45,229) |
| Recognized for the year: | | |
| Exchange differences on the translation of the financial statement of the foreign operations | (54,245) | 24,095 |
| Balance at December 31 | $ (75,379) | $ (21,134) |

## 21. REVENUE

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Revenue from the sale of goods | $ 5,438,443 | $ 5,834,978 |
| Revenue from the rendering of services | 253,910 | 303,110 |
| | $ 5,692,353 | $ 6,138,088 |

a. Contract information

For contract information, refer to Note 4(l) for summary of material accounting policy information.

b. Contract balances

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Trade receivables (Note 8) | $ 1,971,586 | $ 1,733,842 |
| Contract liabilities - current | | |
| Revenue from the sale of goods and rendering of services | $ 767,471 | $ 849,341 |

## 22. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Bank deposits | $ 55,663 | $ 30,549 |
| Others | 2 | 80 |
| | $ 55,665 | $ 30,629 |

b. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Others | $ 31,538 | $ 7,589 |

c. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Net foreign exchange (losses) gains | $ (767) | $ 17,859 |
| Loss on disposal of property, plant and equipment | (1,343) | (135) |
| Gain on lease modification | 1 | - |
| Fair value changes of financial assets | | |
| Financial assets mandatorily classified as at FVTPL | 189 | 449 |
| Others | (1,178) | (3,133) |
| | $ (3,098) | $ 15,040 |

d. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest on bank loans | $ 5,750 | $ 3,651 |
| Interest on lease liabilities | 178 | 96 |
| | $ 5,928 | $ 3,747 |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Property, plant and equipment | $ 151,385 | $ 105,339 |
| Right-of-use assets | 11,636 | 7,082 |
| Intangible assets | 4,542 | 5,782 |
| | $ 167,563 | $ 118,203 |
| An analysis of depreciation by function | | |
| Operating cost | $ 133,364 | $ 93,006 |
| Operating expenses | 29,657 | 19,415 |
| | $ 163,021 | $ 112,421 |
| An analysis of amortization by function | | |
| Operating cost | $ 295 | $ 487 |
| Operating expenses | 4,247 | 5,295 |
| | $ 4,542 | $ 5,782 |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Post-employment benefits (Note 19) | | |
| Defined contribution plans | $ 45,822 | $ 38,533 |
| Defined benefit plans | 210 | 190 |
| | 46,032 | 38,723 |
| Share-based payment | | |
| Equity-settled | 378 | 1,309 |
| Other employee benefit | 896,585 | 873,979 |
| Total employee benefits expense | $ 942,995 | $ 914,011 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 539,543 | $ 516,330 |
| Operating expenses | 403,452 | 397,681 |
| | $ 942,995 | $ 914,011 |

g. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at rates of 5%-10% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March 8, 2024 and March 8, 2023, respectively, were as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Compensation of employees | 5.92% | 7.05% |
| Remuneration of directors | 1.53% | 1.56% |

Amount

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | **2023** | | **2022** | |
| | **Cash** | **Share** | **Cash** | **Share** |
| Compensation of employees | $ 123,437 | $ - | $ 160,914 | $ - |
| Remuneration of directors | 31,888 | - | 35,631 | - |

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

h. Gains or losses on foreign currency exchange

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Foreign exchange gains | $ 59,214 | $ 139,021 |
| Foreign exchange losses | (59,981) | (121,162) |
| | $ (767) | $ 17,859 |

## 23. INCOME TAXES RELATED TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current year | $ 361,668 | $ 415,618 |
| Income tax on unappropriated earnings | 33,672 | 11,308 |
| Adjustments for prior year | (4,663) | (5,549) |
| Deferred tax | | |
| In respect of the current year | 7,194 | (15,678) |
| Income tax expense recognized in profit or loss | $ 397,871 | $ 405,699 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Profit before tax from continuing operations | $ 2,081,124 | $ 2,181,716 |
| Income tax expense calculated at the statutory rate | $ 528,190 | $ 519,410 |
| Nondeductible expenses in determining taxable income | 13,247 | 9,319 |
| Income tax on appropriated earnings | 33,672 | 11,308 |
| Tax-exempt income | (2,632) | (11,921) |
| Deferred tax effect of earnings of subsidiaries | (167,595) | (120,384) |
| Adjustments for prior years' tax | (4,663) | (5,549) |
| Effect of different tax rates of entities operating in other jurisdictions | (2,348) | 3,516 |
| Income tax expense recognized in profit or loss | $ 397,871 | $ 405,699 |

Since the subsidiaries in China have extend the high-tech enterprise certificate in 2023, the applicable tax rate has been remained 15%, and the effective period is three years.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Deferred tax | | |
| In respect of the current period | | |
| Remeasurement of defined benefit plans | $ 1,563 | $ (172) |

c. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Current tax assets | | |
| Tax refund receivable | $ 3,732 | $ 74 |
| Current tax liabilities | | |
| Income tax payable | $ 142,783 | $ 289,301 |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

| | **Opening Balance** | **Recognized in Profit or Loss** | **Recognized in Other Compre-hensive Income** | **Closing Balance** |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Unrealized profit from subsidiaries | $ 18,184 | $ (7,045) | $ - | $ 11,139 |
| Defined benefit obligation | 1,711 | - | (1,563) | 148 |
| Unrealized loss on write-down of inventories | 13,817 | (1,746) | - | 12,071 |
| Unrealized foreign exchange losses | - | 720 | - | 720 |
| Others | 8,498 | 219 | - | 8,717 |
| | $ 42,210 | $ (7,852) | $ (1,563) | $ 32,795 |
| Deferred tax liabilities | | | | |
| Temporary differences | | | | |
| Investment gain by equity method | $ 87,049 | $ - | $ - | $ 87,049 |
| Unrealized exchange gain | 405 | (405) | - | - |
| Others | 253 | (253) | - | - |
| | $ 87,707 | $ (658) | $ - | $ 87,049 |

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre-hensive Income | Closing Balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Unrealized profit from subsidiaries | $ 7,637 | $ 10,547 | $ - | $ 18,184 |
| Defined benefit obligation | 1,539 | - | 172 | 1,711 |
| Unrealized loss on write-down of inventories | 15,334 | (1,517) | - | 13,817 |
| Others | 2,728 | 5,770 | - | 8,498 |
| | $ 27,238 | $ 14,800 | $ 172 | $ 42,210 |
| Deferred tax liabilities | | | | |
| Temporary differences | | | | |
| Investment gain by equity method | $ 87,049 | $ - | $ - | $ 87,049 |
| Unrealized exchange gain | 1,455 | (1,050) | - | 405 |
| Others | 81 | 172 | - | 253 |
| | $ 88,585 | $ (878) | $ - | $ 87,707 |

e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2023 and 2022, the aggregate deductible temporary differences associated with investments for which no deferred income tax liabilities have been recognized amounted to $2,295,506 thousand and $1,457,534 thousand, respectively.

f. Income tax assessments

The Company’s tax returns through 2020 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

**Unit: NT$ Per Share**

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Basic earnings per share | $ 21.22 | $ 22.54 |
| Diluted earnings per share | $ 21.04 | $ 22.16 |

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

**Net Profit for the Year**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Net profits attributable to the owners of the Company | $ 1,683,253 | $ 1,776,017 |

**Weighted Average Number of Ordinary Shares Outstanding**

**Unit: In Thousands of Shares**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 79,329 | 78,782 |
| Effect of potentially dilutive ordinary shares: | | |
| Employee share options | 191 | 805 |
| Compensation of employees issued in the form of shares | 464 | 568 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 79,984 | 80,155 |

The Group may settle compensation of employees by cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of the Company were granted 2,000 thousand options in May 2020. Each option entitles the holder to subscribe for 1,000 ordinary shares of the Company. The options granted are valid for 4 years and exercisable at certain percentages after the first anniversary from the grant date.

Information on employee share options was as follows:

| | Employee Share Option Plan Granted in May 2020 | | | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | | |
| | 2023 | | 2022 | |
| | Number of Options (In Thousands of Units) | Weighted-average Exercise Price ($) | Number of Options (In Thousands of Units) | Weighted-average Exercise Price ($) |
| Balance at January 1 | 953 | $ 43.7 | 1,446 | $ 51.7 |
| Options granted | - | - | - | - |
| Options forfeited | (4) | - | (10) | - |
| Options exercised | (9) | 43.7 | (483) | 43.7 |
| Options exercised | (726) | 31.7 | - | - |
| Options expired | - | - | - | - |
| Balance at December 31 | 214 | 31.7 | 953 | 43.7 |
| Options exercisable, end of the year | 214 | | 60 | |
| Weighted-average fair value of options granted ($) | $ - | | $ - | |

Information on outstanding options was as follows:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Range of exercise price ($) | $ 31.70 | $ 43.70 |
| Weighted-average remaining contractual life (in years) | 0.42 | 1.42 |

Options granted in May 2020 is priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | Employee Share Option Plan Granted in May 2020 |
|---|---|
| Grant-date share price | $40.75 |
| Exercise price | $60 |
| Expected volatility | 29.86% |
| Expected life (in years) | 4 |
| Risk-free interest rate | 0.50% |

The expected volatility is based on the average annualized standard deviation calculated from the daily rate of return on share prices of the comparable listed companies in the past year. The Company assumes that employees will exercise stock options when the stock price after the expiry of the vested period is higher than the exercise price.

Compensation costs recognized were $378 thousand and $1,309 thousand for the years ended December 31, 2023 and 2022, respectively.

## 26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

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

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

## 27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Except the financial instruments measured at fair value, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements which are not measured at fair value approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ - | $ - | $ - | $ - |

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ 4,715 | $ - | $ - | $ 4,715 |

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

c. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Financial assets | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | $ - | $ 4,715 |
| Financial assets at amortized cost (1) | 5,556,993 | 5,505,282 |
| Financial liabilities | | |
| Amortized cost (2) | 1,470,866 | 1,507,616 |

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables, other receivables, and other financial assets.

2) The balances include financial liabilities measured at amortized cost, which comprise notes and trade payables, other payables, the current portion of long-term debt, long-term loans, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments included debt investments, trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (foreign currency risk and interest rate risk and other prick risk), credit risk and liquidity risk.

1) Market risk

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

There has been no change to the Group's exposure to market risk or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 31.

<u>Sensitivity analysis</u>

The Group is mainly exposed to the U.S. dollar and the Chinese yuan.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. A positive (negative) number indicates an increase (decrease) in pre-tax profit associated with the New Taiwan dollar weakening (strengthening) 5% against the relevant foreign currencies. Conversely, there would be an equal and opposite impact on pre-tax profit for a 5% strengthening (weakening) of the New Taiwan dollar against the relevant foreign currencies.

| | **USD Impact** | | **RMB Impact** | |
|---|---|---|---|---|
| | **For the Year Ended December 31** | | **For the Year Ended December 31** | |
| | **2023** | **2022** | **2023** | **2022** |
| Profit or loss | $ 38,751 | $ 10,874 | $ 20,327 | $ 17,699 |

Note: This was mainly attributable to the exposure on outstanding USD and RMB bank deposits and receivables which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group based on management's knowledge and insight obtained from the financial markets to maintain an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Cash flow interest rate risk | $ 500,243 | $ 412,705 |

The Group was also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100-basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by $5,002 thousand and $4,127 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk (without consideration of the collaterals held as security or other credit enhancements, and irrevocable maximum exposure amounts), which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance are made for irrecoverable amounts.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables. Credit insurance will be purchased if necessary.

3) Liquidity risk

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

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2023

| | Less than 1 Year | 1-2 Years | 2-5 Years | 5+ Years | Total |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing liabilities | $ 970,623 | $ - | $ - | $ - | $ 970,623 |
| Variable interest rate liabilities | 72,132 | 114,588 | 218,763 | 94,760 | 500,243 |
| | $ 1,042,755 | $ 114,588 | $ 218,763 | $ 94,760 | $ 1,470,866 |

December 31, 2022

| | Less than 1 Year | 1-2 Years | 2-5 Years | 5+ Years | Total |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing liabilities | $ 1,094,911 | $ - | $ - | $ - | $ 1,094,911 |
| Variable interest rate liabilities | 41,667 | 72,131 | 163,527 | 135,380 | 412,705 |
| | $ 1,136,578 | $ 72,131 | $ 163,527 | $ 135,380 | $ 1,507,616 |

The amounts of floating rate instruments for the above non-derivative financial assets and liabilities will vary due to the difference between the floating rate and the rate estimated at the balance sheet date.

b) Financing facilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Unsecured bank loan facilities: | | |
| Amount used | $ 83,334 | $ 125,000 |
| Letter of guarantee used | 10,609 | 29,037 |
| Amount unused | 1,292,050 | 811,998 |
| | $ 1,385,993 | $ 966,035 |
| Secured bank loan facilities: | | |
| Amount used | $ 416,909 | $ 287,705 |
| Letter of guarantee used | 101,553 | 306,539 |
| Amount unused | 582,501 | 1,472,455 |
| | $ 1,100,963 | $ 2,066,699 |

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group had transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face values of the transferred but unsettled bills receivable, and as of December 31, 2023 and 2022, the face values of these unsettled bills receivable were $75,121 thousand and $164,481 thousand, respectively. The unsettled bills receivable will be due in 6 months after December 31, 2023 and 2022, respectively. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During 2023 and 2022, the Group did not recognize gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

**Remuneration of Key Management Personnel**

The amounts of the remuneration of directors and key management personnel for the years ended December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022 were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Short-term employee benefits | $ 82,492 | $ 87,037 |
| Share-based payment | 378 | 278 |
| | $ 82,870 | $ 87,315 |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings or customs guarantee for imported materials and supplies:

| | December 31 | | |
|---|---|---|---|
| | **2023** | **2022** | **Object** |
| Land | $ 61,436 | $ 132,847 | Bank borrowings |
| Property | 286,362 | 351,083 | Bank borrowings |
| Machinery equipment and other equipment | 105,254 | - | Bank borrowings |
| Time deposit (other financial assets - current) | 219,605 | 403,237 | Bank borrowings and borrowings of usance L/C |
| | $ 672,657 | $ 887,167 | |

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those items which have been disclosed in other notes, the significant contingent liabilities and unrecognized contract commitments of the Group as of December 31, 2023 were as follows:

a. The Group had outstanding notes payable for security deposits amounting to $30,225 thousand.

b. The Group had outstanding notes payable to Mega International Commercial Bank for security deposits under various construction projects amounting to $112,162 thousand.

c. The Group had outstanding notes payable to China Construction Bank (Asia) Corporation Limited for standby letter of credit under various construction projects amounting to RMB4,111 thousand.

d. On July 12, 2023, the Group's board of directors approved the purchase of a pre-sale commercial office building for a total amount of $107,650 thousand, which will be paid in six installments. As of December 31, 2023, the first installment had not yet been paid.

In addition to those items which have been disclosed in other notes, the significant contingent liabilities and unrecognized contract commitments of the Group as of December 31, 2022 were as follows:

a. The Group had outstanding notes payable for security deposits amounting to $179,102 thousand.

b. The Group had outstanding notes payable to Mega International Commercial Bank for security deposits under various construction projects amounting to $113,596 thousand.

c. The Group had outstanding notes payable to Mega International Commercial Bank for security deposits under various construction projects amounting to US$68 thousand.

d. The Group had outstanding notes payable to Hua Nan Commercial Bank for security deposits under various construction projects amounting to $11,666 thousand.

e. The Group had outstanding notes payable to Taipei Fubon Bank for security deposits under various construction projects amounting to $126,819 thousand.

f. The Group had outstanding notes payable to Taipei Fubon Bank for security deposits under various construction projects amounting to US$2,165 thousand.

g. The Group had outstanding notes payable to Taishin Bank for security deposits under various construction projects amounting to $10,964 thousand.

h. Taipei Fubon Bank issued an import charge of EUR121 thousand to the Group.

i. The Group had outstanding notes payable to China Construction Bank (Asia) Corporation Limited for standby letter of credit under various construction projects amounting to RMB4,968 thousand.

j. The Group had outstanding notes payable to East West Bank for security deposits under various construction projects amounting to US$501 thousand.

## 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies (aggregated by the foreign currencies) other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2023

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 29,303 | 30.705 | $ 899,749 |
| RMB | 93,593 | 4.327 | 406,535 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 4,062 | 30.705 | 124,724 |

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 14,573 | 30.710 | $ 447,537 |
| RMB | 80,306 | 4.408 | 353,989 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 7,491 | 30.710 | 230,049 |

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange (losses) gains were $(767) thousand and $17,859 thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group.

## 32. SEGMENT INFORMATION

a. Segment Revenue and Results

The following was an analysis of the Group's revenue, profits and assets from continuing operations by reportable segments:

| | For the Year Ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | China | America | Taiwan | Adjustment and Reversal | Total |
| Revenue from external customers | $ 2,658,265 | $ 89,972 | $ 2,944,116 | $ - | $ 5,692,353 |
| Inter-segment revenue | 4,247 | - | 401,160 | (405,407) | - |
| | $ 2,662,512 | $ 89,972 | $ 3,345,276 | $ (405,407) | $ 5,692,353 |
| Segment profit (loss) | $ 947,065 | $ 31,222 | $ 1,930,714 | $ (827,877) | $ 2,081,124 |
| Segment assets | $ 3,883,072 | $ 134,909 | $ 9,166,437 | $ (3,214,242) | $ 9,970,176 |

| | For the Year Ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | China | America | Taiwan | Adjustment and Reversal | Total |
| Revenue from external customers | $ 2,112,678 | $ 76,188 | $ 3,949,222 | $ - | $ 6,138,088 |
| Inter-segment revenue | 69,667 | - | 534,981 | (604,648) | - |
| | $ 2,182,345 | $ 76,188 | $ 4,484,203 | $ (604,648) | $ 6,138,088 |
| Segment profit (loss) | $ 679,875 | $ 17,325 | $ 2,087,380 | $ (602,864) | $ 2,181,716 |
| Segment assets | $ 3,017,054 | $ 60,925 | $ 8,869,960 | $ (2,419,083) | $ 9,528,856 |

Note: The Group operates in three principal geographical areas - China, America and Taiwan.

b. Product-specific Information: Teflon products account for more than 90% of the Group's total revenue.

c. Geographical Information: The main operating areas of the Group are the basis for the operating divisions.

d. Information on major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Customer A (Note 2) | $ (Note 1) | $ 680,651 |
| Customer B (Note 3) | 599,330 | (Note 1) |
| Customer C (Note 2) | 572,491 | (Note 1) |
| | $ 1,171,821 | $ 680,651 |

Note 1: The amount of revenue did not reach 10% of the total revenue of the Group.

Note 2: Revenue from Taiwan.

Note 3: Revenue from China.

## 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None

2) Endorsements/guarantees provided: Table 1 (attached).

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): None.

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached).

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached).

9) Trading in derivative instruments: None.

10) Intercompany relationships and significant intercompany transactions: Table 4 (attached).

11) Information on investees: Tables 5 to 6 (attached).

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7 (attached).

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 8 and Table 1 (attached).

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

c. Information of major shareholders:

List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9 (attached).

**TABLE 1**

## ALLIED SUPREME CORP. AND SUBSIDIARIES

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

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Allied Supreme Corp. | Allied Supreme (Jia Xing) Corp. | Subsidiaries | The limit is 20% of the net value of the financing company based on the latest audited financial statements. | $ 90,120 (RMB 20,000) | $ 77,886 (RMB 18,000) (Note B) | $ - | $ - | 1.05 | Note A | Y | N | Y | |
| | | Aston Fluorotech Corp. | Subsidiaries | The limit is 20% of the net value of the financing company based on the latest audited financial statements. | 16,213 (US$ 500) | 15,353 (US$ 500) (Note B) | - | - | 0.21 | Note A | Y | N | N | |

Note A: Aggregate endorsement/guarantee limit is 40% of the net value of the financing company = $7,442,695 x 40% = $2,977,078.

Note B: The calculation of the maximum amount endorsed/guaranteed during the period and outstanding endorsement/guarantee at the end of the period was based on the average buy/sell closing exchange rate for the year ended December 31, 2023.

# ALLIED SUPREME CORP. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | | % of Total | |
| Allied Supreme Corp. | Allied Supreme (Jia Xing) Corp. | Third-tier subsidiary | Sale | $ (345,588) | (10) | Note | Note | Note | Accounts receivable | $ 145,966 | 18 | |

Note: The transactions as follows:

Sale of goods

Allied Supreme (Jia Xing) Corp.: The terms of the transaction are determined based on bargaining, while the collection period is 90 days.

**TABLE 3**

## ALLIED SUPREME CORP. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Ending Balance | | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Actions Taken | | |
| Allied Supreme Corp. | Allied Supreme (Jia Xing) Corp. | Second-tier subsidiary | Accounts receivable | $ 145,966 | 2.48 | $ - | - | $ 66,549 | $ - |

# ALLIED SUPREME CORP. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars)**

| No. (Note A) | Investee Company | Counterparty | Relationship (Note B) | Transactions Details | | | % of Total Sales or Assets (Note C) |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Account | Amount | Payment Terms | |
| | For the year ended December 31, 2023 | | | | | | |
| 0 | Allied Supreme Corp. | Allied Supreme (Jia Xing) Corp. | 1 | Accounts receivable | $ 145,966 | Note D | 1 |
| | | Allied Supreme (Jia Xing) Corp. | 1 | Accounts payable | 797 | Note D | - |
| | | Allied Supreme (Jia Xing) Corp. | 1 | Sales | 345,588 | Note D | 6 |
| | | Allied Supreme (Jia Xing) Corp. | 1 | Cost of goods sold | 4,247 | Note D | - |
| | | Allied Supreme (Jia Xing) Corp. | 1 | Other equipment | 845 | Note D | - |
| | | Aston Fluorotech Corp. | 1 | Accounts receivable | 19,013 | Note D | - |
| | | Aston Fluorotech Corp. | 1 | Sales | 55,572 | Note D | 1 |

Note A: The intercompany transactions between each company are identified and numbered as follows:

1. Parent company: 0.
2. Subsidiaries are numbered starting from 1.

Note B: The types of transactions between related parties are as follows:

1. From parent company to subsidiary.
2. From subsidiary to parent company.
3. Between subsidiaries.

Note C: The percentage to total assets or sales is the ratio of the ending balance to consolidated assets or the cumulative income amount to consolidated revenue.

Note D: The transactions between parent company and subsidiary.

1. Purchase of goods

   Allied Supreme (Jia Xing) Corp.: The terms of the transaction are determined based on bargaining, while the payment term is 75 days after shipment.

2. Sale of goods

   Allied Supreme (Jia Xing) Corp.: The terms of the transaction are determined based on bargaining, while the collection period is 90 days.

   Aston Fluorotech Corp.: The terms of the transaction are determined based on bargaining, while the collection period is 115 days.

TABLE 5

## ALLIED SUPREME CORP. AND SUBSIDIARIES

**INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares | % | Carrying Amount | | | |
| Allied Supreme Corp. | Allied Supreme (Samoa) Corp. | Samoa. | Investment | $ 373,284 | $ 373,284 | 11,750,000 | 100 | $ 2,922,463 | $ 802,456 | $ 812,551 | Subsidiary |
| | Aston Fluorotech Corp. | U.S.A. | Trading of special functional composite materials and products | 18,537 | 18,537 | 600,000 | 100 | 50,472 | 25,421 | 25,421 | Subsidiary |
| Allied Supreme (Samoa) Corp. | Allied Supreme (China) Corp. | Samoa. | Investment | 373,284 | 373,284 | 11,750,000 | 100 | 2,922,004 | 802,464 | | Second-tier subsidiary |

## ALLIED SUPREME CORP. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | | % of Total | |
| Allied Supreme (Jia Xing) Corp. | Allied Supreme Corp. | Investments accounted for using the equity method | Purchase | $ 345,588 | 21 | Note | Note | Note | Accounts payable | $ (145,966) | (49) | |

Note: Refer to Table 2.

**TABLE 7**

## ALLIED SUPREME CORP. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE YEAR ENDED DECEMBER 31, 2023**
**(In Thousands of New Taiwan Dollars, In Thousands of Foreign Currencies)**

| Investee Company | Manufacture of Special Functional Composite Materials and Products | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Investment Flows | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2023 | Accumulated Repatriation of Investment Income as of December 31, 2023 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| Allied Supreme (Jia Xing) Corp. | Manufacturing of special functional composite materials and products | $ 604,005 (US$ 20,000) | Note | $ 373,284 (US$ 11,750) | $ - | $ - | $ 373,284 (US$ 11,750) | $ 802,373 | 100 | $ 812,468 | $ 2,918,359 | $ - | |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023 | Investment Amounts Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA |
|---|---|---|
| $373,284 (US$ 11,750) | $604,005 (US$ 20,000) | $4,465,617 |

Note: Parent company: Allied Supreme Corp.; subsidiary: Allied Supreme (Samoa) Corp.; second-tier subsidiary: Allied Supreme (China) Corp.; third-tier subsidiary: Allied Supreme (Jia Xing) Corp.

# ALLIED SUPREME CORP. AND SUBSIDIARIES

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

| Investee Company in Mainland China | Transaction Type | Amount | Transaction Details | | | Notes/Accounts Receivable (Payable) | | | Unrealized (Gain) Loss |
|---|---|---|---|---|---|---|---|---|---|
| | | | Price | Payment Terms | Comparison with Normal Transactions | Ending Balance | | % | |
| Allied Supreme (Jia Xing) Corp. | Sales of goods | $ 4,247 | Note | Note | Note | Accounts receivable | $ 797 | - | $ 1,274 |
| | Purchases of goods | 345,588 | Note | Note | Note | Accounts payable | (145,966) | (49) | 71,149 |

Note: The payment term is 90 days and the collection term is 75 days after shipment, according to the specifications set by both parties.

**TABLE 9**

# ALLIED SUPREME CORP. AND SUBSIDIARIES

### INFORMATION OF MAJOR SHAREHOLDERS
### DECEMBER 31, 2023

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Yung Ching Investment Co., Ltd. | 6,770,732 | 8.48 |
| Ying Sheng Investment Co., Ltd. | 5,163,485 | 6.47 |
| Hsieh, Sheng Kuo | 4,672,640 | 5.85 |
| Shang He Investment Co., Ltd. | 4,520,825 | 5.66 |

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.