

**SHIH HER TECHNOLOGIES INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of SHIH HER TECHNOLOGIES INC. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, SHIH HER TECHNOLOGIES INC. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: SHIH HER TECHNOLOGIES INC.

Chairman: Hsueh Shen, Chen

Date: March 12, 2024



安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of SHIH HER TECHNOLOGIES INC.:

Opinion

We have audited the consolidated financial statements of SHIH HER TECHNOLOGIES INC. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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 a summary of material accounting policies.

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 with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“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 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. Key audit matters for the Group's financial statements are stated as follows:

1. Impairment of account receivable

Please refer to Note 4(g) “Financial instruments” for the accounting policy of impairment of account receivable and refer to Note 6(d) of the consolidated financial statements for the details.

Description of key audit matter:

The Group engages in business primarily with clients which are involved in the manufacture of mold and electronic parts with credit term, which make the Group vulnerable to credit risk. The default of the client may lead to impairment loss of the receivables. The assessment of impairment loss involves subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit:

Our principal audit procedures included: assessing whether the Group's impairment of accounts receivable has been set aside in accordance with the Group's policy, including inquiring from the management if they had identified the debtors who have financial difficulties; selecting a moderate number of samples from the account aging statements to ensure the accuracy of the statements, and understanding the reason on overdue accounts; assessing the uncollectable accounts receivable for the appropriateness of impairment assessment of accounts receivable; assessing the appropriateness and adequacy for doubtful accounts made by the management based on the subsequent collection of accounts receivable.

2. Revenue recognition

For the accounting policy regarding the revenue recognition, please refer to Note 4(n) Revenue from contracts with customers; for the details of revenue recognition and the explanation of revenue, please refer to Note 6(r) of the consolidated financial report.

Description of the key audit mater:

The Group is engaged in regeneration cleaning and maintenance of semiconductor equipment, photoelectric equipment and more. The timing of the recognition of operating revenues is based on the transaction terms in the contract with the customers, and given consideration to the special industry characteristic the Group is in, the sales revenue comes from multiple operation, therefore, our auditors deem this as one of the key audit matters.

How the matter was addressed in our audit:

Our principal procedures include: examining the sales contracts and evaluating revenue recognition policies based on the contract terms; observing the design of internal controls regarding sale transactions, as well as performing sample testing to confirm its effectiveness; performing adjustment analysis of all receipts and account records for a particular customer, or sample testing indivial sales transactions and matching them against the respective customer purchase order, delivery slips and account records etc.; selecting transactions and making before and after period end as samples to inspect the transaction terms, delivery slips, and customer confirmation etc.; obtaining the details of the work in progress items, understanding its completion ratio calculation and evaluating the reasonableness of revenue recognition at the year end.

Other Matter

The Group has additionally prepared its parent-company-only financial statement 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 with the IFRSs, IASs, IFRC, 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huang, Yung-Hua and Cheng, An-Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 804,323	17	1,022,583	21	2100	Short-term borrowings (note 6(k))	\$ 50,000	1	40,000	1
1110	Current financial assets at fair value through profit or loss (note 6(b))	106,945	2	92,913	2	2170	Notes and trade payable	101,354	2	132,963	3
1137	Current financial assets at amortized cost (note (c))	43,270	1	-	-	2230	Current tax liabilities	77,013	2	80,425	2
1170	Notes and trade receivable (including related party), net (notes (d) and 7)	451,418	9	457,286	10	2280	Current lease liabilities (note 6(m))	3,025	-	3,446	-
130X	Inventories (note 6(e))	135,458	3	131,235	3	2305	Other current financial liabilities	389,129	8	395,193	8
1476	Other financial assets (note 7)	3,564	-	2,299	-	2322	Long-term borrowings, current portion (note 6(l))	120,422	2	111,143	2
1479	Other current assets	43,170	1	22,060	-	2399	Other current liabilities	41,540	1	26,129	1
		<u>1,588,148</u>	<u>33</u>	<u>1,728,376</u>	<u>36</u>			<u>782,483</u>	<u>16</u>	<u>789,299</u>	<u>17</u>
Non-current assets:						Non-Current liabilities:					
1550	Investments accounted for using the equity method (note 6(f))	151,506	3	132,798	3	2540	Long-term borrowings (note 6(l))	455,474	10	573,139	12
1600	Property, plant and equipment (notes 6(g) and 8)	2,677,023	56	2,532,832	53	2570	Deferred tax liabilities (note 6(o))	14,120	-	16,529	-
1755	Right-of-use assets (note 6(h))	44,434	1	49,260	1	2580	Non-current lease liabilities (note 6(m))	122	-	2,305	-
1760	Investment property, net (note 6(i))	139,650	3	147,917	3	2670	Other non-current liabilities	95	-	4,574	-
1840	Deferred tax assets (note 6(o))	3,586	-	3,473	-			<u>469,811</u>	<u>10</u>	<u>596,547</u>	<u>12</u>
1990	Other non-current assets (notes 6(j) and (n))	154,822	4	195,579	4			<u>1,252,294</u>	<u>26</u>	<u>1,385,846</u>	<u>29</u>
		<u>3,171,021</u>	<u>67</u>	<u>3,061,859</u>	<u>64</u>						
Total assets		<u>\$ 4,759,169</u>	<u>100</u>	<u>4,790,235</u>	<u>100</u>	Total liabilities					
						Equity attributable to owners of parent (note 6(p))					
						3110	Ordinary shares	567,749	12	567,749	12
						3200	Capital surplus	357,112	8	469,586	10
						Retained earnings:					
						3310	Legal reserve	431,413	9	394,924	9
						3320	Special reserve	80,000	2	110,540	2
						3350	Unappropriated retained earnings	2,213,237	46	1,972,920	41
								<u>2,724,650</u>	<u>57</u>	<u>2,478,384</u>	<u>52</u>
						Other equity:					
						3400	Other equity	(111,306)	(2)	(80,000)	(2)
						3500	Treasury shares	(31,330)	(1)	(31,330)	(1)
								<u>3,506,875</u>	<u>74</u>	<u>3,404,389</u>	<u>71</u>
Total liabilities and equity		<u>\$ 4,759,169</u>	<u>100</u>	<u>4,790,235</u>	<u>100</u>	Total equity					
						Total liabilities and equity		<u>\$ 4,759,169</u>	<u>100</u>	<u>4,790,235</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except Earnings Per Share)

		2023		2022	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Sales revenues (notes 6(r) and 7)	\$ 2,288,561	100	2,392,764	100
5000	Operating costs (notes 6(e) and 12)	<u>1,432,547</u>	<u>63</u>	<u>1,503,823</u>	<u>63</u>
5950	Gross profit from operations	<u>856,014</u>	<u>37</u>	<u>888,941</u>	<u>37</u>
	Operating expenses (notes 6(d), (s) and 12):				
6100	Selling expenses	197,624	8	194,008	8
6200	Administrative expenses	193,339	8	197,460	8
6300	Research and development expenses	82,490	4	64,492	3
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	<u>2,676</u>	<u>-</u>	<u>(12,806)</u>	<u>(1)</u>
	Total operating expenses	<u>476,129</u>	<u>20</u>	<u>443,154</u>	<u>18</u>
6900	Net operating profit	<u>379,885</u>	<u>17</u>	<u>445,787</u>	<u>19</u>
	Non-operating income and expenses:				
7010	Other income (notes 6(t) and 7)	7,426	-	4,166	-
7020	Other gains and losses (notes 6(b) and (u))	1,936	-	7,996	-
7050	Finance costs (note 6(m))	(11,992)	(1)	(8,019)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method (note 6(f))	19,706	1	9,259	-
7100	Interest income	<u>16,968</u>	<u>1</u>	<u>15,934</u>	<u>1</u>
	Total non-operating income and expenses	<u>34,044</u>	<u>1</u>	<u>29,336</u>	<u>1</u>
7900	Profit before income tax	<u>413,929</u>	<u>18</u>	<u>475,123</u>	<u>20</u>
7950	Less: Income tax expenses (note 6(o))	<u>99,959</u>	<u>4</u>	<u>111,967</u>	<u>5</u>
8200	Profit	<u>313,970</u>	<u>14</u>	<u>363,156</u>	<u>15</u>
	Other comprehensive income:				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	(220)	-	1,727	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(220)</u>	<u>-</u>	<u>1,727</u>	<u>-</u>
8360	Item that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>(31,306)</u>	<u>(2)</u>	<u>30,540</u>	<u>1</u>
8300	Other comprehensive income (loss), net	<u>(31,526)</u>	<u>(2)</u>	<u>32,267</u>	<u>1</u>
	Total comprehensive income	<u>\$ 282,444</u>	<u>12</u>	<u>395,423</u>	<u>16</u>
	Profit , attributable to:				
	Owners of parent	<u>\$ 313,970</u>	<u>14</u>	<u>363,156</u>	<u>15</u>
	Comprehensive income attributable to:				
	Owners of parent	<u>\$ 282,444</u>	<u>12</u>	<u>395,423</u>	<u>16</u>
9750	Basic earnings per share (NT dollars) (note 6(q))	<u>\$ 5.58</u>		<u>6.40</u>	
9850	Diluted earnings per share (NT dollars) (note 6(q))	<u>\$ 5.53</u>		<u>6.31</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Total equity
	Retained earnings				Unappropriated retained earnings	Total other equity interest	Treasury shares	
	Share capital	Capital surplus	Legal reserve	Special reserve		Exchange differences on translation of foreign financial statements		
Balance at January 1, 2022	\$ 567,749	611,523	354,320	122,830	1,693,126	(110,540)	-	3,239,008
Profit	-	-	-	-	363,156	-	-	363,156
Other comprehensive income (loss)	-	-	-	-	1,727	30,540	-	32,267
Total comprehensive income (loss)	-	-	-	-	364,883	30,540	-	395,423
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	40,604	-	(40,604)	-	-	-
Special reserve appropriated	-	-	-	(12,290)	12,290	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(56,775)	-	-	(56,775)
Cash dividends from capital surplus	-	(141,937)	-	-	-	-	-	(141,937)
Purchase of treasury share	-	-	-	-	-	-	(31,330)	(31,330)
Balance at December 31, 2022	<u>567,749</u>	<u>469,586</u>	<u>394,924</u>	<u>110,540</u>	<u>1,972,920</u>	<u>(80,000)</u>	<u>(31,330)</u>	<u>3,404,389</u>
Profit	-	-	-	-	313,970	-	-	313,970
Other comprehensive income (loss)	-	-	-	-	(220)	(31,306)	-	(31,526)
Total comprehensive income (loss)	-	-	-	-	313,750	(31,306)	-	282,444
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	36,489	-	(36,489)	-	-	-
Special reserve appropriated	-	-	-	(30,540)	30,540	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(67,484)	-	-	(67,484)
Cash dividends from capital surplus	-	(112,474)	-	-	-	-	-	(112,474)
Balance at December 31, 2023	<u>\$ 567,749</u>	<u>357,112</u>	<u>431,413</u>	<u>80,000</u>	<u>2,213,237</u>	<u>(111,306)</u>	<u>(31,330)</u>	<u>3,506,875</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 413,929	475,123
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	229,240	194,890
Amortization expense	31,309	31,759
Expected credit loss (reversal of provision)	2,676	(12,806)
Net (gain) loss on financial assets at fair value through profit or loss	(645)	34
Finance cost	11,992	8,019
Interest revenue	(16,968)	(15,934)
Share of (profit) loss of associates and joint ventures accounted for using equity method	(19,706)	(9,259)
Loss on disposal of property, plant and equipment	213	181
(Gain) loss on disposal of investments	(480)	2,735
Impairment loss on non-financial assets	-	3,792
Total adjustments to reconcile profit (loss)	237,631	203,411
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(12,907)	132,238
Financial assets at amortized cost	(43,270)	-
Notes and trade receivables	3,192	30,179
Other receivables	(1,910)	(851)
Inventories	(4,223)	(30,964)
Other current assets and others	(28,326)	(5,647)
Notes and accounts payable	(31,609)	(3,857)
Other current liabilities	26,640	28,140
Total changes in operating assets and liabilities	(92,413)	149,238
Cash inflow generated from operations	559,147	827,772
Interest paid	(11,992)	(8,019)
Income taxes paid	(100,098)	(119,333)
Net cash flows from operating activities	447,057	700,420
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(328,142)	(555,889)
Disposal of property, plant and equipment	2,485	-
Decrease (increase) in guarantee deposits paid	1,410	(77)
(Increase) decrease in other non-current assets	(59,402)	2,796
Interest received	16,968	15,934
Net cash flows used in investing activities	(366,681)	(537,236)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	10,000	40,000
Proceeds from long-term borrowings	-	383,582
Repayments of long-term borrowings	(108,386)	(260,339)
(Decrease) increase in guarantee deposits received	(4,479)	12
Payment of lease liabilities	(4,036)	(3,495)
Cash dividends paid	(179,958)	(198,712)
Cost of increase in treasury stock	-	(31,330)
Net cash flows used in financing activities	(286,859)	(70,282)
Effect of exchange rate changes on cash and cash equivalents	(11,777)	9,803
Net (decrease) increase in cash and cash equivalents	(218,260)	102,705
Cash and cash equivalents at beginning of period	1,022,583	919,878
Cash and cash equivalents at end of period	\$ 804,323	1,022,583

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

SHIH HER TECHNOLOGIES INC. (the “Company”) was incorporated in June 1997 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The Company is engaged in regeneration cleaning, repair, sales, purchase, R&D, manufacturing, processing and assembly of semiconductor, opto-electronic equipment and components. The Company’s common shares were listed on the Taipei Exchange (TPEX) in April 2008.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liability (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding (%)		Description
			December 31, 2023	December 31, 2022	
The Company	Skill High Management Limited (Skill High)	General investment	100.00 %	100.00 %	
The Company	CHANG YORK TECHNOLOGY INC. (CHANG YORK)	Maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	100.00 %	100.00 %	
The Company	YUAN GUANG TECHNOLOGIES INC. (YUAN GUANG)	Gold products manufacturing, recycled precious metal manufacturing and chemical products manufacturing	100.00 %	100.00 %	
Skill High	Shih Full Management Limited (Shih Full)	General investment	100.00 %	100.00 %	
Skill High	Shih Hang Management Limited (Shih Hang)	"	100.00 %	100.00 %	
Skill High	Shih Pu Management Limited (Shih Pu)	"	100.00 %	100.00 %	

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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Name of investor	Name of subsidiary	Principal activity	Shareholding (%)		Description
			December 31, 2023	December 31, 2022	
Shih Full	Shih Ping Technologies (Shen Zhen) Co. Ltd (hereinafter referred to as Shih Ping (Shen Zhen))	Semiconductor, photoelectric equipment and parts cleaning, main tenance and recycling treatment	73.58 %	73.58 %	
Shih Hang	Shih Ping Technologies (Shen Zhen) Co. Ltd (hereinafter referred to as Shih Ping (Shen Zhen))	"	26.42 %	26.42 %	
Shih Pu	Shih Tien Optoelectronics Technologies (ximen) (hereinafter referred to as Shin Tien (Ximen))	"	100.00 %	100.00 %	
ShinPing (Shen Zhen)	Dongguan Shih Ping Optoelectronics Technology, Ltd. (heroinafter refered to as Shih Ping (Dongguan))	"	100.00 %	100.00 %	
Shih Ping (Shen Zhen)	Chengdu Shih Zheng Technology, Ltd. (hereinafter referred to as Shih Zheng (Chengdu))	"	100.00 %	100.00 %	
Shih Ping (Shen Zhen)	Shin Ju Technologies (Hefei) Ltd (hereinafter referred to as Shih Ju (Hefei))	"	100.00 %	100.00 %	

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the dates that the fair value was determined. Non-monetary items denominated in foreign currencies measured based on historical cost are translated using the exchange rate at the dates of transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first in first out method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Housing construction and its ancillary equipment: 3~56 years
- 2) Machinery and equipment: 3~13 years
- 3) Office equipment and others: 3~11 years

Depreciation methods, useful lives and residual values are reviewed at year end and adjusted if appropriate.

(l) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has selected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and transportation equipment, leases of low value lease object and staff dormitory leases of variable object. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group expects that the time between the transfer of goods or services to the customer under all customer contracts and the payment of such goods or services by the customer will not exceed one year, therefore, the company does not adjust the monetary time value of the transaction price.

(o) Government grants and government assistance

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable.

Other government grants related to assets are initially recognized as deferred income or deducted from the book value at fair value if there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized. If the government grant is to subsidize the cost of assets obtained, the Group recognized in profit or loss during the useful life period according to the depreciation and amortization method of the asset.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to applicable minimum funding requirements.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in retained earnings within equity.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and has reflected the uncertainty related to income tax.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) **Business combination**

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(s) **Earnings per share**

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Group has substantive control over its investees

The Group holds 36.80% of Minerva Works PTD. Ltd. (Minerva) and 63.20% of the remaining equity is concentrated. The Company is unable to obtain more than half of the seats of directors or more than half of the voting rights of the shareholders present at the Board of Shareholders.

The Group holds 35.71% of Nanjing Hung Jie Technology Corporation (Nanjing Hung Jie), and the remaining shares are held by one single shareholder.

Therefore, the judgment of the Group has only material influence on the investee company.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) The loss allowance of trade receivables

The Group has estimated the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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The Group's accounting policies include measuring financial and nonfinancial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. The Group establishes relevant internal control for fair value measurement. This includes establishing an evaluation team to be responsible for reviewing all major fair value measurements (including level 3 fair value) and reporting directly to two CFO.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data (non-observable parameter).

The Group recognizes the transfer on the reporting date if there is a transfer event or situation between the various levels of fair value. For relevant information on the assumption used to measure fair value, please refer to Note 6(v) Financial Instruments.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and demand deposits	\$ 634,121	671,911
Time deposits	154,849	350,672
Cash equivalents (Bonds acquired under repurchase agreement with a maturity less than 3 months)	<u>15,353</u>	<u>-</u>
	<u>\$ 804,323</u>	<u>1,022,583</u>

Please refer to note 6(v) for the interest rate risk, and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

- (b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2023	December 31, 2022
Derivative financial assets— Convertible Bonds (CLN)	\$ 7,028	27,163
Structured Deposits	12,201	-
Beneficiary Certificate	<u>87,716</u>	<u>65,750</u>
	<u>\$ 106,945</u>	<u>92,913</u>

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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- (i) For the years ended December 31, 2023 and 2022, the Group recognized the profit (loss) on financial assets at fair value amounting to \$645 thousand and \$(34) thousand, respectively, accounted under "other gains and losses".
- (ii) For credit risk and market risk, please refer to note 6(v).
- (iii) The financial assets above have not been pledged as collateral.
- (c) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Deposits maturing after 3 months	<u>\$ 43,270</u>	<u>-</u>

- (i) The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.
- (ii) As of December 31, 2023, the above financial assets at amortized cost had an interest rate of 1.80%.
- (iii) The financial assets above have not been pledged as collateral.
- (d) Notes and trade receivables (including related parties)

	December 31, 2023	December 31, 2022
Notes receivables	\$ 11,887	5,625
Trade receivables	486,693	495,458
Trade receivables-related parties	226	1,267
Less: Loss allowance	<u>(47,388)</u>	<u>(45,064)</u>
	<u>\$ 451,418</u>	<u>457,286</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The Group's loss allowance provisions for notes and trade receivables were determined as follows:

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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	December 31, 2023		
	Notes and trade receivables amount	Weighted average Loss rate	Loss Allowance provision
Current	\$ 415,805	0%~5%	1,056
Past due within 60 days	34,009	0%~12%	964
Past due 61~180 days	4,665	0%~80%	1,041
Past due 181~360 days	13,348	50%~100%	13,348
Past due over 360 days	4,404	100%	4,404
There is indication of breaching for contract	26,575	100%	26,575
Total	\$ 498,806		47,388
	December 31, 2022		
	Notes and trade receivables amount	Weighted average Loss rate	Loss Allowance provision
Current	\$ 419,884	0%~5%	2,212
Past due within 60 days	30,956	0%~12%	1,286
Past due 61~180 days	20,238	0%~80%	11,179
Past due 181~360 days	1,770	50%~100%	885
Past due over 360 days	2,927	100%	2,927
There is indication of breaching for contract	26,575	100%	26,575
Total	\$ 502,350		45,064

The movement in the allowance for impairment loss on notes and trade receivables was as follows:

	2023	2022
Balance at January 1	\$ 45,064	57,442
Impairment losses recognized (reversed)	2,676	(12,806)
Amounts written off	-	(57)
Foreign exchange gains	(352)	485
Balance at December 31	\$ 47,388	45,064

As of December 31, 2023 and 2022, the notes and trade receivables have not been pledged as collateral.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(e) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 110,004	99,727
Work in progress	442	1,081
Raw materials	<u>25,012</u>	<u>30,427</u>
	<u>\$ 135,458</u>	<u>131,235</u>

The cost of inventory recognized as cost of good sold in 2023 and 2022 were \$1,432,547 thousand and \$1,503,823 thousand, respectively.

The Group did not provide any inventories as collateral.

(f) Investments accounted for using equity method

(i) Associate company information

Name of Associates	Proportion of shareholding and voting rights	
	December 31, 2023	December 31, 2022
Minerva Works Pte. Ltd. (Minerva)	36.80 %	36.80 %
Nanjing Hong Jie Optoelectronics Technology Ltd. (Nanjing Hong Jie)	35.71 %	35.71 %

(ii) The Group's financial information for investments accounted for using the equity method that are individually insignificant, which is the amount contained in the financial statements of the consolidated company, was as follows:

	December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	<u>\$ 151,506</u>	<u>132,798</u>
	2023	2022
Attributable to the Group:		
Profit	\$ 19,706	9,259
Other comprehensive income	<u>855</u>	<u>5,044</u>
Total profit	<u>\$ 20,561</u>	<u>14,303</u>

(iii) The Group did not provide any investments accounted for using the equity method as collateral.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(g) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2023 and 2022, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost:						
Balance on January 1, 2023	\$ 584,388	1,681,660	601,377	240,304	383,636	3,491,365
Additions and transfers	-	508,846	228,873	21,570	(378,970)	380,319
Disposals and retirements	-	(3,643)	(14,865)	(20,575)	-	(39,083)
Effect of changes in exchange rates	-	(15,783)	(5,420)	(2,263)	-	(23,466)
Balance on December 31, 2023	<u>\$ 584,388</u>	<u>2,171,080</u>	<u>809,965</u>	<u>239,036</u>	<u>4,666</u>	<u>3,809,135</u>
Balance on January 1, 2022	\$ 584,388	1,296,069	517,107	205,745	447,374	3,050,683
Additions and transfers	-	98,793	86,312	36,289	242,182	463,576
Disposals and retirements	-	(6,443)	(17,769)	(14,443)	-	(38,655)
Reclassification	-	287,570	12,414	11,428	(311,412)	-
Effect of changes in exchange rates	-	5,671	3,313	1,285	5,492	15,761
Balance on December 31, 2022	<u>\$ 584,388</u>	<u>1,681,660</u>	<u>601,377</u>	<u>240,304</u>	<u>383,636</u>	<u>3,491,365</u>
Depreciation and impairments loss:						
Balance on January 1, 2023	-	509,172	309,500	139,861	-	958,533
Depreciation	-	105,023	80,299	32,804	-	218,126
Disposals and retirements	-	(3,643)	(13,210)	(19,532)	-	(36,385)
Effect of changes in exchange rates	-	(3,410)	(3,235)	(1,517)	-	(8,162)
Balance on December 31, 2023	<u>\$ -</u>	<u>607,142</u>	<u>373,354</u>	<u>151,616</u>	<u>-</u>	<u>1,132,112</u>
Balance on January 1, 2022	\$ -	419,945	264,673	120,399	-	805,017
Depreciation	-	90,483	60,925	32,796	-	184,204
Disposals and retirements	-	(6,443)	(17,727)	(14,304)	-	(38,474)
Reclassification	-	169	(223)	54	-	-
Impairment loss	-	3,792	-	-	-	3,792
Effect of changes in exchange rate	-	1,226	1,852	916	-	3,994
Balance on December 31, 2022	<u>\$ -</u>	<u>509,172</u>	<u>309,500</u>	<u>139,861</u>	<u>-</u>	<u>958,533</u>
Carrying amounts:						
Balance on December 31, 2023	<u>\$ 584,388</u>	<u>1,563,938</u>	<u>436,611</u>	<u>87,420</u>	<u>4,666</u>	<u>2,677,023</u>
Balance on December 31, 2022	<u>\$ 584,388</u>	<u>1,172,488</u>	<u>291,877</u>	<u>100,443</u>	<u>383,636</u>	<u>2,532,832</u>
Balance on January 1, 2022	<u>\$ 584,388</u>	<u>876,124</u>	<u>252,434</u>	<u>85,346</u>	<u>447,374</u>	<u>2,245,666</u>

The Group provide property, plant and equipment as collateral, please refer to Note 8.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Right-of-use assets

	<u>Land use rights</u>	<u>Building</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 117,430	10,186	425	128,041
Additions	-	-	1,432	1,432
Write-off	-	-	(425)	(425)
Effect of changes in exchange rates	<u>(2,157)</u>	<u>-</u>	<u>-</u>	<u>(2,157)</u>
Balance at December 31, 2023	<u>\$ 115,273</u>	<u>10,186</u>	<u>1,432</u>	<u>126,891</u>
Balance at January 1, 2022	\$ 115,725	10,186	425	126,336
Effect of changes in exchange rates	<u>1,705</u>	<u>-</u>	<u>-</u>	<u>1,705</u>
Balance at December 31, 2022	<u>\$ 117,430</u>	<u>10,186</u>	<u>425</u>	<u>128,041</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2023	\$ 73,876	4,527	378	78,781
Depreciation	1,442	3,395	643	5,480
Write-off	-	-	(425)	(425)
Effect of changes in exchange rates	<u>(1,379)</u>	<u>-</u>	<u>-</u>	<u>(1,379)</u>
Balance at December 31, 2023	<u>\$ 73,939</u>	<u>7,922</u>	<u>596</u>	<u>82,457</u>
Balance at January 1, 2022	\$ 71,287	1,132	236	72,655
Depreciation	1,544	3,395	142	5,081
Effect of changes in exchange rates	<u>1,045</u>	<u>-</u>	<u>-</u>	<u>1,045</u>
Balance at December 31, 2022	<u>\$ 73,876</u>	<u>4,527</u>	<u>378</u>	<u>78,781</u>
Carrying amount:				
Balance at December 31, 2023	<u>\$ 41,334</u>	<u>2,264</u>	<u>836</u>	<u>44,434</u>
Balance at December 31, 2022	<u>\$ 43,554</u>	<u>5,659</u>	<u>47</u>	<u>49,260</u>
Balance at January 1, 2022	<u>\$ 44,438</u>	<u>9,054</u>	<u>189</u>	<u>53,681</u>

(i) Investment property

Investment property comprises office buildings that are leased to third parties under operating lease, including properties that are held as right-of-use assets, as well as properties that are owned by the Group. The leases of investment properties contain an initial non-cancellable lease term of 5 to 10 years. Some leases provide the lessees with options to extend at the end of the term.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Buildings
Cost or deemed cost:	
Balance at January 1, 2023	\$ 228,242
Effect of changes in foreign exchange rates	(4,194)
Balance at December 31, 2023	<u><u>\$ 224,048</u></u>
Balance at January 1, 2022	\$ 224,928
Effect of changes in foreign exchange rates	3,314
Balance at December 31, 2022	<u><u>\$ 228,242</u></u>
Accumulated depreciation and impairment losses:	
Balance at January 1, 2023	\$ 80,325
Depreciation for the year	5,634
Effect of changes in exchange rates	(1,561)
Balance at December 31, 2023	<u><u>\$ 84,398</u></u>
Balance at January 1, 2022	\$ 73,652
Depreciation for the year	5,605
Effect of changes in exchange rates	1,068
Balance at December 31, 2022	<u><u>\$ 80,325</u></u>
Carrying amounts:	
Balance at December 31, 2023	<u><u>\$ 139,650</u></u>
Balance at December 31, 2022	<u><u>\$ 147,917</u></u>
Fair value amounts:	
Balance at December 31, 2023	<u><u>\$ 139,650</u></u>
Balance at December 31, 2022	<u><u>\$ 147,917</u></u>

- (i) The investment property listed above refers to commercial investment property leased to others. Each lease contract includes the original non-cancellable lease term of 1 to 2 years, and the subsequent lease term in negotiated with the lessee, and no contingent rent is collected.
- (ii) The fair value is evaluated based on the market value. The emulation considers the aggregate amount of using the rate of return that reflects the specific, risks inherent in the net cash flow to determine the value of the investment property.
- (iii) The investment property of the Group had not been pledged as collateral.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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(j) Other non current assets

The other non current assets of the Group were as follows:

	December 31, 2023	December 31, 2022
Prepayments for equipment	\$ 106,155	173,595
Restricted bank deposit	18,546	-
Guarantee deposits paid	2,719	4,129
Others	<u>27,402</u>	<u>17,855</u>
	<u>\$ 154,822</u>	<u>195,579</u>

(k) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 50,000	40,000
Secured bank loans	<u>-</u>	<u>-</u>
Total	<u>\$ 50,000</u>	<u>40,000</u>
Unused credit lines	<u>\$ 680,000</u>	<u>540,000</u>
Range of interest rates	<u>1.70%</u>	<u>1.52%~1.69%</u>

The short-term borrowings of the Group had not been pledged as collateral.

(l) Long-term borrowings

The detail, conditions and terms of the long-term borrowings of the Group are as follows:

	December 31, 2023	December 31, 2022
Secured bank loans	\$ 488,396	580,282
Unsecured bank loans	87,500	104,000
Less: current portion due within 1 year	<u>(120,422)</u>	<u>(111,143)</u>
Total	<u>\$ 455,474</u>	<u>573,139</u>
Range of interest rates	<u>1.70%~1.98%</u>	<u>1.45%~1.85%</u>

For the collateral for long-term borrowings, please refer to note 8.

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(m) Lease liabilities

The Group leases buildings and vehicles for its operation. The leases period is 2 to 3 years.

The Group's lease liabilities are as follows:

	December 31, 2023	December 31, 2022
Current	<u>\$ 3,025</u>	<u>3,446</u>
Non-current	<u>\$ 122</u>	<u>2,305</u>

Expiration analysis please refer to note 6(v) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	<u>\$ 90</u>	<u>130</u>
Expenses relating to short-term leases	<u>\$ 4,069</u>	<u>3,395</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	2023	2022
Total cash outflow for leases	<u>\$ 8,195</u>	<u>7,020</u>

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	<u>\$ (37,165)</u>	<u>(36,160)</u>
Fair value of plan assets	<u>39,476</u>	<u>38,642</u>
Net defined benefit asset	<u>\$ 2,311</u>	<u>2,482</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$39,476 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movement in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group in the year 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Defined benefit obligations at January 1	\$ 36,160	34,991
Benefits paid	-	(124)
Current service costs and interest cost (income)	541	176
Remeasurements loss (gain):		
- Experience gain and loss	(406)	3,113
- financial assumptions	870	(1,996)
Defined benefit obligation at December 31	<u>\$ 37,165</u>	<u>36,160</u>

3) Movements of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group in the year 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Fair value of plan assets at January 1	\$ 38,642	35,730
Contributions	12	12
Benefits paid	-	(124)
Interest income	578	180
Remeasurements loss (gain):		
- Return on plan assets excluding interest income	244	2,844
Fair value of plan assets at December 31	<u>\$ 39,476</u>	<u>38,642</u>

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2023</u>	<u>2022</u>
Net interest of net liabilities for defined benefit obligations (assets)	\$ <u>(37)</u>	<u>(4)</u>
Operating costs	\$ (28)	(3)
Selling expenses	(5)	(1)
Administration expenses	(3)	-
Research and development expenses	<u>(1)</u>	<u>-</u>
	<u>\$ (37)</u>	<u>(4)</u>

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	1.250%	1.500%
Future salary increases rate	3.500%	3.500%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$12 thousand.

The weighted average lifetime of the defined benefits plans is 9.5 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation in the year 2023 and 2022 shall be as follows:

	<u>Influences of defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2023:		
Discount rate	\$ <u>(870)</u>	<u>903</u>
Future salary increasing rate	\$ <u>868</u>	<u>(841)</u>
December 31, 2022:		
Discount rate	\$ <u>(905)</u>	<u>941</u>
Future salary increasing rate	\$ <u>908</u>	<u>(878)</u>

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The consolidated entities set up overseas have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries, as the contribution in the current period.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$29,907 thousand and \$27,855 thousand for the years ended December 31, 2023 and 2022, respectively.

(o) Income Taxes

(i) Income tax expense

The components of income tax expense in the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current income tax expense	\$ 102,481	94,224
Deferred income tax (benefit) expense	<u>(2,522)</u>	<u>17,743</u>
Income tax expense	<u>\$ 99,959</u>	<u>111,967</u>

(ii) The Group had no income tax recognized in other comprehensive income for 2023 and 2022.

Reconciliation of income tax and profit before tax for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	\$ 413,929	475,123
Income tax using the Company's domestic tax rate	82,786	95,025
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	(13,444)	2,410
Non-deductible expenses	(7)	(3,791)
Undistributed earnings additional tax	8,474	16,048
Others	<u>22,150</u>	<u>2,275</u>
Income tax expense	<u>\$ 99,959</u>	<u>111,967</u>

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

Changes in the amount of deferred income tax assets for 2023 and 2022 were as follows:

	<u>Allowance loss</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2023	\$ (605)	(2,868)	(3,473)
Recognized in profit or loss	(51)	(62)	(113)
Balance at December 31, 2023	<u>\$ (656)</u>	<u>(2,930)</u>	<u>(3,586)</u>
Balance at January 1, 2022	\$ (628)	(4,059)	(4,687)
Recognized in profit or loss	23	1,191	1,214
Balance at December 31, 2022	<u>\$ (605)</u>	<u>(2,868)</u>	<u>(3,473)</u>

2) Recognized deferred income tax liabilities

	<u>Defined Benefit Plans</u>	<u>Investment income recognized under the equity method</u>	<u>Total</u>
Balance at January 1, 2023	\$ 2,771	13,758	16,529
Recognized in profit or loss	(2,409)	-	(2,409)
Balance at December 31, 2023	<u>\$ 362</u>	<u>13,758</u>	<u>14,120</u>
Balance at January 1, 2022	\$ -	-	-
Recognized in profit or loss	2,771	13,758	16,529
Balance at December 31, 2022	<u>\$ 2,771</u>	<u>13,758</u>	<u>16,529</u>

3) Unrecognized deferred income tax liabilities

Considering the overall development and investment planning of the group, the Group does not intend to repatriate the surplus of overseas subsidiaries, therefore, the Group does not recognize the deferred tax assets and deferred tax liabilities of overseas subsidiaries.

As of December 31, 2023, the Group has not recognized as a deferred tax liabilities was amounted \$3,719 thousand.

(iv) The Company and its subsidiaries, CHANG YORK and YUAN GUANG., whose tax returns for the years through 2021 were assessed by the National Tax Bureau.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2023 and 2022, the number of authorized ordinary shares were both 100,000 thousand shares with par value of \$10 per share. The total value of authorized ordinary shares was amounted to \$1,000,000 thousand. As of that date, 56,775 thousand of ordinary shares amounted \$567,750 thousand were issued. All issued shares were paid up upon issuance.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Corporate debt conversion premium	\$ 354,549	467,023
Difference arising from subsidiary's share price and its carrying value	1,218	1,218
Stock option expired	233	233
Changes in equity of the invested company accounted for using equity method	<u>1,112</u>	<u>1,112</u>
	<u>\$ 357,112</u>	<u>469,586</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

In accordance with the resolution decided during the shareholders' meeting held on June 7, 2023 and June 22, 2022, the Company has resolved to distribute the cash dividends of \$112,474 thousand and \$141,937 thousand, respectively, from capital surplus.

(iii) Retained earnings and dividend policy

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the board of directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the board of directors, and a meeting of shareholders will be held to decide on this matter. The stock dividends shall not be more than 50% of total dividend, and the cash dividend shall be 50% to 100% of total dividend.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

Under the Companies Act, a company shall allocate 10% of its net after-tax profits as statutory surplus accumulation until it is equal to the total amount of capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Regulation issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2023 and 2022, the balances of special reserve were \$80,000 thousand and \$110,540 thousand, respectively.

3) Retained earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2022 and 2021 had been approved during the shareholders' meeting on June 7, 2023 and June 22, 2022, respectively. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Amount per share	Total amount	Amount per share	Total amount
Cash dividend	\$ 1.20	67,484	1.00	56,775

4) Treasury shares

For the Company's integrity and shareholders' equity, the Company has complied with Securities and Exchange Act Article 28-2 to repurchase 538 thousand shares (amounted to \$31,330 thousand) in 2022, which were not cancelled as of December 31, 2023.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the company should not be pledged, and do not hold any shareholder rights before their transfer.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Earnings per share

The calculation of basic earnings per share and diluted earning per share of the Group are calculated as follows:

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Group	\$ <u>313,970</u>	<u>363,156</u>
Weighted-average number of ordinary shares (thousnad) outstanding at the end of period	<u>56,237</u>	<u>56,708</u>
Basic earnings per share (dollar)	\$ <u>5.58</u>	<u>6.40</u>

(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Profit attributable to ordinary shareholders of the Group	\$ <u>313,970</u>	<u>363,156</u>
Weighted-average number of ordinary shares outstanding (basic)	56,237	56,708
The impact of full stock issuance on employee	540	827
Weighted-average number of ordinary shares outstanding (thousand shares)	<u>56,777</u>	<u>57,535</u>
Diluted earnings per share (dollar)	\$ <u>5.53</u>	<u>6.31</u>

(r) Revenue from contracts with customers

(i) The details of the revenue were as follows:

	<u>2023</u>	<u>2022</u>
Revenue incurred from regeneration cleaning service of precision equipment	\$ 2,132,355	2,249,790
Sale of goods	147,912	138,294
Income from services	8,294	4,680
	<u>\$ 2,288,561</u>	<u>2,392,764</u>

(ii) Contract balance

For details on trade receivables and allowance for impairment, please refer to note 6(d).

(s) Employee and board of directors' compensation

In accordance with the articles of incorporation the Company should contribute no less than 3% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$35,000 thousand and \$40,000 thousand and directors' and supervisors' remuneration amounting to \$6,500 thousand and \$8,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022.

(t) Other revenue

	<u>2023</u>	<u>2022</u>
Rental income	\$ 564	639
Other	<u>6,862</u>	<u>3,527</u>
	<u>\$ 7,426</u>	<u>4,166</u>

(u) Other gains and losses

	<u>2023</u>	<u>2022</u>
Loss on disposal of property, plant and equipment	\$ (213)	(181)
Gain (loss) on disposals of investments	480	(2,735)
Foreign currency exchange gain, net	1,281	18,348
Gain (loss) on financial assets at fair value through profit (loss)	645	(34)
Impairment loss	-	(3,792)
Others	<u>(257)</u>	<u>(3,610)</u>
	<u>\$ 1,936</u>	<u>7,996</u>

(v) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The major customers of the Group are centralized in the Semiconductor industry and panel industry customer. To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. As of December 31, 2023 and 2022, 45% and 46% of trade receivables were from the top 5 customers. Thus, credit risk is significantly centralized.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Receivables and debt securities

For information on credit risk exposure of notes and trade receivables, please refer to note 6(d).

The financial assets of the Group as of the reporting date are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The analysis of the maturity date of financial debt contracts were as follow:

- 1) Based on the earliest date on which the consolidated company may be required to repay, it is compiled based on the undiscounted cash flow of financial liabilities, which includes interest but does not include the effect of the netting agreement.
- 2) The maturity analysis of other non-derivative financial liabilities is compiled in accordance with the agreed repayment date.
- 3) Derivatives for net delivery are prepared based on undiscounted contract net cash inflows and outflows; derivatives for gross delivery are prepared on the basis of total undiscounted cash inflows and outflows.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
December 31, 2023					
Non-derivative financial liabilities:					
Short-term borrowing	\$ 50,000	50,011	50,011	-	-
Long-term borrowing	575,896	591,163	127,502	463,661	-
Notes and trade payable	101,354	101,354	101,354	-	-
Lease liabilities	3,147	3,173	3,051	122	-
Other financial liabilities	207,634	207,634	207,634	-	-
	<u>\$ 938,031</u>	<u>953,335</u>	<u>489,552</u>	<u>463,783</u>	<u>-</u>
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowing	\$ 40,000	40,108	40,108	-	-
Long-term borrowing	684,282	704,678	117,892	581,563	5,223
Notes and trade payable	132,963	132,963	132,963	-	-
Lease liabilities	5,751	5,836	3,516	2,320	-
Other financial liabilities	207,296	207,296	207,296	-	-
	<u>\$ 1,070,292</u>	<u>1,090,881</u>	<u>501,775</u>	<u>583,883</u>	<u>5,223</u>

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

Some of the Group's operating activities are not measured in one of the Group's functional currencies, resulting in foreign currency exchange rate risk.

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
<u>Monetary items</u>						
USD	\$ 3,318	30.705	101,879	8,067	30.71	247,738
CNY	10,630	4.327	45,996	8,338	4.408	36,754
<u>Non-Monetary items</u>						
Long-term investment under equity method						
SGD	2,116	23.29	49,291	2,080	22.88	47,581
CNY	23,623	4.327	102,215	19,332	4.408	85,217
Financial liabilities						
<u>Monetary items</u>						
USD	30	30.705	921	157	30.71	4,807

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency. A weakening (strengthening) of 1% of the NTD against the foreign currency at December 31, 2023 and 2022, would have decreased or increased the net profit before tax by \$1,470 thousand and \$2,797 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022 foreign exchange gains (losses) (including realized and unrealized portions), please referred to note 6(u) in detail.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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2) Interest rate risk

The interest rates of interest-bearing financial instruments of the Group on the reporting date are summarized as follows:

	Carrying amount	
	December 31, 2023	December 31, 2022
Fixed-rate instruments:		
Financial assets	\$ 225,673	350,672
Financial liabilities	(50,000)	(40,000)
	\$ 175,673	310,672
Variable-rate instruments:		
Financial assets	\$ 651,516	670,657
Financial liabilities	(575,896)	(684,282)
	\$ 75,620	(13,625)

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit (loss) before tax would have decreased or increased by \$189 thousand and \$(34) thousand for the years ended December 31, 2023 and 2022, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings at variable interest rates.

The Group's financial assets at fixed interest rates are measured using the amortized cost method. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

(iv) Fair value of financial instruments

1) Types and fair value of financial instruments

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity instruments that was not quoted prices in the active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2023				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 99,917	87,716	-	12,201	99,917
Mandatorily measured at fair value through profit or loss	<u>7,028</u>	<u>7,028</u>	<u>-</u>	<u>-</u>	<u>7,028</u>
Subtotal	<u>\$ 106,945</u>	<u>94,744</u>	<u>-</u>	<u>12,201</u>	<u>106,945</u>
Financial assets measured at amortized cost					
Cash and cash equivalent	\$ 804,323				
Financial assets measured at amortised cost	43,270				
Note and trade receivable (including related parties)	451,418				
Other financial asset	3,564				
Restricted bank deposits	18,546				
Refundable deposit	<u>2,719</u>				
	<u>\$ 1,323,840</u>				
Financial liabilities measured at amortized cost					
Long and short-term borrowing	\$ 625,896				
Notes and trade payable	101,354				
Lease liabilities	3,147				
Guarantee deposit	95				
Other financial liabilities	<u>389,129</u>				
	<u>\$ 1,119,621</u>				

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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	December 31, 2022				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 65,750	17,262	-	48,488	65,750
Mandatorily measured at fair value through profit or loss	<u>27,163</u>	<u>27,163</u>	<u>-</u>	<u>-</u>	<u>27,163</u>
Subtotal	<u>\$ 92,913</u>	<u>44,425</u>	<u>-</u>	<u>48,488</u>	<u>92,913</u>
Financial assets measured at amortized cost					
Cash and cash equivalent	\$ 1,022,583				
Note and trade receivable (including related parties)	457,286				
Other financial asset	2,299				
Refundable deposit	<u>4,129</u>				
	<u>\$ 1,486,297</u>				
Financial liabilities measured at amortized cost					
Long and short-term borrowing	\$ 724,282				
Notes and trade payable	132,963				
Lease liabilities	5,751				
Guarantee deposit	4,574				
Other financial liabilities	<u>395,193</u>				
	<u>\$ 1,262,763</u>				

2) Valuation techniques for financial instruments measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

b) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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c) Valuation techniques for financial instruments measured at fair value

i) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgement and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgement.

The financial instruments held by the Group are classified as follows:

- Financial instruments with active markets: including financial assets which listed (counter) company stocks with active market transactions, their fair value series are determined with reference to market quotes.
- Financial instruments without active markets: Fair value is based on valuation techniques or reference counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on market information available on the date of the consolidated balance sheet.

d) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at fair value through profit or loss-unquoted equity instruments	
	2023	2022
Balance on January 1	\$ 48,488	13,870
Recognized in profit or loss	(152)	-
Aquisition/ Disposal/ Redemption	(35,981)	34,772
Effect of movements in exchange rate	(154)	(154)
Balance on December 31	\$ 12,201	48,488

The aforementioned total gains and losses were recognized in "other gains and losses".

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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- e) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value use third-party pricing information. Therefore, it is not intended to disclose quantitative information on significant unobservable inputs of fair value.

(w) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Note 6(v) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(ii) Risk management structure

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(x) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

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The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of 31 December, 2023, the Group's capital management strategy is consistent with the prior year as of 31 December, 2022. The Group's debt-to-equity ratio at the end of the reporting period as of 31 December, 2023 and 2022 is 26% and 29%, respectively.

(y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities, which did not affect the current cash flow, for the years ended December 31, 2023 and 2022, were as follows:

- (i) Acquisition of Right-of-use assets by lease, please refer to note 6(h).
(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-Cash flows	December 31, 2023
Short-term borrowings	\$ 40,000	10,000	-	50,000
Long-term borrowings	684,282	(108,386)	-	575,896
Lease liabilities	5,751	(4,036)	1,432	3,147
Total liabilities from financing activities	<u>\$ 730,033</u>	<u>(102,422)</u>	<u>1,432</u>	<u>629,043</u>
	January 1, 2022	Cash flows	Non-Cash flows	December 31, 2022
Short-term borrowings	\$ -	40,000	-	40,000
Long-term borrowings	561,039	123,243	-	684,282
Lease liabilities	9,246	(3,495)	-	5,751
Total liabilities from financing activities	<u>\$ 570,285</u>	<u>159,748</u>	<u>-</u>	<u>730,033</u>

(7) Related-party transactions:

- (a) Name and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Minerva Works Pte Ltd. (Minerva)	An associate
Nanjing Hung Jie Optoelectronics Technology Ltd. (Nanjing Hung Jie)	An associate

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(b) Significant transactions with related parties

(i) Sales

	Sales		Trade receivables and other receivables-related party	
			December 31,	December 31,
	2023	2022	2023	2022
Associates	\$ <u>27,907</u>	<u>16,541</u>	<u>1,043</u>	<u>2,169</u>

The above trading terms and conditions are not materially different from those of ordinary customers.

(c) Key management personnel compensation

	2023	2022
Short-term employee benefits	\$ 27,039	31,012
Post-employment benefits	624	635
	<u>\$ 27,663</u>	<u>31,647</u>

(8) Pledged assets:

The following assets are provided as collateral for financing, litigation, factory lease deposit and business transaction margin.

Pledged assets	Object	December 31, 2023	December 31, 2022
Restricted bank deposits	Security deposit	\$ 18,546	-
Land	Bank loan	550,538	550,538
Building	Bank loan	409,785	445,680
		<u>\$ 978,869</u>	<u>996,218</u>

(9) Commitments and contingencies:

(a) The consolidated company's unrecognized contractual commitments on the acquisition of real estate, plant and equipment that are material and unrecognized are as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	<u>\$ 111,212</u>	<u>374,915</u>

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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- (b) The Group has signed an investment agreement with the Chengdu Shuangliu District Government, and has agreed to acquire approximately 19,540.09 square meters of the land located at Shuangliu District Southwest Airport Economic Development Zone. However, the land will be sold by the Chengdu Shuangliu District Government through public auction, wherein the Group will have to participate in the bidding in accordance with the law. As of December 31, 2023, the land had not yet been sold.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31, 2023			For the year ended December 31, 2022		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit							
Salary		436,591	229,147	665,738	459,291	222,467	681,758
Labor and health insurance		37,740	17,370	55,110	37,374	16,734	54,108
Pension		17,296	12,574	29,870	17,308	10,543	27,851
Remuneration of directors		-	6,683	6,683	-	8,183	8,183
Others		25,665	12,794	38,459	26,202	11,868	38,070
Depreciation (Note 1)		181,764	41,842	223,606	147,867	41,418	189,285
Amortization		24,238	7,071	31,309	29,823	1,936	31,759

(Note 1) The depreciation of investment real estate is not included.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions during the year ended December 31, 2023 required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of securities	Relationship with the securities issuer	Account name	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Yuanta De-Li Money Market Fund	None	Current financial assets at fair value through profit of loss	1,196	20,059	-	20,059	
"	TCB Taiwan Quantitative Fund	"	"	525	10,000	- %	10,000	
"	UPAMC James Bond Money Market Fund	"	"	1,173	20,118	- %	20,118	
"	UPAMC Ben Teng Fund	"	"	24	5,123	- %	5,123	
"	UPAMC Taiwan Power Fund	"	"	92	5,078	- %	5,078	
"	President Securities Corporation CNY	"	"	-	12,201	- %	12,201	
"	Yuanta GSD CLN	"	"	70	7,028	- %	7,028	
CHANG YORK	Yuanta De-Li Money Market Fund	"	"	121	2,035	- %	2,035	
"	Yuanta De-Bao Money Market Fund	"	"	246	3,035	- %	3,035	
"	Yuanta Wan Tai Money Market Fund	"	"	129	2,006	- %	2,006	
"	Cathay Taiwan Money Market Fund	"	"	238	3,033	- %	3,033	
"	UPAMC Ben Teng Fund	"	"	5	1,025	- %	1,025	
"	UPAMC James Bond Money Market Fund	"	"	118	2,026	- %	2,026	
"	UPAMC Taiwan Power Fund	"	"	18	1,016	- %	1,016	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	156	2,006	- %	2,006	
YUAN GUANG	Allianz Global Investors Taiwan Money Market Fund	"	"	160	2,065	- %	2,065	
"	UPAMC James Bond Money Market Fund	"	"	118	2,028	- %	2,028	
"	Yuanta De-Li Money Market Fund	"	"	121	2,030	- %	2,030	
"	Yuanta De-Bao Money Market Fund	"	"	164	2,030	- %	2,030	
"	Yuanta Wan Tai Money Market Fund	"	"	193	3,003	- %	3,003	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	factory	2022/06/08	232,586	232,323	Tech-Top Engineering Co., LTD.	Non-related parties	-	-	-	-	According to market conditions	The group's operations and capacity expansion	

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: Please refer to note 6(b).
- (x) Business relationships and significant intercompany transactions: (Only disclosed transaction amounted to more than 10 million)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions for the year ended December 31, 2023			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Shih Ju (Hefei)	1	Service revenue	13,196	(Note 3)	0.58%
1	Dongguan Shih Ping	Shih Ping (ShenZhen)	3	Processing Fees income	21,582	(Note 3)	0.94%
2	Chengdu Shih Zheng	Shih Ju (Hefei)	3	Processing Fees income	17,054	(Note 3)	0.75%
3	YUAN GUANG	the Company	2	Processing Fees income	15,626	(Note 3)	0.68%

Note 1: The serial number is filled in as follows:

- (1) "0" represents the parent company.
(2) The subsidiaries start with number "1".

Note 2: The relationship with the counter party are represented as follows:

- (1) "1" represents the transactions from parent company to subsidiary.
(2) "2" represents the transactions from subsidiary to parent company.
(3) "3" represents the transactions between subsidiaries.

Note 3: The sales prices and payment terms of intercompany sales are not significantly different from those of third parties.

Note 4: Transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees (excluding investments in mainland China):

The following is the information on investees for the year ended December 31, 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
the Company	Skill high	Samoa	General investment	1,742,059	1,742,059	57,300	100.00 %	1,738,216	100.00	(23,399)	(23,399)	Note 1
"	Chang York	Taiwan	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	49,313	49,313	5,000	100.00 %	69,007	100.00	14,682	14,682	
"	Yuan Guang	Taiwan	Metal and Chemical Manufacturing	17,310	17,310	1,500	100.00 %	25,143	100.00	7,173	7,173	
"	Mineva	Singapore	Cleaning, maintenance, trading and assembly of semiconductor equipment, optoelectronic equipment and spare parts	11,538	11,538	405	36.80 %	49,291	36.80	2,323	855	Note 2

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
Skill high	Shih Fu	Samoa	General investment	1,007,605	1,007,605	35,500	100.00 %	1,138,732	100.00	(10,036)	(10,036)	
"	Shih Hang	Samoa	General investment	431,744	431,744	14,100	100.00 %	402,384	100.00	(3,639)	(3,639)	Note 1
"	Shih Pu	Samoa	General investment	293,243	293,243	9,100	100.00 %	204,768	100.00	(9,778)	(9,778)	

Note 1: Skill High and Shih Hang reduced their capitals in cash during March 2022. The related procedures were still in progress as of the reporting date.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements.

(c) Information on investment in mainland China:

1) Information on re-investment in business related information in mainland China:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Shih Ping (Shen Zhen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	1,529,740 (RMB352,150 thousand)	(1) (4)	1,456,159	-	-	1,456,159	(13,567)	100.00%	(13,567)	1,512,423	-
Shih Ju (Hefei)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	387,970 (RMB89,312 thousand)	(4)	-	-	-	-	61,327	100.00%	61,327	430,662	-
Dongguan Shih Ping	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	563,770 (RMB120,000 thousand)	(2)	-	-	-	-	(41,035)	100.00%	(41,035)	452,250	-
Shih Tien (Xiamen)	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	290,085 (RMB58,369 thousand)	(1)	290,085	-	-	290,085	(9,782)	100.00%	(9,782)	201,730	-
Chengdu Shih Zheng	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	618,139 (RMB143,072 thousand)	(2)	-	-	-	-	(42,838)	100.00%	(42,838)	504,163	-
Nanjing Hung Jie	Semiconductor, photoelectric equipment and parts cleaning, miniatous and recycling treatment	210,530 (RMB47,459 thousand)	(3) (4)	-	-	-	-	52,788	35.71%	18,851	102,215	-

Note 1: Through the third region investments set up a company to reinvest in the mainland.

Note 2: Reinvestment in a mainland through a mainland company.

Note 3: The above equity transactions have been written off at the time of the preparation of consolidated financial statements expect for the related enterprise invested by Nanjing Hong Jie.

Note 4: The Group originally established a third-party company to invest in Mainland China companies, and in December 2021, the restructuring was adjusted to reinvest in Mainland China companies through a Mainland China company.

2) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,746,244	1,746,244	Note 1

Note 1: The Company obtained the approval document issued by the Industrial Development Bureau, Ministry of Economic Affairs for compliance with the operation headquarters in May 2022. Therefore, it is not subject to the limited stipulated by the Ministry of Economic Affairs' "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China".

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SHIH HER TECHNOLOGIES INC. AND SUBSIDIARIES
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3) Significant transactions:

For the major direct or indirect transaction of the invested companies in mainland China in 2023 (written off at the time of preparation of the consolidated report), please refer to (a) “information related to major transactions” in detail.

(d) Major shareholders:

(Unit: share)

Shareholder's Name	Shareholding	Shares	Percentage
GUANJUN LIN Holdings Co. LTD.		8,558,190	15.07 %

(14) Segment information:

(a) Information about reportable segments and their measurement and reconciliations:

		2023				
		Taiwan				
		CHANG YORK TECHNOLOGY INC.	YUAN GUANG TECHNOLOGY INC.	China	Reconciliation and elimination	Total
	the Company					
Revenue						
Revenue from external customers	\$ 1,780,974	68,228	13,406	425,953	-	2,288,561
Intersegment	26,469	2,411	15,626	45,604	(90,110)	-
Total revenue	<u>\$ 1,807,443</u>	<u>70,639</u>	<u>29,032</u>	<u>471,557</u>	<u>(90,110)</u>	<u>2,288,561</u>
Reportable segment profit or loss	<u>\$ 399,944</u>	<u>17,936</u>	<u>8,470</u>	<u>(53,413)</u>	<u>6,948</u>	<u>379,885</u>
		2022				
		Taiwan				
		CHANG YORK TECHNOLOGY INC.	YUAN GUANG TECHNOLOGY INC.	China	Reconciliation and elimination	Total
	the Company					
Revenue						
Revenue from external customers	\$ 1,771,196	78,191	7,792	535,585	-	2,392,764
Intersegment	33,091	4,698	16,319	37,642	(91,750)	-
Total revenue	<u>\$ 1,804,287</u>	<u>82,889</u>	<u>24,111</u>	<u>573,227</u>	<u>(91,750)</u>	<u>2,392,764</u>
Reportable segment profit or loss	<u>\$ 412,523</u>	<u>20,283</u>	<u>6,473</u>	<u>(6,013)</u>	<u>12,521</u>	<u>445,787</u>

(b) Product and service information

The Corporation is engaged in the maintenance, trading, research and development, design, manufacturing, processing and installment of semiconductor equipment, photoelectric equipment and spare parts.

The revenue, profit and losses and identifiable assets account for more than 90% of the each segment, and there is no need for the disclosure of industry information.

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(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Region</u>	<u>2023</u>	<u>2022</u>
Revenue from external customer		
Taiwan	\$ 1,862,608	1,857,179
China	<u>425,953</u>	<u>535,585</u>
	<u>\$ 2,288,561</u>	<u>2,392,764</u>

(d) Major customers

Revenue from single customer amounting to more than 10% of the Group's total revenue is follows:

	<u>2023</u>
Customer B	\$ 650,809
Customer A	<u>241,743</u>
	<u>\$ 892,552</u>
	<u>2022</u>
Customer B	<u>\$ 611,688</u>