

PARA LIGHT ELECTRONICS CO., LTD.**Parent Company Only 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 parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of PARA LIGHT ELECTRONICS CO., LTD.:

Opinion

We have audited the financial statements of PARA LIGHT ELECTRONICS CO., LTD. (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(o) “Revenue recognition” and note 6(o) “Revenue from contracts with customers” to the financial statements for accounting policies on revenue recognition and description of revenues, respectively.

Description of key audit matter:

The Company mainly engages in the sale of various LEDs and LED displays as well as property development. Revenue is one of the key indicators for investors and management to measure financial or business performance; therefore, the accuracy of both the amounts and timing of revenue recognition has significant influence on financial statements.

How the matter was addressed in our audit:

Our audit procedures in this area included: (i) testing relevant control over the sales and payment collection cycle, as well as checking and reconciling the sales system data and the general ledger. (ii) assessing whether policies on revenue recognition were formulated in accordance with relevant standards. (iii) utilizing our tools to sample and test sales transactions before and after the end of the year, so as to assess the accuracy of the periods wherein revenues were recognized. (iv) reviewing with significant customers and analyzing product-specific revenue trends, so as to ascertain whether there was significant abnormality. In addition, (v) we also assessed whether the related information was properly disclosed in the notes to the parent-company-only financial statements

2. Valuation of investment accounted for using the equity method

Please refer to Note 4(h) for the related accounting policy of valuation of investment, Note 4(i) “Investment in subsidiaries” for details on accounting policy about investments accounted for using the equity method ; and Note 6(e) “Investments Accounted for Using the Equity Method” for details on the related explanation.

Description of key audit matter:

The Company held the entire shares of Para Light Investments Limited at the amount of \$918,617 thousand.

Due to the significance of the investment amount, the valuation of the investment accounted for using the equity method is one of our key audit matters.

How the matter was addressed in our audit:

Our key audit procedures included: (i) understanding the accounting procedures for the investment accounted using the equity method, obtaining the details of the relevant calculation of the investment, including the investment loss and other equity investment items, for the current period using the equity method, analyzing the accuracy of the detailed statements, and assessing the profit or loss incurred from the investment in the investee company that has been recognized according to the appropriate shareholding ratio. (ii) checked the confirmations of the related parties, assessed the consistency and reasonableness of the Company’s accounting records to ensure that the unrealized gain or loss has been properly written off, as well as evaluated the investment whether there are signs of impairment. In addition, (iii)we also assessed whether the related information was properly disclosed in the notes to the parent-company-only financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’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 Company 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 Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Mei, Yuan-Chen and Kuo, Yang-Lun.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only 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 auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PARA LIGHT ELECTRONICS CO., LTD.**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))	\$ 143,197	8	119,253	6	2100	Short-term borrowings(note 6(i))	\$ 110,985	6	76,953	4
1120	Current financial assets at fair value through other comprehensive income(note 6(b))	14,943	1	33,283	2	2150	Notes payable	3,183	-	2,829	-
1150	Notes receivable, net(notes 6(c) and (o))	2,131	-	3,919	-	2170	Accounts payable	13,362	1	3,822	-
1170	Accounts receivable, net(notes 6(c) and (o))	37,676	2	47,806	3	2180	Accounts payable-related parties(note 7)	120,887	7	92,456	5
1181	Accounts receivable-related parties, net(note 7)	12,785	1	15,434	1	2230	Current tax liabilities	457	-	3	-
130X	Inventories(note 6(d))	30,058	2	23,368	1	2321	Bonds payable, current portion(note 6(j))	-	-	300,000	16
1476	Other current financial assets(notes 7 and 8)	11,345	-	1,312	-	2322	Long-term borrowings, current portion(note 6(i))	26,017	1	31,520	1
1479	Other current assets	2,674	-	6,012	-	2399	Other current liabilities(note 7)	19,080	1	20,113	1
		<u>254,809</u>	<u>14</u>	<u>250,387</u>	<u>13</u>			<u>293,971</u>	<u>16</u>	<u>527,696</u>	<u>27</u>
Non-current assets:						Non-Current liabilities:					
1550	Investments accounted for using equity method(note 6(e))	1,230,866	67	1,241,034	67	2531	Bonds payable(note 6(j))	300,000	16	-	-
1600	Property, plant and equipment(notes 6(f) and 8)	160,403	9	165,459	9	2540	Long-term borrowings(note 6(i))	127,182	7	128,914	7
1760	Investment property, net(notes 6(g) and 8)	43,689	2	44,090	2	2640	Net defined benefit liability, non-current(note 6(k))	10,967	1	12,282	1
1840	Deferred tax assets(note 6(l))	12,133	-	10,118	1	2570	Deferred tax liabilities(note 6(l))	2,819	-	2,296	-
1980	Other non-current financial assets(notes 7 and 8)	143,102	8	150,341	8	2645	Guarantee deposits received	825	-	819	-
		<u>1,590,193</u>	<u>86</u>	<u>1,611,042</u>	<u>87</u>			<u>441,793</u>	<u>24</u>	<u>144,311</u>	<u>8</u>
							Total liabilities	<u>735,764</u>	<u>40</u>	<u>672,007</u>	<u>35</u>
Total assets		<u>\$ 1,845,002</u>	<u>100</u>	<u>1,861,429</u>	<u>100</u>	Equity(notes 6(m) and 6(n)):					
						3110	Ordinary shares	1,166,198	63	1,166,198	63
						3200	Capital surplus	29,066	2	29,066	2
						3300	Retained earnings	60,463	3	135,396	7
						3400	Other stockholders' equity	(138,553)	(8)	(133,302)	(7)
						3500	Treasury shares	(7,936)	-	(7,936)	-
							Total equity	<u>1,109,238</u>	<u>60</u>	<u>1,189,422</u>	<u>65</u>
							Total liabilities and equity	<u>\$ 1,845,002</u>	<u>100</u>	<u>1,861,429</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PARA LIGHT ELECTRONICS CO., LTD.**Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4111	Sales revenue(notes 6(o) and 7)	\$ 242,218	101	303,517	100
4170	Less: Sales returns	<u>3,091</u>	<u>1</u>	<u>1,214</u>	<u>-</u>
	Net operating revenues	<u>239,127</u>	<u>100</u>	<u>302,303</u>	<u>100</u>
5000	Cost of goods sold(notes 6(d) and 7)	<u>178,305</u>	<u>75</u>	<u>215,032</u>	<u>71</u>
	Gross profit	<u>60,822</u>	<u>25</u>	<u>87,271</u>	<u>29</u>
5910	Less: Unrealized profit (loss) from sales	<u>1,569</u>	<u>1</u>	<u>719</u>	<u>-</u>
		<u>59,253</u>	<u>24</u>	<u>86,552</u>	<u>29</u>
	Operating expenses (notes 6(c), (f), (g), (h), (k), (n) and (p)):				
6100	Selling expenses	31,955	13	33,233	11
6200	Administrative expenses	57,781	24	61,132	20
6300	Research and development expenses	1,482	1	1,493	-
6450	Expected credit loss	<u>1,194</u>	<u>-</u>	<u>213</u>	<u>-</u>
		<u>92,412</u>	<u>38</u>	<u>96,071</u>	<u>31</u>
	Operating loss	<u>(33,159)</u>	<u>(14)</u>	<u>(9,519)</u>	<u>(2)</u>
	Non-operating income and expenses :(notes 6(e), (j), (q) and 7)				
7010	Other income	7,484	3	7,151	2
7020	Other gains and losses	(10)	-	15,727	5
7050	Finance costs	(9,612)	(4)	(6,616)	(2)
7060	Share of profit (loss) of subsidiaries accounted for using equity method	(43,420)	(18)	(1,605)	(1)
7100	Interest income	<u>2,855</u>	<u>1</u>	<u>726</u>	<u>-</u>
		<u>(42,703)</u>	<u>(18)</u>	<u>15,383</u>	<u>4</u>
7900	Profit (loss) before tax	<u>(75,862)</u>	<u>(32)</u>	<u>5,864</u>	<u>2</u>
7951	Less: Income tax expenses(income)(note (l))	<u>(1,038)</u>	<u>-</u>	<u>4,822</u>	<u>2</u>
	Profit (Loss)	<u>(74,824)</u>	<u>(32)</u>	<u>1,042</u>	<u>-</u>
8300	Other comprehensive income (notes 6(k) and (m)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	73	-	5,519	2
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	5,246	2	(7,608)	(3)
8330	Share of other comprehensive income of subsidiaries, associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	<u>3,935</u>	<u>2</u>	<u>(14,915)</u>	<u>(5)</u>
		<u>9,254</u>	<u>4</u>	<u>(17,004)</u>	<u>(6)</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>(14,614)</u>	<u>(6)</u>	<u>25,612</u>	<u>8</u>
8300	Other comprehensive income (loss)	<u>(5,360)</u>	<u>(2)</u>	<u>8,608</u>	<u>2</u>
	Comprehensive income (loss)	<u>\$ (80,184)</u>	<u>(34)</u>	<u>9,650</u>	<u>2</u>
	Basic earnings per share (NT dollars) (note 6(r))	<u>\$ (0.65)</u>		<u>0.01</u>	
	Diluted earnings per share (NT dollars) (note 6(r))	<u>\$ (0.65)</u>		<u>0.01</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PARA LIGHT ELECTRONICS CO., LTD.**Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Total other equity interest					Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Treasury shares	
Balance at January 1, 2022	\$ 1,160,763	42,782	-	117,993	10,717	128,710	(124,976)	(11,290)	(136,266)	(7,936)	1,188,053
Net Income	-	-	-	-	1,042	1,042	-	-	-	-	1,042
Other comprehensive income	-	-	-	-	5,519	5,519	25,612	(22,523)	3,089	-	8,608
Total comprehensive income	-	-	-	-	6,561	6,561	25,612	(22,523)	3,089	-	9,650
Employee stock options exercised	5,435	136	-	-	-	-	-	-	-	-	5,571
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,072	-	(1,072)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	9,645	(9,645)	-	-	-	-	-	-
Cash dividends from capital surplus	-	(13,852)	-	-	-	-	-	-	-	-	(13,852)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	125	125	-	(125)	(125)	-	-
Balance at December 31, 2022	1,166,198	29,066	1,072	127,638	6,686	135,396	(99,364)	(33,938)	(133,302)	(7,936)	1,189,422
Loss	-	-	-	-	(74,824)	(74,824)	-	-	-	-	(74,824)
Other comprehensive income	-	-	-	-	73	73	(14,614)	9,181	(5,433)	-	(5,360)
Total comprehensive income	-	-	-	-	(74,751)	(74,751)	(14,614)	9,181	(5,433)	-	(80,184)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	668	-	(668)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,664	(5,664)	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(182)	(182)	-	182	182	-	-
Balance at December 31, 2023	\$ <u>1,166,198</u>	<u>29,066</u>	<u>1,740</u>	<u>133,302</u>	<u>(74,579)</u>	<u>60,463</u>	<u>(113,978)</u>	<u>(24,575)</u>	<u>(138,553)</u>	<u>(7,936)</u>	<u>1,109,238</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PARA LIGHT ELECTRONICS CO., LTD.**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 (Loss) before tax	\$ (75,862)	5,864
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,640	4,983
Expected credit loss	1,194	213
Interest expense	9,612	6,616
Interest income	(2,855)	(726)
Dividend income	(1,270)	(2,533)
Share of loss of subsidiaries and associates accounted for using equity method	43,420	1,605
Loss on disposal of property, plant and equipment	179	-
Unrealized profit from sales	1,569	719
Total adjustments to reconcile profit (loss)	<u>56,489</u>	<u>10,877</u>
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	1,788	(104)
Decrease in accounts receivable	8,936	7,649
Decrease in accounts receivable due from related parties	2,649	9,620
Increase in inventories	(6,690)	(371)
Decrease in prepaid expenses	88	340
(Increase) decrease in other financial assets	(10,033)	10,062
(Increase) decrease in other current assets	3,516	(3,335)
Total changes in operating assets	<u>254</u>	<u>23,861</u>
Increase(decrease) in notes payable	354	(898)
Increase (decrease) in accounts payable	9,540	(12,454)
Increase (decrease) in accounts payable to related parties	28,431	(28,867)
Increase (decrease) in other payable	(724)	1,175
Increase (decrease) in other current liabilities	(384)	(3,976)
Decrease in net defined benefit liability	(1,242)	(1,078)
Total changes in operating liabilities	<u>35,975</u>	<u>(46,098)</u>
Total changes in operating assets and liabilities	<u>36,229</u>	<u>(22,237)</u>
Total adjustments	<u>92,718</u>	<u>(11,360)</u>
Cash inflow (outflow) generated from operations	16,856	(5,496)
Interest received	2,855	726
Dividends received	1,270	2,533
Interest paid	(9,537)	(6,594)
Income taxes paid	(266)	(2,394)
Net cash flows from (used in) operating activities	<u>11,178</u>	<u>(11,225)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(48,296)	(18,062)
Proceeds from disposal of financial assets at fair value through other comprehensive income	71,592	9,721
Acquisition of investments accounted for using equity method	(45,210)	(77,339)
Acquisition of property, plant and equipment	(714)	(2,150)
Proceeds from disposal of property, plant and equipment	1,352	-
(Increase) decrease in guarantee deposits paid	(7,852)	5,452
Decrease in other financial assets	15,091	12,477
Net cash flows used in investing activities	<u>(14,037)</u>	<u>(69,901)</u>
Cash flows (used in) from financing activities:		
Increase (decrease) in short-term borrowings	34,032	(43,801)
Proceeds from issuing bonds	300,000	-
Repayments of bonds	(300,000)	-
Proceeds from long-term borrowings	30,000	55,000
Repayments of long-term borrowings	(37,235)	(36,731)
Increase in guarantee deposits received	6	12
Cash dividends from capital surplus	-	(13,852)
Exercised of employee share options	-	5,571
Net cash flow from (used in) financing activities	<u>26,803</u>	<u>(33,801)</u>
Net increase (decrease) in cash and cash equivalents	<u>23,944</u>	<u>(114,927)</u>
Cash and cash equivalents at beginning of period	<u>119,253</u>	<u>234,180</u>
Cash and cash equivalents at end of period	<u>\$ 143,197</u>	<u>119,253</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

PARA LIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

PARA LIGHT ELECTRONICS CO., LTD. (the “Company”) was incorporated on September 23, 1987 as a company limited by shares under the Company Act of the Republic of China (“R.O.C.”). The Company’s common shares were listed on the Taipei Exchange on January 14, 2003. On November 10, 2008, the Company became listed on the Taiwan Stock Exchange as approved by it on September 17, 2008.

The Company mainly engage in the manufacture, processing and sale of various LEDs and LED displays as well as real estate development.

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

These financial statements were authorized for issue by the Board of Directors on March 8, 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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company has initially adopted the new amendment, which do not have a significant impact on its 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 Company 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 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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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company 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 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 significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These 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”).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the 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) Fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at present value defined benefit obligation less the fair value of the plan assets.

- (ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The Company 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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PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company 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 date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's functional currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(d) 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.

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PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

An entity shall classify a liability as current when:

- (i) It is expected to be settled the liability 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 Company 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.

(e) 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 which 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 are reclassified as cash equivalents.

(f) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts 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 accounts 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, fair value through other comprehensive income (FVOCI)

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.

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PARA LIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

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.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (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 accounts receivable 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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Due to the counter parties and the performing parties of the Group's time deposits are financial institutions with investment grade and above, these time deposits are considered to have low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than one year past due or the borrower is unlikely to pay its credit obligations to the Company in full.

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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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 365 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

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4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company 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.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

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).

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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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.

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 Company 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.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average 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.

(h) Investment in associates

Associates are those entities in which the Company 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.

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The financial statements include the Company'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 Company, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses in an associate equals or exceeds its interests, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

In preparing the separate financial statement of the Company, investee companies controlled by the Company are accounted for using the equity method. Under the equity method, the Company's profit or loss and other comprehensive income attributable to the owners in the consolidated financial statements, The equity balance in the separate financial statements as the same as the equity balance in the financial statements,

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions.

(j) Investment property

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.

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.

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(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 Company.

(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) Buildings and structures (including facilities): 5~50 years
- 2) Machinery and equipment: 2~10 years
- 3) Transportation and miscellaneous equipment: 2~8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Leases

(i) Identifying a lessee

At inception of a contract, the Company 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.

(ii) As a lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payment, 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 at amortized cost 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 Company'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 a 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.

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 Company 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 Company 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 Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of miscellaneous equipment that have a lease term of 12 months or less and leases of low-value assets, including transportation equipment and others. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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(iii) As a lessor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

(m) Intangible assets

(i) Recognition and measurement

The Company's other intangible assets with finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Patents	15 years
2) Computer software	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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 CGUs.

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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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. An impairment loss shall be recognized immediately in profit or loss.

(o) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods-LED

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

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2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(p) Transaction of buying back the finished products with raw materials sold

After the Company sells raw materials to its affiliated companies in mainland China for processing and production, the finished products are bought back by the Company directly or through triangular trade, and then sold to its customers. When preparing parent-company-only financial report for this transaction, after considering its economic essence, the Company adopts the method of subcontracting processing, and writes off the operating income and costs in the same amount according to the write-back ratio; and the raw materials that have not been produced and sold back by the affiliated company in mainland China at the end of the period shall be handled by the applicant. The receivables are transferred to the Company's inventory, and the insufficient parts of the receivables are recognized as accounts payable, and they are written off against the inventory purchased by the Company's affiliated companies in mainland China at the end of the period, which is the Company's mark-up.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company'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.

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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 Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability (asset), 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 other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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 Company 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 Company 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.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(s) 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.

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PARA LIGHT ELECTRONICS CO., LTD.
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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 refundable is the best estimate measured using the tax rate enacted or substantively enacted on 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 that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (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 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.

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

- (i) the Company 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.

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.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(t) 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, such as convertible bonds and employee compensation.

(u) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no segmental information was disclosed in the separate financial statement.

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

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make 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.

Involving significant judgment, accounting policies did not have significant influence on the amounts stated in the financial statements.

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. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) The loss allowance of accounts receivable

The Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company 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. The relevant assumptions and input values, please refer to note 6(c).

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PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Petty cash	\$ 131	50
Checking account deposits	3,127	1,610
Demand deposits	213,495	183,671
Time deposits	37,133	34,744
Less: restricted bank deposits (presented within current financial assets) (note 8)	(3,007)	(1,002)
Restricted bank deposits (presented within non-current financial assets) (note 8)	<u>(107,682)</u>	<u>(99,820)</u>
	<u><u>\$ 143,197</u></u>	<u><u>119,253</u></u>

Please refer to note 6(s) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

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

(i) Details are set out as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current:		
Shares in domestic listed entities	<u><u>\$ 14,943</u></u>	<u><u>33,283</u></u>

(ii) Financial assets measured at fair value through other comprehensive income

During 2023 and 2022, the Company sold its current financial assets at FVOCI, whose fair values amounted to \$71,592 thousand and \$9,721 thousand respectively at the time of disposal. The accumulated loss on disposal amounted to \$471 thousand and \$77 thousand, both of which have been transferred from other equity to retained earnings.

The accumulated gains on disposal accounted for the equity method amounted to \$289 thousand and \$202 thousand in 2023 and 2022 respectively, both of which have been transferred from other equity to retained earnings.

(iii) Please refer to note 6(s) for credit risk and market risk.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(c) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 2,131	3,919
Accounts receivable	43,291	52,389
Less : Allowance for impairment	<u>(5,615)</u>	<u>(4,583)</u>
	<u><u>\$ 39,807</u></u>	<u><u>51,725</u></u>

The Company 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, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision in Rectifiers was determined as follows:

	<u>December 31, 2023</u>		
	<u>Carrying amount of accounts receivable</u>	<u>Weighted- average loss weigh</u>	<u>Loss allowance provision</u>
1 to 120 days	\$ 36,027		-
121 to 180 days	3,974	5%	199
181 to 360 days	6	10%	1
360 days	<u>5,415</u>	100%	<u>5,415</u>
	<u><u>\$ 45,422</u></u>		<u><u>5,615</u></u>
	<u>December 31, 2022</u>		
	<u>Carrying amount of accounts receivable</u>	<u>Weighted- average loss weigh</u>	<u>Loss allowance provision</u>
1 to 120 days	\$ 45,148		-
121 to 180 days	6,920	5%	346
181 to 360 days	4	10%	1
360 days	<u>4,236</u>	100%	<u>4,236</u>
	<u><u>\$ 56,308</u></u>		<u><u>4,583</u></u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

The movements in the allowance for accounts receivable and notes receivable were as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1	\$ 4,583	4,370
Impairment losses	1,194	213
Amounts written off	<u>(162)</u>	<u>-</u>
Balance on December 31	<u><u>\$ 5,615</u></u>	<u><u>4,583</u></u>

The Company has not discounted or pledged any notes and accounts receivable.

(d) Inventories

(i) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ 27,838	17,869
Less: Loss allowance	<u>(6,162)</u>	<u>(4,175)</u>
	<u>21,676</u>	<u>13,694</u>
Raw materials and supplies	14,252	13,865
Less: Loss allowance	<u>(5,870)</u>	<u>(4,191)</u>
	<u>8,382</u>	<u>9,674</u>
	<u><u>\$ 30,058</u></u>	<u><u>23,368</u></u>

During 2023 and 2022, costs of sales and inventories were \$174,639 thousand and \$211,697 thousand, respectively.

During 2023 and 2022, the operating costs arising from inventories written down to net realizable values amounting to \$3,666 thousand and \$3,335 thousand, respectively.

As of December 31, 2023 and 2022, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

(i) A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	\$ 1,203,239	1,194,002
Associate	<u>27,627</u>	<u>47,032</u>
	<u><u>\$ 1,230,866</u></u>	<u><u>1,241,034</u></u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Subsidiaries

The Company's shares of loss in subsidiaries accounted for using the equity method was amounted to \$24,015 thousand and \$2,193 thousand for the December 31, 2023 and 2022, respectively. In 2019, the Company its fully owned subsidiary in Myanmar, MYANMAR PARA LIGHT LED & LIGHTING ACCESSORY COMPANY LIMITED (Para Myanmar), by increasing its capital by \$45,211 thousand (US \$1,473 thousand) and \$69,397 thousand (US \$2,393 thousand) in 2023 and 2022, respectively; resulting in the Company to hold the entire shares of Para Myanmar at a total amount of \$234,558 thousand (US \$7,973 thousand) in 2023.

In 2022, the Company established fully owned subsidiary in India, Para Light India Private Limited (Para India), by increasing its capital by \$7,942 thousand (US \$255 thousand), resulting in the Company to hold the entire shares of Para India at a total amount of \$10,821 thousand (US \$359 thousand) in 2022.

(iii) Associate

The shares of profit and losses of the affiliated enterprises owned by the Company are summarized below:

	<u>2023</u>	<u>2022</u>
Share of profit (loss) of subsidiaries accounted for using equity method	<u>\$ (19,405)</u>	<u>588</u>

The financial information of the Company's associates, which was not adjusted in proportion to the Group's ownership, is summarized as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total assets	<u>\$ 386,349</u>	<u>690,779</u>
Total liabilities	<u>\$ 236,362</u>	<u>435,444</u>
	<u>2023</u>	<u>2022</u>
Revenues	<u>\$ 206,101</u>	<u>811,573</u>
Net profit or loss (for the period)	<u>\$ (105,348)</u>	<u>3,191</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(f) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Machinery equipment</u>	<u>Total</u>
Costs of right-of-use assets:					
Balance on January 1, 2023	\$ 83,520	102,659	-	31,857	218,036
Additions	-	-	491	223	714
Disposal	-	-	-	(1,988)	(1,988)
Balance at December 31, 2023	<u>\$ 83,520</u>	<u>102,659</u>	<u>491</u>	<u>30,092</u>	<u>216,762</u>
Balance at January 1, 2022	\$ 83,520	102,659	-	29,707	215,886
Additions	-	-	-	2,150	2,150
Balance at December 31, 2022	<u>\$ 83,520</u>	<u>102,659</u>	<u>-</u>	<u>31,857</u>	<u>218,036</u>
Depreciation of right-of-use assets:					
Balance at January 1, 2023	\$ -	23,549	-	29,028	52,577
Depreciation	-	3,138	86	1,015	4,239
Disposal	-	-	-	(457)	(457)
Balance at December 31, 2023	<u>\$ -</u>	<u>26,687</u>	<u>86</u>	<u>29,586</u>	<u>56,359</u>
Balance at December 31, 2022	\$ -	20,381	-	27,621	48,002
Depreciation	-	3,168	-	1,407	4,575
Balance at December 31, 2022	<u>\$ -</u>	<u>23,549</u>	<u>-</u>	<u>29,028</u>	<u>52,577</u>
Carrying value:					
December 31, 2023	<u>\$ 83,520</u>	<u>75,972</u>	<u>405</u>	<u>506</u>	<u>160,403</u>
December 31, 2022	<u>\$ 83,520</u>	<u>79,110</u>	<u>-</u>	<u>2,829</u>	<u>165,459</u>
January 1, 2022	<u>\$ 83,520</u>	<u>82,278</u>	<u>-</u>	<u>2,086</u>	<u>167,884</u>

As a portion of land, buildings and structures was no longer in use, the Company decided to have them leased out to other parties and transferred from property, plant and equipment to investment property. Please refer to note 6(g) for details.

As of December 31, 2023 and 2022, the property, plant and equipment of the Group had been pledged as collateral for long-term borrowings; please refer to note 8.

(g) Investment property

Investment property refers to assets owned by the Company, office buildings leased to the third parties under operating leases and right-of-use assets in recognition of leased rights with a lease average of 5 to 10 years each. Subsequent renewals are negotiated with the lessee.

The rental income from investment properties is in fixed amount, however, some contracts require the lessee to cover the insurance premium, the amount of which is determined separately each year.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Balance at January 1, 2023	\$ 32,875	21,312	54,187
Balance at December 31, 2023	<u>\$ 32,875</u>	<u>21,312</u>	<u>54,187</u>
Balance at January 1, 2022	\$ 32,875	21,312	54,187
Balance at December 31, 2022	<u>\$ 32,875</u>	<u>21,312</u>	<u>54,187</u>
Amortization:			
Balance at January 1, 2023	\$ -	10,097	10,097
Amortization	<u>-</u>	<u>401</u>	<u>401</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>10,498</u>	<u>10,498</u>
Balance at January 1, 2022	\$ -	9,689	9,689
Amortization	<u>-</u>	<u>408</u>	<u>408</u>
December 31, 2022	<u>\$ -</u>	<u>10,097</u>	<u>10,097</u>
Carrying value:			
December 31, 2023	<u>\$ 32,875</u>	<u>10,814</u>	<u>43,689</u>
December 31, 2022	<u>\$ 32,875</u>	<u>11,215</u>	<u>44,090</u>
January 1, 2022	<u>\$ 32,875</u>	<u>11,623</u>	<u>44,498</u>

The fair value of the Group's investment property, determined with reference to the recent transaction prices of similar property in the vicinity, are set out as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fair value of investment property	<u>\$ 164,703</u>	<u>164,703</u>

As of December 31, 2023 and 2022, the Company provided inventories as collateral for its loans, please refer to note 8 for details.

(h) Intangible assets

The costs and amortization of the Group's intangible assets were as follows:

	<u>Patents</u>	<u>Computer software</u>	<u>Total</u>
Balance on January 1, 2022	\$ 8,537	29,817	38,354
Decrease for the period	<u>(8,537)</u>	<u>(29,817)</u>	<u>(38,354)</u>
Balance on December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>-</u>
Accumulated amortization:			
Balance on January 1, 2022	\$ 8,537	29,817	38,354
Amortization for the year	<u>(8,537)</u>	<u>(29,817)</u>	<u>(38,354)</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>-</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

	<u>Patents</u>	<u>Computer software</u>	<u>Total</u>
Carrying value:			
December 31, 2023	\$ -	-	-
December 31, 2022	\$ -	-	-

During 2022, amortization expenses on intangible assets amounted to \$0 thousand, which were included within operating costs and operating expenses.

(i) Short-term borrowings

(i) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit loans	\$ 51,550	25,900
Letters of credit	2,765	11,053
Loans secured by collateral	56,670	40,000
	<u>\$ 110,985</u>	<u>76,953</u>
Unused short-term credit lines	<u>\$ 104,639</u>	<u>113,535</u>
Range of interest rates	<u>1.595%~2.550%</u>	<u>2.050%~2.301%</u>

(ii) Long-term borrowings

<u>Loan Bank</u>	<u>Range of interest rates</u>	<u>Maturity Date</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Mega International Commercial Bank	2.020%~2.270%	124.06.29	\$ 32,677	35,519
Mega International Commercial Bank	2.370%	113.11.07	30,000	30,000
Taiwan Cooperative Bank	2.500%	117.10.19	9,833	-
Taiwan Cooperative Bank	2.181%	112.10.11	-	10,112
The Shanghai Commercial & Savings Bank, Ltd.	2.795%	115.02.15	14,445	-
The Shanghai Commercial & Savings Bank, Ltd.	1.850%~2.775%	112.07.27	-	2,994
The Shanghai Commercial & Savings Bank, Ltd.	2.775%~2.900%	112.10.12	-	1,278
The Shanghai Commercial & Savings Bank, Ltd.	2.775%~2.900%	112.07.27	-	1,166
Taishin Bank	2.380%~2.610%	125.06.28	45,328	49,060
Taishin Bank	1.7800%~2.380%	114.06.28	6,375	10,625
Chang Hwa Bank	2.380%~2.5000%	115.05.18	14,541	19,680
			153,199	160,434
Less: current portion			(26,017)	(31,520)
Total			<u>\$ 127,182</u>	<u>128,914</u>
Unused long-term credit lines			<u>\$ -</u>	<u>320</u>

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PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(iii) The Company provides bank deposits, deposit certificates, machinery equipment, land, and buildings to secure the aforementioned loans; please refer to note 8 for details.

(j) Bonds payable

The Company's bonds payable were as follows:

	December 31, 2023	December 31, 2022
Secured corporate bonds	\$ 300,000	300,000
Less: current portion	-	300,000
Carrying amounts	<u>\$ 300,000</u>	<u>-</u>

(i) On June 12, 2020, the Company issued its 1st secured ordinary corporate bond under the following conditions:

Amount in issue	\$300,000 thousand
Maturity	3years
Maturity	Fixed annual interest rate of 0.62%
Calculation method	From the date of issue, annual simple interest shall be charged according to the coupon rate.
Repayment method	Principal shall be repaid in balloon payment 3 years after the date of issue.
Security method	The corporate bonds are secured by Taiwan Cooperative Bank, Ltd. according to a guaranty agreement.

In order to repay the Company issued its 1st secured ordinary corporate bonds in 2020, the Company issued its 1st secured ordinary corporate bonds on June 8, 2023, with an issuance amount of \$300,000 thousand, and the Cooperative Treasury Securities Co., Ltd. was entrusted to publicly underwrite the bonds through negotiated sales.

(ii) On June 8, 2023, the Company issued its 1st secured ordinary corporate bond under the following conditions:

Amount in issue	\$300,000 thousand
Maturity	3years
Maturity	Fixed annual interest rate of 1.5%
Calculation method	From the date of issue, annual simple interest shall be charged according to the coupon rate.
Repayment method	Principal shall be repaid in balloon payment 3 years after the date of issue.
Security method	The corporate bonds are secured by Taiwan Cooperative Bank, Ltd. according to a guaranty agreement.

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PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(iii) The Company provides land and buildings to secure the aforementioned bonds; please refer to note 8 for details.

(k) Employee benefits

(i) Defined benefit plans

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ (20,074)	(19,822)
Fair value of plan assets	<u>9,107</u>	<u>7,540</u>
Net defined benefit liabilities	<u>\$ (10,967)</u>	<u>(12,282)</u>

1) Composition of plan assets

The Company 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.

The Company 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 Company's labor pension reserve account balance at Bank of Taiwan amounted to \$9,107 thousand as of the reporting date. 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) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Group were as follows:

	<u>2023</u>	<u>2022</u>
Defined benefit obligations at January 1	\$ (19,822)	(27,054)
Current service costs and interest cost (income)	(244)	(187)
Remeasurements loss (gain)		
– Actuarial loss (gain) arising from financial assumptions	(74)	4,712
– Gains arising from experience adjustments	66	268
Benefits paid	<u>-</u>	<u>2,439</u>
Defined benefit obligations at December 31	<u>\$ (20,074)</u>	<u>(19,822)</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

3) Movements of defined benefit plan assets

The movements in the fair values of the Company's defined benefit plan assets were as follows:

	<u>2023</u>	<u>2022</u>
Fair value of plan assets at January 1	\$ 7,540	8,175
Interest income	95	55
Remeasurements loss (gain)		
— Return on plan assets excluding interest income	81	539
Contributions paid by the employer	1,391	1,210
Benefits paid	<u>-</u>	<u>(2,439)</u>
Fair value of plan assets at December 31	<u>\$ 9,107</u>	<u>7,540</u>

4) Expenses recognized in profit or loss

The expenses recognized by the Company are detailed as follows:

	<u>2023</u>	<u>2022</u>
Net interest of net liabilities for defined benefit obligations	<u>\$ 149</u>	<u>132</u>
	<u>2023</u>	<u>2022</u>
Selling expenses	\$ 41	34
Administration expenses	<u>108</u>	<u>98</u>
	<u>\$ 149</u>	<u>132</u>

5) Remeasurements of net defined benefit liabilities recognized in other comprehensive income

Remeasurements of net defined benefit liabilities included in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Balance on January 1	\$ 6,689	1,170
Recognized during the period	<u>73</u>	<u>5,519</u>
Balance at December 31	<u>\$ 6,762</u>	<u>6,689</u>

6) Actuarial assumptions

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

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.20 %	1.25 %
Future salary increase rate	2.00 %	2.00 %

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
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The contributions to be made by the Company to the defined benefit plans, within 1 year after the reporting date of 2023, amounted to \$130 thousand.

During 2023 and 2022 the weighted-average lifetimes of the defined benefits plans were 7 and 8 years.

7) Sensitivity Analysis

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

	Impact on the defined benefit obligations	
	0.25% Increased	0.25% Decreased
December 31, 2023		
Discount rate	\$ (366)	377
Future salary increasing rate	373	(364)
December 31, 2022		
Discount rate	(395)	408
Future salary increasing rate	404	(393)

The above-mentioned sensitivity analysis assumes that all other assumptions remain constant, which means to analyze the impact of a single assumption. In practice, the relevant actuarial assumptions are correlated to each other. 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 Company 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 Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$2,024 thousand and \$2,020 thousand for the years ended December 31, 2023 and 2022, respectively.

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PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(l) Income taxes

(i) The Company's income tax expenses (income) are detailed as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Adjustment for prior periods	\$ 454	2,394
	<u>454</u>	<u>2,394</u>
Deferred tax expense(income)		
Origination and reversal of temporary differences	(1,492)	2,428
Income tax expense (income)	<u>\$ (1,038)</u>	<u>4,822</u>

During 2023 and 2022, no income tax was included within other comprehensive income.

Income tax benefits (expense) and net profit (losses) before tax were reconciled as follows:

	<u>2023</u>	<u>2022</u>
(Losses) profits before tax	<u>\$ (75,862)</u>	<u>5,864</u>
Income tax using the Company's domestic tax rate	\$ (15,172)	1,173
Non-taxable dividend income	(254)	(507)
Share of equity-accounted profits (losses)	8,684	321
Tax effects arising from expenses not recognizable pursuant to laws	2,000	2,000
Difference from prior-year income tax estimate and others	1,047	(6,932)
Change in unrecognized temporary differences	<u>2,657</u>	<u>8,767</u>
Total	<u>\$ (1,038)</u>	<u>4,822</u>

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Tax effect of deductible Temporary Differences	\$ 1,049	1,049
Unused tax losses	<u>23,432</u>	<u>20,775</u>
	<u>\$ 24,481</u>	<u>21,824</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

2) Recognized deferred tax assets and liabilities

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

Deferred Tax Assets:

	<u>Write-downs of inventories</u>	<u>Unused tax losses</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2023	\$ 1,673	5,194	3,251	10,118
Recognized in profit or loss	733	665	617	2,015
Balance at December 31, 2023	<u>\$ 2,406</u>	<u>5,859</u>	<u>3,868</u>	<u>12,133</u>
Balance at January 1, 2022	\$ 1,006	4,290	5,031	10,327
Recognized in profit or loss	667	904	(1,780)	(209)
Balance at December 31, 2022	<u>\$ 1,673</u>	<u>5,194</u>	<u>3,251</u>	<u>10,118</u>

Deferred Tax Liabilities:

	<u>Others</u>
Balance at January 1, 2023	\$ (2,296)
Recognized in profit or loss	(523)
Balance at December 31, 2023	<u>\$ (2,819)</u>
Balance at January 1, 2022	\$ (77)
Recognized in profit or loss	(2,219)
Balance at December 31, 2022	<u>\$ (2,296)</u>

- (iii) The Company's income tax returns for the years up to 2021 have been examined and approved by the R.O.C. income tax authorities.
- (iv) The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Total deductible amount</u>	<u>Unused tax losses</u>	<u>Expiry date</u>
2014	\$ 4,885 (amount approved)	4,885	2024
2016	6,528 (amount approved)	6,528	2026
2018	1,191 (amount approved)	1,191	2028
2019	70,901 (amount approved)	70,901	2029
2020	45,065 (amount approved)	45,065	2030
2021	1,722 (amount approved)	1,722	2031
2023	16,164 (amount estimate)	16,164	2033
	<u>\$ 146,456</u>	<u>146,456</u>	

- (v) Since funds are needed for expanding the overseas operations, the earnings of the Company's overseas subsidiaries will not be remitted back in the short run. In accordance with paragraph A39 of IAS 12 "Income Taxes", the earnings' book-tax difference shall be considered permanent.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(m) Capital and other equity

During 2022, the Company's employees applied to exercise a total of 543.5 units of share options, and 543.5 thousand new shares with a par value \$10 per share were issued as a result. The consequent excess of exercise price to ordinary share value, amounting to \$1,800 thousand, was recognized in the line item of "capital surplus, additional paid-in capital". The related registration procedures have been completed.

On June 4, 2010, the Company passed a resolution in a general shareholders' meeting to increase its authorized capital to \$2,000,000 thousand. As of December 31, 2023 and 2022, authorized share capital amounted to \$1,500,000 thousand with a par value of \$10 per share. Paid-in capital amounted were \$1,166,198 thousand.

(i) Capital surplus

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Share premium	\$ 1,800	1,800
Treasury share transactions (note 6(n))	4,923	4,923
Elapsed share options—convertible bonds issued	18,040	18,040
Employee share options (note 6(n))	4,076	4,076
Changes in equity-accounted associates	<u>227</u>	<u>227</u>
	<u><u>\$ 29,066</u></u>	<u><u>29,066</u></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.

(ii) Retained earnings

The Company's Articles of Incorporation stipulate that net annual profit after tax for the period shall first be used to offset accumulated losses (including the amount of unappropriated earnings). Of the remaining balance, 10% shall be set aside as legal reserve, unless the amount of legal reserve has already reached the Company's paid-in capital. Of the remaining balance, a special reserve shall be appropriated or reversed as stipulated by laws or regulators, after which class A preference shares and dividends not appropriated during prior years shall be appropriated. The remaining earnings, together with any undistributed retained earnings (including adjustments to unappropriated earnings) at beginning of the period, shall be distributed according to the distribution plan proposed by the Board of Directors and approved in a shareholders' meeting.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

The Company's dividend policies, formulated taking into consideration future working capital requirement (WCR), sound financial planning, and interests of shareholders, stipulate that no less than 10% of distributable earnings shall be distributed to shareholders as cash dividends or share dividends. If cash dividends are less than \$0.2 per share, the Board of Directors may resolve to distribute share dividends instead. If share dividends are less than \$0.1 per share, the Board of Directors may resolve to distribute cash dividends instead as approved in a shareholders' meeting.

1) Legal reserve

As stipulated by the R.O.C. Company Act, 10% of a company's net profit after tax shall be appropriated as legal reserve until the amount of accumulated legal reserve equals that of total paid-in 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 JIN-GUAN-ZHENG-FA-Zi 1010012865 the Company recognized the special reserve from net income of current year and undistributed earnings of prior year for the items deducted from the equity of other shareholders' equity of the current year. For the deducted items for the equity of other shareholders' equity of the prior year, the special reserve should be recognized from undistributed earnings of prior year and cannot be distributed. Subsequently, while there is reversal of deducted items for the equity of other shareholders' equity, the reversal part can be distributed. As of December 31, 2023 and 2022, the balances of special reserve were \$133,302 thousand and \$127,638 thousand, respectively.

3) Earnings distribution

On June 8, 2022 and June 8, 2021, the earnings appropriation for 2022 and 2021 was resolved in the general shareholders' meetings. The amounts of dividends distributed to owners were as follows:

	2022		2021	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:	\$ -			-

On June 8, 2022, the Company passed a resolution in a shareholders' meeting to distribute cash with the capital surplus of \$13,852 thousand.

(iii) Treasury shares

As stipulated by Article 28-2, the Company, in order to transfer shares to employees, repurchased 1,085 thousand treasury shares at a cost of \$7,936 thousand during 2020.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

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.

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (99,364)	(33,938)	(133,302)
Exchange differences on foreign operations	(14,614)	-	(14,614)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	5,246	5,246
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method		3,935	3,935
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	471	471
Disposal of investments in equity instruments designated at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(289)	(289)
Balance at December 31, 2023	<u>\$ (113,978)</u>	<u>(24,575)</u>	<u>(138,553)</u>
Balance at January 1, 2022	\$ (124,976)	(11,290)	(136,266)
Exchange differences on foreign operations	25,612	-	25,612
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(7,608)	(7,608)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, subsidiaries accounted for using equity method		(14,915)	(14,915)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	77	77
Disposal of investments in equity instruments designated at fair value through other comprehensive income, subsidiaries accounted for using equity method	-	(202)	(202)
Balance at December 31, 2022	<u>\$ (99,364)</u>	<u>(33,938)</u>	<u>(133,302)</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(n) Share-based payments

(i) As of December 31, 2022, the Company's share-based payment transactions were as follows:

	<u>Equity-settled</u>	<u>Equity-settled</u>
	<u>1st share option plan in 2017</u>	<u>Treasury shares transferred to employees</u>
Grant date	2017.12.18	2021.10.01
Number of shares granted	3,000 units	2,800 units
Contractual life of options	5 years	N/A
Recipients	Employees of the Company and its affiliates	Employees of the Company and its affiliates
Vesting conditions	After 2 years' service, the share options shall be exercisable under the plan on a pro rata basis.	Immediately vested

(ii) Measurement parameters of grant-date fair values

The Company used the Black-Scholes formula in measuring the fair value of the share-based payment on the grant date. The measurement inputs were as follows:

	<u>1st share option plan in 2017</u>	<u>Treasury shares transferred to employees</u>
Fair value at grant date	3.4	2.8~3.25
Share price on grant date	10.25	12.60
Exercise price (in NTD)	10.25	10.00
Expected life (in years)	0.91 years	0.08~0.21 years
Expected volatility (%)	43.00%	79.67%
Risk-free interest rate (%)	0.699%	0.340%

During 2022, the Company's expenses on equity-settled share-based payment transactions, amounting to \$0 thousand, were included within operating costs.

(iii) Share option information

	<u>2022</u>	
	<u>Share options (in thousands of units)</u>	<u>Weighted average exercise price(\$)</u>
<u>The Company's 1st share option plan in 2022</u>		
Outstanding at January 1	1,876	10.25
Granted during the period	-	-
Exercised during the period	(543.5)	10.25
Elapsed	(1,332.0)	-
Outstanding at December 31	-	-
Exercisable share options, end of period	-	-
Weighted-average expected residual life (in years)	-	-

During 2021, the Company's expenses on equity-settled share-based payment transactions, amounting to \$0 thousand, were included within operating costs.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(o) Revenue from contracts with customers

(i) Disaggregation of revenues

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Asia	\$ 193,018	230,856
America	42,669	61,430
Europe	9,914	15,996
Others	3,768	3,143
Intercompany eliminations	<u>(10,242)</u>	<u>(9,122)</u>
	<u>\$ 239,127</u>	<u>302,303</u>
Major products/services lines:		
Sale of LEDs	<u>\$ 239,127</u>	<u>302,303</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes and accounts receivable	\$ 45,422	56,308	63,853
Less: Loss allowance	<u>(5,615)</u>	<u>(4,583)</u>	<u>(4,370)</u>
Total	<u>\$ 39,807</u>	<u>51,725</u>	<u>59,483</u>

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

(p) Employee and Director Remunerations

The Articles of Incorporation stipulate that the Company shall set aside 8% to 12% of annual profits, if any, as employee remuneration, and a maximum of 3 as director remuneration. The Board of Directors shall resolve to distribute the remunerations in shares or cash, and the recipients may include affiliates' employees who meet certain conditions. However the Company has accumulated losses, the compensation amount should be reserved in advance.

For 2023 and 2022, the Company's employee remunerations were estimated at \$0 thousand and \$516 thousand. The estimates mentioned above were calculated based on the Company's pre-tax profits (before deducting the remunerations of both employees and directors for each period), multiplied by the percentages of remunerations of employees and directors as specified in the Company's Articles of Incorporation. These remunerations were expensed under operating costs or operating expenses for 2023 and 2022. If the actual amounts differ from the estimated amounts, the differences shall be treated as changes in accounting estimates and recognized as profit or loss in the subsequent year. If the Board of Directors resolves to distribute shares as employee remuneration, the number of shares shall be calculated according to the closing price of the ordinary shares on the day before its resolution.

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PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(q) Non-operating income and expenses

(i) Other income

	<u>2023</u>	<u>2022</u>
Rent income	\$ 5,012	4,197
Dividend income	1,270	2,533
Others	<u>1,202</u>	<u>421</u>
	<u>\$ 7,484</u>	<u>7,151</u>

(ii) Other gains and losses

	<u>2023</u>	<u>2022</u>
Loss on disposal of property, plant and equipment	\$ (179)	-
Foreign exchange gains	<u>169</u>	<u>15,727</u>
	<u>\$ (10)</u>	<u>15,727</u>

(iii) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expenses on bank loans, and corporate bonds	\$ <u>(9,612)</u>	<u>(6,616)</u>

(r) Earnings per share

(i) Basic earnings per share:

1) Profit (loss) attributable to ordinary shareholders of the Company

	<u>2023</u>	<u>2022</u>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>(74,824)</u>	<u>1,042</u>

2) Weighted-average number of ordinary shares outstanding

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares (in thousands)	\$ <u>115,535</u>	<u>115,475</u>

(ii) Diluted earnings per share

1) Profit (loss) attributable to ordinary shareholders of the Company (diluted)

	<u>2023</u>	<u>2022</u>
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	\$ <u>(74,824)</u>	<u>1,042</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

2) Weighted-average number of ordinary shares outstanding (diluted)

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares (in thousands) (basic)	\$ 115,535	115,475
Employee remuneration	<u>-</u>	<u>17</u>
Weighted average number of ordinary shares (in thousands) (diluted)	<u>\$ 115,535</u>	<u>115,492</u>

(s) 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

During 2023, approximately 17 percent (2022:19 percent) of the Group's revenue was attributable to sales transactions with a single customer. However, geographically, there was no concentration of credit risk.

3) Receivables and debt securities

For credit risk exposure of accounts receivable and notes receivable, please refer to note 6(c).

Debt investments at fair value through other comprehensive income include government bonds, listed and unlisted debt securities.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12-month expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table sets out the contractual maturities of financial liabilities, including the impact of estimated interest.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2023							
Nonderivative financial liabilities							
Bank loans	\$ 264,184	280,233	79,177	65,767	55,143	31,869	48,277
Bonds payable	300,000	327,000	4,500	-	9,000	313,500	-
Accounts payable	137,432	137,432	137,432	-	-	-	-
Guarantee deposits received	825	825	-	-	825	-	-
	<u>\$ 702,441</u>	<u>745,490</u>	<u>221,109</u>	<u>65,767</u>	<u>64,968</u>	<u>345,369</u>	<u>48,277</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2022							
Nonderivative financial liabilities							
Bank loans	\$ 237,387	245,976	63,488	77,850	18,532	32,034	54,072
Bonds payable	300,000	300,000	300,930	-	-	-	-
Accounts payable	99,107	-	99,107	-	-	-	-
Guarantee deposits received	819	819	-	-	819	-	-
	<u>\$ 637,313</u>	<u>546,795</u>	<u>463,525</u>	<u>77,850</u>	<u>19,351</u>	<u>32,034</u>	<u>54,072</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's financial assets and liabilities that were exposed to significant currency risk were as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Exchange rates</u>	<u>TWD</u>	<u>Exchange rates</u>	<u>TWD</u>
<u>Financial assets</u>				
Monetary items				
CNY	\$ 4.302	182	-	-
USD	30.6550	66,391	30.6600	113,062
HKD	3.8990	25	3.9080	219
EUR	33.7800	2,467	32.5200	2,294
JPY	0.2152	1	0.2304	1
		<u>\$ 69,066</u>		<u>115,576</u>
<u>Long-term investment under equity method</u>				
USD	\$ 30.6550	961,284	30.6600	977,617
HKD	3.8990	52,954	3.9080	51,810
Myanmar Kyats	0.0146	170,725	0.0147	143,709
Indian Rupee (INR)	0.3695	3,815	0.3718	6,412
		<u>\$ 1,188,778</u>		<u>1,179,548</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 30.6550	6,671	30.6600	5,400
HKD	3.8990	1,195	3.9080	1,821
		<u>\$ 7,866</u>		<u>7,221</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.

Notes to the Financial Statements

2) Sensitivity analysis

Currency risk to which the Company's monetary items are exposed arises from foreign exchange gains (losses) on financial assets and financial liabilities that are denominated in foreign currencies. As 1% strengthening (weakening) of NTD against foreign currencies as of December 31, 2023 and 2022 with all other variables remaining constant, would have increased or decreased the profits after tax for 2023 and 2022 by \$10,000 thousand and \$10,303 thousand, respectively.

3) Foreign exchange gain and loss on monetary items

As the Company has various functional currencies, its foreign exchange gains (losses) arising from monetary items are disclosed on an aggregate basis. During 2023 and 2022 (realized and unrealized) foreign exchange gains (losses) amounted to \$169 thousand and \$15,727 thousand.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and 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 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Company's profit after tax would have decreased/increased by \$2,113 thousand and \$1,899 thousand for 2023 and 2022 respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowings at variable rates.

(v) Sensitivity analysis—equity price risk

For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2023		2022	
	Post-tax other comprehensive income	Post-tax profit or loss	Post-tax other comprehensive income	Post-tax profit or loss
Prices of securities at the reporting date				
1% increase	\$ <u>149</u>	-	<u>333</u>	-
1% decrease	\$ <u>(149)</u>	-	<u>(333)</u>	-

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

	December 31, 2022				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Bank loans	\$ 237,387	-	-	-	-
Bonds payable	300,000	-	-	-	-
Accounts payable	99,107	-	-	-	-
Guarantee deposits received	819	-	-	-	-
Total	<u>\$ 637,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is treated as fair value. The prices of financial instruments quoted by main exchanges and popular bonds quoted by the Taipei Exchange can be adopted as a benchmark to determine the fair values of equity instruments issued by listed entities and quoted debt instruments with an active market.

If the quoted price can be obtained from the securities exchanges, brokers, underwriters, industrial guilds, pricing institutions or official departments timely and frequently, and the price represents the actual and usual transaction of fair market, then the financial instrument has the quoted price in an active market. Once the conditions are not satisfied, the market is considered as inactive. Normally, a significant difference between selling and buying price, a significant increase in the difference between selling and buying price or rare transactions are indicators of inactive market.

Besides the financial instruments above which have the active market, the fair values of other financial instruments are obtained through valuation technique or counterparty quotation. The fair value obtained by valuation technique can refer to the fair value of financial instrument which has the similar substantive conditions and features, the discounted cash flow method or other valuation technique, such as operating the model with market information of the reporting date (e.g. yield curves from securities exchanges and the interest rates of commercial papers from Reuters).

3) Transfers among levels of fair value hierarchy

During 2023 and 2022, there was no transfer from one level of fair value hierarchy to another.

(t) Financial risk management

The Company is exposed to the following risks:

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors is responsible for developing and controlling the Company's policies on risk management.

The Company risk management policies are established to identify and analyze the risks faced by the Company, 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 changes in market conditions and the Company's activities. The Company 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 Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Group Audit Committee 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 Audit Committee. The Board of Directors is responsible for developing and controlling the Company's policies on risk management.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts receivable

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. Where it is not possible to obtain such information, the will assess the ratings based on other publicly available financial information and records of transactions with its major customers. Purchase limits are established for each customer and represent the maximum open amount without requiring approval from the Finance Department. The limits were reviewed periodically. The transactions between the Company and the clients who are not satisfied the Company's credit rating can only process on the advance receiving basis.

If the Company retains the rights to the products that have already been sold, the Company also have the right to require collateral if payment has not been received. The Company does not require any collateral for trade and other receivables.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2023 and 2022, the Company has not provided endorsement/guarantee for any unrelated party.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

To the Company, the bank loan is an important source of liquidity. As of 2023 and 2022 the Company had unused bank facilities of \$104,639 thousand and \$113,855 thousand, respectively.

(v) 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.

1) Currency risk

Please refer to note 6(s) for details of currency risk exposure.

2) Interest rate risk

The Company adopts a policy of its exposure to changes in interest rates on borrowings is on a fixed-rate basis.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities.

This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk by holding different investment portfolios. The Company's exposure to equity price risk is mainly due to the equity financial instruments within B industry on A's local stock exchange. The Company assigned a specific team to supervise and assess the equity price risk so as to avoider minimize the risk from the hedging position.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(u) Capital management

The Company'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.

The Company 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.

During 2023 and 2022 the Group adopted the same capital management strategy, which was to maintain a debt-to-equity ratio of less than 50%, so as to ensure financing at reasonable costs.

The debt-to-equity ratios on December 31, 2023 and 2022 are below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 735,764	672,007
Less: Cash and cash equivalents	<u>143,197</u>	<u>119,253</u>
Net liabilities	<u>\$ 592,567</u>	<u>552,754</u>
Total equity	<u>\$ 1,701,805</u>	<u>1,742,176</u>
Debt-to equity ratio	35 %	32 %

(v) Non-cash investing and financing activities

During 2023 and 2022, the Company had no non-cash investing and financing activities.

The movement of debt from financing activities is below:

	<u>2023.1.1</u>	<u>Cash flow</u>	<u>Non-cash movement</u>		<u>December 31, 2023</u>
			<u>Foreign exchange movement</u>	<u>Others</u>	
Long-term borrowings	\$ 160,434	(7,235)	-	-	153,199
Short-term borrowings	76,953	34,032	-	-	110,985
Bonds payable	300,000	-	-	-	300,000
Guarantee deposits received	<u>819</u>	<u>6</u>	-	-	<u>825</u>
Total liability from financing activities	<u>\$ 538,206</u>	<u>26,803</u>	<u>-</u>	<u>-</u>	<u>565,009</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

	2022.1.1	Cash flow	Non-cash movement		December 31, 2022
			Foreign exchange movement	Others	
Long-term borrowings	\$ 142,165	18,269	-	-	160,434
Short-term borrowings	120,754	(43,801)	-	-	76,953
Bonds payable	300,000	-	-	-	300,000
Guarantee deposits received	807	12	-	-	819
Total liability from financing activities	<u>\$ 563,726</u>	<u>(25,520)</u>	<u>-</u>	<u>-</u>	<u>538,206</u>

(7) Related-party transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Para Light Investments Limited (PARA Light Investments)	Subsidiary
Para Light Corp. (PARA USA)	Subsidiary
MYANMAR PARA LIGHT LED & LIGHTING ACCESSORY COMPANY LIMITED(PARA MYANMAR)	Subsidiary
Para Light India Private Limited (PARA INDIA)	Subsidiary
RUI JI INVESTMENT CO., LTD. (RUI JI INVESTMENT)	Subsidiary
PARA LIGHT NANJING ELECONTRIC CO., LTD. (PARA LIGHT NANJING)	Subsidiary
PARA LIGHT LianYunGang ELECTRONICS CO., LTD. (PARA LIGHT LianYunGang ELECTRONICS)	Subsidiary
PARA LIGHT LianYunGang Investment CO., LTD. (PARA LIGHT LianYunGang Investment)	Subsidiary
Nanjing Hongding New Lighting Source Sales Limited Company (Hongding New Lighting Source)	Subsidiary
MING DING LianYunGang Real Estate Development Co., Ltd.	Subsidiary
YUN DING NanJing Real Estate Development Co., Ltd. (YUN DING NanJing Real Estate Development)	Associate
PARA LIGHT LianYunGang Real Estate Development Co., Ltd.	Subsidiary
LianYunGang DING MAO Electronics Technology Development Co., Ltd.	Subsidiary
EBN Technology Corp. (EBN Technology)	Associate

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(c) Significant transactions with related parties

(i) Commissioned processing

The Company sells raw materials to its affiliates in mainland China for processing and production, and some of its finished products are purchased directly by the Company through transshipment in third places or sold to the Company's customers in a triangular trade manner. According to the provisions, with Letter No. 00747 of the Original Securities Meeting (87) Taiwan Financial Securities (6), the Company has applied the accounting treatment on material processing by writing off the sales income and cost in the same amount according to the proportion of resale, resulting in the amount of \$10,242 thousand and \$9,122 thousand to be disregarded as sales, hence, were written off in the parent-company-only financial report. Furthermore, the raw materials that have not yet been sold back by the Company amounted to \$3,481 thousand and \$3,061 thousand as of December 31, 2023 and 2022, respectively, resulting in the accounts receivable to be transferred to inventory after deducting the Company's markup, wherein the insufficient part of the transfer had been included as accounts payable.

The dematerialization processing fees paid by the Company's affiliates in mainland China in 2023 and 2022 did not include the Company's supply costs of \$132,231 thousand and \$165,347 thousand, respectively.

(ii) Operating income

The amounts of significant sales by the Company to related parties are as follows:

Items	Name of related party	2023	2022
	subsidiaries:		
Operating income	PARA HK	\$ 965	2,486
	PARA USA	41,744	60,525
	PARA LIGHT LianYunGang ELECTRONICS	<u>22,807</u>	<u>18,766</u>
		<u>\$ 65,516</u>	<u>81,777</u>

The Company's sales price for the above related parties, which is based on the general market price, with the payment term 105 to 150 days, is not significantly different from those of other customers. Moreover, the payment term for the Company's sales to PARA HK and PARA USA is 120 to 180 days after monthly statement, which is subject to adjustment according to their funding needs. Furthermore, the sales to PARA LIGHT NANJING and PARA LIGHT LianYunGang ELECTRONICS are based on their working capital requirements. Receivables that exceed three months of the general sales credit facility shall be reclassified to other receivables and listed under other financial assets.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(iii) Receivables from related parties

The details of the Company's receivables from related parties are as follows:

<u>Items</u>	<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	subsidiaries:		
Accounts receivable	PARA HK	\$ 119	406
	PARA USA	<u>12,666</u>	<u>15,028</u>
		<u>\$ 12,785</u>	<u>15,434</u>

<u>Items</u>	<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	subsidiaries:		
Other current financial assets	PARA LIGHT NANJING	<u>\$ -</u>	<u>309</u>

<u>Items</u>	<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	subsidiaries:		
Other non-current financial assets	PARA LIGHT NANJING	<u>\$ 35,356</u>	<u>50,448</u>

(iv) Processing overheads

	<u>2023</u>	<u>2022</u>
Subsidiaries:		
PARA MYANMAR	<u>\$ 5,621</u>	<u>1,539</u>

(v) Payables from related parties

The details of the accounts payable to related parties arising from the purchase and outsourcing of processing by the Company are as follows:

<u>Items</u>	<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	subsidiaries:		
Accounts payable	PARA LIGHT LianYunGang ELECTRONICS	\$ 120,791	92,341
	PARA MYANMAR	<u>96</u>	<u>115</u>
		<u>\$ 120,887</u>	<u>92,456</u>

<u>Items</u>	<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	subsidiaries:		
Other current liabilities	PARA INDIA	<u>\$ -</u>	<u>141</u>

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(vi) Rent revenue

	2023	2022
Subsidiaries:		
RUI JI INVESTMENT CO., LTD	\$ <u>23</u>	<u>23</u>
	<u>\$ 23</u>	<u>23</u>

(d) Key management personnel compensation

Key management personnel compensation comprised:

	2023	2022
Short-term employee benefits	\$ 8,137	8,945
Post-employment benefits	<u>183</u>	<u>211</u>
	<u>\$ 8,320</u>	<u>9,156</u>

Please refer to note 6(n) for further explanations related to share-based payment transactions.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Right-of-use assets (land use right)	Bank loans and corporate bonds	\$ 116,395	110,887
Land (including investment property)	Bank loans and corporate bonds	82,299	86,743
Cash, demand deposits, and certificates of deposits (included within other current and non-current financial assets)	Bank loans and corporate bonds	<u>110,689</u>	<u>100,822</u>
		<u>\$ 309,383</u>	<u>298,452</u>

(9) Significant Commitments and contingencies:

As of December 31, 2023 and 2022, the unused letters of credit issued by the Company to purchase raw materials amounted to \$835 thousand and \$513 thousand respectively.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	39,400	39,400	-	43,518	43,518
Labor and health insurance		-	3,831	3,831	-	3,944	3,944
Pension		-	2,173	2,173	-	2,152	2,152
Remuneration of directors		-	265	265	-	64	64
Others		-	1,750	1,750	-	984	984
Depreciation		-	4,640	4,640	-	4,983	4,983
Amortization		-	-	-	-	-	-

For the years ended December 31, 2023 and 2022, the total numbers of employees and employee benefits were as follows:

	2023	2022
Number of employees	<u>46</u>	<u>52</u>
Number of directors who were not employees	<u>4</u>	<u>4</u>
The average employee benefit	<u>\$ 1,123</u>	<u>1,054</u>
The average salaries and wages	<u>\$ 938</u>	<u>907</u>
The adjustment rate of average employee salaries	<u>3.42 %</u>	<u>(17.77)%</u>
The compensation to supervisor	<u>\$ -</u>	<u>-</u>

The Company's compensation policies (including directors, managers and employees) are as below:

(i) Directors and managers

The Company has set up a Remuneration Committee to regularly review the remuneration policies and systems of the Company's directors and managers in accordance with the "Measures for the Administration of Remuneration of Directors and Managers", and make recommendations to the Board of Directors.

(ii) Employees

Through the establishment of an objective salary system, the Company attracts outstanding talents externally, has fairness and growth internally, and pays based on objective conditions such as academic qualifications, positions and grades. At the same time, according to the annual business plan, work with employees to formulate annual performance goals, and adjust year-end bonuses and annual salary adjustments according to the results of performance appraisal.

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of funding financing
													Item	Value		
0	The Company	PARA LIGHT NANJING	Other Receivables	Yes	50,320	35,356	35,356	0	1	35,356	None	-	None	-	110,924	221,848
1	PARA LIGHT NANJING	MING DING LianYunGang Real Estate Development	Other Receivables	Yes	2,652	2,581	2,581	5	2	-	Working Capital Requirement	-	None	-	60,235	120,470
1	PARA LIGHT NANJING	YUN DING NanJing Real Estate Development Co.,Ltd	Other Receivables	Yes	3,536	3,442	3,442	1.2	2	-	Working Capital Requirement	-	None	-	60,235	120,470
2	PARA LIGHT LianYunGang ELECTRONICS	Para Light (QINGDAO)	Other Receivables	Yes	1,768	-	-	5	2	-	Working Capital Requirement	-	None	-	52,564	105,128
2	PARA LIGHT LianYunGang ELECTRONICS	MING DING LianYunGang Real Estate Development	Other Receivables	Yes	22,100	21,510	21,510	5	2	-	Working Capital Requirement	-	None	-	52,564	105,128
3	PARA LIGHT LianYunGang ELECTRONICS	MING DING LianYunGang Real Estate Development	Other Receivables	Yes	8,840	8,604	8,604	5	2	-	Working Capital Requirement	-	None	-	20,492	40,984

Note 1: 1. Transaction counterparty.

2: Entity with short-term financing needs

Note 2: Maximum limit of loans made by the Company, PARA LIGHT NANJING, PARA LIGHT LianYunGang ELECTRONICS and PARA Lian Yun Gang Investment to transaction counterparties, shall not exceed 10% of their respective net values.

Note 3: The maximum limit of loans made by the Company, PARA LIGHT NANJING and PARA LIGHT LianYunGang ELECTRONICS to other parties, shall not exceed 20% of their respective net values.

Note 4: The Company's loans to PARA LIGHT NANJING, arising from overdue receivables from sales, amounted to US \$1,722 thousand for the year, and the closing balance was US \$1,229 thousand; related transactions have been written-off. Please refer to note 13(a) for details.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	PARA LIGHT LianYunGang ELECTRONICS	3	221,848	77,700	73,572	-	-	6.63 %	554,619	Y	N	Y

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
1	PARA LIGHT NANJING	PARA LIGHT LianYunGang ELECTRONICS	3	120,470	22,100	21,510	10,755	-	3.57 %	301,175	N	N	Y
2	PARA LIGHT LianYunGang ELECTRONICS	PARA LIGHT NANJING	3	105,570	30,940	30,114	30,114	-	5.73 %	262,822	N	N	Y

Note 1: The Company's sub-subsidiary.

Note 2: The maximum limit of endorsements/guarantees provided for subsidiaries wherein the Company held more than 90% equity interests is 20% of the Company's net value. The maximum limit of endorsements/guarantees provided by PARA LIGHT NANJING and PARA LIGHT LianYunGang ELECTRONICS for direct or indirect wholly-owned 100% subsidiaries is 20% of their respective net values.

Note 3: The maximum limit of loans, made by the Company, PARA LIGHT NANJING or PARA LIGHT LianYunGang ELECTRONICS to external parties, is 50% of their respective net values.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	YULON MOTOR CO.,LTD	N/A	Current financial assets at FVOCI	170	12,716	-	12,716	
The Company	The ECO ELECTRIC & MACHINERY CO.,LTD	N/A	Current financial assets at FVOCI	30	1,404	-	1,404	
The Company	Gigastorage Corporation	N/A	Current financial assets at FVOCI	50	823	-	823	
The Company	Lucky Future Co.,Ltd	N/A	Non-current financial assets at FVOCI	115	-	2.67 %	-	

- (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:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
the Company	PARA LIGHT LianYunGang ELECTRONICS	Sub-subsidiary	Purchases	127,392 (Note1)	64 %	Payment based on working capital requirements	-		(120,791) (Note2)	87.89%	

Note 1: Processing fees were paid with materials provided for the purchases.

Note 2: The receivables (payables) due from (to) sub-subsidiaries are presented in net amounts, taking into account accounting treatment for processing with materials provided to suppliers.

- (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:None

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			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	Para Light Investments	Samoa	Holding company	672,775	672,775	-	100.00 %	918,617	(5,850)	(6,391)	subsidiary
The Company	PARA HK	Hong Kong	Selling LEDs and other electronic products	6,305	6,305	1,500	100.00 %	52,954	1,928	1,928	subsidiary
The Company	Para USA	America	Selling LEDs and other electronic products	44,502	44,502	-	100.00 %	42,667	1,609	1,609	subsidiary
The Company	RUI JI INVESTMENT	Taiwan	General investment	25,000	25,000	2,500	100.00 %	14,461	(1,029)	(1,029)	subsidiary
The Company	EBN Technology	Taiwan	Manufacturing and selling electronic components	69,110	69,110	6,170	18.42 %	27,627	(105,348)	(19,405)	associate
The Company	PARA MYANMAR	Myanmar	Selling LEDs and other electronic products	234,558	189,347	-	100.00 %	170,725	(17,523)	(17,523)	subsidiary
The Company	PARA INDIA	India	Selling LEDs and other electronic products	10,821	10,821	-	100.00 %	3,815	(2,609)	(2,609)	subsidiary
Para Light Investments	PARA LIGHT NANJING	Mainland China	Manufacturing and selling LEDs and other electronic products	276,014	276,014	-	100.00 %	620,344	(15,278)	(15,278)	sub-subsiary
Para Light Investments	PARA LIGHT LianYunGang ELECTRONICS	Mainland China	Manufacturing and selling LEDs and other electronic products	326,336	326,336	-	59.94 %	315,068	16,208	9,715	sub-subsiary
PARA HK	PARA LIGHT LianYunGang ELECTRONICS	Mainland China	Manufacturing and selling LEDs and other electronic products	30,665	30,665	-	5.83 %	30,646	16,208	945	sub-subsiary
PARA LIGHT NANJING	PARA LIGHT LianYunGang ELECTRONICS	Mainland China	Manufacturing and selling LEDs and other electronic products	184,115	184,115	-	34.23 %	179,928	16,208	5,548	sub-subsiary
PARA LIGHT NANJING	PARA LIGHT LianYunGang Investment	Mainland China	Investment in general enterprises as well as property development and investment	233,717	233,717	-	94.92 %	194,512	(16,008)	(15,195)	sub-subsiary
PARA LIGHT NANJING	Nanjing Hongding New Lighting Source Sales Limited Company	Mainland China	Selling LEDs and other electronic products	1,201	1,201	-	50.00 %	(1,916)	(7)	(3)	sub-subsiary
PARA LIGHT NANJING	YUN DING NanJing Real Estate Development	Mainland China	Investment in general enterprises as well as property development and investment	237,419	237,419	-	40.00 %	169,879	1	-	associate
PARA LIGHT LianYunGang ELECTRONICS	PARA LIGHT LianYunGang Investment	Mainland China	Investment in general enterprises as well as property development and investment	65,010	65,010	-	5.08 %	10,410	(16,008)	(813)	sub-subsiary
PARA LIGHT LianYunGang Investment Co., Ltd	PARA LIGHT LianYunGang Real Estate Development Co., Ltd.	Mainland China	Property development and investment	189,958	189,958	-	100.00 %	124,939	(15,862)	(15,862)	sub-subsiary
PARA LIGHT LianYunGang Investment Co., Ltd	LianYunGang DING MAO	Mainland China	Developing electronic and agricultural technology	5,047	5,047	-	100.00 %	(4,608)	(3,349)	(3,349)	sub-subsiary
PARA LIGHT LianYunGang Investment Co., Ltd	MING DING LianYunGang Real Estate Development	Mainland China	Investment in general enterprises as well as property development and investment	185,131	185,131	-	60.00 %	167,327	7,314	4,388	sub-subsiary

Note1: Recognized according to investee's financial statements audited by certified public accountants.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

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, 2022	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						
PARA LIGHT NANJING	Manufacture of electronic components	276,014	(2)	276,014	-	-	276,014	(15,278)	100.00%	(15,278)	620,344	-
PARA LIGHT LianYunGang ELECTRONICS	Manufacture of electronic components	445,630	(2)	326,336	-	-	326,336	16,208	100.00%	16,208	525,642	-

(Continued)

PARA LIGHT ELECTRONICS CO., LTD.
Notes to the Financial Statements

Note 1: Investments are divided into the following 4 types:

- (a) Investment in Mainland China by remitting through a 3rd region.
- (b) Indirect investment in Mainland China through an entity established in a 3rd region.
- (c) Indirect investment in Mainland China by investing in an existing entity in a 3rd region.
- (d) Direct investees in Mainland China.

Note 2: it is recognized based on the financial report of the invested company audited by the accountant; the end of period book value is calculated by the comprehensive shareholding ratio of the Company.

(ii) 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
602,350	695,765 (Note)	665,543

Note : Including capital increase \$92,223 thousand (USD2,760 thousand) out of retained earnings.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Mr. David Ma		6,920,593	5.93 %

Note (i): The table above shows major shareholders owning more than 5% shares in the Company, with delivered uncertificated/scripless ordinary shares and preference shares combined (including treasury shares) according to calculation made by Taiwan Depository & Clearing Corporation (TDCC) on each quarter's last business date. As a result of different calculation basis, there may be inconsistency between share capital stated in the financial statements and the scripless shares that have actually been delivered.

Note (ii): If the above-mentioned shares have been entrusted, the numbers of shares are disclosed separately according to the sub-accounts opened by the trustees for the trustors. In accordance with the Securities and Exchange Act, significant shareholders reported insider holdings of more than 10% in the Company's total shares, including individual holdings plus entrusted shares whose use was at discretion of the owners. For information on the reported insider holdings, please refer to the website of Public Information Observatory.

(14) Segment information:

Please refer to the Consolidated report of 2023.

PARA LIGHT ELECTRONICS CO., LTD.

Statement of cash and cash equivalents

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash and petty cash		\$ 131
Checking and demand deposits :		
Check deposit		3,127
Demand deposit		35,435
Foreign currency deposits	USD2,111 thousand, exchange rate 30.655	\$ 64,696
	HKD6 thousand, exchange rate 3.899	25
	EUR73 thousand, exchange rate 33.78	2,467
	JPY4 thousand, exchange rate 0.2152	1
	CNY42 thousand, exchange rate 4.3126	<u>182</u>
Time deposits	USD1,212 thousand, exchange rate 30.655	37,133
	Maturity within one month interest rate is 3.80%	
		<u>\$ 143,197</u>

PARA LIGHT ELECTRONICS CO., LTD.

**Statement of financial assets measured at fair value
through other comprehensive income - current**

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Description</u>	<u>Shares or units (thousand)</u>	<u>Acquisition cost</u>	<u>Fair value</u>		<u>notes</u>
				<u>Unit price</u>	<u>Total amount</u>	
YULON MOTOR CO., LTD.	Listing stocks	170	13,977	74.80	12,716	-
TECO ELECTRIC & MACHINERY CO., LTD.	"	30	1,556	46.80	1,404	-
Gigastorage Corporation	"	50	<u>1,579</u>	16.45	<u>823</u>	-
Total			<u>\$ 17,112</u>		<u>14,943</u>	

PARA LIGHT ELECTRONICS CO., LTD.

Statement of notes receivable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Handy Get Opto-electronics Co., Ltd.	Operating income	\$ 880
BAI YU ELECTRONICS CO., LTD.	"	582
NELONG ENTERPRISE CORPORATION LTD.	"	291
Others(note)	"	<u>378</u>
		<u><u>\$ 2,131</u></u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.

Statement of Accounts receivables

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>
HSIN-BAO CORPORATION	Operating income	\$ 12,597
Flextronics Manufacturing(Singapore) PTE LTD.	"	5,291
DIGITALKING BLUE CO., LTD.	"	3,742
YOUING CO.,LTD	"	2,258
Others(note)	"	<u>19,403</u>
Subtotal		43,291
Less: Allowance for impairment		<u>(5,615)</u>
		<u>\$ 37,676</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.

Statement of inventories

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>		<u>Notes</u>
	<u>Cost</u>	<u>Market price</u>	
Finished goods	\$ 27,838	31,471	Basic of inventories net realizable value
Less: provision for obsolescence and devaluation	<u>(6,162)</u>	<u>-</u>	
Subtotal	<u>21,676</u>	<u>31,471</u>	
Raw material and supplies	14,252	11,955	"
Less: provision for obsolescence and devaluation	<u>(5,870)</u>	<u>-</u>	
Subtotal	<u>8,382</u>	<u>11,955</u>	
Total	<u>\$ 30,058</u>	<u>43,426</u>	

PARA LIGHT ELECTRONICS CO., LTD.**Statement of other current financial assets****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(a).

Statement of other current assets

<u>Items</u>	<u>Amount</u>
Prepayment	\$ 2,156
Others (Note)	<u>518</u>
Total	<u>\$ 2,674</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance		Addition		Decrease		Others (Note 1)		Ending Balance		Net assets value(note(2))	Collateral	
	Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Amount	Shares (thousand)	Amount (note(1))	Shares (thousand)	Percentage of owner ship			Amount
Para Light Investments Limited	-	\$ 936,529	-	-	-	-	-	(17,912)	-	100.00	918,617	930,226	None
Para Light Electronics HK Limited	1,500	51,810	-	-	-	-	-	1,144	1,500	100.00	52,954	52,954	"
Para Light Corp.	-	41,088	-	-	-	-	-	1,579	-	100.00	42,667	42,667	"
Rui ju Investment Co., Ltd	3,000	14,454	-	-	-	-	-	7	3,000	100.00	14,461	14,461	"
EBN TECHNOLOGY Corp	6,170	47,032	-	-	-	-	-	(19,405)	6,170	18.42	27,627	27,627	"
MYANMAR PARA LIGHT LED & LIGHTING ACCESSORY COMPANY LIMITED	-	143,709	-	45,211	-	-	-	(18,195)	-	100.00	170,725	170,725	"
Para Light India Private Limited	-	6,412	-	-	-	-	-	(2,597)	-	100.00	3,815	3,815	"
Total		\$ 1,241,034		45,211		-		(55,379)			1,230,866	1,242,475	

Note1 : Other transactions include NTD \$(43,420) thousand to recognize subsidiaries' loss under the equity method, NTD \$(14,614) thousand as a credit balance due to exchange differences on translation of financial statements of foreign operating agencies, \$(1,569) thousand of profits unrealized in downstream transactions, NTD \$289 thousand as equity instruments measured at fair value through other comprehensive income, \$(3,935) thousand unrealized loss measured at fair value through other comprehensive income.

Note2 : It is calculated based on the net equity value of the investee company's financial report.

PARA LIGHT ELECTRONICS CO., LTD.
**Statement of changes in property, plant and
equipment**
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(f).

Statement of changes in investment property

Please refer to note 6(g).

PARA LIGHT ELECTRONICS CO., LTD.
Statement of changes in intangible assets
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h) for details

Statement of deferred tax assets

Please refer to note 6(1) for details.

Statement of other non-current financial assets

Please refer to note 6(a) for details.

PARA LIGHT ELECTRONICS CO., LTD.

Statement of short-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Type</u>	<u>Creditors</u>	<u>Maturity</u>	<u>Range of interest rate</u>	<u>Loan commitments</u>	<u>Ending balance</u>	<u>Collateral</u>
Loans of credit	Financial Institutions	Due within one year	1.595%~2.203%	\$ 96,000	51,550	None
Letters of credit	"	"	2.250%	39,165	2,765	"
Loans secured by collateral	"	"	2.35%~2.550%	95,000	56,670	Time deposits 、 land 、 buildings
					<u>\$ 110,985</u>	

PARA LIGHT ELECTRONICS CO., LTD.

Statement of notes payable

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>
EPISTAR CORPORATION	Not related	\$ 563
HYPERLINK OPTOELECTRONICS CO.	"	533
TOYOBISHI CORPORATION	"	426
TEKCORE CO., LTD.	"	276
Others (Note)	"	<u>1,385</u>
Total		<u>\$ 3,183</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.**Statement of trade payables****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>
TYNTEK CORPORATION	Not related	\$ 5,589
PARA LIGHT Shenzhen Industrial Co., Ltd.	"	4,905
EPISTAR CORPORATION	"	991
NewSemi Technology Co., Ltd.	"	787
Others (Note)	"	<u>1,090</u>
Total		<u>\$ 13,362</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.**Statement of other current liabilities****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Salaries payable	\$ 4,418
Bonuses payable	2,880
Labor fee payable	2,199
Others (Note)	<u>9,583</u>
Total	<u>\$ 19,080</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.
Statement of bonds payable, current portion
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Name of bond</u>	<u>Client</u>	<u>Issue period</u>	<u>Date of payment</u>	<u>Interest rate</u>	<u>Amount</u>					<u>Repayment methods</u>	<u>Notes</u>
					<u>Total issuance amount</u>	<u>Used amount</u>	<u>Year-end balance</u>	<u>Unamortized premium (discount)</u>	<u>Unamortized issuance cost</u>		
1st secured ordinary corporate, in 2023.	Taiwan cooperative bank	2023.06.08~ 2026.06.08	From the date of issue, annual simple interest shall be charged according to the coupon rate	1.50 %	<u>\$ 300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	Principal shall be repaid in balloon payment 3 years after the date of issue.

PARA LIGHT ELECTRONICS CO., LTD.**Statement of long-term borrowings****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(i).

Statement of deferred tax liabilities

Please refer to note 6(l).

Statement of operating revenue

Item	Quantities(thousand)(note)	Amount
LED component	347,238	\$ 246,886
LED module	9	2,483
Less : Intercompany eliminations	-	<u>(10,242)</u>
Net sales revenue		<u><u>\$ 239,127</u></u>

Note : It refers to the quantity before eliminating using the dematerialization process accounting method according to the OEM rate.

PARA LIGHT ELECTRONICS CO., LTD.

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials and supplies, beginning of the year	\$ 13,865
Plus: Raw materials purchased	35,646
Less: Raw materials, end of the year	14,252
Raw materials sold	10,945
Raw materials used	24,314
Manufacturing costs	\$ 137,871
Cost of finished goods	162,185
Plus: Finished goods, beginning of the year	17,869
Purchases	11,483
Less: Finished goods, end of the year	27,838
Others	5
Production and sales cost	163,694
Cost of material sold	10,945
Allowance for obsolescence loss	3,666
Cost of goods sold	\$ 178,305

PARA LIGHT ELECTRONICS CO., LTD.

Statement of selling expenses

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Payroll expenses	\$ 13,986
Commission fee expenses	4,498
Import/export expenses	3,722
Insurance fee expenses	1,742
Others (Note)	8,007
Total	\$ 31,955

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.
Statement of administrative expenses
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payroll expenses	\$ 21,828
Labor fees	4,949
Freight	3,504
Amortization and Depreciation	3,108
Others (Note)	<u>24,392</u>
Total	<u>\$ 57,781</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

PARA LIGHT ELECTRONICS CO., LTD.**Statement of finance costs****For the year ended December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(q).

Non-operating income and expenses

Please refer to note 6(q).