Thinking Electronic Industrial Company Limited and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of affiliates 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 all the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements has all been disclosed in the consolidated financial statements of the parent and subsidiary companies. Consequently, Thinking Electronic Industrial Co., Ltd. and its subsidiaries did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Thinking Electronic Industrial Co., Ltd.

By

Sui, Tai-Zhong
Chairman

February 26, 2024

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Thinking Electronic Industrial Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Authenticity of sales revenue

The Group's operating revenue for the year ended December 31, 2023 included sales revenue from specific customers. As these revenues had a higher correlation to the calculation of key performance indicators of corporations, the authenticity of sales revenue from specific customers was determined to be the key audit matter based on the presumption in the statements of auditing standards that significant risk exists in revenue recognition. For the accounting policy on revenue recognition, refer to Note 4 (K) to the financial statements.

Our main audit procedures performed in response to the above-mentioned key audit matter included the following:

1. We obtained an understanding of and tested the effectiveness of the management's internal control process that is related to the authenticity of revenue recognition.

2. We obtained details on the sales revenues of specific customers, randomly selected an adequate number of samples and examined shipping documents and receipt vouchers. We also verified the amounts collected and confirmed that payers and sales customers were in agreement with one another regarding the authenticity of revenue.

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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jia-Ling Chiang and Yu-Hsiang Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

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

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

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	December 31, 2023		December 31, 2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,599,316	19	$ 3,573,120	26
Financial assets at fair value through profit or loss - current (Notes 4 , 7 and 29)	1,127,549	8	1,007,201	7
Financial assets at amortized cost - current (Notes 4 and 8)	302,843	2	88,058	1
Notes receivable (Notes 10 and 31)	432,050	3	323,739	2
Accounts receivable, net (Notes 4 and 10)	1,930,604	14	1,924,152	14
Accounts receivables from related parties (Notes 10 and 30)	620	-	-	-
Other receivables	66,081	1	55,915	-
Current tax assets (Notes 4 and 25)	27,192	-	7,883	-
Inventories (Notes 4 and 11)	1,236,708	9	1,664,792	12
Other financial assets - current (Notes 12 and 31)	95,120	1	285,739	2
Other current assets	170,893	1	205,467	2
Total current assets	7,988,976	58	9,136,066	66
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	27,682	-	25,723	-
Financial assets at amortized cost - non-current (Notes 4 and 8)	986,429	7	484,318	4
Property, plant and equipment (Notes 4, 14, 31 and 32)	3,693,813	27	3,219,260	24
Right-of-use assets (Notes 4 and 15)	372,854	3	381,309	3
Investment property, net (Notes 4 and 16)	33,375	1	40,176	-
Computer software, net (Note 4)	39,913	1	42,449	-
Deferred tax assets (Notes 4 and 25)	163,861	1	183,472	1
Prepayments for equipment	142,079	1	185,714	2
Net defined benefit assets - non-current (Notes 4 and 21)	31,036	-	9,530	-
Other financial assets - non-current (Notes 12 and 31)	23,584	-	20,974	-
Other non-current assets (Note 15)	146,227	1	28,825	-
Total non-current assets	5,660,853	42	4,621,750	34
TOTAL	$ 13,649,829	100	$ 13,757,816	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 17 and 31)	$ 135,000	1	$ 708,000	5
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 29)	629	-	92,340	1
Notes payable (Note 18)	65,390	1	69,827	1
Accounts payable (Note 18)	407,028	3	384,807	3
Accounts payable to related parties (Note 30)	820	-	1	-
Other payables (Note 19)	721,868	5	727,311	5
Other payables to related parties (Note 30)	1,357	-	4,113	-
Current tax liabilities (Notes 4 and 25)	27,267	-	152,139	1
Lease liabilities - current (Notes 4 and 15)	44,994	-	41,563	-
Current portion of long-term borrowings (Notes 4 and 17)	131,589	1	14,458	-
Refund liabilities - current (Notes 4 and 20)	76,342	1	84,696	1
Other current liabilities (Notes 4 and 27)	26,564	-	19,858	-
Total current liabilities	1,638,848	12	2,299,113	17
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 17)	895,659	7	1,022,218	7
Deferred tax liabilities (Notes 4 and 25)	1,547,020	11	1,367,671	10
Lease liabilities - non-current (Notes 4 and 15)	81,328	1	85,285	1
Long-term deferred revenue (Notes 4 and 27)	31,902	-	33,228	-
Guarantee deposits received	2,084	-	1,679	-
Other non-current liabilities	5,175	-	5,175	-
Total non-current liabilities	2,563,168	19	2,515,256	18
Total liabilities	4,202,016	31	4,814,369	35
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 13 and 22)				
Ordinary shares	1,281,127	9	1,281,127	9
Capital surplus	352,907	3	352,907	3
Retained earnings				
Legal reserve	1,454,089	11	1,316,508	9
Special reserve	140,627	1	222,378	2
Unappropriated earnings	6,337,262	46	5,776,786	42
Total retained earnings	7,931,978	58	7,315,672	53
Other equity	(256,236)	(2)	(140,627)	(1)
Total equity attributable owners of the Company	9,309,776	68	8,809,079	64
NON-CONTROLLING INTERESTS (Notes 4, 13 and 22)	138,037	1	134,368	1
Total equity	9,447,813	69	8,943,447	65
TOTAL	$ 13,649,829	100	$ 13,757,816	100

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2023		2022	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 23)	$ 7,077,136	100	$ 7,463,135	100
OPERATING COSTS (Notes 11, 24 and 30)	4,333,369	61	4,829,759	65
GROSS PROFIT	2,743,767	39	2,633,376	35
OPERATING EXPENSES (Notes 4, 10, 24 and 30)				
Selling and marketing expenses	338,346	5	298,181	4
General and administrative expenses	445,347	6	603,989	8
Research and development expenses	360,706	5	326,395	4
Expected credit loss	6,923	-	4,634	-
Total operating expenses	1,151,322	16	1,233,199	16
PROFIT FROM OPERATIONS	1,592,445	23	1,400,177	19
NON-OPERATING INCOME AND EXPENSES (Notes 24, 27 and 30)				
Interest income	118,743	1	100,827	1
Other income	57,048	1	69,808	1
Other gains and losses	(28,851)	-	243,107	3
Finance costs	(16,838)	-	(17,175)	-
Total non-operating income and expenses	130,102	2	396,567	5
CONSOLIDATED PROFIT BEFORE INCOME TAX	1,722,547	25	1,796,744	24
INCOME TAX EXPENSE (Notes 4 and 25)	411,388	6	406,766	5
NET PROFIT FOR THE YEAR	1,311,159	19	1,389,978	19
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	781	-	3,093	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,959	-	(10,550)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	(156)	-	(618)	-
	2,584	-	(8,075)	-

(Continued)

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2023		2022	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	$ (146,960)	(2)	$ 115,376	1
Income tax related to items that may be reclassified subsequently to profit or loss	29,392	-	(23,075)	-
	(117,568)	(2)	92,301	1
Other comprehensive income (loss) for the year, net	(114,984)	(2)	84,226	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,196,175	17	$ 1,474,204	20
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,307,803	19	$ 1,373,833	19
Non-controlling interests	3,356	-	16,145	-
	$ 1,311,159	19	$ 1,389,978	19
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,192,506	17	$ 1,457,556	20
Non-controlling interests	3,669	-	16,648	-
	$ 1,196,175	17	$ 1,474,204	20
EARNINGS PER SHARE (Note 26)				
Basic	$ 10.21		$ 10.72	
Diluted	$ 10.17		$ 10.66	

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
			Retained Earnings				Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total	Non-Controlling Interests	Total Equity
BALANCE, JANUARY 1, 2022	$ 1,281,127	$ 352,907	$ 1,159,089	$ 201,436	$ 5,386,452	$ 6,746,977	$ (224,709)	$ 2,331	$ (222,378)	$ 8,158,633	$ 117,720	$ 8,276,353
Appropriation of 2021 earnings (Note 22)												
Legal reserve	-	-	157,419	-	(157,419)	-	-	-	-	-	-	-
Special reserve	-	-	-	20,942	(20,942)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(807,110)	(807,110)	-	-	-	(807,110)	-	(807,110)
	-	-	157,419	20,942	(985,471)	(807,110)	-	-	-	(807,110)	-	(807,110)
Net profit for the year ended December 31, 2022	-	-	-	-	1,373,833	1,373,833	-	-	-	1,373,833	16,145	1,389,978
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,972	1,972	92,301	(10,550)	81,751	83,723	503	84,226
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,375,805	1,375,805	92,301	(10,550)	81,751	1,457,556	16,648	1,474,204
BALANCE AT DECEMBER 31, 2022	1,281,127	352,907	1,316,508	222,378	5,776,786	7,315,672	(132,408)	(8,219)	(140,627)	8,809,079	134,368	8,943,447
Appropriation of 2022 earnings (Note 22)												
Legal reserve	-	-	137,581	-	(137,581)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(691,809)	(691,809)	-	-	-	(691,809)	-	(691,809)
Reversal of special reserve	-	-	-	(81,751)	81,751	-	-	-	-	-	-	-
	-	-	137,581	(81,751)	(747,639)	(691,809)	-	-	-	(691,809)	-	(691,809)
Net profit for the year ended December 31, 2023	-	-	-	-	1,307,803	1,307,803	-	-	-	1,307,803	3,356	1,311,159
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	312	312	(117,568)	1,959	(115,609)	(115,297)	313	(114,984)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	1,308,115	1,308,115	(117,568)	1,959	(115,609)	1,192,506	3,669	1,196,175
BALANCE AT DECEMBER 31, 2023	$ 1,281,127	$ 352,907	$ 1,454,089	$ 140,627	$ 6,337,262	$ 7,931,978	$ (249,976)	$ (6,260)	$ (256,236)	$ 9,309,776	$ 138,037	$ 9,447,813

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

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income before income tax	$ 1,722,547	$ 1,796,744
Adjustments for:		
Depreciation expense	373,241	370,789
Amortization expense	17,822	10,690
Expected credit loss	6,923	4,634
Net loss on financial assets or liabilities at fair value through profit or loss	33,242	2,165
Finance costs	16,838	17,175
Interest income	(118,743)	(100,827)
Dividend income	(763)	(988)
Loss (gain) on disposal of property, plant and equipment	16,529	(13,785)
Amortization of grants income	(1,079)	(1,084)
Other non-cash items	(697)	(16)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(32,703)	(2,075)
Notes receivable	(108,311)	3,396
Accounts receivable	(13,160)	(44,166)
Accounts receivables from related parties	(620)	-
Other receivables	6,222	866
Other receivables from related parties	-	145
Inventories	428,084	278,724
Prepayments	(17,968)	-
Other current assets	34,574	(40,175)
Net defined benefit asset	(20,725)	(1,543)
Notes payable	(4,437)	(61,299)
Accounts payable	22,221	(89,777)
Accounts payable to related parties	819	(44)
Other payables	10,830	27,457
Other payables to related parties	(2,756)	(560)
Other current liabilities	6,712	(5,720)
Refund liabilities	(8,354)	(7,973)
Cash generated from operations	2,366,288	2,142,753
Interest received	102,355	89,035
Interest paid	(12,485)	(12,132)
Income taxes paid	(327,535)	(351,557)
Net cash generated from operating activities	2,128,623	1,868,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(870,857)	(306,511)
Proceeds from disposal of financial assets at amortized cost	131,526	93,967
Acquisition of financial assets at fair value through profit or loss	(2,660,443)	(4,208,837)

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THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	2023	2022
Proceeds from disposal of financial assets at fair value through profit or loss	$ 2,429,400	$ 4,837,254
Acquisition of property, plant and equipment	(862,483)	(874,188)
Proceeds from disposal of property, plant and equipment	59,935	59,635
Acquisition of intangible assets	(15,499)	(4,874)
Acquisition of right-of-use assets	-	(95,320)
Decrease in other financial assets	188,009	104,660
Increase in other non-current assets	(104,030)	(108)
Decrease in other non-current assets	4,596	-
Dividends received	763	988
Net cash used in investing activities	(1,699,083)	(393,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	420,000	742,100
Decrease in short-term borrowings	(993,000)	(783,730)
Proceeds from long-term borrowings	155,148	351,240
Repayment of long-term borrowings	(169,413)	-
Increase in guarantee deposits received	405	331
Repayments of the principal portion of lease liabilities	(56,310)	(48,971)
Cash dividends paid	(691,809)	(807,110)
Net cash used in financing activities	(1,334,979)	(546,140)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(68,365)	65,522
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(973,804)	994,147
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	3,573,120	2,578,973
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	$ 2,599,316	$ 3,573,120

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

1. GENERAL INFORMATION

Thinking Electronic Industrial Co., Ltd. (the "Company") was incorporated in July 1979. The Company mainly manufactures, processes and sells electric devices, thermistors, varistors and wires.

The Company's shares have been listed on the Taiwan Stock Exchange since September 2000.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on February 26, 2024.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Refer to Note 4 for related accounting policy information.

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

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

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

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

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

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

(Concluded)

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of Compliance

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

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Basis of consolidation

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

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

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

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

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

See Note 13, Table 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

On the disposal of a foreign operation (i.e., a disposal of the Company’s entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

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

g. Property, plant, and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

i. Intangible assets

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

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

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

j. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

i Financial asset at FVTPL

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL, which are not designated as instruments and derivative financial instruments that do not meet the amortized cost criteria or the FVOTCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

ii Financial assets at amortized cost

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

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

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

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

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

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

ii When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL including financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 29.

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward exchange contracts and interest rate swaps contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

l. Revenue recognition

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

Revenue from sale of goods comes from sales of thermistors and varistors. Sales of thermistors and varistors are recognized as revenue when the goods are shipped or delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Accounts receivable are recognized simultaneously.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

Refund liabilities are based on the historical experience and different contract items to estimate the probable sales returns and allowance.

m. Leases

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

The Group as a lessor classifies leases as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, lessee's incremental borrowing rate will be used.

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

n. Borrowing costs

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

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

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

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grant will be received.

Government grants related to income are recognized in other income on a systematic basis over the period in which the group recognized as expense the related cost that the grants intend to compensate. Specifically, government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest in treated as a government grant measured as the difference between the proceeds received and the fair value of the loan base on prevailing market interest rate.

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	**2022**
Cash on hand	$ 3,647	$ 4,563
Checking accounts	74	74
Demand deposits	1,316,094	2,490,333
Cash equivalents		
Time deposits with original maturities of 3 months or less	$ 1,279,501	$ 1,078,150
	$ 2,599,316	$ 3,573,120
The annual interest rate of time deposits (%)	0.855-5.7	2-2.74

The Group transacted with variety of financial institutions which are high credit quality to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Structured deposits (a)	$ 1,127,549	$ 914,951
Derivative instruments (non-designated hedges)		
Swap contracts (b)	-	92,250
	$ 1,127,549	$ 1,007,201
Financial assets mandatorily classified as at FVTPL		
Derivative instruments (non-designated hedges)		
Swap contracts (b)	$ -	$ 92,273
Forward exchange contracts (c)	629	67
	$ 629	$ 92,340

a. Structured deposits combined with embedded derivatives which have no direct connection to major contract. Because of the major contract include in above financial assets should be measured under IFRS 9, based on this reason, the entire contract should mandatorily classified as at FVTPL.

b. At the end of the year, outstanding cross-currency swap contracts not under hedge accounting were as follows:

December 31, 2022

Currency	Maturity Date	Notional Amount (In Thousands)
USD/NTD	2023.01	USD3,000/NTD92,122

The Group entered into forward exchange contracts and swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

c. At the end of the year, outstanding forward exchange contracts not under hedge accounting were as follows:

December 31, 2023

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	EUR/USD	2024.01	EUR4,000/USD4,406

December 31, 2022

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	USD/CNY	2023.01	USD3,718/CNY25,901

Details of profit and loss of financial instruments at FVTPL for the year 2023 and 2022 list on Note 24.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31 2023	December 31 2022
Time deposits with original maturities of more than 3 months	$ 1,289,272	$ 572,376
Current	$ 302,843	$ 88,058
Non-current	986,429	484,318
	$ 1,289,272	$ 572,376
The annual interest rate (%)	3-4.18	3.4-4.18

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31 2023	December 31 2022
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 27,682	$ 25,723

These investments in equity instruments are not held for trading or for short-term gains. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31 2023	December 31 2022
Notes receivable		
At amortized cost		
Gross carrying amount - operating	$ 432,050	$ 323,739
Accounts receivable - non-related parties		
At amortized cost		
Gross carrying amount - operating	$ 1,950,683	$ 1,953,361
Less: Allowance for impairment loss	20,079	29,209
	$ 1,930,604	$ 1,924,152
Accounts receivable from related parties		
At amortized cost		
Gross carrying amount - operating	$ 620	$ -

Refer to Note 31 for information related to notes receivable pledged as security.

The Company's notes receivable and accounts receivable have been measured by amortized cost. Refer to Note 29 for information related to credit management policy.
The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Group writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

There were no notes receivable that were past due and not impaired at the end of the reporting years.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix:

December 31, 2023

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Gross carrying amount	$ 1,832,137	$ 4,041	$ 83,718	$ 13,650	$ 7,004	$ 10,753	$ 1,951,303
Loss allowance (Lifetime ECLs)	(952)	(20)	(826)	(4,026)	(3,502)	(10,753)	(20,079)
Amortized cost	$ 1,831,185	$ 4,021	$ 82,892	$ 9,624	$ 3,502	$ -	$ 1,931,224

December 31, 2022

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Gross carrying amount	$ 1,807,561	$ 32,562	$ 73,420	$ 12,540	$ 7,402	$ 19,876	$ 1,953,361
Loss allowance (Lifetime ECLs)	(972)	(164)	(734)	(3,762)	(3,701)	(19,876)	(29,209)
Amortized cost	$ 1,806,589	$ 32,398	$ 72,686	$ 8,778	$ 3,701	$ -	$ 1,924,152

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 29,209	$ 24,525
Net remeasurement of loss allowance	6,923	4,634
Amounts written off	(15,838)	-
Foreign exchange gains and losses	(215)	50
Balance at December 31	$ 20,079	$ 29,209

11. INVENTORIES

	December 31	
	2023	2022
Finished goods	$ 619,092	$ 749,101
Work-in-process	225,714	293,862

(Continued)

	December 31	
	2023	2022
Semi-finished	$ 173,079	$ 276,647
Raw materials	191,382	311,356
Supplies	21,133	27,761
Inventory in transit	6,308	6,065
	$ 1,236,708	$ 1,664,792

(Concluded)

In the consolidated company, the cost of goods sold related to inventories includes inventory losses recognized for writing down the inventory cost to its net realizable value, as well as inventory recovery benefits recognized for increases in the net realizable value of inventories.The amount were as follows:

	For the Year Ended December 31	
	2023	2022
Cost of goods sold	$ 4,333,369	$ 4,829,759
Inventory write-downs	61,277	318,331
Unallocated manufacturing overhead	5,139	205
	$ 66,416	$ 318,536

As the idle capacity and actual production capacity were lower than the normal production capacity, unallocated manufacturing overhead was recognized as the cost of goods sold in the current year.

12. OTHER FINANCIAL ASSETS

	December 31	
	2023	2022
Pledge demand deposits	$ 51,471	$ 100,153
Pledge time deposits	28,800	151,700
Deposits of banker’s acceptance	14,849	33,886
Refundable deposits	23,584	20,974
	$ 118,704	$ 306,713
Current	$ 95,120	$ 285,739
Non-current	23,584	20,974
	$ 118,704	$ 306,713
The annual interest rate of pledge time deposits (%)	1.32	1.195-4.15

For other financial assets pledged information please refer to Note 31.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%) December 31, 2023	Percentage of Ownership (%) December 31, 2022	Description
The Company	Yenyo Technology Co., Ltd. (Yenyo)	Note 1	63.76	63.76	
	Greenish Co., Ltd. (Greenish)	Note 2	100.00	100.00	
	Thinking (Changzhou) Electronic Co., Ltd. (Thinking Changzhou)	Note 3	47.39	47.39	
	Thinking Holding (Cayman) Co., Ltd. (Thinking Holding)	Note 2	100.00	100.00	Note 8
	Thinking Electronic USA, Inc. (Thinking USA)	Note 4	100.00	100.00	Note 9
	Thinking (Viet Nam) Electronic Co., Ltd. （Thinking Viet Nam）	Note 3	100.00	-	Note 10
Greenish	Thinking Changzhou	Note 3	52.61	52.61	
Thinking Holding	Thinking International Co., Ltd. (Thinking International)	Note 2	100.00	100.00	Note 8
	Thinking (HK) Enterprises Limited (Thinking HK)	Note 2	100.00	100.00	
	View Full (Samoa) Ltd. (View Full Samoa)	Note 2	100.00	100.00	
	Thinking Electronic (Samoa) Ltd. (Thinking Samoa)	Note 2	100.00	100.00	
Thinking International	Thinking (Yichang) Electronic Co., Ltd. (Thinking Yichang)	Note 3	100.00	100.00	Note 8
Thinking HK	Jiang Xi Thinking Electronic Co., Ltd. (Jiangxi Thinking)	Note 5	100.00	100.00	
View Full Samoa	Guangdong Welkin Thinking Electronic Co., Ltd. (Guangdong Welkin Thinking)	Note 6	-	100.00	Note 11
	Dong Guan Welkin Electronic Co., Ltd. (Dongguan Welkin)	Note 7	64.96	58.34	Note 11
Thinking Samoa	Dongguan Welkin	Note 7	8.76	10.42	Note 11
Thinking Changzhou	Dongguan Welkin	Note 7	26.28	31.24	Note 11
Dongguan Welkin	Welkin Electronic Co., Ltd. (Zhongshan Welkin)	Note 3	100.00	100.00	

Note 1: Processing, selling and manufacturing diodes.

Note 2: International trading and investment.

Note 3: Manufacturing and selling thermistors, varistors and sensors.

Note 4: Electronic product design and marketing.

Note 5: Manufacturing and selling thermistors and varistors.

Note 6: Wholesale of thermistors, varistors, sensors and equipment.

Note 7: Manufacturing and selling thermistors, varistors, sensors and equipment.

Note 8: In order to cope with the working capital demands, the Group invested Thinking Holding US$0.3 million and, through its subsidiary Thinking International, registered Thinking Yichang in mainland China.

Note 9: In order to implement the Group’s global layout plan, the board of directors resolved to set up a new subsidiary in the USA on August 9, 2022, and the total investment amount is expected to be US$3 million. As of December 31, 2023, the Company had invested US$1 million in the subsidiary.

Note 10: In order to integrate manufacturing, marketing and facility layouts, the board of directors resolved to set up a new subsidiary in Vietnam on February 8, 2023, and the total investment amount is expected to be US$27 million. As of December 31, 2023, the Group had invested US$4.8 million in the subsidiary.

Note 11: In response to optimizing the organizational structure of the Group, the board of directors of Dongguan Welkin resolved to merge Guangdong Welkin Thinking in April 2023, and the base date for the merger was June 30, 2023. Guangdong Welkin Thinking was dissolved after the merger, and Dongguan Welkin assumed the assets and liabilities of the merged companies.

14. PROPERTY, PLANT, AND EQUIPMENT

a. Changes in costs and accumulated depreciation

For the Year ended December 31, 2023

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2023	$ 195,719	$ 995,231	$ 2,550,730	$ 126,040	$ 468,037	$ 978,941	$ 5,314,698
Additions	-	200,726	318,212	13,950	31,898	326,294	891,080
Disposals	-	(200)	(202,603)	-	(16,550)	-	(219,353)
Effect of foreign currency exchange differences	-	(14,587)	(31,149)	(2,399)	(4,082)	(4,230)	(56,447)
Balance at December 31, 2023	$ 195,719	$ 1,181,170	$ 2,635,190	$ 137,591	$ 479,303	$ 1,301,005	$ 5,929,978
Accumulated depreciation							
Balance at January 1, 2023	$ -	$ 343,299	$ 1,316,973	$ 109,473	$ 325,693	$ -	$ 2,095,438
Depreciation expense	-	45,337	213,387	10,170	38,205	-	307,099
Disposals	-	(200)	(126,737)	-	(15,952)	-	(142,889)
Effect of foreign currency exchange differences	-	(4,200)	(14,791)	(2,042)	(2,450)	-	(23,483)
Balance at December 31, 2023	$ -	$ 384,236	$ 1,388,832	$ 117,601	$ 345,496	$ -	$ 2,236,165
Carrying amount at December 31, 2023	$ 195,719	$ 796,934	$ 1,246,358	$ 19,990	$ 133,807	$ 1,301,005	$ 3,693,813

For the Year ended December 31, 2022

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2022	$ 195,719	$ 978,864	$ 2,236,815	$ 142,919	$ 438,799	$ 534,679	$ 4,527,795
Additions	-	17,208	424,705	4,976	40,594	442,481	929,964
Disposals	-	(9,569)	(130,203)	(23,925)	(14,000)	-	(177,697)
Effect of foreign currency exchange differences	-	8,728	19,413	2,070	2,644	1,781	34,636
Balance at December 31, 2022	$ 195,719	$ 995,231	$ 2,550,730	$ 126,040	$ 468,037	$ 978,941	$ 5,314,698
Accumulated depreciation							
Balance at January 1, 2022	$ -	$ 308,750	$ 1,200,021	$ 105,671	$ 293,715	$ -	$ 1,908,157
Depreciation expense	-	41,935	192,438	26,249	43,515	-	304,137
Disposals	-	(9,540)	(85,433)	(23,925)	(12,949)	-	(131,847)
Effect of foreign currency exchange differences	-	2,154	9,947	1,478	1,412	-	14,991
Balance at December 31, 2022	$ -	$ 343,299	$ 1,316,973	$ 109,473	$ 325,693	$ -	$ 2,095,438
Carrying amount at December 31, 2022	$ 195,719	$ 651,932	$ 1,233,757	$ 16,567	$ 142,344	$ 978,941	$ 3,219,260

In January 2019, the board of directors of the Company approved the investment plan for the Nanzih Plant in Kaohsiung, and the estimated investment amount increased to $1,000,000 thousand in January 2021, which had not been completed and accepted as of the reporting date, and the actual project contract request was included in the property under construction.

A reconciliation of the above-mentioned increase in property, plant and equipment and the amount paid in the consolidated statements of cash flows is as follows:

	For the Year Ended December 31	
	2023	2022
Investing activities that affected both cash and non-cash items		
Additions to property, plant, and equipment	$ 891,080	$ 929,964
Decrease (increase) in payables for equipment (in other payables)	15,622	(20,050)
Decrease in prepayments for equipment	(43,635)	(35,141)
Capitalization of depreciation	(584)	(585)
Payments of acquisition of property, plant and equipment	$ 862,483	$ 874,188

b. Useful lives

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

Buildings (include improvement engineering)	
Main plants	20-60 years
Improvement engineering	2-60 years
Machinery and equipment	2-12 years
Leasehold improvements	10 years
Others	2-19 years

c. As of December 31, 2023 and 2022, the Group didn’t provide property, plant and equipment as guarantee.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amount		
Land	$ 303,863	$ 316,304
Buildings	68,991	65,005
	$ 372,854	$ 381,309

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	$ 58,350	$ 204,268
Decrease in right-of-use assets	$ -	$ 2,387

(Continued)

	For the Year Ended December 31	
	2023	**2022**
Depreciation charge for right-of-use assets		
Land	$ 7,929	$ 7,962
Buildings	52,594	52,758
	$ 60,523	$ 60,720

(Concluded)

Except for the recognized depreciation, additions and reduction, the Group did not have impairment or subleasing of right-of-use assets for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	**2022**
Carrying amount		
Current	$ 44,994	$ 41,563
Non-current	81,328	85,285
	$ 126,322	$ 126,848

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	**2022**
Land	0.75-1.38	0.75-1.38
Buildings	3.72-5.13	4.70-6.04

c. Material leasing activities and terms

The Group leases land and buildings for the use of plants and offices.

1) Land

The land is located in Nanzih Export Processing Zone with the remaining useful life of 2 to 6 years. The government reserves the right to adjust rent according to the assessed land value.

The right-of-use land is located in mainland China with the remaining useful life of 31 to 49 years.

2) Buildings

The building is located in mainland China with the remaining useful life of 2 to 5 years. The lease payments will be adjusted every 3 years based on the changes in market rental rates.

3) The Group signed a Vietnam land lease contract to use to build a factory; the total amount of the contract is VND$112,943,820 thousand. As of December 31, 2023, the Group had paid VND$83,558,292 thousand (in other non-current assets of $104,030 thousand). As of December 31, 2023, the land hasn't completed the registration transfer procedures.

The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease period. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2023	**2022**
Expenses relating to short-term leases	$ 6,376	$ 5,012
Expenses relating to low-value asset leases	$ 878	$ 608
Total cash outflow for leases	$ 69,430	$ 155,638

Lease arrangements under operating leases for the leasing out of investment properties are presented in Note 16.

16. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2023	**2022**
Cost		
Balance at January 1	$ 115,189	$ 113,697
Effect of foreign currency exchange differences	(1,999)	1,492
Balance at December 31	$ 113,190	$ 115,189
Accumulated depreciation		
Balance at January 1	$ 75,013	$ 67,637
Depreciation expense	6,203	6,517
Effect of foreign currency exchange differences	(1,401)	859
Balance at December 31	$ 79,815	$ 75,013
Carrying amount at December 31	$ 33,375	$ 40,176

Depreciation is provided on a straight-line basis over the estimated useful lives of 5-22 years.

The Group has buildings located in Beijing, Suzhou, and Nanchang, China with fair values that are not evaluated by an independent valuer but valued by the management using the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The calculated fair value was $95,207 thousand and $96,440 thousand as of December 31, 2023 and 2022, respectively.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Secured loans (Note 31)	$ -	$ 108,000
Credit loans	135,000	600,000
	$ 135,000	$ 708,000
The annual interest rate (%)		
Secured loans	-	1.5
Credit loans	0.5-1.64	1.09-1.80

b. Long-term borrowings

	December 31	
	2023	2022
Credit loans	$ 1,037,322	$ 1,051,780
Less: Government grants discount	10,074	15,104
Current portion of long-term borrowings	131,589	14,458
	$ 895,659	$ 1,022,218
The annual interest rate (%)	1.1	0.975

Borrowings under the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" have interest at prime rate and are used for capital expenditures and operating turnovers, with a drawdown facility amounted to $1,051,780 thousand as of December 31, 2023 and 2022. The details of the relevant loan contract are as follows:

1) Credit period: The credit period is from October 2020 to October 2027, and the credit line is $1,264,000 thousand, which is a revolving loan allowing separate drawdowns, and all credits will expire in October 2027.

2) Borrowing interest rate: For the first 5 years from the date of initial drawdown, after the reduction of the variable interest rate of 0.495% based on the two-year fixed deposit interest rate of Chunghwa Post Co., Ltd. On the sixth year, when variable interest rate increases by 0.005% based on the two-year fixed deposit interest rate of Chunghwa Post Co., Ltd. The Company calculates its fair value with an annual interest rate of general condition which was 1.595% and 1.47% as of December 31, 2023 and 2022, respectively.

3) Repayment method: Monthly installments start on the fourth year from the date of initial drawdown until October 2027.

4) Each annual repayment plan drawdown is as follows:

Repayment year	Amounts of Repayment
2024	$ 131,589
2025	286,741
2026	331,610

(Continued)

Repayment year	Amounts of Repayment
2027 (January-October)	$ 287,382
	$ 1,037,322

(Concluded)

18. NOTES PAYABLE AND ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

The Group's notes payable and accounts payable were from operating activities and were not secured by collaterals.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms; therefore, no interest was charged on the outstanding accounts payable.

19. OTHER PAYABLES

	December 31	
	2023	2022
Payable for salaries and bonuses	$ 388,726	$ 392,695
Payable for purchase of equipment	64,393	80,015
Payable for employees' compensation	75,333	79,543
Payable for remuneration of directors	22,494	23,242
Others	170,922	151,816
	$ 721,868	$ 727,311

20. REFUND LIABILITIES

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 84,696	$ 92,669
Usage	(8,354)	(7,973)
Balance at December 31	$ 76,342	$ 84,696

The discount on refund liabilities was based on historical experience, management's judgments and other known reasons to estimate sales compensation and offset refund liability when compensation actually occurs.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

2) Thinking Changzhou, Dongguan Welkin, Thinking Yichang, Jiangxi Thinking, Guangdong Welkin Thinking and Zhongshan Welkin of the Group make contributions in accordance with the local regulations. The subsidiaries are required to contribute a specified percentage of salaries to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan are to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company and Yenyo of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and Yenyo of the Group contribute specific percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 82,717	$ 104,610
Fair value of plan assets	(113,753)	(114,140)
Net defined benefit assets	$ (31,036)	$ (9,530)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Assets**
Balance at January 1, 2022	$ 102,739	$ (107,633)	$ (4,894)
Service cost			
Current service cost	102	-	102
Net interest expense (income)	623	(669)	(46)
Recognized in profit or loss	725	(669)	56
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,381)	(8,381)
Actuarial gain - changes in financial assumptions	(3,434)	-	(3,434)
Actuarial loss - experience adjustments	8,722	-	8,722
Recognized in other comprehensive income	5,288	(8,381)	(3,093)
Contributions from the employer	-	(1,599)	(1,599)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Benefits paid	$ (4,142)	$ 4,142	$ -
Balance at December 31, 2022	104,610	(114,140)	(9,530)
Service cost			
Current service cost	96	-	96
Net interest expense (income)	1,012	(1,375)	(363)
Recognized in profit or loss	1,108	(1,375)	(267)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,064)	(1,064)
Actuarial loss - experience adjustments	283	-	283
Recognized in other comprehensive income	283	(1,064)	(781)
Contributions from the employer	-	(2,020)	(2,020)
Benefits paid	(23,284)	4,846	(18,438)
Balance at December 31, 2023	$ 82,717	$(113,753)	$ (31,036)

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company and Yenyo of the Group are exposed to the following risks:

1) Investment risk

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

2) Interest risk

   A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk

   The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2023	2022
Discount rate (%)	1.25	1.25
Expected rate of salary increase (%)	2-3	2-3

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

	December 31	
	2023	2022
Discount rate		
0.25% increase	$ (989)	$ (1,248)
0.25% decrease	$ 1,017	$ 1,285
Expected rate of salary increase (decrease)		
1% increase	$ 4,171	$ 5,290
1% decrease	$ (3,820)	$ (4,797)

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

	December 31	
	2023	2022
The expected contributions to the plans for the next year	$ 1,970	$ 2,130
Average duration of the defined benefit obligation (years)	7-9	8-10

22. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	$ 200,000	$ 200,000
Shares authorized	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	128,113	128,113
Shares issued	$ 1,281,127	$ 1,281,127

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2023	**2022**
May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares (Note)		
Conversion of bonds	$ 265,446	$ 265,446
Issuance of ordinary shares	59,168	59,168
Treasury share transactions	23,649	23,649
Difference between consideration and carrying amount of the subsidiaries acquired	4,644	4,644
	$ 352,907	$ 352,907

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to ordinary shares (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the dividend policy in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders.

The Company's dividend policy is also designed to meet the current and future development plans and takes into consideration the investment environment, capital needs, domestic or international competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute the dividends at no less than 30% of the distributable earnings of the current year. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 20% of total dividends.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards" should be appropriated to or reversed from a special reserve by the Company. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriations of earnings for 2022 and 2021 were approved in the shareholders' meeting on June 13, 2023 and June 16, 2022, respectively. The appropriations of earnings for 2022 and 2021 were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For the Year Ended		For the Year Ended	
	2022	2021	2022	2021
Legal reserve	$ 137,581	$ 157,419		
Special reserve (reversed)	(81,751)	20,942		
Cash dividends	691,809	807,110	$ 5.4	$ 6.3
	$ 747,639	$ 985,471		

The appropriations of earnings for 2023 were proposed by the Company's board of directors on February 26, 2024. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividend Per Share (NT$)
Legal reserve	$ 130,811	
Special reserve	115,609	
Cash dividends	666,186	$ 5.2
	$ 912,606	

The appropriations of earnings for 2023 are subject to the resolution of the shareholders in their meeting to be held on June 18, 2024.

d. Other equity items

1) Exchange differences on translation of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ (132,408)	$ (224,709)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(146,960)	115,376
Income tax benefit (expenses) relating to exchange differences arising on translation of foreign operations	29,392	(23,075)
Balance at December 31	$ (249,976)	$ (132,408)

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ (8,219)	$ 2,331
Unrealized valuation loss (gain) on financial assets at FVTOCI	1,959	(10,550)
Balance at December 31	$ (6,260)	$ (8,219)

e. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 134,368	$ 117,720
Share in gain for the year	3,356	16,145
Other comprehensive income during the year	313	503
Balance at December 31	$ 138,037	$ 134,368

23. OPERATING REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods	$ 7,077,049	$ 7,462,925
Service revenue	87	210
	$ 7,077,136	$ 7,463,135

a. Refer to Note 4 (l) for information related to contracts with customers.

b. Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivable (Note 10)	$ 2,363,274	$ 2,247,891	$ 2,211,805

c. Disaggregation of revenue

For the year ended December 31, 2023

	Type of revenue		
Reportable Segments	Revenue from Sale of Passive Components	Service Revenue	Total
Thinking	$ 2,795,535	$ 87	$ 2,795,622
Yenyo	327,513	-	327,513
Thinking Changzhou	1,744,608	-	1,744,608
Dongguan Welkin (Note 13 and 11)	1,827,094	-	1,827,094
Others	382,299	-	382,299
	$ 7,077,049	$ 87	$ 7,077,136

For the year ended December 31, 2022

Reportable Segments	Type of revenue: Revenue from Sale of Passive Components	Service Revenue	Total
Thinking	$ 3,116,111	$ 210	$ 3,116,321
Yenyo	395,945	-	395,945
Thinking Changzhou	1,812,397	-	1,812,397
Dongguan Welkin (Guangdong Welkin Thinking)	1,831,563	-	1,831,563
Others	306,909	-	306,909
	$ 7,462,925	$ 210	$ 7,463,135

24. CONSOLIDATED NET PROFIT

Consolidated net profit included following items:

a. Interest income

	For the Year Ended December 31: 2023	2022
Bank deposits	$ 68,969	$ 44,611
Financial assets at fair value through profit or loss	21,231	37,794
Financial assets at amortized cost	27,661	17,555
Others	882	867
	$ 118,743	$ 100,827

b. Other income

	For the Year Ended December 31: 2023	2022
Grants	$ 40,609	$ 35,647
Rental income	4,877	5,111
Dividend income	763	988
Overpayment	556	10,937
Others	10,243	17,125
	$ 57,048	$ 69,808

c. Other gains and losses

	For the Year Ended December 31: 2023	2022
Loss on financial assets at fair value through profit or loss	$ (33,242)	$ (2,165)
Foreign exchange gains, net	36,858	240,666
Gain (loss) on disposal of property, plant and equipment, net	(16,529)	13,785
Others	(15,938)	(9,179)
	$ (28,851)	$ 243,107

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on lease liabilities	$ 5,866	$ 5,727
Interest expense of borrowings	19,978	16,417
	25,844	22,144
Less: Amounts included in the cost of qualifying assets	9,006	4,969
	$ 16,838	$ 17,175

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2023	2022
Capitalized interest amount	$ 9,006	$ 4,969
Capitalization rate (%)	0.975-1.23	0.35-1.23

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	$ 307,099	$ 304,137
Right-of-use-assets	60,523	60,720
Investment properties	6,203	6,517
Computer software	17,822	10,690
	391,647	382,064
Less: Amounts included in the cost of qualifying assets	584	585
	$ 391,063	$ 381,479
An analysis of depreciation by function		
Operating costs	$ 298,031	$ 288,222
Operating expenses	69,007	76,050
Other gains and losses	6,203	6,517
	$ 373,241	$ 370,789
An analysis of amortization by function		
Operating costs	$ 5,226	$ 3,988
Operating expenses	12,596	6,702
	$ 17,822	$ 10,690

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits		
Salary	$ 1,689,667	$ 1,778,707
Others	192,273	192,197
	1,881,940	1,970,904
Retirement benefits		
Defined contribution plans	113,616	101,462
Defined benefit plans (Note 21)	(267)	56
	113,349	101,518
	$ 1,995,289	$ 2,072,422
An analysis of employee benefits expense by function		
Operating costs	$ 1,332,133	$ 1,315,225
Operating expenses	663,156	757,197
	$ 1,995,289	$ 2,072,422

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The appropriations of employees' compensation and remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on February 26, 2024 and March 22, 2023, respectively, were as follows:

	For the Year Ended December 31	
	2023	2022
Accrual rate		
Employees' compensation (%)	3.9	3.9
Remuneration of directors (%)	1.3	1.3
Amounts		
Employees' compensation	$ 66,157	$ 68,812
Remuneration of directors	22,494	23,242

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

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

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

25. INCOME TAX

a. Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	$ 191,479	$ 383,742
Income tax on unappropriated earnings	31,408	29,504
Adjustments for prior years	(39,533)	(20,990)
	183,354	392,256
Deferred tax		
In respect of the current year	222,604	33,514
Adjustments for prior years	1,736	(19,004)
Tax rate amendment	3,694	-
	228,034	14,510
Income tax expense recognized in profit or loss	$ 411,388	$ 406,766

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

	For the Year Ended December 31	
	2023	2022
Profit before income tax	$ 1,722,547	$ 1,796,744
Income tax expense calculated at the statutory rate	$ 505,481	$ 489,062
Tax-exempt income	(153)	(198)
Nondeductible expenses and tax-exempt income	(23,173)	(11,443)
Income tax on unappropriated earnings	31,408	29,504
Unrecognized loss carryforwards	836	(6,729)
Unrecognized deductible temporary differences	(77)	5
Tax rate amendment	3,694	-
Usage of investment credit	(68,831)	(53,441)
Adjustments for prior years' tax	(37,797)	(39,994)
Income tax expense recognized in profit or loss	$ 411,388	$ 406,766

The tax rate applicable to income generated in the Republic of China is 20%, and the tax rate applicable to income generated in mainland China is 15% and 25%. Zhongshan Welkin has obtained High and New Technology Enterprises status in 2023, adjusting the corporate income tax rate from 25% to 15%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred income tax expense (benefit)		
Translation of foreign operations	$ (29,392)	$ 23,075
Remeasurement on defined benefit plans	156	618
Income tax recognized in other comprehensive income	$ (29,236)	$ 23,693

c. Current tax assets and liabilities

	December 31 2023	December 31 2022
Current tax assets		
Tax refund receivable	$ 27,192	$ 7,883
Current tax liabilities		
Income tax payable	$ 27,267	$ 152,139

d. Deferred tax assets and liabilities

The movements of net of deferred tax assets and liabilities are as follows:

For the Year ended December 31, 2023

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Temporary differences					
Unrealized loss on inventories	$ 88,155	$ (26,956)	$ -	$ (742)	$ 60,457
Unrealized gross profits	15,787	(10,122)	-		5,665
Unrealized refund liabilities	16,939	(1,671)	-		15,268
Loss Carryforwards	6,952	(6,940)	-	(12)	-
Exchange differences on translation of the financial statements of foreign operations	33,102	-	29,392	-	62,494
Others	22,537	(2,139)	(156)	(265)	19,977
	$ 183,472	$ (47,828)	$ 29,236	$ (1,019)	$ 163,861

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Exchange Differences	Balance, End of Year
Temporary differences				
Foreign investment income	$ 1,306,304	$ 183,337	$ -	$ 1,489,641
Others	61,367	(3,131)	(857)	57,379
	$ 1,367,671	$ 180,206	$ (857)	$ 1,547,020

For the Year ended December 31, 2022

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Temporary differences					
Unrealized loss on inventories	$ 43,519	$ 44,270	$ -	$ 366	$ 88,155
Unrealized gross profits	6,528	9,259	-	-	15,787
Unrealized refund liabilities	18,534	(1,595)	-	-	16,939
Loss Carryforwards	-	6,971	-	(19)	6,952
Exchange differences on translation of the financial statements of foreign operations	56,177	$ -	(23,075)	-	33,102
Others	16,546	6,532	(618)	77	22,537
	$ 141,304	$ 65,437	$ (23,693)	$ 424	$ 183,472

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Exchange Differences	Balance, End of Year
Temporary differences				
Foreign investment income	$ 1,251,484	$ 54,820	$ -	$ 1,306,304
Others	35,821	25,127	419	61,367
	$ 1,287,305	$ 79,947	$ 419	$ 1,367,671

e. Income tax assessments

The tax returns of the Company and Yenyo through 2021 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of EPS are as follows:

Net profit for the year

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	$ 1,307,803	$ 1,373,833

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	128,113	128,113

(Continued)

	For the Year Ended December 31	
	2023	2022
Effect of potentially dilutive ordinary shares		
Compensation of Employees	500	706
Weighted average number of ordinary shares used in the computation of diluted earnings per share	128,613	128,819

(Concluded)

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

27. GOVERNMENT GRANTS

The Company obtained government loans under the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" which have interest at prime rate and are used for capital expenditures and operating turnovers. The Company calculated its fair value with annual interest rate based on general condition. The difference between the acquisition amount borrowed and the fair value was classified as government's low interest grants and recognized as deferred revenue.

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 34,308	$ 28,078
Deferred revenue in the reporting period	(26)	7,135
Realized revenue in the reporting period (in other income)	(1,079)	(1,084)
Effect of foreign currency exchange differences	(227)	179
Balance at December 31	$ 32,976	$ 34,308

	December 31	
Carrying amount of deferred revenue	2023	2022
Current (in other current liabilities)	$ 1,074	$ 1,080
Non-current	31,902	33,228
	$ 32,976	$ 34,308

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the last 2 years.

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

29. FINANCIAL INSTRUMENTS

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

The Group's management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured deposit	$ -	$ -	$ 1,127,549	$ 1,127,549
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 27,682	$ 27,682
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 629	$ -	$ 629

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured deposit	$ -	$ -	$ 914,951	$ 914,951
Derivative financial assets	-	92,250	-	92,250
Total	$ -	$ 92,250	$ 914,951	$ 1,007,201
Financial assets at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 25,723	$ 25,723
Financial liabilities at FVTPL				
Derivative financial liabilities	$ -	$ 92,340	$ -	$ 92,340

There were no transfers between Level 1 and Level 2 in 2023 and 2022.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2023

Financial assets	Debt Instruments Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2023	$ 914,951	$ 25,723	$ 940,674
Purchases	2,660,443	-	2,660,443
Disposals	(2,429,400)	-	(2,429,400)
Recognized in other comprehensive income	-	1,959	1,959
Foreign currency exchange differences	(18,445)	-	(18,445)
Balanced at December 31, 2023	$ 1,127,549	$ 27,682	$ 1,155,231

For the year ended December 31, 2022

Financial assets	Debt Instruments Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2022	$ 1,525,486	$ 36,273	$ 1,561,759
Purchases	4,208,837	-	4,208,837
Disposals	(4,837,254)	-	(4,837,254)
Recognized in other comprehensive income	-	(10,550)	(10,550)
Foreign currency exchange differences	17,882	-	17,882
Balanced at December 31, 2022	$ 914,951	$ 25,723	$ 940,674

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - swap contracts and forward exchange contracts	Discounted cash flow: future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

a) The fair values of domestic unlisted shares are determined using the market approach where the inputs are categories of business, values of same type of company and operation of company.

b) The fair values of structured deposits mined using discounted cash flow method.

c. Categories of financial instruments

	December 31 2023	December 31 2022
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 1,127,549	$ 1,007,201
Financial assets at amortized cost (Note 1)	6,433,953	6,753,447
Financial assets at FVTOCI		
Equity instruments	27,682	25,723
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	629	92,340
Amortized cost (Note 2)	2,360,795	2,932,414

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties and excluding income tax refund receivable) and other financial assets.

2) The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payable, accounts payable (including related parties), other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received.

d. Financial risk management objectives and policies

Financial risks associated with the management and operations of the Group included market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The treasury function reports monthly to the Group's management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which exposes the Group to foreign currency risk. The Group engaged in derivative financial instruments within the scope of the policy, including forward exchange contracts and swap contracts, to mitigate the risk exposures to exchange rates that may arise from non-functional currency denominated assets and liabilities and certain anticipated transactions, but the impact of foreign currency exchange rate changes cannot be completely ruled out.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities exposed to foreign currency risk at the end of the year are set out in Note 33.

Sensitivity analysis

The Group is mainly exposed to the risk from the fluctuations of the USD and the CNY, and the sensitivity rate used when reporting foreign currency risk internally to key management personnel in foreign exchange rates is 1%. The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the functional currency.

	USD Impact		**CNY Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2023	**2022**	**2023**	**2022**
Profit or loss	$ 9,868	$ 12,574	$ 4,282	$ 13,323

b) Interest rate risk

The interest rate risk of the Group is primarily related to its fixed interest rates and variable rate of borrowing funds. The Group manages its interest rate risk by using interest rate swap contracts and forward interest rate contracts. Furthermore, total amount of the Group's cash and cash equivalents are considerably greater than the amount of bank loans which can process repayment procedure spontaneously. Therefore, interest rate risk does not have significant impact to the Group.

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

	December 31	
	2023	**2022**
Fair value interest rate risk		
Financial assets	$ 2,658,677	$ 1,928,439
Financial liabilities	261,322	714,848
Cash flow interest rate risk		
Financial assets	2,472,443	3,434,084
Financial liabilities	1,027,248	1,156,676

Sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have been higher/lower by $14,452 thousand and by $22,774 thousand, respectively, which was mainly a result of the changes in the floating interest rate financial instrument.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation provided due to the financial guarantees provided by the Group, could be the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group is continuously monitoring and spreading the aggregate transactions to each credit-qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

3) Liquidity risk

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

Bank loans are a major source of liquidity risk for the Group. As of December 31, 2023 and 2022, the Group had available unutilized short-term bank loan facilities set out in (c) below.

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

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

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

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 361,459	$ 538,988	$ 295,816	$ -	$ -
Lease liabilities	3,995	8,056	36,212	38,611	59,419
Variable interest rate liabilities	8,180	17,096	117,165	922,558	-
Fixed interest rate liabilities	35,277	100,061	118	-	-
	$ 408,911	$ 664,201	$ 449,311	$ 961,169	$ 59,419

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 48,263	$ 38,611	$ 7,321	$ 7,321	$ 7,321	$ 37,456
Variable interest rate liabilities	142,441	922,558	-	-	-	-
	$ 190,704	$ 961,169	$ 7,321	$ 7,321	$ 7,321	$ 37,456

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 335,844	$ 538,763	$ 310,611	$ -	$ -
Lease liabilities	6,096	12,191	47,472	83,140	60,883
Variable interest rate liabilities	120,864	1,709	22,144	1,062,026	-
Fixed interest rate liabilities	76,392	198,911	315,568	-	-
	$ 539,196	$ 751,574	$ 695,795	$ 1,145,166	$ 60,883

Further information on the maturity analysis of the above financial liabilities was as follows:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 65,759	$ 83,140	$ 7,321	$ 7,321	$ 7,321	$ 38,920
Variable interest rate liabilities	144,717	1,062,026	-	-	-	-
	$ 210,476	$1,145,166	$ 7,321	$ 7,321	$ 7,321	$ 38,920

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group’s liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the year.

December 31, 2022

Gross settled	December 31 2023	2022
Forward exchange contracts		
Inflows	$ 136,560	$ 113,924
Outflows	(137,189)	(113,991)
	$ (629)	$ (67)
Swap contracts		
Inflows	$ -	$ 92,122
Outflows	-	(92,145)
	$ -	$ (23)

Liquidity of derivative financial instruments is paid on demand or less than 1 month.

c) Financing facilities

	December 31 2023	2022
Bank loan facilities		
Amount used	$ 1,172,322	$ 1,759,780
Amount unused	3,464,787	3,314,799
	$ 4,637,109	$ 5,074,579

e. Transfers of financial assets

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

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2023 and 2022, the face amounts of these unsettled bills receivable were $312,429 thousand and $263,156 thousand, respectively. The unsettled bills receivable will be due in 6 months and 10 months, respectively after December 31, 2023 and 2022. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 2023 and 2022, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

30. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions and revenues and expenses among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transaction between the Group and other related parties were as follows:

a. Related party name and its relationship with the Group

Related Party Name	Relationship with the Group
Welkin Electronic Industrial Co., Ltd. (Pingtung Welkin)	Related party in substance
Boh Chin Investment Co., Ltd. (Boh Chin Investment)	Related party in substance
Honungxin Technology Co., Ltd. (Honungxiu Technology)	Related party in substance

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2023	2022
Related party in substance- Pingtung Welkin	$ 1,337	$ -

The sale prices and terms between the Group and its related parties were not significantly different from those of ordinary transactions.

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2023	2022
Related party in substance- Honungxin Technology	$ 409	$ 888
Related party in substance- Pingtung Welkin	2,341	-
	$ 2,750	$ 888

The purchase prices and terms between the Group and its related parties were not significantly different from those of ordinary transactions.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31 2023	December 31 2022
Accounts receivables-related parties	Related party in substance		
	Pingtung Welkin	$ 620	$ -

The payment terms between the Group and the related parties were 60 days after monthly closing, and the outstanding payment receivables from related parties were unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2023	For the Year Ended December 31 2022
Accounts payable - related parties	Related party in substance		
	Pingtung Welkin	$ 814	$ -
	Honungxin Technology	6	1
		$ 820	$ 1
Other payables - related parties	Related party in substance		
	Pingtung Welkin	$ 653	$ 4,079
	Honungxin Technology	704	34
		$ 1,357	$ 4,113

The Group and its related parties have monthly payment terms of 60 days, and the outstanding amounts due to related parties are not guaranteed.

f. Prepayments (in prepayments for equipment)

Line Item	Related Party Category/Name	December 31 2023	December 31 2022
Prepayments for equipment	Related party in substance		
	Honungxin Technology	$ 8,132	$ -
	Pingtung Welkin	370	-
		$ 8,502	$ -

g. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price For the Year Ended December 31, 2022
Related party in substance	
Pingtung Welkin	$ 400
Honungxin Technology	1,850
	$ 2,250

h. Other transactions with related parties

1) Consigned processing

Line Item	Related Party Category /Name	For the Year Ended December 31 2023	2022
Processing expense	Related party in substance		
	Pingtung Welkin	$ 4,902	$ 11,061
	Honungxin Technology	554	374
		$ 5,456	$ 11,435

The prices and payment terms with substantial related parties were not comparable because the Group did not have other consigned processing businesses with non-related parties. The payment term was 60 days from the invoice date.

2) Lease arrangements

Line Item	Related Party Category /Name	For the Year Ended December 31 2023	2022
Lease expense	Related party in substance		
	Boh Chin Investment	$ 480	$ 480

The lease contract between the Group and related parties in substance is based on the market rental agreement under the general payment terms.

i. Remuneration of key management personnel

	For the Year Ended December 31 2023	2022
Short-term employee benefits	$ 67,743	$ 73,852
Post-employment benefits	1,315	1,081
	$ 69,058	$ 74,933

The remuneration of directors and other members of key management is determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Group provided the following assets as collateral for bank borrowings, tariff guarantee for imported and exported, deposits for construction contract and payment:

	December 31	
	2023	**2022**
Notes receivable	$ 204,301	$ 83,956
Pledged demand deposits (classified as other financial assets)	51,471	100,153
Pledged time deposits (classified as other financial assets)	28,800	151,700
Deposits of banker's acceptance (classified as other financial assets)	14,849	33,886
	$ 299,421	$ 369,695

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments due to the plants under construction and equipment were as follows:

	December 31	
	2023	**2022**
Acquisition of property, plant and equipment	$ 177,104	$ 550,321
Right-of-use land	36,585	-
	$ 213,689	$ 550,321

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023	Foreign Currency (In Thousand)	Exchange Rate		Carrying Amount (In Thousand)
Financial assets				
Monetary items				
USD	$ 18,510	7.0974	(USD:CNY)	$ 568,350
USD	26,080	30.705	(USD:NTD)	800,786
CNY	93,468	4.3262	(CNY:NTD)	404,361
CNY	9,934	0.1409	(CNY:USD)	42,976
				$ 1,816,473
Financial liabilities				
Monetary items				
USD	413	7.0974	(USD:CNY)	$ 12,681
USD	12,039	30.705	(USD:NTD)	369,657

(Continued)

	Foreign Currency (In Thousand)	Exchange Rate		Carrying Amount (In Thousand)
CNY	$ 4,415	4.3262	(CNY:NTD)	$ 19,100
				$ 401,438
December 31, 2022				
Financial assets				
Monetary items				
USD	19,120	6.9793	(USD:CNY)	$ 587,462
USD	34,301	30.725	(USD:NTD)	1,053,898
CNY	298,380	4.4023	(CNY:NTD)	1,313,558
CNY	9,756	0.1433	(CNY:USD)	42,949
				$ 2,997,867
Financial liabilities				
Monetary items				
USD	174	6.9793	(USD:CNY)	$ 5,346
USD	12,322	30.725	(USD:NTD)	378,593
CNY	5,492	4.4023	(CNY:NTD)	24,177
				$ 408,116

(Concluded)

Refers to Note 24 (c) for the informational related to realized and unrealized net foreign exchange loss. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

34. ADDITIONAL DISCLOSURES

a. Information on significant transactions and b. investees

1) Financing provided to others: Table.1

2) Endorsement/guarantee provided: None.

3) Marketable securities held (excluding investment in subsidiaries): Table 2.

4) Marketable securities acquired or disposed of at cost or price of at least NT$300 million or 20% of the paid-in capital: Table 3.

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

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Information on investees: Table 6.

10) Trading in derivative instruments: Note 7.

11) Intercompany relationships and significant intercompany transaction: Table 8.

c. Information on investments in Mainland China

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

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.

c) The amount of property transactions and the amount of the resultant gains or losses: None.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.

e) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: None.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.

d. Information of major shareholder: Shareholding ratio of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 9.

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on type of goods or services delivered or provided. The Group’s reportable segments were as follows:

a. Thinking Electronic Industrial Co., Ltd. (Thinking): Manufacturing, processing and selling of electric devices, thermistors, varistors and wines.

b. Yenyo: Processing, selling and manufacturing diodes as principal business.

c. Thinking Changzhou: Manufacturing and selling thermistors, varistors and sensors as principal business.

d. Guangdong Welkin Thinking: Wholesale of thermistors, varistors, sensors and equipment as principal business.

e. Dongguan Welkin: Manufacturing and selling thermistors, varistors, sensors and equipment as principal business.

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Thinking	Yenyo	Thinking Changzhou	Dongguan Welkin (Guangdong Welkin Thinking)	Others	Adjustment and Elimination	Consolidated Amount
For the Year ended December 31, 2023							
Revenues from external customers	$ 2,795,622	$ 327,513	$ 1,744,608	$ 1,827,094	$ 382,299	$ -	$ 7,077,136
Inter-segment revenue	377,176	497	1,177,073	1,256,107	2,207,535	(5,018,388)	-
Segment revenue	$ 3,172,798	$ 328,010	$ 2,921,681	$ 3,083,201	$ 2,589,834	$ (5,018,388)	$ 7,077,136
Segment income	$ 692,455	$ 12,403	$ 319,939	$ 275,661	$ 271,413	$ 20,574	$ 1,592,445
Interest income							118,743
Other income							57,048
Other gains and losses							(28,851)
Finance costs							(16,838)
Consolidated profit before income tax							1,722,547
Income tax							411,388
Consolidated net income							$ 1,311,159
December 31, 2023							
Total segment assets	$ 3,935,258	$ 475,435	$ 3,954,236	$ 2,536,687	$ 4,167,588	$ (1,419,375)	$ 13,649,829
Total segment liabilities	$ 3,555,643	$ 94,346	$ 551,315	$ 772,310	$ 590,231	$ (1,361,829)	$ 4,202,016
For the Year ended December 31, 2022							
Revenues from external customers	$ 3,116,321	$ 395,945	$ 1,812,397	$ 1,831,563	$ 306,909	$ -	$ 7,463,135
Inter-segment revenue	502,964	641	1,387,031	1,778,788	1,707,908	(5,377,332)	-
Segment revenue	$ 3,619,285	$ 396,586	$ 3,199,428	$ 3,610,351	$ 2,014,817	$ (5,377,332)	$ 7,463,135
Segment income	$ 694,967	$ 33,408	$ 375,138	$ 223,221	$ 27,858	$ 45,585	$ 1,400,177
Interest income							100,827
Other income							69,808
Other gains and losses							243,107
Finance costs							(17,175)
Consolidated profit before income tax							1,796,744
Income tax							406,766
Consolidated net income							$ 1,389,978
December 31, 2022							
Total segment assets	$ 5,057,787	$ 484,435	$ 4,278,902	$ 2,367,077	$ 2,971,328	$(1,401,713)	$ 13,757,816
Total segment liabilities	$ 4,203,715	$ 113,472	$ 531,024	$ 809,199	$ 461,865	$(1,304,906)	$ 4,814,369

Segment profit represents the profit before tax earned by each segment without interest income, other income, other gains and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

a. Other segment information

	Depreciation and amortization	
	December 31	
	2023	**2022**
Thinking	$ 95,860	$ 88,861
Yenyo	14,718	12,763
Thinking Changzhou	104,238	120,416
Dongguan Welkin (Include Guangdong Welkin Thinking)	51,895	57,038
Others	124,352	102,401
	$ 391,063	$ 381,479

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	For the Year Ended December 31	
	2023	2022
Passive components	$ 6,749,536	$ 7,066,980
Others	327,600	396,155
	$ 7,077,136	$ 7,463,135

c. Geographical information

1) The Group operates in two principal geographical areas - China and Taiwan.

2) The Group's revenue from external customers by location of operations and information on its non-current assets by location of assets are detailed below.

	Revenue from External Customers For the Year Ended December 31	
	2023	2022
Greater China (Include Taiwan)	$ 5,472,787	$ 5,653,250
Europe	974,102	987,652
Others	630,247	822,233
	$ 7,077,136	$ 7,463,135

3) The location of Group's non-current assets are detailed below

	Non-current Assets December 31	
	2023	2022
China	$ 2,296,432	$ 2,230,596
Taiwan	2,027,799	1,667,137
Vietnam	104,030	-
	$ 4,428,261	$ 3,897,733

Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

d. Information on major customers

No single customer contributed over 10% of the Group's consolidated operating revenue.

TABLE 1

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	The Company	Thinking Viet Nam	Other receivables - related parties	Yes	$ 96,615 (US$ 3,000 thousand)	$ 92,115 (US$ 3,000 thousand)	$ - (US$ - thousand)	5	Note 1	$ -	For short -term working capital	$ -	-	$ -	$ 2,792,932	$ 3,723,910	

Note 1: For short-term financing necessities.

Note 2: The aggregate financing limit shall not exceed 40% of the net assets of the Company. The financing limit for the financing amount on each individual loan shall not exceed 30% of net assets. The financing amount on each individual loan shall not exceed 100% of the net asset of the Company for inter-company loans of funds between overseas subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares.

TABLE 2

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Share							
	ACPA TECHNOLOGY CO., LTD.	-	Financial assets at FVTOCI - non-current	2,619,499	$ 27,682	11	$ 27,682	
Thinking Yichang	CNY financial products							
	Time Deposit Monthly Profit - Fubon Bank (China)	-	Financial assets at FVTPL - current	-	CNY 40,000 thousand	-	CNY 40,000 thousand	
	Structured Deposits - Bank Of China	-	Financial assets at FVTPL - current	-	CNY 60,000 thousand	-	CNY 60,000 thousand	
Jiangxi Thinking	CNY financial products							
	Time Deposit Monthly Profit - Fubon Bank (China)	-	Financial assets at FVTPL - current	-	CNY 50,200 thousand	-	CNY 50,200 thousand	
Dongguan Welkin	CNY financial products							
	Point Gold Series Structured Deposit - China Merchants Bank	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	
	Structured Deposits - E.SUN Bank	-	Financial assets at FVTPL - current	-	CNY 70,350 thousand	-	CNY 70,350 thousand	
	Hui Ji XinFu Structured Deposits- CTBC Bank	-	Financial assets at FVTPL - current	-	CNY 20,060 thousand	-	CNY 20,060 thousand	
Zhongshan Welkin	CNY financial products							
	Structured Deposits -Ping An Bank	-	Financial assets at FVTPL - current	-	CNY 10,000 thousand	-	CNY 10,000 thousand	

TABLE 3

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Carrying Amount	Gain/Loss on Disposal	Number of shares	Amount
Thinking Yichang	CNY financial products													
	Structured Deposits	Financial assets at FVTPL - current	Bank of China		-	CNY 45,000 thousand	-	CNY 80,000 thousand	-	CNY 65,588 thousand	CNY 65,000 thousand	CNY 588 thousand	-	CNY 60,000 thousand
Jiangxi Thinking	CNY financial products													
	Time Deposit Monthly Profit	Financial assets at FVTPL - current	Fubon Bank (China)		-	CNY 9,810 thousand	-	CNY 81,900 thousand	-	CNY 41,798 thousand	CNY 41,510 thousand	CNY 288 thousand	-	CNY 50,200 thousand
Dongguan Welkin	CNY financial products													
	Point Gold Series Structured Deposit	Financial assets at FVTPL - current	China Merchants Bank		-	CNY 20,000 thousand	-	CNY 100,000 thousand	-	CNY 110,327 thousand	CNY 110,000 thousand	CNY 327 thousand	-	CNY 10,000 thousand
	Structured Deposits	Financial assets at FVTPL - current	E.SUN Bank		-	CNY 20,000 thousand	-	CNY 181,030 thousand	-	CNY 131,878 thousand	CNY 130,680 thousand	CNY 1,198 thousand	-	CNY 70,350 thousand
Guandong Welkin Thinking	CNY financial products													
	Point Gold Series Structured Deposits	Financial assets at FVTPL - current	China Merchants Bank		-	CNY 30,000 thousand	-	CNY 55,000 thousand	-	CNY 85,331 thousand	CNY 85,000 thousand	CNY 331 thousand	-	CNY - thousand

TABLE 4

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Receivable) Payable		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Note)	% of Total	
The Company	Thinking Changzhou	Subsidiary	Sales	$ (203,462)	(6)	60 days from the end of the month	$ -	-	$ (91,687)	(12)	
	Thinking Changzhou	Subsidiary	Purchases	854,360	41	60 days from the end of the month	-	-	173,059	23	
	Dongguan Welkin	Subsidiary	Sales	(115,422)	(4)	60 days from the end of the month	-	-	(22,978)	(4)	
	Dongguan Welkin	Subsidiary	Purchases	1,039,295	50	60 days from the end of the month	-	-	173,785	23	
Thinking Changzhou	Thinking Yichang	Associate	Purchases	186,457	13	60 days from the end of the month	-	-	52,297	11	
	Jiangxi Thinking	Associate	Purchases	163,340	12	60 days from the end of the month	-	-	25,274	5	
	Dongguan Welkin	Associate	Sales	(105,987)	(4)	60 days from the end of the month	-	-	(23,709)	(2)	
Thinking Yichang	Jiangxi Thinking	Associate	Purchases	192,813	34	60 days from the end of the month	-	-	36,898	21	
	Dongguan Welkin	Associate	Sales	(370,531)	(38)	60 days from the end of the month	-	-	(64,805)	(22)	
Jiangxi Thinking	Dongguan Welkin	Associate	Sales	(198,157)	(24)	60 days from the end of the month	-	-	(40,329)	(22)	
	Zhongshan Welkin	Associate	Sales	(218,594)	(26)	60 days from the end of the month	-	-	(64,813)	(35)	
Dongguan Welkin	Zhongshan Welkin	Subsidiary	Purchases	785,047	38	60 days from the end of the month	-	-	158,782	22	
	Zhongshan Welkin	Subsidiary	Sales	(123,187)	(4)	60 days from the end of the month	-	-	(42,710)	(4)	

Note: All intercompany transactions have been eliminated upon consolidation.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
Thinking Changzhou	The Company	Parent company	$ 173,059	5.12	$ -	-	$ 57,705	$ -
Dongguan Welkin	The Company	Parent company	173,785	5.49	-	-	78,916	-
Zhongshan Welkin	Dongguan Welkin	Parent company	158,782	5.61	-	-	98,881	-

Note: All intercompany transactions have been eliminated upon consolidation.

TABLE 6

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of shares	Percentage of ownership (%)	Carrying Amount			
The Company	Yenyo	Yilan	Processing, sales and manufacturing of diodes	$ 304,410	$ 304,410	25,732,508	63.76	$ 237,878	$ 9,262	$ 5,906	Note 1
	Greenish	British Virgin Island	Investment holding and international trading	242,300 (US$ 7,375 thousand)	242,300 (US$ 7,375 thousand)	7,374,997	100	2,691,574	245,549	255,719	Note 1
	Thinking Holding	Cayman	Investment holding and international trading	792,506 (US$ 25,476 thousand)	783,237 (US$ 25,176 thousand)	25,476,302	100	3,860,398	478,468	475,244	Note 1
	Thinking USA	USA	Electronic product design and marketing	30,715 (US$ 1,000 thousand)	30,715 (US$ 1,000 thousand)	1,000,000	100	11,426	(17,113)	(17,113)	
	Thinking Viet Nam	Vietnam	Manufacturing and selling thermistors, varistors and sensors	149,313 (US$ 4,800 thousand)	-	-	100	141,205	111	111	
Thinking Holding	Thinking International	Mauritius	Investment holding and international trading	205,781 (US$ 6,375 thousand)	196,512 (US$ 6,075 thousand)	6,375,000	100	1,190,521	80,616	80,616	
	Thinking HK	Hong Kong	Investment holding and international trading	311,109 (US$ 10,020 thousand)	311,109 (US$ 10,020 thousand)	10,020,000	100	900,479	144,551	144,551	
	View Full Samoa	Samoa	Investment holding and international trading	155,108 (US$ 5,055 thousand)	155,108 (US$ 5,055 thousand)	5,055,000	100	1,592,927	221,141	221,141	
	Thinking Samoa	Samoa	Investment holding and international trading	112,518 (US$ 3,864 thousand)	112,518 (US$ 3,864 thousand)	3,864,354	100	215,167	32,654	32,654	

Note 1: The share of profits or losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: Information of investees which located in mainland China, refer to Table 7.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss)of the Investee	Percentage of Ownership Direct or Indirect Investment	Investment Gain (Loss) (Note 7)	Carrying Amount as of December 31, 2023 (Note 7)	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Thinking Changzhou	Manufacturing and selling thermistors, varistors and sensors	$ 1,008,050 (US$ 31,260 thousand)	Note 1	$ 452,725	$ -	$ -	$ 452,725	$ 439,343	100	$ 458,676	$ 4,036,634	$ 1,868,287 (US$ 61,686)	Notes 10 and 12
Thinking Yichang	Manufacturing and selling thermistors, varistors and sensors	203,439 (US$ 6,300 thousand)	Note 2	194,170	9,269	-	203,439	80,741	100	80,741	1,189,299	-	Note 12
Jiangxi Thinking	Manufacturing and selling thermistors and varistors	310,330 (US$ 10,000 thousand)	Note 3	310,330	-	-	310,330	144,583	100	144,583	900,271	-	Note 12
Guandong Welkin Thinking	Wholesale of thermistors, varistors, sensors and equipment	-	Note 4 and 11	153,547	-	153,547	-	4,379	-	4,379	-	-	Note 12
Dongguan Welkin	Manufacturing and selling thermistors, varistors, sensors and equipment	868,640 (CNY$194,782 thousand)	Note 5 and 11	111,759	153,547	-	265,306	322,085	100	322,085	2,460,385	-	Note 12
Zhongshan Welkin	Manufacturing and selling thermistors, varistors and sensors	658,145 (CNY$150,000 thousand)	Note 6	-	-	-	-	70,946	100	70,946	685,539	-	Note 12

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$1,231,800 (US$38,774 thousand)	$1,077,561 (US$35,094 thousand) (Note 8)	$5,585,865 (Note 9)

Note 1: Indirectly investment in mainland China through Greenish which was registered in the third area. The Company increased the amount of indirect investments in mainland China through Greenish since 2003.

Note 2: Indirectly investment in mainland China through companies registered in the third area (Thinking International).

Note 3: Indirectly investment in mainland China through companies registered in the third area (Thinking HK).

Note 4: Indirectly investment in mainland China through companies registered in the third area (View Full Samoa).

Note 5: Indirectly investment in mainland China through companies registered in the third area, View Full Samoa and Thinking Samoa and the subsidiary, Thinking Changzhou.

Note 6: Indirectly investment in mainland China through subsidiary (Dongguan Welkin).

Note 7: The financial statements have been audited by the ultimate parent company's certified public accountant.

Note 8: The amount of US$35,094 thousand was the difference between the MOEA approved investment amount of US$38,774 thousand and the amount of accumulated outflow of investment from Taiwan of US$3,680 thousand. Such difference was the result of deducting the capital increase of US$32,024 thousand from the subsidiary in mainland China, deductions of US$176 thousand for remittance of liquidation proceeds to third parties not yet approved. The added surplus of the subsidiary in mainland China, which was approximately US$35,831 thousand, was repatriated, and the difference between the exchange rate of the remitted funds and US$49 thousand. The balance as of December 31, 2023 was based on the exchange rate of US$1=NT$30.705.

Note 9: The upper limit on investment in mainland China is determined by 60% of the Company's consolidated net worth.

Note 10: The Company recognized share of profits of Thinking Changzhou was $217,380 thousand, and Greenish recognized share of profits of Thinking Changzhou was $241,296 thousand. Total amount of share of profits was $458,676 thousand. The difference between total amount of share of profits and the net income of Thinking Changzhou resulted from unrealized gross profit on intercompany transactions.

Note 11: In response to optimizing the organizational structure across the group, the board of directors of Dongguan Welkin resolved to merge Guangdong Welkin Thinking with Dongguan Welkin in April 2023. Guangdong Welkin Thinking would be dissolved after the merger. The base date for the merger was June 30, 2023. Dongguan Welkin has completed the change of registration.

Note 12: All intercompany transactions have been eliminated upon consolidation.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Sales or Total Assets
0	The Company	Thinking Changzhou	1	Sales	$ 203,462	Pricing by cost-plus practice	3
		Thinking Changzhou	1	Purchases	854,360	Pricing by cost-plus practice	12
		Thinking Changzhou	1	Accounts receivable	91,687	60 days from the end of the month	1
		Thinking Changzhou	1	Accounts payable	173,059	60 days from the end of the month	1
		Thinking Yichang	1	Sales	1,477	Pricing by cost-plus practice	-
		Thinking Yichang	1	Purchases	60,593	Pricing by cost-plus practice	1
		Thinking Yichang	1	Accounts receivable	834	60 days from the end of the month	1
		Thinking Yichang	1	Accounts payable	16,667	60 days from the end of the month	-
		Jiangxi Thinking	1	Sales	1,146	Pricing by cost-plus practice	-
		Dongguan Welkin	1	Sales	115,422	Pricing by cost-plus practice	2
		Dongguan Welkin	1	Purchases	1,039,295	Pricing by cost-plus practice	15
		Dongguan Welkin	1	Accounts receivable	22,978	60 days from the end of the month	-
		Dongguan Welkin	1	Accounts payable	173,785	60 days from the end of the month	1
		Dongguan Welkin	1	Prepayments	617	T/T days from the end of the month	-
		Zhongshan Welkin	1	Sales	55,669	Pricing by cost-plus practice	1
		Zhongshan Welkin	1	Accounts receivable	54,904	60 days from the end of the month	-
1	Thinking Changzhou	Thinking Yichang	2	Sales	92,280	Pricing by cost-plus practice	1
		Thinking Yichang	2	Purchases	186,457	Pricing by cost-plus practice	3
		Thinking Yichang	2	Accounts receivable	26,862	60 days from the end of the month	-
		Thinking Yichang	2	Other accounts receivable	11,681	60 days from the end of the month	-
		Thinking Yichang	2	Accounts payable	52,297	60 days from the end of the month	-
		Jiangxi Thinking	2	Sales	91,244	Pricing by cost-plus practice	1
		Jiangxi Thinking	2	Purchases	163,340	Pricing by cost-plus practice	2
		Jiangxi Thinking	2	Accounts receivable	30,082	60 days from the end of the month	-
		Jiangxi Thinking	2	Accounts payable	25,274	60 days from the end of the month	-
		Dongguan Welkin	2	Sales	105,987	Pricing by cost-plus practice	1
		Dongguan Welkin	2	Purchases	51,714	Pricing by cost-plus practice	1
		Dongguan Welkin	2	Accounts receivable	23,709	60 days from the end of the month	-
		Dongguan Welkin	2	Accounts payable	8,915	60 days from the end of the month	-
		Dongguan Welkin	2	Prepayments	723	T/T days from the end of the month	-
		Zhongshan Welkin	2	Sales	33,202	Pricing by cost-plus practice	-
		Zhongshan Welkin	2	Purchases	4,816	Pricing by cost-plus practice	-
		Zhongshan Welkin	2	Accounts receivable	8,136	60 days from the end of the month	-
		Zhongshan Welkin	2	Accounts payable	4,956	60 days from the end of the month	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Sales or Total Assets
2	Thinking Yichang	Jiangxi Thinking	2	Sales	$ 16,922	Pricing by cost-plus practice	-
		Jiangxi Thinking	2	Purchases	192,813	Pricing by cost-plus practice	3
		Jiangxi Thinking	2	Accounts receivable	2,111	60 days from the end of the month	-
		Jiangxi Thinking	2	Accounts payable	36,898	60 days from the end of the month	-
		Dongguan Welkin	2	Sales	370,531	Pricing by cost-plus practice	5
		Dongguan Welkin	2	Purchases	13,660	Pricing by cost-plus practice	-
		Dongguan Welkin	2	Accounts receivable	64,805	60 days from the end of the month	-
		Dongguan Welkin	2	Accounts payable	2,197	60 days from the end of the month	-
		Dongguan Welkin	2	Prepayments	3,638	T/T days from the end of the month	-
		Zhongshan Welkin	2	Sales	8,550	Pricing by cost-plus practice	-
		Zhongshan Welkin	2	Purchases	1,020	Pricing by cost-plus practice	-
		Zhongshan Welkin	2	Accounts receivable	3,972	60 days from the end of the month	-
3	Jiangxi Thinking	Dongguan Welkin	2	Sales	198,157	Pricing by cost-plus practice	3
		Dongguan Welkin	2	Purchases	7,756	Pricing by cost-plus practice	-
		Dongguan Welkin	2	Accounts receivable	40,329	60 days from the end of the month	-
		Dongguan Welkin	2	Other accounts payable	6,167	60 days from the end of the month	-
		Zhongshan Welkin	2	Sales	218,594	Pricing by cost-plus practice	3
		Zhongshan Welkin	2	Purchases	732	Pricing by cost-plus practice	-
		Zhongshan Welkin	2	Accounts receivable	64,813	60 days from the end of the month	-
4	Guangdong Welkin Thinking	Dongguan Welkin	2	Sales	20,485	Pricing by cost-plus practice	-
5	Dongguan Welkin	Zhongshan Welkin	1	Sales	123,187	Pricing by cost-plus practice	2
		Zhongshan Welkin	1	Purchase	785,047	Pricing by cost-plus practice	11
		Zhongshan Welkin	1	Accounts receivable	42,710	60 days from the end of the month	-
		Zhongshan Welkin	1	Advanced receipts	744	T/T days from the end of the month	-
		Zhongshan Welkin	1	Accounts payable	158,782	60 days from the end of the month	1

(Concluded)

Note : Transactions are categorized as follows:

1) Transactions from parent company to subsidiaries.

2) Transactions between subsidiaries.

TABLE 9

THINKING ELECTRONIC INDUSTRIAL CO., LTD

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Boh Chin Investment Co., Ltd.	27,178,247	21.21
Yih Chin Investment Co., Ltd.	15,871,153	12.38

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