

**DARWIN PRECISIONS CORPORATION
AND SUBSIDIARIES**

**Consolidated Financial Statements
and Independent Auditors' Report**

For the Years Ended December 31, 2023 and 2022

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

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Representation Letter

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

Company name: Darwin Precisions Corporation

Chairman: Kuo-Hsin Tsai

Date: January 29, 2024

Independent Auditors' Report

To the Board of Directors of Darwin Precisions Corporation:

Opinion

We have audited the consolidated financial statements of Darwin Precisions Corporation (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(15) and Note 6(17) of the consolidated financial statements for accounting policies on revenue recognition and revenue recognition, respectively.

Description of key audit matter:

Revenue is recognized when the control over a product has been transferred to the customer as specified in each individual contract with customers. The Group recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Therefore, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include ensuring the transaction conditions and revenue of the sale contracts have been properly recorded; random sampling of sales transactions within a certain period before and after the financial reporting date; verifying invoices and forms to confirm that revenue recognition has been recorded in an appropriate period.

2. Impairment of long-term non-financial assets (excluding goodwill)

Refer to Note 4(13) “Impairment of nonfinancial assets”, Note 5 “Critical accounting judgments and key sources of estimation and assumption uncertainty”, and Note 6(7) “Impairment-non-financial assets of estimation” of the consolidated financial statements.

Description of key audit matter:

The Group operates in an industry with high investment costs, and may experience volatility in response to changes in the external market; hence, it is important to assess the impairment of its long-term non-financial assets. The impairment assessment includes identifying cash-generating units, determining a valuation model, determining those significant assumptions, and computing the recoverable amounts. With the complexity of the impairment assessment process and the involvement of significant management judgment regarding the assumptions used, impairment assessment one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding and testing the Group’s controls surrounding the impairment assessment and testing process; assessing whether there are impairment indications for the identified cash-generating units of the Group and its related assets; understanding and assessing the appropriateness of the valuation model used by the management in the impairment assessment and the significant assumptions used to determine related assets’ future cash flows projection, useful lives, and weighted-average cost of capital; retrospectively reviewing the accuracy of assumptions used in prior-period estimates and performing a sensitivity analysis of key assumptions and results; We also performed an inquiry of the management and identified any event after the balance sheet date to determine whether it is able to affect the results of the impairment assessment.

Other Matter

The Company has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Kuo, Shyh-Huar and Chen, Yen-Hui.

KPMG

Taipei, Taiwan (Republic of China)
January 29, 2024

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(17) and 7)	\$ 17,769,982	100	14,465,590	100
5000	Operating costs (notes 6(5), (13), (18) and 7)	<u>16,917,772</u>	<u>95</u>	<u>14,493,310</u>	<u>100</u>
	Gross profit (loss) from operations	<u>852,210</u>	<u>5</u>	<u>(27,720)</u>	<u>-</u>
6000	Operating expenses (notes 6(3), (13), (18) and 7):				
6100	Selling expenses	178,879	1	185,374	1
6200	Administrative expenses	599,406	3	580,586	4
6300	Research and development expenses	<u>351,346</u>	<u>2</u>	<u>355,674</u>	<u>2</u>
		<u>1,129,631</u>	<u>6</u>	<u>1,121,634</u>	<u>7</u>
	Loss from Operations	<u>(277,421)</u>	<u>(1)</u>	<u>(1,149,354)</u>	<u>(7)</u>
7000	Non-operating income and expenses:				
7100	Interest income (note 6(19))	203,873	1	119,364	-
7010	Other income (note 6(19) and 7)	115,821	-	146,197	1
7020	Other gains and losses (note 6(7) 、(19))	(8,022)	-	1,330,751	9
7050	Finance costs (note 6(19))	(57,204)	-	(45,317)	-
7370	Share of profit (losses) of associates and joint ventures accounted for using the equity method, net (note 6(6))	<u>818</u>	<u>-</u>	<u>(12,533)</u>	<u>-</u>
		<u>255,286</u>	<u>1</u>	<u>1,538,462</u>	<u>10</u>
7900	(Loss) profit before income tax	(22,135)	-	389,108	3
7950	Less: Income tax (benefit) expenses (note 6(14))	<u>(136,794)</u>	<u>(1)</u>	<u>263,444</u>	<u>2</u>
8200	Profit for the period	<u>114,659</u>	<u>1</u>	<u>125,664</u>	<u>1</u>
	Other comprehensive income:				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income(note 6(2))	<u>13,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(165,691)	(1)	(13,910)	-
8399	Income tax related to items that may be reclassified subsequently (note 6(14))	<u>33,145</u>	<u>-</u>	<u>2,782</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(132,546)</u>	<u>(1)</u>	<u>(11,128)</u>	<u>-</u>
8300	Other comprehensive income (loss), net of tax	<u>(118,716)</u>	<u>(1)</u>	<u>(11,128)</u>	<u>-</u>
8500	Total comprehensive income (loss) for the year	<u>\$ (4,057)</u>	<u>-</u>	<u>114,536</u>	<u>1</u>
	Earnings per share (NT dollars) (note 6(16))				
9750	Basic earnings per share	<u>\$ 0.17</u>		<u>0.19</u>	
9850	Diluted earnings per share	<u>\$ 0.17</u>		<u>0.19</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

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

	Equity attributable to owners of parent						Other components of equity			
	Share capital		Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2022	\$ 6,655,551	3,486,669	-	795,270	(649,231)	146,039	(1,072,501)	(2,500)	(1,075,001)	9,213,258
Appropriation and distribution of retained earnings:										
Capital surplus used to cover accumulated deficits	-	(649,231)	-	-	649,231	649,231	-	-	-	-
	-	(649,231)	-	-	649,231	649,231	-	-	-	-
Profit for the year	-	-	-	-	125,664	125,664	-	-	-	125,664
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(11,128)	-	(11,128)	(11,128)
Total comprehensive income (loss) for the year	-	-	-	-	125,664	125,664	(11,128)	-	(11,128)	114,536
Balance at December 31, 2022	\$ 6,655,551	2,837,438	-	795,270	125,664	920,934	(1,083,629)	(2,500)	(1,086,129)	9,327,794
Balance at January 1, 2023	\$ 6,655,551	2,837,438	-	795,270	125,664	920,934	(1,083,629)	(2,500)	(1,086,129)	9,327,794
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	12,566	-	(12,566)	-	-	-	-	-
Special reserve	-	-	-	11,128	(11,128)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	-	(101,970)	(101,970)	-	-	-	(101,970)
	-	-	12,566	11,128	(125,664)	(101,970)	-	-	-	(101,970)
Profit for the year	-	-	-	-	114,659	114,659	-	-	-	114,659
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(132,546)	13,830	(118,716)	(118,716)
Total comprehensive income (loss) for the year	-	-	-	-	114,659	114,659	(132,546)	13,830	(118,716)	(4,057)
Changes in equity of associates accounted for using equity method	-	4	-	-	-	-	-	-	-	4
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	11,330	11,330	-	(11,330)	(11,330)	-
Balance at December 31, 2023	\$ 6,655,551	2,837,442	12,566	806,398	125,989	944,953	(1,216,175)	-	(1,216,175)	9,221,771

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Loss (profit) before income tax	\$ (22,135)	389,108
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	925,915	965,055
Expected credit loss	4,507	-
Net loss on financial instruments at fair value through profit or loss	16,704	80,068
Interest expense	57,204	45,317
Interest income	(203,873)	(119,364)
Dividend income	(178)	(1,939)
Share of (gain) loss of associates and joint ventures accounted for using equity method	(818)	12,533
Gain on disposal of investment	(41,567)	(148,620)
Property, plant and equipment transferred to expense	343	-
Gains on disposal of property, plant and equipment, net	(8,964)	(1,036,920)
Total adjustments to reconcile profit	749,273	(203,870)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(18,816)	(76,223)
(Increase) decrease in accounts receivable	(1,302,590)	633,252
(Increase) decrease in accounts receivable from related parties	(315,871)	564,207
Increase in other receivables	(1,043)	(4,883)
Decrease in other receivables from related parties	82	1,410
(Increase) decrease in inventories	(339,481)	698,366
Decrease in prepayments	6,012	-
(Increase) decrease in other current assets	(4,889)	71,944
Decrease (increase) in other noncurrent assets	2,138	(1,532)
Total changes in operating assets	(1,974,458)	1,886,541
Changes in operating liabilities:		
Increase (decrease) in accounts payable	1,436,356	(1,799,799)
Increase (decrease) in accounts payable to related parties	52,015	(118,398)
Increase (decrease) in other payables	77,542	(201,284)
Increase (decrease) in other payable to related parties	2,553	(4,683)
Decrease in provisions	(2,778)	(46,882)
(Decrease) increase in other current liabilities	(9,541)	178,623
Increase in other noncurrent liabilities	7,308	6,834
Total changes in operating liabilities	1,563,455	(1,985,589)
Total changes in operating assets and liabilities	(411,003)	(99,048)
Total adjustments	338,270	(302,918)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	<u>2023</u>	<u>2022</u>
Cash generated from operations	316,135	86,190
Interest received	196,904	93,113
Dividends received	178	1,939
Interest paid	(56,908)	(44,477)
Income taxes paid	(138,501)	(299,291)
Net cash provided by (used in) operating activities	<u>317,808</u>	<u>(162,526)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(532,470)	(402,664)
Proceeds from disposal of financial assets at amortized cost	767,634	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	53,762	-
Acquisition of investments accounted for using equity method	(36,720)	-
Return of capital of investments in equity-accounted investees	-	83,152
Acquisition of property, plant and equipment	(381,149)	(1,159,678)
Proceeds from disposal of property, plant and equipment	22,974	2,539,347
(Increase) decrease in refundable deposits	(304)	1,158
Decrease (increase) in other receivables	2,231,952	(2,231,952)
Decrease (increase) in other financial assets	234,905	(921,960)
Increase in prepayments for business facilities	(36,303)	(7,901)
Net cash provided by (used in) investing activities	<u>2,324,281</u>	<u>(2,100,498)</u>
Cash flows from (used in) financing activities:		
Proceeds from short-term borrowings	-	118,894
Repayments of short-term borrowings	-	(162,814)
Proceeds from long-term borrowings	3,001,000	4,613,616
Repayments of long-term borrowings	(4,156,191)	(4,255,116)
Decrease in guarantee deposits received	(923)	(19,936)
Cash dividends paid	(101,970)	-
Net cash (used in) provided by financing activities	<u>(1,258,084)</u>	<u>294,644</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(109,794)</u>	<u>67,974</u>
Net increase (decrease) in cash and cash equivalents	1,274,211	(1,900,406)
Cash and cash equivalents at beginning of year	<u>4,058,322</u>	<u>5,958,728</u>
Cash and cash equivalents at end of year	<u>\$ 5,332,533</u>	<u>4,058,322</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

1. Company history

Forhouse Corporation (“Forhouse”) was incorporated on October 13, 1989 approved by the Ministry of Economic Affairs. It mainly engaged in designing, manufacturing, assembling, processing and trading of backlight modules, computer peripherals, and communication equipments.

BriView Corp. (“BriView”) was approved to establish on September 8, 2008. It mainly engaged in designing, manufacturing and sales of LCD modules, backlight modules, LCD TVs and related components.

In order to integrate the overall resources and expand the scale of business and enhance operational performance and competitiveness, Forhouse merged with BriView on October 1, 2014 in accordance with the “Business Mergers and Acquisitions Act”. After merger, Forhouse was legally the surviving company and BriView was the dissolved company. Forhouse was then changed to Darwin Precisions Corp. (“the Company”) with the approval of the Ministry of Economic Affairs. The Company’s registered address is No.20-1, Guangfu North Rd., Hukou Township, Hsinchu County, Taiwan (R.O.C).

The Company and its subsidiaries (“the Group”) mainly engaged in designing, manufacturing and sales of LCD modules, backlight modules, LCD TVs and related components.

2. Approval date and procedure of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on January 29, 2024.

3. New standards, amendments and interpretations adopted:

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

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

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

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

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

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

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

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

4. Summary of material accounting policies:

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

(1) Statement of compliance

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

(2) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

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

(3) **Basis of consolidation**

(i) Principles of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the equity.

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

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

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2023	December 31, 2022
The Company	Darwin Precisions (L) Corp. (DPLB)	Holding company	100 %	100 %
"	Forhouse International Holding Ltd. (FHVI)	"	100 %	100 %
"	Forefront Corporation (FFMI)	"	100 %	100 %
DPLB	Darwin Precisions (Hong Kong) Limited (DPHK)	"	100 %	100 %
DPHK	Darwin Precisions (Suzhou) Corp. (DPSZ)	Manufacturing and sales of backlight modules and related parts	-	100 %
"	Darwin Precisions (Xiamen) Corp. (DPXM)	Manufacturing and sales of liquid crystal products、backlight modules and related parts	100 %	100 %
FHVI	Fortech International Corp.(FTMI)	Holding company	100 %	100 %
"	Forward Optronics International Corporation (FWSA)	"	100 %	100 %
FFMI	Forhouse Electronics (Suzhou) Co., Ltd. (FHWJ)	Manufacturing and sales of backlight modules and related parts	100 %	100 %

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Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2023	December 31, 2022
FTMI	Fortech Electronics (Suzhou) Co., Ltd. (FTWJ)	"	100 %	100 %
FTMI and FWSA	Suzhou Forplax Optronics Co., Ltd. (FPWJ)	Manufacturing, sales and trading of precision plastic parts	100 %	100 %

Note : The registration and legal process of DPSZ's liquidation had been completed on December 25, 2023, respectively, based on the resolution approved during the shareholders' meeting of DPSZ on September 27, 2022.

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

(4) Foreign currencies

(i) Foreign currency transactions

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

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary 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, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

(5) 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.

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

(6) Cash and cash equivalents

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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(7) Financial instruments

Accounts receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an 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. An 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) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group 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.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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 asset 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 360 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.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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5) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) 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.

4) Derecognition of financial liabilities

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

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(8) 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(9) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

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

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

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The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(10) Joint venture

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint ventures) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Group qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Group considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

(11) 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.

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings 3~50 years
- 2) Machinery and equipment 1~10 years
- 3) Other equipment 1~20 years
- 4) The major components of houses, buildings, machinery and equipment, and their useful lives are as follows :

<u>Compose item</u>	<u>Useful Lives</u>	<u>Compose item</u>	<u>Useful Lives</u>
Buildings:		Machinery and equipment:	
Main building	20~50 years	Injection machine and polishing machine	1~10 years
Piping and fire engineering	5~21 years	Dehumidification drying and feeding system	2~10 years
Plant construction project	10~20 years	Light guide plate polishing machine	2~10 years
Compartment engineering	5 years	Other	1~10 years
Other	3 years		

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

(12) Leases

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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(i) As a lessee

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

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

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

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) 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:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) 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
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modification.

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

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

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

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

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(ii) As a lessor

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

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

(13) Impairment of nonfinancial assets

At each reporting date, the Group 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 cash-generating units (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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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(15) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

The Group manufactures and sells backlight modules and LCD optoelectronic products and related components. The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund for backlight module and LCD optoelectronic products under the standard warranty terms is recognized as a provision for warranty; please refer to note 6(12).

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

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2) Financing components

The Group 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

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 Group recognizes an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- b) 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
- c) the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfill 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 Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(16) Government grants

The Group recognizes an unconditional government grant related to an asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(17) Employee benefits

(i) Defined contribution plans

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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(ii) Short-term employee benefits

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

(18) Income taxes

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

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

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

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

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

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

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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- (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 intends 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.

(19) 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.

(20) Operating segments

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

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

In preparing these consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

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 :

Impairment of property, plant and equipment and right-of-use assets

In the process of evaluating the potential impairment of assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups with the consideration of the usage mode of asset and the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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6. Explanation of significant accounts:

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Demand deposits	\$ 1,657,376	1,425,790
Time deposits	<u>3,675,157</u>	<u>2,632,532</u>
	<u>\$ 5,332,533</u>	<u>4,058,322</u>

Please refer to note 6(21) for the credit risk exchange rate risk, interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(2) Financial assets

(i) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Mandatorily measured at fair value through profit or loss :		
Derivative instruments not used for hedging – Forward exchange contracts	\$ <u>11,864</u>	<u>9,752</u>

The Group uses derivative financial instruments to manage the exposure to foreign exchange risk arising from operating, financing and investing activities. The following derivative financial instruments, without the application of hedge accounting in the December 31, 2023 and 2022, were classified as financial assets at fair value through profit or loss:

Forward exchange contracts:

	<u>December 31, 2023</u>		
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Forward exchange sold	USD 34,000	USD to CNY	2024.1.12~2024.3.25
	<u>December 31, 2022</u>		
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Forward exchange sold	USD 22,000	USD to CNY	2023.1.13~2023.3.14

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

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Equity investments at fair value through other comprehensive income :		
Unlisted common shares		
Domestic Company	\$ 47,617	87,549
Foreign Company	<u>10,714</u>	<u>10,714</u>
	<u>\$ 58,331</u>	<u>98,263</u>

The purpose that the Group invests in the above-mentioned equity securities is for long-term strategies rather than trading purpose. Therefore, those equity securities are designated as financial assets at fair value through other comprehensive income.

In 2023, the Group recognized an unrealized gains from investment in equity instrument measured at fair value through other comprehensive income of \$13,830 thousand.

In May 2023, the Group sold its financial assets at fair value through other comprehensive income. The financial assets sold had a fair value of \$53,762 thousand and the Group realized a gain of \$11,330 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments in Year 2022.

For credit risk and market risk, please refer to note 6(21).

As of December 31, 2023 and 2022, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral.

(iii) Financial assets at amortized cost

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Current :		
Time deposits	\$ <u>562,333</u>	<u>-</u>
Noncurrent :		
Time deposits	\$ <u>356,567</u>	<u>1,142,218</u>

The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

For credit risk, please refer to note 6(21).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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As at December 31, 2023 and 2022, the financial assets measured at amortized costs of the Group had not been pledged as collateral.

(3) **Accounts receivables (Including related parties)**

	December 31, 2023	December 31, 2022
Accounts receivable—measured at amortized cost	\$ 4,048,466	2,430,005
Less: Loss allowance	(4,425)	-
	<u>\$ 4,044,041</u>	<u>2,430,005</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information.

As of December 31, 2023 and 2022, the Group fully recognized the allowance loss for its accounts receivable of \$4,425 thousand and \$0, respectively. The loss allowance provisions for non-related parties were determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,296,382	-	%
Past due less than 60 days	14,420	-	%
Past due 61~180 days	12,641	-	%
Past due over 181 days	-	-	%
Total	<u>\$ 2,323,443</u>		<u>-</u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 957,643	-	%
Past due less than 60 days	3,084	-	%
Past due 61~180 days	64,551	-	%
Past due over 181 days	-	-	%
Total	<u>\$ 1,025,278</u>		<u>-</u>

As of December 31, 2023 and 2022, the accounts receivable from related parties of the Group were mainly derived from the accounts of the parent company amounting to \$409,822 thousand and \$467,150 thousand, respectively, and other related parties of \$1,310,776 thousand and \$937,577 thousand, respectively, with overdue days of less than 30 days. Therefore, there were no loss allowance provisions during the duration of the accounts receivable from related parties.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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The movement in the allowance for accounts receivables were as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ -	-
Impairment losses recognized	4,507	-
Foreign exchange gains	(82)	-
Balance at December 31	<u>\$ 4,425</u>	<u>-</u>

As of December 31, 2023 and 2022, the accounts receivables of the Group had not been pledged as collateral.

The credit and exchange rate risks information of the accounts receivable, please refer to note 6(21).

(4) Other receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables—proceeds from disposal of property	\$ -	2,231,952
Other receivables—related parties	475	557
Others	29,290	43,585
	<u>\$ 29,765</u>	<u>2,276,094</u>

The amount on the disposal of property in Waipu Dist., Taichung City was recognized as “other receivables—proceeds from disposal of property”. The transaction price has been entrusted to the bank to handle the buying and selling trust of the property, plant and equipment. The disposal of property are described in note 6(7). The amount on the disposal of property mentioned above had been fully received by the trust account as of January 3, 2023.

For further credit risk information, please refers to note 6(21).

(5) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 473,592	487,751
Semi-finished goods	80,342	97,096
Work in progress	100,175	77,613
Finished goods	609,267	230,629
Goods	31,604	45,371
Inventory in transit	23,823	45,721
	<u>\$ 1,318,803</u>	<u>984,181</u>

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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Inventory related losses and profits were as follows:

	<u>2023</u>	<u>2022</u>
(Gain) loss on valuation and scrap of inventories	\$ (15,094)	18,963
Unallocated fixed manufacturing expenses	211,466	266,498
Disposal gain on scraps	<u>(68,280)</u>	<u>(82,390)</u>
Operating costs	<u>\$ 128,092</u>	<u>203,071</u>

As of December 31, 2023 and 2022, the inventories of the Group had not been pledged as collateral.

(6) Investments accounted for using equity method

The Group'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>
Associates	<u>\$ 49,138</u>	<u>257,410</u>

(i) Associates

Associates which are material to the Group consisted of the followings:

<u>Name of Associates</u>	<u>Nature of Relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
BriView(L) Corp. (BVLB)	Holding company	Malaysia	-%	29.71%

The following consolidated financial information of significant associates has been adjusted according to individually prepared IFRSs financial statements of these associates:

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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BVLB Company:

	December 31, 2023	December 31, 2022
Current assets	\$ -	827,765
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	<u>\$ -</u>	<u>827,765</u>
Net assets attributable to non-controlling interests	<u>\$ -</u>	<u>245,929</u>
Net assets attributable to investee company	<u>\$ -</u>	<u>581,836</u>
	2023	2022
Operating revenue	<u>\$ -</u>	<u>(81,040)</u>
Loss from continuing operations	\$ -	(81,218)
Other comprehensive income	41,749	74,417
Total comprehensive income (loss)	<u>\$ 41,749</u>	<u>(6,801)</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 12,404</u>	<u>(2,020)</u>
Comprehensive income attributable to investee company	<u>\$ 29,345</u>	<u>(4,781)</u>
	2023	2022
Share of net assets of associates as of January 1	\$ 245,929	247,949
Comprehensive income attributable to the Group	12,404	(2,020)
Share of net assets of associates as of December 31	258,333	245,929
Less: Elimination of unrealized profit on downstream sales	-	-
Less: Disposal of investments using the equity method	(258,333)	-
Carrying amount of associates' equity	<u>\$ -</u>	<u>245,929</u>

The registration and legal process of BVLB's liquidation had been completed on September 18, 2023, based on the resolution approved during the Board of Directors on October 12, 2022.

The Group's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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	December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	\$ 49,138	11,481

(ii) Joint ventures

Roehm Forhouse Optical Polymers Corp. (EFOP) is a company established under the joint venture agreement between the Company and other investor. EFOP is a non-public company and is one of the Group's strategic suppliers who mainly engages in the production of plastic pellet. The Group has the residual equity interest in net value of EFOP; hence, the Group use the equity method in measuring the fair value of EFOP.

The registration and legal process of EFOP's liquidation had been completed on January 25, 2022 and November 7, 2022, respectively, based on the resolution approved during the shareholders' meeting of EFOP on May 27, 2021.

(iii) Guarantee

As of December 31, 2023 and 2022, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(7) Property, plant and equipment

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

	Land	Buildings and Construction	Machinery and Equipment	Others	Construction in progress and testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2023	\$ 1,195,195	3,070,490	6,496,795	3,272,136	751,583	14,786,199
Additions	-	2,366	65,779	80,336	250,896	399,377
Disposal	-	(1,307)	(274,662)	(650,731)	-	(926,700)
Reclassification and effect of movements in exchange rates	-	(59,552)	752,708	18,741	(905,454)	(193,557)
Balance on December 31, 2023	\$ 1,195,195	3,011,997	7,040,620	2,720,482	97,025	14,065,319
Balance on January 1, 2022	\$ 2,191,245	3,436,722	7,005,085	3,268,212	126,453	16,027,717
Additions	-	3,149	102,170	155,899	870,133	1,131,351
Disposal	(996,050)	(425,603)	(918,826)	(205,281)	-	(2,545,760)
Reclassification and effect of movements in exchange rates	-	56,222	308,366	53,306	(245,003)	172,891
Balance on December 31, 2022	\$ 1,195,195	3,070,490	6,496,795	3,272,136	751,583	14,786,199

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings and Construction</u>	<u>Machinery and Equipment</u>	<u>Others</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Accumulated depreciation:						
Balance on January 1, 2023	\$ -	1,439,316	4,721,195	3,052,817	-	9,213,328
Depreciation	-	144,320	623,266	151,966	-	919,552
Disposal	-	(278)	(263,804)	(648,608)	-	(912,690)
Reclassification and effect of movements in exchange rates	-	(41,831)	(91,669)	(50,147)	-	(183,647)
Balance on December 31, 2023	<u>\$ -</u>	<u>1,541,527</u>	<u>4,988,988</u>	<u>2,506,028</u>	<u>-</u>	<u>9,036,543</u>
Balance on January 1, 2022	\$ -	1,339,980	4,808,183	3,030,617	-	9,178,780
Depreciation	-	162,764	608,722	187,188	-	958,674
Disposal	-	(86,633)	(753,922)	(202,778)	-	(1,043,333)
Reclassification and effect of movements in exchange rates	-	23,205	58,212	37,790	-	119,207
Balance on December 31, 2022	<u>\$ -</u>	<u>1,439,316</u>	<u>4,721,195</u>	<u>3,052,817</u>	<u>-</u>	<u>9,213,328</u>
Carrying amounts:						
Balance on December 31, 2023	<u>\$ 1,195,195</u>	<u>1,470,470</u>	<u>2,051,632</u>	<u>214,454</u>	<u>97,025</u>	<u>5,028,776</u>
Balance on January 1, 2022	<u>\$ 2,191,245</u>	<u>2,096,742</u>	<u>2,196,902</u>	<u>237,595</u>	<u>126,453</u>	<u>6,848,937</u>
Balance on December 31, 2022	<u>\$ 1,195,195</u>	<u>1,631,174</u>	<u>1,775,600</u>	<u>219,319</u>	<u>751,583</u>	<u>5,572,871</u>

(i) Guarantee

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.

(ii) Impairment loss

The Group performed impairment assessment on property, plant and equipment at its fair price on December 31, 2023 and 2022. After the assessment on December 31, 2023 and 2022, no impairment loss should be mentioned.

(iii) Plant and equipment under construction

The Group has started construction and costs incurred up to December 31, 2023 and 2022. Included in this amount are capitalized borrowing costs related to the acquisition of the land and the construction of the factory of \$184 thousand and \$138 thousand, calculated using a capitalization rate of 1.50% ~ 2.10% and 0.90% ~ 2.05%, respectively, please refer to note 6(19) for capitalization of interest.

(iv) Disposal

In order to optimize its assets and enhance the effectiveness of its working capital, the Company disposed its property and related facilities in Waipu Dist., Taichung City, at the amount of \$880,188 thousand, on December 28, 2022, based on the resolution approved during the board meeting on June 22, 2022.

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(8) **Right-of-use assets**

The Group leases land. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>
Cost:	
Balance at January 1, 2023	\$ 230,459
Effect of movement in exchange rate	<u>(2,116)</u>
Balance at December 31, 2023	<u>\$ 228,343</u>
Balance at January 1, 2022	\$ 229,089
Effect of movement in exchange rate	<u>1,370</u>
Balance at December 31, 2022	<u>\$ 230,459</u>
Accumulated depreciation and impairment losses:	
Balance at January 1, 2023	\$ 25,485
Depreciation for the year	6,363
Effect of movement in exchange rate	<u>(272)</u>
Balance at December 31, 2023	<u>\$ 31,576</u>
Balance at January 1, 2022	\$ 19,005
Depreciation for the year	6,381
Effect of movement in exchange rate	<u>99</u>
Balance at December 31, 2022	<u>\$ 25,485</u>
Carrying amounts :	
Balance at December 31, 2023	<u>\$ 196,767</u>
Balance at January 1, 2022	<u>\$ 210,084</u>
Balance at December 31, 2022	<u>\$ 204,974</u>

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

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(9) Other current assets

The other current assets of the Group were as follows:

	December 31, 2023	December 31, 2022
Overpaid sales tax	\$ 31,505	32,634
Tax prepayment	10,652	3,269
Temporary payments	27,365	21,348
Prepayments	8,837	14,849
Other	3,280	77
	<u>\$ 81,639</u>	<u>72,177</u>

(10) Other current liabilities

The other current liabilities of the Group were as follows:

	December 31, 2023	December 31, 2022
Other advance receipts—return of capital of BVLB	\$ -	255,702
Temporary receipts	20,919	16,613
Withholding	13,698	11,411
Other	35,583	42,208
	<u>\$ 70,200</u>	<u>325,934</u>

(11) Long-term borrowings

The details were as follows:

	December 31, 2023	
	Maturity year	Amount
Unsecured bank loans	2025.1~2026.12	\$ 1,558,080
Unsecured other loans	2024.9	20,843
Secured bank loans	2024.9~2032.4	658,525
Secured other loans	2026.3	691,155
		<u>2,928,603</u>
Less: current portion		<u>(907,211)</u>
Total		<u>\$ 2,021,392</u>
Unused long-term credit lines		<u>\$ 4,722,949</u>
Range of interest rates		<u>1.50%~4.00%</u>

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	December 31, 2022	
	Maturity year	Amount
Unsecured bank loans	2024.6~2026.12	\$ 2,446,000
Unsecured other loans	2024.9	21,333
Secured bank loans	2024.9~2032.4	699,344
Secured other loans	2026.3	921,960
		4,088,637
Less: current portion		(300,794)
Total		\$ 3,787,843
Unused long-term credit lines		\$ 3,939,475
Range of interest rates		1.375%~4.00%

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

(12) Provisions

	Warranties
Balance at January 1, 2023	\$ 63,626
Provisions made during the year	27,571
Provisions used during the year	(30,349)
Provisions reversed during the year	-
Effect of change in exchange rate	(546)
Balance at December 31, 2023	60,302
Less: Provisions – current	(45,092)
Provisions – non-current	\$ 15,210
Balance at January 1, 2022	\$ 110,219
Provisions made during the year	24,993
Provisions used during the year	(21,875)
Provisions reversed during the year	(50,000)
Effect of change in exchange rate	289
Balance at December 31, 2022	63,626
Less: Provisions – current	(58,938)
Provisions – non-current	\$ 4,688

The provision for warranties during the years ended December 31, 2023 and 2022 is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle most of the liability over the next two years.

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(13) Employee benefits

The Company set aside \$12 thousand and \$19 thousand, respectively, of the pension costs under the defined benefit plans for the years ended December 31, 2023 and 2022.

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 \$26,187 thousand and \$27,555 thousand for the years ended December 31, 2023 and 2022, respectively.

Except for the Company, foreign subsidiaries recognized pension expense of \$143,118 thousand and \$121,599 thousand for the years ended December 31, 2023 and 2022, respectively, for the defined contribution plans based on their respective local government regulations.

(14) Income taxes

(i) Income tax (benefit) expense

The Group of income tax (benefit) expense in the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense:		
Current period	\$ 120,127	44,707
Adjustment for prior periods	<u>17,877</u>	<u>144,594</u>
	<u>138,004</u>	<u>189,301</u>
Deferred tax (benefit) expense :		
Origination and reversal of temporary differences	<u>(274,798)</u>	<u>74,143</u>
Income tax (benefit) expense	<u>\$ (136,794)</u>	<u>263,444</u>

The amount of income tax benefit recognized in other comprehensive income for 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ (33,145)</u>	<u>(2,782)</u>

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

	<u>2023</u>	<u>2022</u>
(Loss) profit before income tax	\$ <u>(22,135)</u>	<u>389,108</u>
Income tax using the Company's domestic tax rate	\$ (4,427)	77,822
Effect of tax rates in foreign jurisdiction	205,105	(40,808)
Non-deductible expenses	(130,811)	(148,360)
Impact of loss deduction	28,296	220,710
Changes in unrecognized temporary differences	(252,490)	(8,450)
Changes in provision in prior periods	17,877	144,594
Others	<u>(344)</u>	<u>17,936</u>
Total	<u>\$ (136,794)</u>	<u>263,444</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	\$ 772	6,060
The carry forward of unused tax losses	571,694	966,101
Investment deduction	<u>12,201</u>	<u>10,001</u>
	<u>\$ 584,667</u>	<u>982,162</u>

Tax loss carry forwards is utilized in accordance with the relevant jurisdiction tax laws and regulation that allows net losses to offset taxable income. It was not recognized in deferred tax assets because the Group believed that it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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>Unused tax loss</u>	<u>Expiry date</u>
2019 (assessed)	\$ 74,238	2024~2029
2020 (assessed)	179,734	2025~2030
2021 (assessed)	124,120	2026~2031
2022 (estimated)	69,605	2027~2032
2023 (estimated)	<u>123,997</u>	2028~2033
	<u>\$ 571,694</u>	

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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2) Recognized deferred tax assets and liabilities

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

	<u>Loss of inventory valuation</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Depreciation amortization</u>	<u>Tax losses</u>	<u>Others</u>	<u>Total</u>
Deferred Tax Assets:						
Balance at January 1, 2023	\$ 42,839	86,163	-	-	9,371	138,373
Recognized in profit (loss)	15,493	-	190,847	32,364	45,787	284,491
Recognized in other comprehensive income (loss)	-	33,145	-	-	-	33,145
Balance at December 31, 2023	<u>\$ 58,332</u>	<u>119,308</u>	<u>190,847</u>	<u>32,364</u>	<u>55,158</u>	<u>456,009</u>
Balance at January 1, 2022	\$ 41,401	83,381	-	-	23,493	148,275
Recognized in profit (loss)	1,438	-	-	-	(14,122)	(12,684)
Recognized in other comprehensive income (loss)	-	2,782	-	-	-	2,782
Balance at December 31, 2022	<u>\$ 42,839</u>	<u>86,163</u>	<u>-</u>	<u>-</u>	<u>9,371</u>	<u>138,373</u>

	<u>Recognized foreign investment gains under equity method</u>	<u>Other</u>	<u>Total</u>
Deferred Tax Liabilities:			
Balance at January 1, 2023	\$ 891,973	3,347	895,320
Recognized in profit (loss)	10,074	(381)	9,693
Balance at December 31, 2023	<u>\$ 902,047</u>	<u>2,966</u>	<u>905,013</u>
Balance at January 1, 2022	\$ 830,628	3,233	833,861
Recognized in profit (loss)	61,345	114	61,459
Balance at December 31, 2022	<u>\$ 891,973</u>	<u>3,347</u>	<u>895,320</u>

(iii) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the tax authorities.

(15) **Capital and other equity**

As of December 31, 2023 and 2022, the Company's authorized common stock, with par value of \$10 per share, all amounted to \$8,500,000 thousand, and the outstanding ordinary shares both amounted to \$6,655,551 thousand.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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(i) Capital Surplus

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

	December 31, 2023	December 31, 2022
Capital premium (Including merger and premium)	\$ 1,772,216	1,772,216
Treasury shares transactions	177,139	177,139
Changes in equity of associates and joint ventures accounted for using the equity method	882,894	882,890
Employee share options	<u>5,193</u>	<u>5,193</u>
	<u>\$ 2,837,442</u>	<u>2,837,438</u>

According to the R.O.C. Company Act, capital surplus may be used to offset accumulated deficits first, and only the realized capital surplus can be distributed by issuing common stock as stock dividends or by cash according to the proportion of shareholders'. 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 paid-in capital.

(ii) Retained earnings

Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve unless and until the accumulated legal reserve reaches the paid in capital. Certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulations or as requested by the competent authority. If there is still remaining earning, it shall be combined with the accumulated undistributed earnings for the Board of Directors to prepare an earnings distribution proposal in order to execute the distribution thereof through resolution according to the laws. Dividend distribution in the form of shares in whole or in part shall be approved by the shareholders' meeting. Dividend distribution in the form of cash shall be approved by the Board of Directors and a report of such distribution shall be submitted to the shareholders' meeting.

The Company's dividend policy is to pay dividends from surplus considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions and capital budget requirements, and taking into account the shareholders' interest, maintenance of a balanced dividend and the Company's long term financial plan. The shareholders' dividend distribution ratio, in principle, could be zero percent to eighty percent of the distributable earnings. The ratio of the cash dividends paid shall not be less than thirty percent of the total amount of the cash and stock dividends paid in the current year.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Legal reserve

Legal reserve can be used to offset accumulated deficits. When the company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reserve

In accordance with Ruling by the FSC, a portion of the current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during the earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. Similarly, a portion of the undistributed prior period earnings shall be reclassified as special earnings reserve to account for cumulative changes in other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amount of cash dividends of the Group in 2022 earnings distribution project resolved by the Board of Directors on April 25, 2023 and other surplus distribution of 2022 based on the resolution approved during shareholders' meeting held on June 14, 2023 are as follows:

	<u>Earnings distribution</u>	<u>Dividend per share</u>
Legal reserve	\$ 12,566	
Special reserve	11,128	
Cash dividends	<u>101,970</u>	0.15321
	<u><u>\$ 125,664</u></u>	

The capital surplus — changes in equity of associates and joint ventures accounted for using equity method amounting to \$649,231 thousand was used to offset against the accumulated deficits in 2021 based on the resolution approved during the shareholders' meeting held on June 15, 2022.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other equity (net of tax)

	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	\$ (1,083,629)	(2,500)	(1,086,129)
Exchange differences on foreign operations	(154,221)	-	(154,221)
Cumulative gains (losses) reclassified to profit or loss on disposal of foreign operations	(11,470)	-	(11,470)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	13,830	13,830
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(11,330)	(11,330)
Related tax	33,145	-	33,145
Balance at December 31, 2023	<u>\$ (1,216,175)</u>	<u>-</u>	<u>(1,216,175)</u>
Balance at January 1, 2022	\$ (1,072,501)	(2,500)	(1,075,001)
Exchange differences on foreign operations	(13,910)	-	(13,910)
Related tax	2,782	-	2,782
Balance at December 31, 2022	<u>\$ (1,083,629)</u>	<u>(2,500)</u>	<u>(1,086,129)</u>

(16) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share in 2023 and 2022 were as follows:

	2023	2022
Basic earnings per share		
Profit of the Company for the year	\$ <u>114,659</u>	<u>125,664</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>665,555</u>	<u>665,555</u>
Basic earnings per share (in dollars)	\$ <u>0.17</u>	<u>0.19</u>
	2023	2022
Diluted earnings per share		
Profit of the Company for the year	\$ <u>114,659</u>	<u>125,664</u>
Weighted-average number of outstanding ordinary shares (in thousands)	665,555	665,555
Effect of dilutive potential common shares		
Effect of employee share bonus	<u>836</u>	<u>1,795</u>
Weightier-average number of ordinary shares (in thousands) (diluted)	<u>666,391</u>	<u>667,350</u>
Diluted earnings per share (in dollars)	\$ <u>0.17</u>	<u>0.19</u>

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(17) **Revenue from contracts with customers**

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
<u>Primary geographical markets</u>		
Korea	\$ 8,910,516	7,249,466
China	4,816,027	3,216,745
Taiwan	3,970,873	3,695,854
Japan	60,752	105,000
Other	<u>11,814</u>	<u>198,525</u>
	<u>\$ 17,769,982</u>	<u>14,465,590</u>
<u>Major products</u>		
LCD TV and module foundry	\$ 13,258,901	10,894,224
Optoelectronic technology products and peripheral components	<u>4,511,081</u>	<u>3,571,366</u>
	<u>\$ 17,769,982</u>	<u>14,465,590</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liabilities	<u>\$ 11,774</u>	<u>54,011</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(3).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$35,028 thousand and \$59,157 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the optoelectronics technology sales contracts, for which revenue is recognized when products are delivered to customers.

(iii) Transaction price allocated to the remaining performance obligations

The Group recognizes revenue related to optoelectronic technology products and peripheral components in the amount to which the Group has a right to invoice, thus the Group applies the practical expedient of IFRS and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(18) Employee compensation and directors' and supervisors' remuneration

In accordance with the Company's Articles of Incorporation, where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside no less than 1% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific qualifications.

For the year ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$8,873 thousand and \$15,814 thousand, and directors' remuneration amounting to \$887 thousand and \$1,581 thousand. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Board of Directors. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are accounted for as a change in accounting estimate and adjusted prospectively to next year's profit or loss. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors' meeting. Related information would be available at the Market Observation Post System website.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2023 and 2022.

(19) Non-operating income and expenses

(i) Interest income

The details of the interest income for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest income – bank deposits	\$ 160,050	106,276
Other interest income	<u>43,823</u>	<u>13,088</u>
	<u>\$ 203,873</u>	<u>119,364</u>

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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(ii) Other income

The details of other income for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Rent income	\$ 5,853	4,362
Subsidy	60,039	44,027
Dividends	178	1,939
Others	<u>49,751</u>	<u>95,869</u>
	<u>\$ 115,821</u>	<u>146,197</u>

(iii) Other gains and losses

The details of other gains and losses for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Gain on disposal of investments	\$ 41,567	148,620
Gain on disposals of property, plant and equipment	8,964	1,036,920
Loss from the financial assets (liabilities) at fair value through profit or loss	(16,704)	(80,068)
Foreign exchange (losses) gains	(36,953)	226,581
Others	<u>(4,896)</u>	<u>(1,302)</u>
	<u>\$ (8,022)</u>	<u>1,330,751</u>

(iv) Finance costs

The details of finance costs for the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense	\$ 57,388	45,455
Less: capitalization of interest	<u>(184)</u>	<u>(138)</u>
	<u>\$ 57,204</u>	<u>45,317</u>

(20) **Financial Instruments**

1) Fair value hierarchy

The fair value of financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity instruments do not have quoted price in active market and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
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	December 31, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Derivative financial assets	\$ 11,864	-	11,864	-	11,864
Financial assets at fair value through other comprehensive income					
Stocks in non-listed companies	58,331	-	-	58,331	58,331
Financial assets measured at amortized cost					
Cash and cash equivalents	5,332,533	-	-	-	-
Trade receivables (Including related parties)	4,073,806	-	-	-	-
Financial asset at amortized cost—current	562,333	-	-	-	-
Financial asset at amortized cost—non-current	356,567	-	-	-	-
Other financial assets—time deposit	691,155	-	-	-	-
Other financial assets—refundable deposit	3,585	-	-	-	-
Subtotal	11,019,979	-	-	-	-
Total	<u>\$ 11,090,174</u>				
Financial liabilities measured at amortized cost					
Trade payables (Including related parties)	\$ 4,142,964	-	-	-	-
Long-term borrowings (Including due within one year)	2,928,603	-	-	-	-
Other non-current liabilities—deposits received	13,322	-	-	-	-
Total	<u>\$ 7,084,889</u>				

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit and loss					
Derivative financial assets	\$ 9,752	-	9,752	-	9,752
Financial assets at fair value through other comprehensive income					
Stocks in non-listed companies	98,263	-	-	98,263	98,263
Financial assets measured at amortized cost					
Cash and cash equivalents	4,058,322	-	-	-	-
Trade receivables (Including related parties)	4,706,099	-	-	-	-
Financial asset at amortized cost – non-current	1,142,218	-	-	-	-
Other financial assets – time deposit	921,960	-	-	-	-
Other financial assets – refundable deposits	3,281	-	-	-	-
Subtotal	10,831,880	-	-	-	-
Total	<u>\$ 10,939,895</u>				
Financial liabilities measured at amortized cost					
Trade payables (Including related parties)	\$ 2,661,511	-	-	-	-
Long-term borrowings (Including due within one year)	4,088,637	-	-	-	-
Other non-current liabilities – deposits received	14,245	-	-	-	-
Total	<u>\$ 6,764,393</u>				

2) Valuation techniques of financial instruments not measured at fair value

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

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

For domestic and foreign time deposits, their fair value approximate to their carrying amount.

Fair value of long-term borrowings, which approximates to its carrying value is determined by discounting the expected cash flows at a market interest rate.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The refundable deposits and deposits received are based on carrying amount as there is no fixed maturity.

3) Valuation techniques of financial instruments measured at fair value

Fair value of forward currency is measured based on the maturity date of each contract with quoted spot rate and quoted swap points from bank quote system.

4) Transfers between Level 1 and Level 2

There were no transfers from one level to another level in 2023 and 2022.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value is "financial assets measured at fair value through other comprehensive income – equity investments".

The Group's equity investments without an active market that use Level 3 inputs to measure fair value has a complex significant unobservable inputs. The significant unobservable inputs are not interrelated because they are independent of each other.

For some equity investment instruments held by the Group that do not have active market quotations and are not for short term trading purposes, the management obtains the recent financial report of the investee company, evaluates the development of the industry and reviews the publicly available information; thereafter, inspects it accordingly to evaluate the operating risk and future operating performance of the investee company to assess the fair value of the investee company. Generally, changes in the industry and market prospects are highly positively correlated with changes in the operations and future performance of the investee company.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	Market method	<ul style="list-style-type: none"> • Price-Earnings ratio (As of December 31, 2023 and 2022 were 11.65~20.75 and 7.57~23.38, respectively) • Price-Book Ratio (As of December 31, 2023 and 2022 were 3.065 and 1.92, respectively.) • Discount for lack of marketability (As of December 31, 2023 and 2022 were both 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • the price-earnings ratio growth rate was higher (lower); • the Price-Book Ratio was higher (lower); or • the degree of lack of marketability were lower (higher).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(21) Financial risk management

(i) Overview

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

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

The following likewise discusses the Group'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 consolidated financial statements.

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It coordinates and accesses to domestic and international financial market operations. Besides, the department also supervises and manages the financial risks related to the Group's operations by analyzing the internal risk assessment of exposures according to the degree and breadth of risks. The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Group's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group's policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

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

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2023 and 2022, the maximum amount exposed to credit risk were \$11,090,174 thousand and \$10,939,895 thousand, respectively.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Trade and other receivables

The Group established a credit policy to obtain the necessary collateral or take out account receivable insurance to mitigate risks arising from financial loss due to default risk. The Group 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 Group will assess the ratings based on other publicly available financial information and records of transactions with its major customers.

The major customers of the Group are centralized in the LCD optoelectronic products industry. To minimize credit risk, the Group periodically evaluates its financial positions and the possibility of collecting trade receivables. Besides, the Group monitors and reviews the recoverable amounts of the trade receivables to ensure the uncollectible amounts are recognized appropriately as impairment loss. As of December 31, 2023 and 2022, 69% and 64%, respectively, of accounts receivable were derived from three major customers. Thus, the credit risk is significantly centralized. The Group continuously evaluates its customer's financial position and actual collection situation, and, if necessary, the Group flexibly uses credit protection tools such as prepayment, accounts receivable factoring, credit insurance, or requires the customer to provide collateral or guarantees to reduce the customer's credit risk.

For credit risk exposure of accounts receivable, please refer to note 6(3). Other financial assets at amortized cost held by the Group is time deposits. The Group only deals financial institutions with good credit rating, so these financial assets are considered to have low risk, please refer to note 6(2).

Other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. There were no impairment provisions on other receivables for the years ended December 31, 2023 and 2022. For related information, please refer to note 6(4).

2) Investments

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

3) Guarantees

The Group's policy is to provide financial guarantees only to company with business dealings, company that the group directly or indirectly held more than 50% of the voting rights, and company that directly or indirectly hold more than 50% of the voting rights in the Group. At December 31, 2023 and 2022, there were intercompanies guarantees only, please refer to note 13(1)2. to get guarantees information.

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(iv) Liquidity risk

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

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line were amounted to \$6,834,965 thousand and \$6,052,972 thousand, respectively.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>over 5 years</u>
Balance at December 31, 2023						
Non-derivative financial liabilities						
Long-term borrowings (Including due within one year)	\$ 2,928,603	3,000,720	950,415	1,720,229	221,302	108,774
Accounts payable and other payables (Including related-party)	4,142,964	4,142,964	4,142,964	-	-	-
Deposits received	<u>13,322</u>	<u>13,322</u>	<u>-</u>	<u>13,322</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,084,889</u>	<u>7,157,006</u>	<u>5,093,379</u>	<u>1,733,551</u>	<u>221,302</u>	<u>108,774</u>
Balance at December 31, 2022						
Non-derivative financial liabilities						
Long-term borrowings (Including due within one year)	\$ 4,088,637	4,215,390	310,449	2,810,020	952,835	142,086
Accounts payable and other payables (Including related-party)	2,661,511	2,661,511	2,661,511	-	-	-
Deposits received	<u>14,245</u>	<u>14,245</u>	<u>-</u>	<u>14,245</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,764,393</u>	<u>6,891,146</u>	<u>2,971,960</u>	<u>2,824,265</u>	<u>952,835</u>	<u>142,086</u>

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

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that 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.

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, US Dollar (USD), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, USD, Japanese Yen (JPY) and CNY.

(A) Exposure to foreign currency risk

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rates	New Taiwan Dollars	Foreign Currency	Exchange Rates	New Taiwan Dollars
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 219,288	30.718	6,736,089	147,697	30.732	4,539,024
<u>Non-Monetary items</u>						
USD	-	30.718	-	8,002	30.732	245,917
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	131,066	30.718	4,026,086	111,760	30.732	3,434,608

(B) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, other financial assets, borrowings, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the NTD against the USD as of December 31, 2023 and 2022 would have increased (decreased) the net (loss) profit before tax by \$27,100 thousand and \$11,044 thousand, respectively, with all other variable factors remaining constant. The analysis is performed on the same basis for both periods.

(C) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2023 and 2022, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to (\$36,953) thousand and \$226,581 thousand, respectively.

2) Interest rate risk

The Group manages interest rate risk by maintaining a portfolio of appropriate floating interest rates. The Group evaluates hedging activities to make them consistent with the interest rate view and established risk appetite to ensure that the most cost-effective hedging strategy is adopted.

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when internally reporting to the management, who also represents the Group's assessment on the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5% basis points, the Group's (loss) profit before income tax would have increased / decreased by \$9,103 thousand and decreased / increased by \$13,700 thousand for the year ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This was mainly due to the Group's borrowing at variable rates.

(22) Capital management

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

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

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

As of 31 December 2023, the Group's capital management strategy is consistent with the prior year as of 31 December 2022 to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of 31 December 2023 and 2022, is as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 9,003,624	8,855,096
Less: cash and cash equivalents	<u>(5,332,533)</u>	<u>(4,058,322)</u>
Net debt	3,671,091	4,796,774
Total equity	<u>9,221,771</u>	<u>9,327,794</u>
Total assets	<u><u>\$ 12,892,862</u></u>	<u><u>14,124,568</u></u>
Debt-to-equity ratio at 31 December	<u><u>28.47%</u></u>	<u><u>33.96%</u></u>

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(23) **Investing and financing activities not affecting current cash flow**

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes Foreign exchange movement	December 31, 2023
Long-term borrowings	\$ 4,088,637	(1,155,191)	(4,843)	2,928,603
Total liabilities from financing activities	<u>\$ 4,088,637</u>	<u>(1,155,191)</u>	<u>(4,843)</u>	<u>2,928,603</u>

	January 1, 2022	Cash flows	Non-cash changes Foreign exchange movement	December 31, 2022
Short-term borrowings	\$ 43,324	(43,920)	596	-
Long-term borrowings	3,730,137	358,500	-	4,088,637
Total liabilities from financing activities	<u>\$ 3,773,461</u>	<u>314,580</u>	<u>596</u>	<u>4,088,637</u>

7. Related-party transactions:

(1) **Parent company and ultimate controlling company**

AUO Corporation is both the parent company and the ultimate controlling party of the Group. It has issued the consolidated financial statements available for public use.

(2) **Names and relationship with related parties**

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
AUO Corporation (AUO)	Ultimate parent company
AUO Display Plus Corporation (ADPHQ)	Subsidiary of AUO
Star River Energy Corp. (SREC)	Subsidiary of AUO
Space Money Inc. (S4M)	Subsidiary of AUO
Da Ping Green Energy Corporation (DPGE)	Subsidiary of AUO
Sanda Materials Corporation (SDMC)	Grandson of AUO
AUO MegaInsight (Suzhou) Corp., Ltd (AMISZ)	Grandson of AUO
AUO MegaInsight (Xiamen) Corp., Ltd (AMIXM)	Grandson of AUO
AUO (Suzhou) Co., Ltd. (AUOSZ)	Grandson of AUO
AUO (Xiamen) Co., Ltd. (AUOXM)	Grandson of AUO
AUO (Kunshan) Co., Ltd. (AUOKS)	Grandson of AUO
Aedgetech Data Technologies (Suzhou) Corp., Ltd. (ATISZ)	Grandson of AUO
Yo-Pei Water Corporation (AET-YP)	Grandson of AUO
Feng Yao Power Corporation (FYPC)	Grandson of AUO
Zheng Yao Power Corporation (ZYPC)	Grandson of AUO

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
AUO Digitech (Suzhou) Co., Ltd. (ADTSZ)	Grandson of AUO
AUO Education Service Corp. (AUES)	Grandson of AUO
AUO Display Plus Technology (Suzhou) Co., Ltd. (ADPSZ)	Grandson of AUO
Darwin Summit Corporation Ltd. (DSC)	An Associate
BriView (L) Corp. (BVLB)	An Associate(Note 1)
Partner Tech Corp. (PTT)	Other related parties
Webest Solution Corp. (WEBEST)	Other related parties
ChampionGen Power Corporation (CGPC)	Other related parties
Transnet Corporation (Transnet)	Other related parties
Qisda Corporation (Qisda)	Other related parties
Qisda (Suzhou) Co., Ltd. (QCSZ)	Other related parties
Qisda Electronics (Suzhou) Co., Ltd. (QCES)	Other related parties
Qisda Optronics (Suzhou) Co., Ltd (QCOS)	Other related parties
Lextar Electronics Corporation (Lextar)	Other related parties
Sheng He Power Corporation (SHPC)	Other related parties
Sheng Yao Power Corporation (SYPC)	Other related parties
Sheng Li Energy Corporation (SLEC)	Other related parties
Metaguru Corporation (Metaguru)	Other related parties
BenQ Asia Pacific Corp. (BQP)	Other related parties
BenQ Materials Corp. (BMC)	Other related parties
BenQ Material (Suzhou) Co., Ltd. (BMS)	Other related parties
BenQ Co., Ltd. (BQC)	Other related parties (Note 2)
BenQ Logistic (Shanghai) Co., Ltd. (BQls)	Other related parties
BenQ Healthcare Corporation (BHS)	Other related parties
Star Shining Energy Corporation (SSEC)	Other related parties
He Shuo Agricultural Biotech Corporation (HSNC)	Other related parties
DFI Inc. (DFI)	Other related parties
TronGen Power Corporation (TGPC)	Other related parties
Fargen Power Corporation (FGPC)	Other related parties
Data Image Corporation (DIC)	Other related parties
Lextar Electronics (ChuZhou) Corp. (LE CZ)	Other related parties
Ri Ji Power Corporation (RJPC)	Other related parties
Ri Jing Power Corporation (RGPC)	Other related parties
Mao Zheng Energy Corporation (MZEC)	Other related parties
Mao Xin Energy Corporation (MXEC)	Other related parties
Adlink Technology Inc. (ADLINK)	Other related parties
Adlink Technology (China) Co., Ltd. (ADLINKCN)	Other related parties
Yenrich Technology Corporation (Yenrich)	Other related parties
Shin Sheng Feng Investment Corp. (SSF I)	Other related parties

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
Sheng Da Power Corporation (SDPC)	Other related parties
WiBase Industrial Solutions Inc. (WIS)	Other related parties(Note 3)
BriView (Hefei) Co., Ltd. (BVHF)	Other related parties(Note 4)

Note1 : BriView (L) Corp. was approved for dissolution on September 2023. For relevant information, please refer to Note 6 (6).

Note2 : BenQ Co., Ltd. was no longer a related party beginning from September 2022.

Note3 : WiBase Industrial Solutions Inc. was no longer a related party beginning from June 2023.

Note4 : The disposal of BriView (Hefei) Co., Ltd. had been completed on July 1, 2022.

(3) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	<u>2023</u>	<u>2022</u>
Ultimate parent company – AUO	\$ 2,780,342	2,662,674
Associates	4,421	6,804
Other related parties:		
AUOXM	1,665,160	1,267,569
AUOSZ	1,418,424	1,027,941
Others	<u>680,147</u>	<u>357,108</u>
	<u>\$ 6,548,494</u>	<u>5,322,096</u>

The sales price of the Group to its related parties is not comparable to other clients due to the differences in the sales of the goods. The credit terms for sales to related parties were 30 to 120 days from the end of the month. The credit terms were no different from those given by other clients.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<u>2023</u>	<u>2022</u>
Ultimate parent company – AUO	\$ 3,940	5,535
Other related parties:		
Lextar	391,248	280,312
ADPHQ	116,344	97,084
Others	<u>131</u>	<u>689</u>
	<u>\$ 511,663</u>	<u>383,620</u>

The purchase price offered by the Group to its related parties is not comparable to other vendors due to the differences in the purchases of the goods. The payments terms for purchases from related parties were 30 to 120 days. The payment terms were no different from those given by other vendors.

(iii) Receivables from Related Parties

The details of the Group's accounts receivable from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Accounts receivables	Ultimate parent company – AUO	\$ 409,822	467,150
Accounts receivables	Associates parties	-	5,109
Accounts receivables	Other related parties:		
	AUOXM	549,411	477,871
	AUOSZ	472,080	357,947
	Others	289,285	96,650
Other receivables	Other related parties	<u>475</u>	<u>557</u>
		<u>\$ 1,721,073</u>	<u>1,405,284</u>

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Payables to Related Parties

The details of the Group's payment to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payables	Ultimate parent company – AUO	\$ 80	24
Accounts payables	Other related parties:		
	Lextar	122,978	83,959
	ADPHQ	23,017	8,999
	Others	53	1,131
Other payables	Ultimate parent company – AUO	3	415
Other payables	Other related parties	<u>18,101</u>	<u>14,575</u>
		<u><u>\$ 164,232</u></u>	<u><u>109,103</u></u>

(v) Other current liabilities

The Group's other current liabilities were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other current liabilities	An Associate – BVLB	\$ -	<u><u>255,702</u></u>

The above transactions were mainly due to the Group's advance receipt deriving from the return of capital from an associate. For relevant information, please refer to Note 6 (10).

(vi) Contract liabilities

The detail of the Group's contract liabilities were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Contract liabilities	Ultimate parent company – AUO	\$ 364	3,679
	Other related parties:		
	ADPHQ	<u>710</u>	<u>11,330</u>
		<u><u>\$ 1,074</u></u>	<u><u>15,009</u></u>

The relevant information, please refer to Note 6(17).

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Other transactions with related parties

	Amounts	
	2023	2022
Ultimate parent company – AUO – other expenses, etc.	\$ 3,357	5,083
Other related parties – Other expenses, etc.	10,671	7,478
Ultimate parent company – AUO – other income, etc.	11,048	5,525
Other related parties – other income, etc.	1,030	4,551

All outstanding balances with these related parties should be settled in cash within three months of the reporting date, and the general fee payment is deemed to be the current month's payment. Its transaction price is not significantly different from ordinary transactions.

(viii) Property transactions

1) Purchases of property, plant and equipment

The purchases price of property, plant and equipment purchased from related parties are summarized as follows:

Relationship	2023	2022
Other related parties	\$ <u>4,731</u>	<u>5,879</u>

For the above-mentioned purchases of other equipment from related parties, the unpaid balance of the Group were \$561 thousand and \$0 as of December 31, 2023 and 2022, respectively, which recorded under other payables to related parties. For detailed information on property, plant and equipment, please refer to Note 6 (7).

(ix) Leases

1) Rental expenses

The details of the rental expenses incurred by the Group for renting workshops, dormitories, and transportation equipment from related parties in the 2023 and 2022 were as follows:

	2023	2022
Ultimate parent company – AUO	\$ 1,103	1,013
Other related parties:		
AUOXM	3,169	3,095
AUOSZ	1,676	1,633
Other	508	193
	\$ 6,456	5,934

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The payment terms of the Group for renting workshops, dormitories and transportation equipment to related parties are mainly one or three months in one installment, with payment before the 25th of the following month. There was no significant difference between the transaction price and the general price.

2) Rental income

The details of the rental income generated by the Group from renting out dormitories and office to related parties in 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Other related parties – AUOXM	\$ 2,113	2,735
Other related parties – Other	<u>602</u>	<u>931</u>
	<u>\$ 2,715</u>	<u>3,666</u>

The Group leases its dormitories to related with monthly lease payment. In addition, the Group leases its office to related parties with quarterly lease payment.

(4) **Key management personnel compensation**

Key management personnel compensation comprised the following:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 42,078	41,369
Post-employment benefits	315	243
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	<u>-</u>	<u>-</u>
	<u>\$ 42,393</u>	<u>41,612</u>

8. Pledged assets:

The carrying values of pledged assets were as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	Guarantee for Bank Loan	\$ 909,333	909,333
Building	Guarantee for Bank Loan	1,289,969	1,406,592
Right-of-use asset	Guarantee for Bank Loan	73,940	77,820
Other financial assets - restricted bank deposits	Guarantee for Bank Loan (Note 1)	<u>691,155</u>	<u>921,960</u>
		<u>\$ 2,964,397</u>	<u>3,315,705</u>

Note1 : Time deposits that were used to pledge to the banks for the issuance of secured letters of credit as security for other borrowings were recognized as other financial assets restricted bank deposits. Please refer to Note 6 (11) for information on other disclosures of borrowing, and Note 9 for the disclosures of opened and unused letters of credit.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

9. Commitments and contingencies:

- (1) Unrecognized contractual commitments

The Group's unrecognized contractual commitments were as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	\$ 237,325	304,545

- (2) Outstanding standby letter of credit

	December 31, 2023	December 31, 2022
Outstanding standby letter of credit	\$ 694,433	925,760

10. Losses Due to Major Disasters: None

11. Subsequent Events: None

12. Other:

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

	For the year ended December 31					
	2023			2022		
	Operating cost	Operating Expense	Total	Operating cost	Operating Expense	Total
By nature						
Employee benefits						
Salary	1,881,560	556,399	2,437,959	1,843,296	543,324	2,386,620
Labor and health insurance	17,993	33,923	51,916	21,457	33,287	54,744
Pension	139,860	29,457	169,317	120,408	28,764	149,172
Remuneration of directors	-	11,327	11,327	-	11,961	11,961
Others	231,440	25,558	256,998	241,275	30,324	271,599
Depreciation	845,569	80,346	925,915	852,413	112,642	965,055
Amortization	-	-	-	-	-	-

13. Other disclosures:

- (1) 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: Please refer to Table 1 attached.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2 attached.

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DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3 attached.
 - (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\$100 million or 20% of the capital stock: Please refer to Table 4 attached.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5 attached.
 - (ix) Trading in derivative instruments: Please refer to Note 6(2).
 - (x) Business relationships and significant intercompany transactions: Please refer to Table 6 attached.
- (2) Re-investment business related information: Please refer to Table 7 attached.
- (3) Information on investment in mainland China:
- (i) The names of investees in Mainland China, the main businesses and products, and other information: Please refer to Table 8 attached.
 - (ii) Limitation on investment in Mainland China: Please refer to Table 8 attached.
 - (iii) Significant transactions: None.
- (4) Major shareholders:

Shareholding	Shares	Percentage
Shareholder's name		
AUO Corporation	190,107,961	28.56 %
Konly Venture Corp.	42,598,076	6.40 %
Ronly Venture Corp.	40,509,046	6.08 %

(Continued)

DARWIN PRECISIONS CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

14. Segment information:

(1) General information

The reportable department of the Group is only the Optoelectronics Technology Department, which is engaged in the design, manufacturing and sales of LCD modules, backlight modules, LCD TVs and related components.

(2) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies.

(3) Product and service information: Please refer to note 6(17).

(4) Geographic information: Please refer to note 6(17).

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

<u>Geographical information</u>	<u>2023</u>	<u>2022</u>
Non-current assets:		
Taiwan	\$ 2,352,338	2,539,935
China	<u>2,877,294</u>	<u>3,250,919</u>
Total	<u>\$ 5,229,632</u>	<u>5,790,854</u>

Non-current assets include property, plant and equipment, right-of-use assets and other assets, not including financial instruments, deferred tax assets and pension fund assets.

(5) Major customers

	<u>2023</u>	<u>2022</u>
A customer	\$ 8,910,516	7,249,466
B customer	<u>2,780,342</u>	<u>2,662,674</u>
	<u>\$ 11,690,858</u>	<u>9,912,140</u>

DARWIN PRECISIONS CORPORATION And Subsidiaries
Financings Provided
For the year ended December 31, 2023
(Amount in thousands of New Taiwan Dollars)

Table 1

No.	Financing Company	Borrowing Company	Financial Statement Account	Related party	Maximum the Balance for the Period	Ending balance (Note 3)	Amount Actually Drawn Down (Note 3)	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Limits on Financing Company's Total Financing Amount (Note 3)
													Item	Value		
1	FPWJ	FTWJ	Other receivables from related parties	Yes	444,850	431,520	215,760 (Note 2)	Adjusted by base lending rate of LPR of China	Needs for short-term financing	-	Operating capital	-	-	-	738,687 (Note 1)	738,687 (Note 1)

Note1: The limit amount for lending to a company shall not exceed the net worth of the lending company. The total amount for lending shall not exceed the net worth of the lending company.

Note2: All inter-company transactions among the Group have been eliminated in the consolidated financial statements.

Note3: Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Endorsements/Guarantees Provided
For the year ended December 31, 2023
(Amount in thousands of New Taiwan Dollars)

Table 2

NO.	Endorser / Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided for Each Party (Notes 4 and 5)	Maximum Endorsement/ Guarantee Balance for the Period (Note 2)	Ending Balance (Notes 3 and 4)	Amount Actually Drawn Down (Note 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 4 and 5)	Endorsement/ Guarantee Provided by Parent Company to Subsidiary	Endorsement/ Guarantee Provided by Subsidiary to Parent Company	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
1	FPWJ	FTWJ	4	295,475	222,425	-	-	-	- %	295,475	NO	NO	YES

Note 1 : The relationship between the endorser / guarantor and the guaranteed party:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2 : The maximum endorsement/guarantee balance for the period represents the highest amount in New Taiwan Dollar announced or occurred during the period.

Note 3 : The ending balance represents the amounts approved by the Board of Directors.

Note 4 : Amounts denominated in foreign currencies are translated into New Taiwan Dollars using the exchange rates at the reporting date.

Note 5 : The policy for the limit of total endorsement/guarantee amount and the limit on endorsement/guarantee amount provided to each party are prescribed as follows:

- FPWJ : The total endorsement/guarantee amount provided and the aggregate amount of endorsement/guarantee provided to each guaranteed party both shall not exceed 40% of the net worth of the endorser/guarantor as stated in its latest financial statement.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Marketable Securities Held (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
December 31, 2023
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, shares in thousands)

Table 3

Name of holder	Type and name of security	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Maximum Percentage of ownership for the period	Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value		
The Company	Stock-D8AI INC.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	8,400	11,149	4.64 %	11,149	4.91 %	
The Company	Stock-DISIGN Incorporated	-	Financial assets at fair value through other comprehensive profit and loss – non-current	2	10,714	19.89 %	10,714	19.89 %	
The Company	STOCK-HUAI I PRECISION TECHNOLOGY CO., LTD.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	2,914	34,968	10.00 %	34,968	10.00 %	
The Company	STOCK-EVERTRUST TECHNOLOGY LTD.	-	Financial assets at fair value through other comprehensive profit and loss – non-current	150	1,500	16.13 %	1,500	16.13 %	

All marketable securities had not been pledged as collateral for borrowings, guarantees and others which restricted by agreement.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Disposal of Individual Real Estate with Costs Exceeding NTS300 Million or 20% of the Paid-in Capital
For the year ended December 31, 2023
(Amount in thousands of New Taiwan Dollars)

Table 4

Company Name	Counter party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales	Credit Terms	Unit Price (Note 2)	Credit Terms (Note 2)	Ending Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
The Company	DPXM	Grandson of DPLB	Purchases	1,777,682	22 %	EOM 90 Days	-	(472,779)	(21)%	Note 1	
"	FTWJ	Grandson of FHVI	"	4,805,636	60 %	EOM 90 Days	-	(1,607,699)	(70)%	"	
FTWJ	Lextar	Substantive related party	"	CNY 84,784	13 %	EOM 120 Days	-	CNY (26,457)	(4)%		
The Company	AUO	Ultimate Parent company	Sales	(2,780,342)	(35)%	EOM 60 Days	-	409,822	19 %		
"	AUOSZ	Grandson of AUO	"	(1,418,307)	(18)%	EOM 120 Days	-	472,024	22 %		
"	AUOXM	Grandson of AUO	"	(1,511,810)	(19)%	EOM 120 Days	-	480,463	22 %		
"	AUOKS	Grandson of AUO	"	(584,857)	(7)%	EOM 120 Days	-	279,949	13 %		
DPXM	AUOXM	Grandson of AUO	"	CNY (34,894)	(1)%	EOM 120 Days	-	CNY 15,978	3 %		
"	The Company	Parent company	"	CNY (403,409)	(15)%	EOM 90 Days	-	CNY109,095	19 %	Note 1	
FTWJ	The Company	Parent company	"	CNY (1,090,013)	(99)%	EOM 90 Days	-	CNY370,847	100 %	"	

Note 1 : All inter-company transactions among the company and its subsidiaries have been eliminated in the consolidated financial statements.

Note 2 : Transaction terms with related parties were similar to those with third parties. Except for those particular transactions with no similar transactions to compare with, their transaction terms were determined based on mutual agreements.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Receivables from Related Parties with Amounts Exceeding NT\$100 Million or 20% of the Paid-in Capital
December 31, 2023
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 5

Company Name	Counter party	Relationship	Ending Balance of Receivables (Note 1,2)	Turnover Rate	Overdue Receivables		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AUO	Ultimate parent company	409,822	6.34	25,328	Continuous collection	-	-
"	AUOSZ	Grandson of AUO	472,024	3.42	-	-	-	-
"	AUOXM	Grandson of AUO	480,463	3.46	-	-	-	-
"	AUOKS	Grandson of AUO	279,949	3.20	-	-	-	-
"	FTWJ	Grandson of the FHVI	1,405,622	Note 1	-	-	489,370	-
DPXM	The Company	Parent company	CNY 116,305	Note 1	-	-	-	-
FTWJ	The Company	Parent company	CNY 792,917	Note 1	-	-	CNY 219,941	-
FPWJ	FTWJ	Grandson of the FHVI	CNY 50,648	Note 1	-	-	-	-

Note1 : Including other receivables from transactions not related to ordinary sales.

Note2 : All inter-company transactions among the Company and its subsidiaries have been eliminated in the consolidated financial statements.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Business Relationship and Significant Intercompany Transactions
For the year ended December 31, 2023
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 6

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Transactions			
				Financial Statement Account	Amount (Note 2 and 3)	Trading Terms	Percentage of Consolidated Net Revenue or Total Assets
1	DPXM	The Company	2	Net revenue	CNY 403,409	No significant difference	10 %
2	FTWJ	The Company	2	Net revenue	CNY 1,090,013	"	27 %
0	The Company	FTWJ	1	Accounts receivable	1,405,622	"	8 %
1	DPXM	The Company	2	Accounts receivable	CNY 116,305	"	3 %
2	FTWJ	The Company	2	Accounts receivable	CNY 792,917	"	19 %
3	FPWJ	FTWJ	3	Accounts receivable	CNY 50,648	"	1 %

Note1 : Transactions labeled as follows:

1. Represents the transactions from parent company to subsidiaries.
2. Represents the transactions from subsidiaries to parent company.
3. Represents the transactions between subsidiaries.

Note2 : This table discloses the information on inter-company sales and receivables which are accounted for 1% or more of the consolidated net revenue or the consolidated total assets, respectively.

Note3 : All inter-company transactions have been eliminated in the consolidated financial statements.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Information on Investees (Excluding Information on Investment in Mainland China)

For the year ended December 31, 2023

(Amount in thousands of New Taiwan Dollars and foreign currencies indicated, and shares in thousands)

Table 7

Investor Company	Investee Company	Location	Main Activities	Original Investment Amount		December 31, 2023			Maximum Percentage of ownership during the year	Net Income (Loss) of Investee	Investor's Share of Profit (Loss) of Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Amount				
The Company	DPLB	Malaysia	Holding company	3,877,666	4,350,631	76,846	100.00 %	4,683,810	100.00 %	786,298	798,676	Subsidiary (Note 2)
"	FHVI	BVI	"	2,362,321	2,362,321	22,006	100.00 %	1,983,341	100.00 %	92,960	91,817	Subsidiary (Note 1)
"	FFMI	Mauritius	"	274,700	274,700	653	100.00 %	123,788	100.00 %	10,083	9,913	Subsidiary (Note 1)
"	BVLB	Malaysia	"	-	1,051,289	-	- %	-	29.71 %	-	-	Associate
"	Darwin Summit Corporation Ltd.	Thailand	International trade	3,740	3,740	40	40.00 %	12,462	40.00 %	2,165	866	Associate
"	Shine Biomedical Technology Corporation	R.O.C.	Development, design, manufacture and trading of facial masks and cosmetics	36,720	-	3,672	34.00 %	36,676	40.00 %	(130)	(48)	Associate
DPLB	DPHK	Hong Kong	Holding company	USD 87,785	USD 103,785	10	100.00 %	USD 154,088	100.00 %	USD 25,218	USD 25,218	Subsidiary (Note 3)
FHVI	FTMI	Mauritius	"	USD 6,503	USD 6,503	6,503	100.00 %	USD 49,944	100.00 %	USD 2,415	USD 2,415	Subsidiary
"	FWSA	Samoa	"	USD 19,000	USD 19,000	19,000	100.00 %	USD 16,104	100.00 %	USD 567	USD 567	Subsidiary

Note 1 : The difference is the amortization of the difference between the investment cost and the net equity value.

Note 2 : The difference is the amortization of the difference between the upstream unrealized gross profit and the investment cost and the net equity value.

Note 3 : The registration of the alteration of DPHK's common stock has not been completed.

DARWIN PRECISIONS CORPORATION And Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2023
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

Table 8

1. Related information on investment in Mainland China:

Investee Company	Main Activities	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income of Investee (Notes 4)	Ownership through Direct or Indirect Investment	Maximum Percentage of ownership for the period	Investor's Share of Profit (Loss) of Investee (Notes 4)	Carrying Amount of the Investment as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow							
DPSZ	Manufacturing and sales of backlight module and related parts	- USD -	Note 1	460,770 USD 15,000	-	460,770 USD 15,000	- USD -	3,939 USD 126	- %	100.00 %	3,939 USD 126	- USD -	2,563,941 USD 83,467
DPXM	Manufacturing and sales of liquid crystal products、backlight modules and related parts	2,151,260 USD 70,000	Note 1	2,150,260 USD 70,000	-	-	2,150,260 USD 70,000	760,082 USD 24,377	100.00 %	100.00 %	760,082 USD 24,377	4,733,277 USD 154,088	1,931,982 USD 62,894
FTWJ	Manufacturing and sales of backlight module and related parts	1,075,130 USD 35,000 (Note 5)	Note 1	199,667 USD 6,500	-	-	199,667 USD 6,500	65,997 USD 2,117	100.00 %	100.00 %	65,997 USD 2,117	1,290,154 USD 42,000	432,342 USD 14,075
FPWJ	Manufacturing , sales and trading of precision plastic parts	890,822 USD 29,000 (Note 6)	Note 1	583,642 USD 19,000	-	-	583,642 USD 19,000	26,962 USD 865	100.00 %	100.00 %	26,962 USD 865	738,687 USD 24,047	-
FHWJ	Manufacturing and sales of backlight module and related parts	199,667 USD 6,500	Note 1	251,888 USD 8,200	-	-	251,888 USD 8,200	10,083 USD 323	100.00 %	100.00 %	10,083 USD 323	74,253 USD 2,417	-

DARWIN PRECISIONS CORPORATION And Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2023
(Amount in thousands of New Taiwan Dollars and foreign currencies indicated)

2. Upper limit on investment in Mainland China :

Accumulated Investment in Mainland China as of December 31, 2023(Note 3)	Investment Amounts Authorized by the Investment Commission, MOEA(Notes 3 and 7)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA (Note 2)
3,185,457 (USD103,700)	5,142,511 (USD167,410)	5,533,063

Note1 : Indirect investments in Mainland China through companies registered in a third region.

Note2 : Pursuant to the Regulations Governing Permission for Investment and Technical Cooperation in the Mainland Area, the Company's accumulated investments in Mainland China did not exceed the upper limit on investment amount or ratio stipulated by the Investment Commission, Ministry of Economic Affairs ("MOEA").

Note3 : If the relevant figures in this table involve foreign currencies, they will be translated into New Taiwan dollars based on the exchange rate on the reporting date. If they are assets and liabilities, they will be translated at the spot exchange rate; if they are profit or loss accounts, they will be translated at the average exchange rate.

Note4 : Amounts were recognized based on the investees' audited financial statements.

Note5 : The amount of paid-in capital includes the capitalization of retained earnings amounting to USD28,500 thousand for the years from 2005 to 2007.

Note6 : The amount of paid-in capital includes the capital injection of USD10,000 thousand from the offshore holding company, which was originally from FTWJ's appropriation of earnings.

Note7 : The accumulated investment amounts authorized by the Investment Commission, MOEA is USD248,526 thousand (including the capitalization of retained earnings of USD81,116 thousand). In addition, the repatriation of surplus USD194,050 thousand can be used to deduct the accumulated amount of investment.