

EverFocus Electronics Corp. and Subsidiaries
Consolidated Financial Statements With
Independent Auditor's Report
2024 and 2023
(Stock Code: 5484)

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EverFocus Electronics Corp. and Subsidiaries

2024 and 2023 Consolidated Financial Statements With Independent Auditors' Report

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Everfocus Electronics Corp.

Statement of Affiliated Companies' Consolidated Financial Statements

The entities required to be included in the combined financial statements of Everfocus Electronics Corp. as of and for the year ended December 31, 2024, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EVERFOCUS ELECTRONICS CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Company name: Everfocus Electronics Corp.



Person in charge: Chuang Yung-Shun



March 11, 2025

Independent Auditors' Report

(2025) Chia-Shen-Bao-Zi No. 24004781

To Everfocus Electronics Corp.:

Audit Opinion

We have audited the accompanying consolidated balance sheets of Everfocus Electronics Corp. and its subsidiaries (the "Group") as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2024 and 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We have conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. The personnel of the firm to which we belong who are subject to independence requirements have maintained independence from the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and have fulfilled their other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit reports of other auditors, we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of 2024. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters individually.

Key audit matters for the Group's 2024 consolidated financial statements are stated as follows:

Authenticity of Sales Revenue

Description

Please refer to Note 4(30) to the consolidated financial statements for the accounting policy on revenue recognition and Note 6(18) to the consolidated financial statements for the description of operating income items.

The Group's main business activities include the manufacturing, sales, and customization of various image processors, electronic surveillance products such as electronic cameras, and industrial computers. Its primary sales regions include Europe, the Americas, and Asia. Additionally, some customers belong to regional enterprises. Therefore, during the audit process, it is crucial to focus more on the existence and occurrence risks of sales revenue. Since sales revenue has a significant impact on the financial statements, the auditor considers the authenticity of the aforementioned sales revenue as one of the most critical audit matters.

Audit procedures for the key audit matter

The audit matters cover the Company and part of its subsidiaries (investments accounted for using the equity method). The audit procedures for the specified aspects of the aforementioned key audit matters are listed as follows:

1. For the assessment and testing of the financial statements, the internal control procedures of sales transactions are based on Group's internal control system.
2. Obtaining and sampling relevant documents, such as sales invoices, to confirm that customers have taken control of the goods and assumed the risks of the goods before recognizing revenue.

Accounting estimate of inventory valuation

Description

Refer to Notes 4 (14), 5 and 6(5) to the consolidated financial statements for the information on the Group's inventory accounting policy, estimates and assumptions and allowance for inventory valuation losses.

The Group's primary business activities involve the manufacturing and sales of various electronic surveillance products such as image processors, electronic cameras, and industrial computers. Due to longer product cycles, certain products or spare parts may have extended inventory periods due to long-term supply and maintenance demands from customers. Adjustments to orders by customers or unexpected market sales conditions could result in price fluctuations of products or slower-than-expected turnover, leading to higher risks of inventory write-downs or obsolescence. The Group measures normal inventory for sale at the lower of cost and net realizable value. For inventory aged beyond a certain period or identified as obsolete, provision for inventory write-downs is made based on the provision for impairment policy and individual assessment.

Corresponding to the sales market and development strategies, the Group readily adjusts its stocking demands, with significant inventory balances. In addition, given high uncertainty from the management's subjective estimates on the net realizable value used in evaluating obsolete inventories, the allowance for inventory evaluation is listed as one of the key audit matters.

Audit procedures for the key audit matter

The audit matters cover the Company and part of its subsidiaries (investments accounted for using the equity method). The audit procedures for the specified aspects of the aforementioned key audit matters are listed as follows:

1. Assessing the policy of allowance for inventory impairment with the understanding of the Group's operations.
2. Checking the management's details of outdated inventories as well as relevant documentary evidence.
3. Testing the price basis of net realizable value for each inventory item, and randomly checking the correctness of net realizable value.

Other matters - reference to the audits of other independent auditors

Some of the investee companies accounted for under the equity method that are included in the consolidated financial statements of the Group have financial statements that were not audited by us, but were audited by other accountants. Therefore, in our opinion expressed on the above individual financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. As of December 31, 2023, the investment amount accounted for using the equity method in these companies was NT\$17,884 thousands, representing 1.96% of total assets. The share of comprehensive income recognized for these associated companies and joint ventures using the equity method from January 1 to December 31, 2023, was NT\$558 thousands, representing (1.26%) of comprehensive income.

Other Matters - Separate Financial reports

The Group has prepared separate financial statements for the years 2024 and 2023, and our auditor has issued an unqualified opinion with an explanatory paragraph on other matters in the audit report, which is available for reference.

Responsibilities of Management and Those Charged with Governance for 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 IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

The purpose of our audit of the consolidated financial statements is 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 auditor's report. Reasonable assurance is a high level of assurance, but audits conducted in accordance with the auditing standards of the Republic of China cannot guarantee that material misstatements existing in the consolidated financial statements will always be detected. Misstatements may result from fraud or error. If individual amounts or aggregated totals of misstatements could reasonably be expected to influence the economic decisions of users of the consolidated financial statements, they are considered material.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform following work:

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

statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information 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.

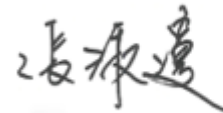
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of 2024 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.

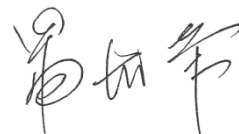
PricewaterhouseCoopers Taiwan

Mavis Chang



CPA

Shih-Jung Weng



Former Financial Supervisory Commission, Executive Yan

Approval reference: Jin-Guan-Zheng-Shen-Zi

No.0990042602

Securities and Futures Commission, Ministry of Finance

Approval reference: (1999) Tai-Tsai-Cheng (VI) No. 95577

March 11, 2025




EverFocus Electronics Corp. and Subsidiaries
Consolidated Balance Sheet
December 31, 2024 and 2023

Unit: NT\$ thousand

Assets	Notes	December 31, 2024		December 31, 2023		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI (I)	\$ 95,786	11	\$ 111,254	12
1110	Current financial assets measured at fair value through profit or loss - current	VI (II)	72,763	8	91,526	10
1136	Current financial assets at amortized cost -current	VI (III) and VIII	74,978	9	68,840	8
1150	Notes receivable, net	VI (IV)	282	-	4,932	1
1170	Accounts receivable, net	VI (IV)	62,021	7	45,080	5
1180	Accounts receivables - related parties, net	VI (IV) and VII	6,606	1	13,930	1
1200	Other receivables		2,403	-	2,006	-
1210	Other receivables - related parties	VII	26,208	3	42,539	5
130X	Inventories	VI (V)	103,217	12	120,905	13
1479	Other current assets - other		14,259	2	23,176	3
11XX	Total current assets		<u>458,523</u>	<u>53</u>	<u>524,188</u>	<u>58</u>
Non-current assets						
1510	Current financial assets measured at fair value through profit or loss - non-current	VI (II)	31,572	4	-	-
1517	Non-current financial assets at fair value through Other comprehensive income or loss	VI (VI)	2,230	-	4,000	1
1550	Investments accounted for using the equity method	VI (VII)	13,688	2	17,884	2
1600	Property, plant and equipment	VI (VIII)	17,284	2	10,085	1
1755	Right-of-use assets	VI (IX) and VII	16,204	2	23,206	3
1760	Investment property, net	VI (X) and VIII	209,062	24	211,592	23
1840	Deferred income tax assets	VI (XXIV)	69,708	8	76,902	8
1930	Long-term notes and accounts receivable	VI (IV)	8,034	1	12,114	1
1990	Other non-current assets - other	VI (XI) (XIV) and VII	34,457	4	30,786	3
15XX	Total non-current assets		<u>402,239</u>	<u>47</u>	<u>386,569</u>	<u>42</u>
1XXX	Total assets		<u>\$ 860,762</u>	<u>100</u>	<u>\$ 910,757</u>	<u>100</u>

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 EverFocus Electronics Corp. and Subsidiaries
 Consolidated Balance Sheet
 December 31, 2024 and 2023

Unit: NT\$ thousand

Liabilities and Equity	Notes	December 31, 2024		December 31, 2023		
		Amount	%	Amount	%	
Current Liabilities						
2100	Short-term borrowings	VI (XII)	\$ 201,476	24	\$ 133,636	15
2130	Contract liabilities - current	VI (XVIII)	3,080	-	5,776	1
2150	Notes payable		-	-	100	-
2170	Accounts payable		47,170	6	56,839	6
2180	Accounts payable - related parties	VII	1,570	-	6,227	1
2200	Other payables	VI (XIII)	45,635	5	42,225	5
2220	Other payables - related parties	VII	3,468	1	39,916	4
2250	Provisions - current		1,833	-	1,928	-
2280	Lease liabilities - current		9,652	1	9,171	1
2399	Other current liabilities - other		2,925	-	3,119	-
21XX	Total current liabilities		<u>316,809</u>	<u>37</u>	<u>298,937</u>	<u>33</u>
Non-current liabilities						
2550	Provisions - noncurrent		823	-	558	-
2570	Deferred income tax liabilities	VI (XXIV)	5,115	-	3,371	-
2580	Lease liabilities - non-current		6,782	1	14,160	2
2670	Other non-current liabilities - other		1,199	-	988	-
25XX	Total non-current liabilities		<u>13,919</u>	<u>1</u>	<u>19,077</u>	<u>2</u>
2XXX	Total liabilities		<u>330,728</u>	<u>38</u>	<u>318,014</u>	<u>35</u>
Equity						
Equity attributable to owners of the parent company						
	Share capital	VI (XV)				
3110	Common stock		668,010	78	668,010	73
	Capital surplus	VI (XVI)				
3200	Capital surplus		55,312	6	55,312	6
	Deficit to be offset	VI (XVII)				
3350	Deficit to be offset		(215,593)	(25)	(158,023)	(17)
	Other equity					
3400	Other equity		22,305	3	27,444	3
31XX	Total equity attributable to owners of the Company		<u>530,034</u>	<u>62</u>	<u>592,743</u>	<u>65</u>
3XXX	Total equity		<u>530,034</u>	<u>62</u>	<u>592,743</u>	<u>65</u>
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	IX				
3X2X	Total Liabilities and Equity		<u>\$ 860,762</u>	<u>100</u>	<u>\$ 910,757</u>	<u>100</u>

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements, please refer to them accordingly.

Chairman: Chuang Yung-Shun

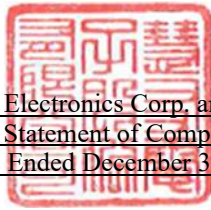


Manager: Kao Chih-Hung



Head of accounting: Chen Chien-Liang





EverFocus Electronics Corp. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousand
(Except for loss per share in NT\$)

Item	Notes	2024		2023	
		Amount	%	Amount	%
4000 Operating income	VI (XVIII) and VII	\$ 460,280	100	\$ 369,555	100
5000 Operating cost	VI (V) (XXII) (XXIII) and VII	(328,391)	(71)	(289,701)	(78)
5900 Operating gross profit		<u>131,889</u>	<u>29</u>	<u>79,854</u>	<u>22</u>
Operating expense	VI (XXII) (XXIII) and VII				
6100 Selling expense		(49,440)	(11)	(46,823)	(13)
6200 General and administrative expenses		(63,817)	(14)	(56,297)	(15)
6300 Research and development expense		(121,638)	(26)	(47,898)	(13)
6450 Expected credit impairment gains (losses)		(160)	-	15	-
6000 Total operating expenses		(235,055)	(51)	(151,003)	(41)
6900 Operating loss		(103,166)	(22)	(71,149)	(19)
Non-operating income and expenses					
7100 Interest income	VI (III)	5,476	1	4,420	1
7010 Other income	VI (XIX)	32,435	7	16,761	5
7020 Other gains and losses	VI (XX)	20,762	4	21,633	6
7050 Finance costs	VI (XX) (XII) (XXI) and VII	(5,164)	(1)	(5,495)	(2)
7055 Expected credit impairment gains	VII	399	-	2,048	1
7060 The share of profits and losses from associates and joint ventures accounted for using the equity method	VI (VII)	(1,817)	-	558	-
7000 Total non-operating income and expenses		<u>52,091</u>	<u>11</u>	<u>39,925</u>	<u>11</u>
7900 Loss before income tax		(51,075)	(11)	(31,224)	(8)
7950 Income tax expense	VI (XXIV)	(8,717)	(2)	(17,753)	(5)
8200 Net loss for the period		<u>(\$ 59,792)</u>	<u>(13)</u>	<u>(\$ 48,977)</u>	<u>(13)</u>
Other comprehensive income (loss)					
8311 Gains on remeasurements of defined benefit plans	VI (XIV)	\$ 2,778	-	\$ 2,848	-
8316 Unrealized gains and losses on equity investments measured at fair value through other comprehensive income	VI (VI)	(1,770)	-	(674)	-
8349 Income tax related to components that will not be reclassified to profit or loss	VI (XXIV)	(556)	-	(569)	-

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The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements, please refer to them accordingly.

Chairman: Chuang Yung-Shun

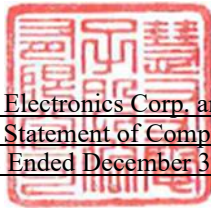


Manager: Kao Chih-Hung



Head of accounting: Chen Chien-Liang





EverFocus Electronics Corp. and Subsidiaries
Consolidated Statement of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousand
(Except for loss per share in NT\$)

Item	Notes	2024		2023	
		Amount	%	Amount	%
8310	Total components of other comprehensive income that will not be reclassified to profit or loss	452	-	1,605	-
8361	Exchange differences arising on translation of foreign operations' financial statements	(3,369)	(1)	3,183	1
8360	Total components of other comprehensive income that will be reclassified to profit or loss	(3,369)	(1)	3,183	1
8300	Net other comprehensive income	(\$ 2,917)	(1)	\$ 4,788	1
8500	Total comprehensive income (loss) for the period	(\$ 62,709)	(14)	(\$ 44,189)	(12)
	Net profit (loss) attributable to:				
8610	Owners of the Company	(\$ 59,792)	(13)	(\$ 48,977)	(13)
	Total comprehensive income attributed to:				
8710	Owners of the Company	(\$ 62,709)	(14)	(\$ 44,189)	(12)
	Basic losses per share				
9750	Basic losses per share		0.90		0.73
	Diluted losses per share				
9850	Diluted losses per share		0.90		0.73

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements, please refer to them accordingly.

Chairman: Chuang Yung-Shun




Manager: Kao Chih-Hung



Head of accounting: Chen Chien-Liang




 EverFocus Electronics Corp. and Subsidiaries
 Consolidated Statements of Changes in Equity
 For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousand

	Notes	Equity attributable to owners of the parent company				Other equity		Total
		Common stock	Capital surplus - premium on share issuance	Capital surplus - others	Deficit to be offset	Exchange differences arising on translation of foreign operations ⁷ financial statements	Unrealized valuation profit or loss on financial assets measured at fair value through other comprehensive income	
<u>2023</u>								
Balance at January 1, 2023		\$ 668,010	\$ 55,051	\$ 261	(\$ 110,651)	\$ 24,261	\$ -	\$ 636,932
Net loss for the period		-	-	-	(48,977)	-	-	(48,977)
Other comprehensive income (loss) for the period		-	-	-	2,279	3,183	(674)	4,788
Total comprehensive income (loss) for the period		-	-	-	(46,698)	3,183	(674)	(44,189)
Re-classification of equity instruments measured at fair value through other comprehensive income VI (VI)		-	-	-	(674)	-	674	-
Balance at December 31, 2023		\$ 668,010	\$ 55,051	\$ 261	(\$ 158,023)	\$ 27,444	\$ -	\$ 592,743
<u>2024</u>								
Balance at January 1, 2024		\$ 668,010	\$ 55,051	\$ 261	(\$ 158,023)	\$ 27,444	\$ -	\$ 592,743
Net loss for the period		-	-	-	(59,792)	-	-	(59,792)
Other comprehensive income (loss) for the period		-	-	-	2,222	(3,369)	(1,770)	(2,917)
Total comprehensive income (loss) for the period		-	-	-	(57,570)	(3,369)	(1,770)	(62,709)
Balance at December 31, 2024		\$ 668,010	\$ 55,051	\$ 261	(\$ 215,593)	\$ 24,075	(\$ 1,770)	\$ 530,034

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements, please refer to them accordingly.

Chairman: Chuang Yung-Shun



Manager: Kao Chih-Hung



Head of accounting: Chen Chien-Liang





EverFocus Electronics Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousand

	Notes	For the Year Ended December 31, 2024	For the Year Ended December 31, 2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net loss before income tax		(\$ 51,075)	(\$ 31,224)
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expense	VI (VIII) (IX) (X) (XXII)	16,436	8,501
Amortization expense	VI (XXII)	2,129	1,783
Expected credit impairment losses (gains)	VII	239	(2,063)
Net income from financial assets and liabilities measured at fair value through profit or loss	VI (II) (XX)		
Finance costs	VI (IX) (XII) (XXI)	(8,961)	(22,297)
Interest income		(5,476)	(4,420)
Dividend income	VI (XIX)	(1,904)	(1,610)
Loss on impairment of non-financial assets	VI (VII) (XX)	1,745	-
The share of losses (profits) from associates and joint ventures accounted for using the equity method	VI (VII)	1,817	(558)
Unrealized loss (profit) on financial assets measured at amortized cost		(4,201)	32
Lease modification benefit	VI (IX) (XX)	(2)	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss		26,152	30,318
Notes receivable		4,650	(871)
Accounts receivable		(12,643)	39,282
Accounts receivable - related parties		7,324	(13,737)
Other receivables		(329)	(618)
Other receivables - related parties		16,331	(42,539)
Inventories		17,976	27,961
Other current assets		9,059	(8,589)
Other non-current assets		(498)	426
Changes in operating liabilities			
Contract liabilities		(2,792)	(1,074)
Notes payable		(100)	89
Accounts payable		(9,971)	4,069
Accounts payable - related parties		(4,657)	6,194
Other payables		1,022	(1,979)
Other payables - related parties		(36,448)	39,916
Provisions		109	(5,117)
Other current liabilities		(194)	(2,970)
Cash (outflows) inflows from operations		(29,098)	24,400
Income tax paid		(164)	-
Interest received		5,476	4,420
Dividends received		1,836	1,756
Interest paid		(5,164)	(5,495)
Net cash inflows (outflows) from operating activities		(27,114)	25,081

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EverFocus Electronics Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousand

Notes	For the Year Ended December 31, 2024	For the Year Ended December 31, 2023
<u>Cash flows from investing activities</u>		
Acquisition of investments accounted for using the equity method	\$ -	(\$ 9,200)
Acquisition of financial assets measured at amortized cost	(1,937)	(3,145)
Disposal of financial assets measured at amortized cost	-	2,800
Acquisition of financial assets measured at fair value through profit or loss	(30,000)	-
Acquisition of property, plant and equipment	(9,473)	(8,674)
Disposal of subsidiary consideration	399	22,470
Acquisition of intangible assets	(4,370)	(1,211)
Increase in refundable deposits	(502)	(1,100)
Net cash inflows (outflows) from investing activities	(45,883)	1,940
<u>Cash flows from financing activities</u>		
Increase in short-term borrowings	69,025	11,741
Guarantee deposits received	211	16
Payment of lease liabilities	(9,967)	(3,510)
Net cash generated by financing activities	59,269	8,247
Effect of exchange rate changes	(1,740)	428
Increase (decrease) in cash and cash equivalents for the period	(15,468)	35,696
Cash and cash equivalents at beginning of period	111,254	75,558
Cash and cash equivalents at end of period	\$ 95,786	\$ 111,254

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements, please refer to them accordingly.

Chairman: Chuang Yung-Shun



Manager: Kao Chih-Hung



Head of accounting: Chen Chien-Liang



EverFocus Electronics Corp. and Subsidiaries
Notes to Consolidated Financial Statements
2024 and 2023

Unit: NT\$ thousand
(Unless otherwise noted)

I. Company History

EVERFOCUS ELECTRONICS CORP. (hereinafter referred to as the "Company") was established in Taiwan. The Company and its subsidiaries (hereinafter referred to as "the Group") are primarily engaged in the design, production, installation, sales, and agency import/export business of various electronic surveillance products and equipment, including image processors and electronic cameras. The Company's shares have been listed on the Taipei Exchanges (OTC) in March 2001 and subsequently listed on the TWSE in August 2003.

II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial reports were approved by the board of directors on March 11, 2025.

III. Application of New, Amended and Revised Standards and Interpretations

(I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Dates Issued by the International Accounting Standards Board</u>
Amendments to IFRS 16 regarding "Lease Liability in a sale and leaseback"	January 1, 2024
Amendments to IAS 1 regarding "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 regarding "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 regarding "Supplier Finance Arrangements"	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Dates Issued by the International Accounting Standards Board</u>
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(III) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Dates Issued by the International Accounting Standards Board</u>
Amendments to IFRS 9 and IFRS 7 "Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts involving Natural Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 regarding "Sale or contribution of Assets Between an Investor and its Associate or Joint Venture"	To be Determined by the International Accounting Standards Board
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosure of Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

Except those described below, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment:

IFRS 18 "Presentation and Disclosure of Financial Statements"

IFRS 18 "Presentation and Disclosure of Financial Statements" replaces IAS 1 and updates the structure of the statement of comprehensive income, adds disclosure of management performance measures, and strengthens the principles of aggregation and disaggregation applied to the primary financial statements and notes.

IV. Summary Of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets at fair value through profit or loss.
 - (2) Financial assets measured at fair value through other comprehensive income.
 - (3) Defined benefit liabilities (or assets) recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:
 - (1) The Group includes all subsidiaries in the preparation of the consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date the Group obtains control and are excluded from the date the Group loses control.
 - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(4) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

<u>Name of Investment Company</u>	<u>Name of Subsidiary</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>		<u>Description</u>
			<u>December 31, 2024</u>	<u>December 31, 2023</u>	
The Company	EverFocus Electronics Corp. (EverFocus USA)	Selling products and providing customer service for the Company	100%	100%	
The Company	EverFocus Electronics (Shenzhen) Co., Ltd. (EverFocus Shenzhen)	Develop, manufacture and sell commercial surveillance equipment	100%	100%	
The Company	EverFocus Japan Corp. (EverFocus Japan)	Selling products and providing customer service for the Company	100%	100%	
The Company	EVERHIGHLIGHT TECHNOLOGY CORP. (Everhighlight)	Manufacture and sale of optical electronic devices	-	100%	Note 1

3. Subsidiaries not included in the consolidated financial statements:

<u>Name of Investment Company</u>	<u>Name of Subsidiary</u>	<u>Nature of Business</u>	<u>Percentage of Ownership</u>		<u>Description</u>
			<u>2024</u>	<u>2023</u>	
The Company	EVERHIGHLIGHT TECHNOLOGY CORP. (Everhighlight)	Manufacture and sale of optical electronic devices	100%	-	Note 1
The Company	EVERFOCUS ELECTRONICS LIMITED. (EverFocus UK)	Selling products and providing customer service for the Company	75%	75%	Note 2
The Company	EVERFOCUS ELECTRONICS (EUROPE) GMBH (EverFocus Germany)	Selling products and providing customer service for the Company	-	-	Note 3

Note 1: Everhighlight filed for dissolution and liquidation with the local court on December 27, 2023. Therefore, the Group will no longer recognize investment (loss) income related to that company from that date onwards.

Note 2: EverFocus UK filed for liquidation in 2023. Therefore, the Group will no longer consolidate its financial statements starting from 2023. EverFocus UK has remitted a portion of funds amounting to \$2,048 (GBP 50,969.89) and \$399 (GBP 9,939.13), respectively, in August 2023 and March 2024.

Note 3: EverFocus Electronics (Europe) GMBH filed for bankruptcy liquidation with the local court on June 28, 2018 and ceased operations on September 28, 2018. Consequently, the Group no longer recognizes the investment (losses) gains related to that company from that date onward. EverFocus Electronics (Europe) GMBH completed the dissolution and liquidation process in April, 2023 and repatriated funds amounting to \$20,422 (EUR 628,185.69)

4. Adjustment for subsidiaries with different balance sheet dates: None.
5. Significant restrictions: None.
6. Subsidiaries that have non-controlling interests that are material to the Group: None.

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

1. Foreign Currency Transactions and Balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Foreign currency monetary assets and liabilities balances are evaluated and adjusted

using the spot exchange rate on the balance sheet date. The translation differences resulting from such adjustments are recognized in current profit or loss.

- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 - (4) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".
2. Translation of foreign operations:

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- C. All resulting exchange differences are recognized in other comprehensive income.

(V) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:
 - (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (2) Assets held mainly for trading purposes;
 - (3) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The Group classifies all assets that do not meet the above criteria as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be settled within the normal operating cycle;
 - (2) Assets held mainly for trading purposes;
 - (3) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (4) Does not have the right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all liabilities that do not meet the above criteria as non-current liabilities.

(VI) Cash equivalents

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

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

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.
4. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

1. This refers to an irrevocable election made at initial recognition to present the fair value changes of equity instruments classified as non-trading investments in other comprehensive income
2. On a regular way purchase or sale basis, financial assets measured at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs, and subsequently measures them at fair value:

For equity instruments, changes in fair value are recognized in other comprehensive income and are not reclassified to profit or loss upon derecognition, but transferred to retained earnings. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(IX) Financial assets at amortized cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
 - (1) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows represent solely payments of principal and interest.
2. The Group adopts trade date accounting for financial assets measured at amortized cost that meet conventional transactions.
3. Time deposits held by the Group that do not meet cash equivalents criteria are measured at the amount invested due to the short holding period and the effect of discounting is not significant.

(X) Accounts and notes receivable

1. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XI) Financial assets impairment

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(XII) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(XIII) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(XIV) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on actual operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XV) Equity method investments - Affiliates

1. The affiliates refer to entities over which the Group has significant influence but not control, typically by holding directly or indirectly more than 20% of the voting rights. The Group accounts for investments in associated companies using the equity method, recognizing them at cost upon acquisition.
2. The Group's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. If the Group's share of losses from any affiliate equals or exceeds its interest in that affiliate 's equity (including any other unsecured receivables), the Group does not recognize further losses unless it has incurred a legal obligation, a presumed obligation, or has already made payments on behalf of the affiliate.
3. When there are equity changes in an affiliate that are non-profit or other comprehensive income related and do not affect the Group's shareholding percentage in the affiliate, the Group records all equity changes as 'Capital Reserves' based on its ownership proportion.

4. The unrealized gains and losses arising from transactions between the Group and The affiliates have been eliminated in proportion to the Group's interest in the affiliate Unrealized losses are also eliminated unless evidence indicates impairment of the transferred assets. The accounting policies of affiliates have been adjusted as necessary to align with the policies adopted by the Group.
5. When the Group disposes of an affiliate and loses significant influence over it, the accounting treatment for all amounts previously recognized in other comprehensive income related to that affiliate follows the same basis as when the Group directly disposes of assets or liabilities. That is, any previously recognized gains or losses in other comprehensive income are reclassified to profit or loss upon disposal of the related assets or liabilities. Therefore, when significant influence over the affiliate is lost, such gains or losses are reclassified from equity to profit or loss. If significant influence over the affiliate is still retained, the amounts previously recognized in other comprehensive income are reclassified proportionally in the same manner as described above.

(XVI) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Leasehold Improvements	3 to 6 years
Machinery and equipment	3 to 6 years
Transportation equipment	7 years
Other equipment	3 to 6 years

(XVII) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include the fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

3. At the commencement date, the right-of-use asset is stated at cost comprising:

- (1) the amount of the initial measurement of lease liability; and
- (2) Any initial direct costs incurred.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

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

(XVIII) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 56 years.

(XIX) Intangible assets

Computer software is recognized at acquisition cost and amortized by the straight-line method over its estimated useful life of 3 years.

(XX) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(XXI) Borrowings

These are short-term loans from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XXII) Notes and accounts payable

1. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable resulting from operating and non-operating activities.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXIII) Derecognition of financial liabilities

The Group derecognizes financial liabilities when the obligations specified in the contract are fulfilled, cancelled, or expire.

(XXIV) Provisions

Provisions (including warranty) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(XXV) Employee Benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

2. Pensions

(1) Defined contribution plan

For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plan

- A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- B. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- C. Past service costs are recognized immediately in profit or loss.

3. Employees' compensation and directors' and supervisors' remuneration

Employee bonuses and director/supervisor compensation are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reasonably estimated. When the subsequently resolved actual distribution amount differs from the estimated amount, it is treated as a change in accounting estimate. For employee bonuses distributed in shares, the basis for calculating the number of shares is the closing price on the day before the board resolution date.

(XXVI) Share-based payment for employees

Equity-settled share-based payment arrangements involve the provision of equity instruments based on the fair value of employee services at the grant date, which are recognized as a cost of compensation over the vesting period with corresponding adjustments to equity. Fair value reflects the effect of both vested and non-vested conditions on the market price. Recognition of compensation costs is adjusted for the number of awards that are expected to vest under service and non-market vesting conditions. The final measure of the compensation cost is recognized as the number of awards that have vested at the vesting date.

(XXVII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The Group calculates current income tax based on tax rates that have been enacted or substantively enacted by the balance sheet date in the countries where it operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities. Additional income tax levied on undistributed earnings pursuant to the Income Tax Act is recognized as income tax expense in the year following the earnings generation, after the shareholders' meeting approves the earnings distribution proposal based on the actual distribution of earnings.
3. Deferred income tax is provided using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax liabilities arising from initial recognition of goodwill are not recognized. If the deferred income tax arises from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss), and does not result in equal taxable and deductible temporary differences, it is not recognized. For temporary differences arising from investments in subsidiaries and associated companies, deferred income tax is not recognized if the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(XXVIII) Share capital

Common stock is classified as equity. The net amount after deducting income tax from the increased cost of issuing new shares or exercising subscription rights is directly attributed as a deduction from equity.

(XXIX) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(XXX) Revenue recognition

1. Sales of goods

- (1) The Group manufactures and sells Industrial computer, digital video recorders, vehicle video recorders and security surveillance related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (2) Sales revenue from industrial computers, digital video recorders, vehicle-mounted video recorders, and related security surveillance products is recognized at the net amount after deducting estimated quantity discounts and sales allowances from the contract price. As the time interval between the transfer of goods or services committed for sale and the customer's payment does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (3) The Group provides standard warranty on the products sold, and has the refund obligation for product defects. The provisions are recognized when the goods are sold.
- (4) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. Services Revenue

The Group provides equipment installation, test, and purchasing agent services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the number of actual labor hours incurred to the total number of estimated labor hours. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(XXXI) Government subsidy

Government subsidies are recognized at fair value when it is reasonably assured that the enterprise will comply with the conditions attached to the government subsidies and that the subsidy will be received. If the nature of the government subsidy is to compensate for expenses incurred by the Group, the subsidy is recognized in profit or loss on a systematic basis over the periods in which the related expenses are incurred.

(XXXII) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

V. Major Sources of Critical Accounting Judgments, Estimates, and Assumption Uncertainties

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; Please see the related information of critical accounting judgements, estimates and assumption uncertainty below:

Critical accounting estimates and assumptions

1. Inventory valuation

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid change in the industry, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. This valuation of inventories is based on the past sales experience, thus there might be significant changes in the valuation.

As of December 31, 2024, the carrying amount of inventories was \$103,217.

2. Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Group's subjective judgment and estimate, including the future revenue growth and profitability, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of December 31, 2024, the Group recognized deferred income tax assets of \$69,708.

VI. Explanation of Significant Accounting Items

(I) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand and working fund	\$ 576	\$ 410
Checking accounts and demand deposits	65,703	83,191
Time deposits	<u>29,507</u>	<u>27,653</u>
Total	<u>\$ 95,786</u>	<u>\$ 111,254</u>

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. As information for the Group pledged its cash and cash equivalents to others, please refer to Note 8 for more information.

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

Item	December 31, 2024	December 31, 2023
Current items:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Stocks of listed companies	\$ 83,594	\$ 97,802
Valuation adjustments	(10,831)	(6,276)
	<u>\$ 72,763</u>	<u>\$ 91,526</u>
Non-current items:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Stocks of non-listed companies	\$ 30,000	\$ -
Valuation adjustments	1,572	-
	<u>\$ 31,572</u>	<u>\$ -</u>

1. Amounts recognized in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>2024</u>	<u>2023</u>
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Equity instruments	<u>\$ 8,961</u>	<u>\$ 22,297</u>

2. The Group does not provide financial assets measured at fair value through profit or loss as collateral.

(III) Financial assets at amortized cost

<u>Item</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Current items:		
Restricted time deposits	\$ 74,926	\$ 68,827
Restricted bank deposits	<u>52</u>	<u>13</u>
	<u>\$ 74,978</u>	<u>\$ 68,840</u>

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>2024</u>	<u>2023</u>
Interest income	<u>\$ 3,350</u>	<u>\$ 2,600</u>

2. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of financial assets at amortized cost as of December 31, 2024 and 2023 were NT\$74,978 NT\$68,840, respectively,
3. The information for the Group pledged its financial assets measured at amortized costs, please refer to Note 8.
4. Please refer to Note 12 for information on the credit risk of financial assets measured at amortized cost. The Group invests in fixed deposits with financial institutions of good credit quality, and expects that the probability of default is very low.

(IV) Notes and accounts receivable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Notes receivable	<u>\$ 282</u>	<u>\$ 4,932</u>
Accounts receivable	\$ 59,225	\$ 42,159
Accounts receivable - related parties	6,606	13,930
Installment receivables	4,229	4,228
Less: Unrealized interest income	(149)	(207)
Less: Loss allowance	<u>(1,284)</u>	<u>(1,100)</u>
	<u>\$ 68,627</u>	<u>\$ 59,010</u>
Long-term installment receivables	\$ 8,152	\$ 12,380
Less: Unrealized interest income - long-term installment receivables	<u>(118)</u>	<u>(266)</u>
	<u>\$ 8,034</u>	<u>\$ 12,114</u>

1. The aging analysis of accounts receivable and notes receivable (both current and non-current) are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Not overdue	\$ 74,625	\$ 74,477
Within 30 days	1,225	1,561
31-60 days	647	578
61-90 days	946	5
91-180 days	516	73
181-360 days	60	462
More than 360 days	208	-
	<u>\$ 78,227</u>	<u>\$ 77,156</u>

The above ageing analysis was based on past due date.

2. The Group does not hold any collateral over the accounts and notes receivables.
3. Accounts receivable and notes receivable as of December 31, 2024 and 2023 were arising from customer contracts. As of January 1, 2023, the accounts receivable balance, unrealized interest income and allowance for losses on customer contracts were \$106,632, \$739, and \$5,292, respectively.
4. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of notes receivables as of December 31, 2024 and 2023 were NT\$282 and NT\$4,932, respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2024 and 2023 were NT\$76,661 and NT\$71,142, respectively.
5. Please refer to Note 12(2) for information on the credit risk of notes and accounts receivable.

(V) Inventories

	<u>Costs</u>	<u>December 31, 2024</u> <u>Allowance for decline</u> <u>in inventory value</u>	<u>Carrying amount</u>
Raw materials	\$ 80,409	(\$ 42,549)	\$ 37,860
Semi-finished goods	31,692	(8,127)	23,565
Work in progress	19,591	(219)	19,372
Finished goods	34,483	(12,842)	21,641
Merchandise Inventory	2,996	(2,217)	779
Total	<u>\$ 169,171</u>	<u>(\$ 65,954)</u>	<u>\$ 103,217</u>

		<u>December 31, 2023</u>		
	<u>Costs</u>	<u>Allowance for decline</u>		<u>Carrying amount</u>
		<u>in inventory value</u>		
Raw materials	\$ 97,593	(\$ 61,872)		\$ 35,721
Semi-finished goods	22,913	(8,986)		13,927
Work in progress	34,459	(159)		34,300
Finished goods	52,312	(27,518)		24,794
Merchandise				
Inventory	12,867	(2,409)		10,458
Goods in transit	1,705	-		1,705
Total	<u>\$ 221,849</u>	<u>(\$ 100,944)</u>		<u>\$ 120,905</u>

The cost of inventories recognized as expense for the year:

	<u>2024</u>	<u>2023</u>
Cost of goods sold	\$ 352,976	\$ 244,991
Loss (gain) from inventory valuation and obsolescence (Note)	(35,283)	33,300
Loss on scrap of inventory	10,690	11,315
Loss on physical inventory	8	95
	<u>\$ 328,391</u>	<u>\$ 289,701</u>

Note: In 2024, the Group recognized a reversal gain from the clearance of inventory for which decline in value had been provided in previous years.

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

<u>Item</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non-current items:		
Equity instruments		
Stocks of companies not listed on TWSE, TPEX, and Emerging Board	\$ 4,000	\$ 4,000
Valuation adjustments	(1,770)	-
	<u>\$ 2,230</u>	<u>\$ 4,000</u>

1. The Group has elected to classify the aforementioned stocks, which are strategic investments, as financial assets measured at fair value through other comprehensive income. The fair values of these investments as of December 31, 2024 and 2023 were \$2,230 and \$4,000, respectively.
2. The details of financial assets measured at fair value through other comprehensive income recognized in the income statement and comprehensive income statement are as follows:

	<u>2024</u>	<u>2023</u>
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Fair value changes recognized in other comprehensive income	(\$ 1,770)	(\$ 674)
Accumulated losses transferred to retained earnings	\$ -	(\$ 674)

3. The Group has not provided any collateral with financial assets measured at fair value through other comprehensive income.

(VII) Investments accounted for using the equity method

	<u>2024</u>	<u>2023</u>
January 1	\$ 17,884	\$ -
Increase in investments accounted for using equity method	-	9,200
Re-classification of financial assets measured at fair value through other comprehensive income to investments accounted for using equity method	-	8,126
Share of profit (loss) of investments accounted for using equity method	(1,817)	558
Recognition of impairment loss	(1,745)	-
Changes in other equity	(634)	-
December 31	<u>\$ 13,688</u>	<u>\$ 17,884</u>

December 31, 2024

<u>Names of affiliates</u>	<u>Holdings %</u>	<u>Booked number</u>
Acrosser Technology Co., Ltd. (Acrosser Technology)	15.25%	\$ <u>13,688</u>

December 31, 2023

<u>Names of affiliates</u>	<u>Holdings %</u>	<u>Booked number</u>
Acrosser Technology Co., Ltd. (Acrosser Technology)	15.25%	\$ <u>17,884</u>

1. The Group originally held a 10% equity interest in Acrosser Technology. After participating in its cash capital increase on July 5, 2023, the Group's shareholding increased to 15.25%. Although this is below 20%, when combined with the shares held by other related party - Fu Li Investment Co., Ltd. (whose chairman is also the chairman of the Company), the total shareholding reaches 20%. Additionally, the Group is among the top five single shareholders. After assessment, it was determined that the Group has significant influence, therefore, starting from July 5, 2023, the investment has been accounted for using the equity method.

2. Due to the recoverable amount of the Group's investment in Acrosser Technology being lower than its carrying amount, the Group recognized impairment losses of \$1,745 and \$0 for the years ended December 31, 2024 and 2023, respectively.

(VIII) Property, plant and equipment

	<u>2024</u>							
	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Leasehold Improvements</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>		<u>Total</u>	
January 1								
Costs	\$ 27,819	\$ 1,428	\$ 5,099	\$ 22,640	\$ 1,791		\$ 58,777	
Accumulated depreciation	(27,051)	(1,093)	(1,836)	(18,712)	-		(48,692)	
	<u>\$ 768</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,928</u>	<u>\$ 1,791</u>		<u>\$ 10,085</u>	
January 1	\$ 768	\$ 335	\$ 3,263	\$ 3,928	\$ 1,791		\$ 10,085	
Increase	3,450	53	5,714	1,806	-		11,023	
Re-classification	-	-	1,791	-	(1,791)		-	
Depreciation expense	(513)	(58)	(1,937)	(1,325)	-		(3,833)	
Net exchange difference	<u>2</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>		<u>9</u>	
December 31	<u>\$ 3,707</u>	<u>\$ 330</u>	<u>\$ 8,831</u>	<u>\$ 4,416</u>	<u>\$ -</u>		<u>\$ 17,284</u>	
December 31								
Costs	\$ 31,317	\$ 1,481	\$ 12,604	\$ 24,531	\$ -		\$ 69,933	
Accumulated depreciation	(27,610)	(1,151)	(3,773)	(20,115)	-		(52,649)	
	<u>\$ 3,707</u>	<u>\$ 330</u>	<u>\$ 8,831</u>	<u>\$ 4,416</u>	<u>\$ -</u>		<u>\$ 17,284</u>	

		<u>2023</u>								
		<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Leasehold Improvements</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>	
January 1	Costs	\$ 86,068	\$ 67,856	\$ 27,428	\$ 1,235	\$ 2,230	\$ 20,842	\$ -	\$ 205,659	
	Accumulated depreciation	-	(26,344)	(26,255)	(1,063)	(1,262)	(17,836)	-	(72,760)	
		<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,173</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 3,006</u>	<u>\$ -</u>	<u>\$ 132,899</u>	
January 1	Increase	\$ 86,068	\$ 41,512	\$ 1,173	\$ 172	\$ 968	\$ 3,006	\$ -	\$ 132,899	
	Re-classification (Note)	-	-	420	192	2,869	1,852	1,791	7,124	
	Depreciation expense	(86,068)	(40,477)	-	-	-	-	-	(126,545)	
	Net exchange difference	-	(1,035)	(822)	(29)	(574)	(921)	-	(3,381)	
December 31		=	=	(3)	-	-	(9)	=	(12)	
December 31	Costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,928</u>	<u>\$ 1,791</u>	<u>\$ 10,085</u>	
	Accumulated depreciation	-	-	(27,051)	(1,093)	(1,836)	(18,712)	-	(48,692)	
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,928</u>	<u>\$ 1,791</u>	<u>\$ 10,085</u>	

Note: In 2023, the Group reclassified land, houses and buildings from property, plant and equipment to investment property as they were converted for lease purposes. Please refer to Note 6(10) for related information.

1. The above-mentioned property, plant and equipment are all assets for the Group's own use.
2. None of the Group's property, plant and equipment has been pledged as collateral.

(IX) Leasing arrangements-lessee

1. The Group leases various assets including buildings, and transportation equipment. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
2. The lease period of certain premises leased by the Group does not exceed 12 months.
3. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 15,762	\$ 22,322
Transportation equipment	<u>442</u>	<u>884</u>
	<u>\$ 16,204</u>	<u>\$ 23,206</u>

	<u>2024</u>	<u>2023</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Buildings	\$ 9,631	\$ 3,056
Transportation equipment	<u>442</u>	<u>569</u>
	<u>\$ 10,073</u>	<u>\$ 3,625</u>

4. For the years ended December 31, 2024 and 2023, the additions to right-of-use assets were \$4,698 and \$25,721, respectively.
5. Information on profit or loss in relation to lease contracts is as follows:

	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 465	\$ 223
Expense on short-term lease contracts	1,365	1,490
Lease modification benefit	2	-

6. For the years ended December 31, 2024 and 2023, the Group's total cash outflow for leases were \$11,797 and \$5,223, respectively.

(X) Investment property

	<u>Land</u>	<u>2024</u> <u>Buildings and</u> <u>structures</u>	<u>Total</u>
January 1			
Costs	\$ 119,615	\$ 151,395	\$ 271,010
Accumulated depreciation	-	(59,418)	(59,418)
	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$ 211,592</u>
January 1	\$ 119,615	\$ 91,977	\$ 211,592
Depreciation expense	-	(2,530)	(2,530)
December 31	<u>\$ 119,615</u>	<u>\$ 89,447</u>	<u>\$ 209,062</u>
December 31			
Costs	\$ 119,615	\$ 151,715	\$ 271,330
Accumulated depreciation	-	(62,268)	(62,268)
	<u>\$ 119,615</u>	<u>\$ 89,447</u>	<u>\$ 209,062</u>
		<u>2023</u> <u>Buildings and</u> <u>structures</u>	<u>Total</u>
January 1	<u>Land</u>		
Costs	\$ 33,547	\$ 83,722	\$ 117,269
Accumulated depreciation	-	(30,727)	(30,727)
	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>
January 1	\$ 33,547	\$ 52,995	\$ 86,542
Re-classification (Note)	86,068	40,477	126,545
Depreciation expense	-	(1,495)	(1,495)
December 31	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$ 211,592</u>
December 31			
Costs	\$ 119,615	\$ 151,395	\$ 271,010
Accumulated depreciation	-	(59,418)	(59,418)
	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$ 211,592</u>

Note: In 2023, the Group reclassified land, houses and buildings from property, plant and equipment to investment property as they were converted for lease purposes.

1. Rental income from the investment property and direct operating expenses arising from investment property are shown below:

	<u>2024</u>	<u>2023</u>
Rental income from investment property	\$ <u>6,149</u>	\$ <u>5,432</u>
Direct operating expenses arising from investment property that generated rental income	\$ <u>2,530</u>	\$ <u>1,495</u>

2. The investment properties held by the Group include the Xizhi Office Building and the Shengkeng factory and office building, with fair values of both \$570,920 as of December 31, 2024 and 2023. These values were determined based on independent appraisals conducted on June 29th, 2023 and December 31st, 2022, using the income approach methods. After assessment by the Group's management, it was concluded that there were no significant changes in the fair values of the investment properties. The fair values mentioned above are all classified as Level 3 fair values, with the following key assumptions:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Gross margin	2.94%	2.94%
Income capitalization rate	0.61%~1.85%	0.61%~1.85%

3. The Group pledged its investment properties, please refer to Note 8 for more information.

(XI) Other non-current assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Net defined benefit assets	\$ 26,085	\$ 23,019
Guarantee deposits paid	4,402	3,900
Other assets	<u>3,970</u>	<u>3,867</u>
	<u>\$ 34,457</u>	<u>\$ 30,786</u>

(XII) Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2024</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Secured loans	\$ 44,562	1.44%~2.34%	Bank time deposits
Secured loans	143,800	2.43%~2.55%	Land, building and construction (listed in investment property)
Secured loans	<u>13,114</u>	7.75%	Land, building and construction (listed in investment property)
	<u>\$ 201,476</u>		

<u>Nature of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank loans</u>			
Secured loans	\$ 46,099	1.13%~2.05%	Bank time deposits
Secured loans	86,000	2.20%~2.21%	Land, building and construction (listed in investment property)
Secured loans	1,537	7.85%~8.56%	Land, building and construction (listed in investment property)
	<u>\$ 133,636</u>		

1. The interest expense recognized in profit or loss for the years ended December 31, 2024 and 2023 were \$4,682 and \$5,267, respectively.
2. Please refer to Note 8 for the information on short-term loans pledge.

(XIII) Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Salaries and bonuses payable	\$ 15,447	\$ 12,732
Payable for labor services	1,347	1,910
Labor insurance payable	956	848
National health insurance payable	821	747
Others	27,064	25,988
	<u>\$ 45,635</u>	<u>\$ 42,225</u>

(XIV) Pensions

1. The Company has established a defined benefit pension plan in accordance with the "Labor Standards Act," which applies to the service years of all formal employees prior to July 1, 2005, when the "Labor Pension Act" was implemented, as well as to the subsequent service years of employees who chose to continue to be subject to the Labor Standards Act after the implementation of the "Labor Pension Act." For employees who meet retirement conditions, pension payments are calculated based on service years and the average salary of the six months prior to retirement. For each year of service within 15 years (inclusive), two base units are given, and for each year of service beyond 15 years, one base unit is given, with a maximum accumulation of 45 base units. The Company contributes 2% of the total monthly payroll as retirement fund, which is deposited in a dedicated account under the name of the Labor Retirement Reserve Supervision Committee at the Bank of Taiwan. Additionally, at the end of each fiscal year, the Company estimates the balance in the aforementioned labor retirement reserve account. If the balance is insufficient to pay the retirement benefits calculated according to the aforementioned method for employees estimated to meet retirement conditions in the following year, the Company will make a lump-sum contribution to cover the difference by the end of March of the following year.

In March 2024 and 2023, the Company was approved by the Labor Affairs Department, New Taipei City Government to suspend the contribution to the labor retirement reserve for 2024 and 2023, respectively.

(2) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Present value of defined benefit obligations	(\$ 4,856)	(\$ 6,038)
Fair value of plan assets	<u>30,941</u>	<u>29,057</u>
Net defined benefit liability	<u>\$ 26,085</u>	<u>\$ 23,019</u>

(3) Movements in net defined benefit assets are as follows:

	<u>2024</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
Balance at January 1	(\$ 6,038)	\$ 29,057	\$ 23,019
Interest expense (income)	(76)	364	288
	<u>(6,114)</u>	<u>29,421</u>	<u>23,307</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,578	2,578
Change in financial assumptions	98	-	98
Experience adjustments	<u>102</u>	<u>-</u>	<u>102</u>
	<u>200</u>	<u>2,578</u>	<u>2,778</u>
Pay retirement pension	<u>1,058</u>	<u>(1,058)</u>	<u>-</u>
Balance at December 31	<u>(\$ 4,856)</u>	<u>\$ 30,941</u>	<u>\$ 26,085</u>

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
Balance at January 1	(\$ 8,517)	\$ 28,445	\$ 19,928
Current service cost	(30)	-	(30)
Interest expense (income)	<u>(117)</u>	<u>390</u>	<u>273</u>
	<u>(8,664)</u>	<u>28,835</u>	<u>20,171</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	222	222

Change in financial assumptions	(69)	-	(69)	
Experience adjustments		<u>2,695</u>	-		<u>2,695</u>	
		<u>2,626</u>	<u>222</u>		<u>2,848</u>	
Balance at December 31	(\$	<u>6,038</u>)	\$	<u>29,057</u>	\$	<u>23,019</u>

- (4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" Article 6: (i.e.: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with Paragraph 142 of IAS 19. The composition of fair value of plan assets as of December 31, 2024 and 2023 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (5) The principal actuarial assumptions used were as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	<u>1.500%</u>	<u>1.250%</u>
Future salary increases	<u>2.50%</u>	<u>2.50%</u>

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>0.25% more</u>	<u>0.25% less</u>	<u>0.25% more</u>	<u>0.25% less</u>
December 31, 2024				
Impact of present value of defined benefit obligations	<u>(\$ 95)</u>	<u>\$ 98</u>	<u>\$ 95</u>	<u>(\$ 93)</u>
December 31, 2023				
Impact of present value of defined benefit obligations	<u>(\$ 136)</u>	<u>\$ 141</u>	<u>\$ 137</u>	<u>(\$ 133)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (6) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2025 is \$0.
 - (7) As of December 31, 2024, the weighted average duration of the retirement plan is 7.9 years.
2. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with Taiwan nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) EverFocus Electronics (ShenZhen)CO., Ltd. contributes monthly to the old-age insurance fund at a certain rate based on the total salary of local employees in accordance with the PRC's defined pension insurance system. Each employee's pension is managed and arranged by the PRC government and EverFocus Shenzhen has no further obligation other than making monthly contributions.
 - (3) EverFocus America and EverFocus Japan make pension contributions in accordance with local laws and regulations.
 - (4) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2024 and 2023 were \$4,906 and \$4,443, respectively.

(XV) Share capital

- 1. As of December 31, 2024, the Company's authorized capital was \$2,070,000, consisting of 207 million shares of ordinary stock (including 30 million shares reserved for employee stock options), and the paid-in capital was \$668,010, divided into 66,801 thousand shares with par value of \$10 per share. All proceeds from shares issued have been collected.
- 2. Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	<u>2024</u>	<u>2023</u>
January 1 (in other words, December 31)	\$ <u>66,801</u>	\$ <u>66,801</u>

(XVI) Capital surplus

Pursuant to the Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(XVII) Deficit to be offset

1. According to Article of Incorporation, if the Company has earnings surplus as evidenced by the year-end accounting settlement, it shall pay taxes and make up for losses in accordance with the law and set aside 10% as a legal reserve, except when the legal reserve has reached the Company's total paid-in capital. The remainder shall be set aside or reversed as a special reserve in accordance with the laws and regulations. The Board of Directors shall prepare a proposal for the appropriation of earnings and submit it to the shareholders to resolve the distribution of dividends to shareholders if there is still a balance available, together with the accumulated undistributed earnings to allocate 0% to 100% of the distributable earnings.

The distributable dividends or bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. Dividends are distributed on the basis that maintaining a sound financial structure and matching future business growth of the Company. In accordance with the Company Act, the Board of Directors prepares a proposal for the distribution of earnings each year after the approval of the shareholders' meeting, taking into account the Company's profitability and future operating needs and to protect the interests of investors. The Company adopts the following three methods to distribute dividends: capitalization of earnings, capitalization of capital surplus and cash dividends. If there is an appropriate investment plan that can increase the Company's profitability, the capitalization of earnings or capitalization of capital surplus will be used. When the capital increase affects the dividend level, cash dividends will be paid. Stock dividends will account for 0% to 90% while cash dividends will account for 10% to 100% of the total amount of dividends paid. The actual amount of dividends paid will be determined by the amount approved at the shareholders' meeting.
3. The proposals for offsetting losses for 2023 and 2022 were approved by the shareholders' meeting on June 21, 2024 and June 14, 2023, respectively, and information on the Board of Directors' approval and the offsetting losses resolved at the shareholders' meeting is available on the "Market Observation Post System (MOPS)" of the TWSE.
4. As of December 31, 2024 and 2023, the Company had no earnings available for appropriation.

(XVIII) Operating income

	<u>2024</u>	<u>2023</u>
Revenue from Contracts with Customers	\$ <u>460,280</u>	\$ <u>369,555</u>

1. Disaggregation of revenue from contracts with customers

The Group's revenue comes from the provision of goods and services that are transferred over time and at a point in time. The revenues are segmented into the following types:

<u>2024</u>	<u>Sales Revenue</u>	<u>Services Revenue</u>	<u>Total</u>
Revenue from contracts with customers	\$ <u>435,329</u>	\$ <u>24,951</u>	\$ <u>460,280</u>
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 435,329	\$ -	\$ 435,329
Revenue recognized over time	<u>-</u>	<u>24,951</u>	<u>24,951</u>
Total	\$ <u>435,329</u>	\$ <u>24,951</u>	\$ <u>460,280</u>
<u>2023</u>	<u>Sales Revenue</u>	<u>Service Revenue</u>	<u>Total</u>
Revenue from contracts with customers	\$ <u>365,144</u>	\$ <u>4,411</u>	\$ <u>369,555</u>
Timing of revenue recognition			
Revenue recognized at a point in time	\$ 365,144	\$ -	\$ 365,144
Revenue recognized over time	<u>-</u>	<u>4,411</u>	<u>4,411</u>
Total	\$ <u>365,144</u>	\$ <u>4,411</u>	\$ <u>369,555</u>

2. Contract liabilities

(1) The Group recognizes contract liabilities related to revenue from contracts with customers as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>2023/1/1</u>
Contract liabilities - sales contracts	\$ <u>3,080</u>	\$ <u>5,776</u>	\$ <u>6,850</u>

(2) Revenue recognized during the period from the beginning amount of contract liabilities

	<u>2024</u>	<u>2023</u>
Revenue recognized during the period from contract liabilities at the beginning of the period		
Sales contracts	\$ 4,331	\$ 6,554

(XIX) Other income

	<u>2024</u>	<u>2023</u>
Rental income	\$ 6,459	\$ 6,350
Dividend income	1,904	1,610
Government subsidy income (Note)	18,420	5,600
Other incomes	5,652	3,201
	<u>\$ 32,435</u>	<u>\$ 16,761</u>

Note: Primarily, it is the subsidy from the Ministry of Transportation's project plan.

(XX) Other gains and losses

	<u>2024</u>	<u>2023</u>
Net income from financial assets and \$ liabilities measured at fair value through profit or loss	8,961	\$ 22,297
Loss on impairment of non-financial (\$ assets	1,745)	-
Gain on foreign exchange		88
Lease modification benefit	2	-
Other loss	(14)	(752)
	<u>\$ 20,762</u>	<u>\$ 21,633</u>

(XXI) Finance costs

	<u>2024</u>	<u>2023</u>
Interests on bank borrowings	\$ 4,682	\$ 5,267
Interests on lease borrowings	465	223
Other interest expenses	17	5
	<u>\$ 5,164</u>	<u>\$ 5,495</u>

(XXII) Costs and Expenses by nature

	<u>2024</u>			<u>2023</u>		
	<u>Included in</u>	<u>Included in</u>		<u>Included in</u>	<u>Included in</u>	
	<u>operating</u>	<u>operating</u>	<u>Total</u>	<u>operating</u>	<u>operating</u>	<u>Total</u>
	<u>cost</u>	<u>expense</u>		<u>cost</u>	<u>expense</u>	
Employee benefit expenses	\$ 33,327	\$ 96,653	\$ 129,980	\$ 29,589	\$ 84,047	\$ 113,636
Depreciation expense	3,296	13,140	16,436	1,163	7,338	8,501
Amortization expense	28	2,101	2,129	13	1,770	1,783

(XXIII) Employee benefit expenses

	<u>2024</u>		<u>2023</u>	
Wages and salaries	\$	108,643	\$	95,920
Labor and health insurance fees		11,042		9,566
Pension costs		4,618		4,200
Other personnel expenses		5,677		3,950
	\$	<u>129,980</u>	\$	<u>113,636</u>

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of 3%~10.5% and remuneration of directors and supervisors at rates of no higher than 2.5%, of the remaining profit after deducting accumulated losses.
2. The Company did not estimate the compensation to employees, directors and supervisors for the years ended December 31, 2024 and 2023 due to the Company had net loss before tax.
3. Information on remuneration of employees, directors and supervisors approved by the board of directors is disclosed on the MOPS.

(XXIV) Income tax

1. Income tax expense
 - (1) Components of income tax expense:

	<u>2024</u>		<u>2023</u>	
Current income tax:				
Income tax arising from current period's income	\$	164	\$	-
Deferred income tax:				
Initial recognition and reversal of temporary differences		8,553		17,753
Income tax expense	\$	<u>8,717</u>	\$	<u>17,753</u>

(2) The income tax relating to components of other comprehensive income is as follows:

	<u>2024</u>	<u>2023</u>
Re-measurement of defined benefit obligations	\$ 556	\$ 569

2. Reconciliation between income tax expense and accounting profit

	<u>2024</u>	<u>2023</u>
Income tax calculated by applying statutory rate to the profit before tax (Note)	(\$ 9,835)	(\$ 6,245)
Expenses to be deducted as required by tax regulations	945	1,245
Income exempt from tax regulation	(2,770)	(6,026)
Unrecognized deferred tax assets for tax losses	21,396	20,892
The net investment income is not included in the income	(1,019)	3,619
Change in realized valuation for deferred income tax assets	-	4,268
Income tax expense	<u>\$ 8,717</u>	<u>\$ 17,753</u>

Note: The basis of the applicable tax rate is determined by the local country.

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	<u>2024</u>				
	<u>Recognized in</u>			<u>other</u>	
	<u>January 1</u>	<u>Recognized in</u>	<u>comprehensive</u>	<u>Net exchange</u>	<u>December 31</u>
		<u>profit or loss</u>	<u>income</u>	<u>difference</u>	
Deferred income tax assets:					
- Temporary differences:					
Provisions of bad debt expense	\$ 6,693	(\$ 144)	\$ -	\$ 112	\$ 6,661
Allowance to reduce inventory to market	18,949	(6,356)	-	36	12,629
Others	2,478	(865)	-	23	1,636
Tax losses	<u>48,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,782</u>
Subtotal	<u>76,902</u>	<u>(7,365)</u>	<u>-</u>	<u>171</u>	<u>69,708</u>
Deferred income tax liabilities:					
Unrealized gain on foreign exchange	-	(1,188)	-	-	(1,188)
Re-measurement of defined benefit plans	(3,371)	-	(556)	-	(3,927)
Subtotal	<u>(3,371)</u>	<u>(1,188)</u>	<u>556</u>	<u>-</u>	<u>(5,115)</u>
Total	<u>\$ 73,531</u>	<u>(\$ 8,553)</u>	<u>(\$ 556)</u>	<u>\$ 171</u>	<u>\$ 64,593</u>

	<u>2023</u>				
	<u>Recognized in</u>				
	<u>other</u>				
	<u>January 1</u>	<u>Recognized in</u>	<u>comprehensiv</u>	<u>Net exchange</u>	<u>December 31</u>
		<u>profit or loss</u>	<u>e income</u>	<u>difference</u>	
Deferred income tax assets:					
- Temporary differences:					
Provisions of bad debt expense	\$ 20,548	(\$ 13,855)	\$ -	\$ -	\$ 6,693
Allowance to reduce inventory to market	12,910	6,039	-	-	18,949
Unrealized loss on loans receivable	4,765	(4,765)	-	-	-
Others	3,382	(904)	-	-	2,478
Tax losses	<u>53,050</u>	<u>(4,268)</u>	<u>-</u>	<u>-</u>	<u>48,782</u>
Subtotal	<u>94,655</u>	<u>(17,753)</u>	<u>-</u>	<u>-</u>	<u>76,902</u>
Deferred income tax liabilities:					
Re-measurement of defined benefit plans	(2,802)	-	(569)	-	(3,371)
Subtotal	<u>(2,802)</u>	<u>-</u>	<u>(569)</u>	<u>-</u>	<u>(3,371)</u>
Total	<u>\$ 91,853</u>	<u>(\$ 17,753)</u>	<u>(\$ 569)</u>	<u>\$ -</u>	<u>\$ 73,531</u>

4. Expiration dates of unused net operating tax losses of the Company and amounts of unrecognized deferred tax assets are as follows:

December 31, 2024

<u>Year</u>	<u>Amount</u>	<u>Unused amount</u>	<u>Unrecognized</u>	<u>Expiry</u>
<u>incurred</u>	<u>filed/assessed</u>		<u>deferred tax assets</u>	<u>year</u>
2015	\$ 56,076	\$ 28,696	\$ 28,696	2025
2017	49,598	49,598	49,598	2027
2018	89,436	89,436	89,436	2028
2019	94,256	94,256	94,256	2029
2020	69,562	69,562	69,562	2030
2021	51,809	51,809	51,809	2031
2022	59,023	59,023	17,106	2032
2023	96,918	96,918	-	2033
2024	<u>105,074</u>	<u>105,074</u>	<u>-</u>	2034
	<u>\$ 671,752</u>	<u>\$ 644,372</u>	<u>\$ 400,463</u>	

December 31, 2023

<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized deferred tax assets</u>	<u>Expiry year</u>
2015	\$ 56,076	\$ 28,696	\$ 28,696	2025
2017	49,598	49,598	49,598	2027
2018	89,436	89,436	89,436	2028
2019	94,256	94,256	94,256	2029
2020	69,562	69,562	39,784	2030
2021	51,809	51,809	-	2031
2022	59,023	59,023	-	2032
2023	<u>103,300</u>	<u>103,300</u>		2033
	<u>\$ 573,060</u>	<u>\$ 545,680</u>	<u>\$ 301,770</u>	

5. The Company's income tax returns through 2022 have been assessed and approved by the Tax Authority.

(XXV) Losses per share

2024

<u>Basic/Diluted Losses Per Share</u>	<u>Profit after tax</u>	<u>Weighted average number of shares outstanding (thousand shares)</u>	<u>Losses per share (NT\$)</u>
Net loss for the period attributable to common shareholders of the Parent company	<u>(\$ 59,792)</u>	<u>66,801</u>	<u>(\$ 0.90)</u>

2023

<u>Basic/Diluted Losses Per Share</u>	<u>Profit after tax</u>	<u>Weighted average number of shares outstanding (thousand shares)</u>	<u>Losses per share (NT\$)</u>
Net loss for the period attributable to common shareholders of the Parent company	<u>(\$ 48,977)</u>	<u>66,801</u>	<u>(\$ 0.73)</u>

(XXVI) Supplementary Cash Flow Information

Partial Cash Payment for Investment Activities:

	<u>2024</u>	<u>2023</u>
Acquisition of real estate, plants, and equipment	\$ 11,023	\$ 7,124
Add: Equipment expenses payable at the beginning of the period	179	-
Prepaid equipment expenses at the end of the period	-	1,729
Less: Prepaid equipment expenses at the beginning of the period	(1,729)	-
Accounts payable for equipment at the end of the period	-	(179)
Current period cash payments	<u>\$ 9,473</u>	<u>\$ 8,674</u>

(XXVII) Changes in liabilities arising from financing activities

	<u>2024</u>		
	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 133,636	\$ 23,331	\$ 156,967
Changes in financing cash flows	69,025	(9,967)	59,058
Additions to lease liabilities in the period	-	4,698	4,698
Disposals of lease liabilities in the period	-	(1,628)	(1,628)
Effect of exchange rate changes	(1,185)	-	(1,185)
December 31	<u>\$ 201,476</u>	<u>\$ 16,434</u>	<u>\$ 217,910</u>

	<u>2023</u>		
	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 124,555	\$ 1,299	\$ 125,854
Changes in financing cash flows	11,741	(3,510)	8,231
Additions to lease liabilities in the period	-	25,721	25,721
Effect of exchange rate changes	(2,660)	(179)	(2,839)
December 31	<u>\$ 133,636</u>	<u>\$ 23,331</u>	<u>\$ 156,967</u>

VII. Related Party Transactions

(I) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
EverFocus Electronics India Private Limited	Names of affiliates (Note 1)
EverFocus Electronics UK Private Limited	Subsidiary in liquidation (Note 2)
Everhighlight Technology Corp.	Subsidiary in liquidation (Note 2)
Acrosser Technology Co., Ltd.	Names of affiliates (Note 3)
Shenzhen Xinyangtong Electronics Co., Ltd.	Names of affiliates (Note 3, Note 4)
AAEON Technology Inc.	Other related parties
AAEON Technology Inc. (Suzhou)	Other related parties
Onyx Healthcare Inc.	Other related parties
ITE Tech. Inc.	Other related parties
Spark Technologies Inc.	Other related parties
AREC Inc.	Other related parties
JetWay Information Co. Ltd.	Other related parties
AAEON TECHNOLOGY (EUROPE) B.V.	Other related parties
AAEON Electronics Inc.	Other related parties
QQE Technology Co., Ltd.	Other related parties
AtechOEM	Other related parties

Note 1: The Group holds 75% equity in this company; however, since January 1, 2015, it has been unable to direct the company's relevant activities and thus lost control. Related receivables have been fully reserved with 100% allowance, and in 2023, the investment was removed from equity method investments. Therefore, since December 31, 2023, EverFocus India is no longer a related enterprise of the Group.

Note 2: Please refer to Note 4(3)3.

Note 3: After participating in the cash capital increase of Acrosser Technology Co., Ltd. on July 5, 2023, the Group recognized it as an investee company accounted for under the equity method. Therefore, since the participation in the cash capital increase, Acrosser Technology Co., Ltd. and its subsidiary - Shenzhen Xinyangtong Electronics Co., Ltd. have become related enterprises of the Group.

Note 4: On December 25, 2024, Acrosser Technology Co., Ltd. sold 100% equity of its subsidiary - Shenzhen Xinyangtong Electronics Co., Ltd. Therefore, since that date, Shenzhen Xinyangtong Electronics Co., Ltd. is no longer a related enterprise of the Group.

Note 5: The company changed its manager on November 9, 2023. Therefore, starting from that day, they will be recognized as another related party of the Group.

(II) Significant transactions and balances with related parties

1. Operating income

	<u>2024</u>	<u>2023</u>
Sales of goods		
Affiliate - Acrosser	\$ 11	\$ 7,348
Other related parties - Other	<u>6,477</u>	<u>5,467</u>
	<u>\$ 6,488</u>	<u>\$ 12,815</u>
Service sales		
Affiliate - Acrosser	\$ 16,033	\$ 1,163
Affiliates - Other	1,224	-
Other related party - Acrosser	1,788	-
Other related parties - Other	<u>2,202</u>	<u>-</u>
	<u>\$ 21,247</u>	<u>\$ 1,163</u>

- (1) The transaction price and payment terms for the sales of goods to related parties by the Company are based on the agreed price and terms between both parties.
- (2) The Company provides procurement services to its associated enterprise, Acrosser, and in 2024 and 2023, the purchase cost of goods purchased from another related party and sold to Acrosser amounted to \$26,551 and \$22,088, respectively, expressed as net sales revenue. As of December 31, 2024 and 2023, the inventory not yet sold amounted to \$0 and \$20,107, respectively (presented under other receivables - related parties).
- (3) The Group purchases raw materials and services from related parties and non-related parties, and sells semi-finished products, finished products, and services to related parties and non-related parties. For the year ended December 31, 2024, the cost of raw materials and services purchased amounting to \$36,714 was presented on a net basis with sales and service revenue.

2. Purchases

	<u>2024</u>	<u>2023</u>
Purchases of goods		
Affiliates - Other	\$ -	\$ 1,315
Other related parties - AAEON	25,882	-
Other related parties - Other	<u>2,437</u>	<u>12,791</u>
	<u>\$ 28,319</u>	<u>\$ 14,106</u>

The payment terms of abovementioned purchases are the same with third parties (suppliers), and the credit terms are 30 days or advanced payment.

3. Accounts receivable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Affiliate - Acrosser	\$ 4,277	\$ 9,441
Other related party - Acrosser	747	2,749
Other related party - AREC	1,571	1,595
Other related parties - Other	<u>11</u>	<u>145</u>
	<u>\$ 6,606</u>	<u>\$ 13,930</u>

4. Other receivables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - Other	\$ 344	\$ 344
Affiliate - Acrosser	24,287	42,195
Other related parties - Other	<u>1,577</u>	<u>-</u>
	<u>\$ 26,208</u>	<u>\$ 42,539</u>

5. Accounts payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Affiliate - Acrosser	\$ 339	\$ 1,381
Other related party - AREC	790	4,798
Other related parties - Other	<u>441</u>	<u>48</u>
	<u>\$ 1,570</u>	<u>\$ 6,227</u>

6. Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Affiliate - Acrosser	\$ 1,590	\$ -
Other related parties - AAEON	97	35,738
Other related party - Acrosser	493	346
Other related party - Spark Technologies	496	93
Other related party - AREC	<u>792</u>	<u>3,739</u>
	<u>\$ 3,468</u>	<u>\$ 39,916</u>

7. Total Receivables from related parties (included in other non-current assets)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - EverFocus UK	\$ 24,944	\$ 25,343
Less: Allowance for uncollectible accounts	<u>(24,944)</u>	<u>(25,343)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

In 2024 and 2023, the Company received partial payments remitted from the EverFocus UK, recognizing \$399 and \$2,048 in expected credit loss reversal benefits respectively.

8. Leasing arrangements-lessee

- (1) The Group rents office space from other related party-AREC, with a lease contract period of 2 years. Rent is paid at the beginning of each month.
- (2) Acquisition of right-of-use assets

	<u>2024</u>	<u>2023</u>
Other related party - AREC	\$ 2,115	\$ 2,198
(3) Lease liabilities		
A. Ending balance:		
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other related party - AREC	\$ 1,276	\$ 1,771
B. Interest expenses		
	<u>2024</u>	<u>2023</u>
Other related party - AREC	\$ 29	\$ 25
9. Software licensing fees (recognized as cost of goods sold)		
	<u>2024</u>	<u>2023</u>
Other related parties - Other	\$ 9,186	\$ 7,778
10. Operating expense		
	<u>2024</u>	<u>2023</u>
Affiliates - Other	\$ 5	\$ -
Other related parties - Other	3,650	1,612
	<u>\$ 3,655</u>	<u>\$ 1,612</u>

The above operating expenses mainly consist of management consulting fees and rental expenses, which are recorded under administrative expenses.

(III) Key management compensation

	<u>2024</u>	<u>2023</u>
Salaries and other employee benefits	\$ 4,635	\$ 2,754

VIII. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged assets</u>	<u>Book value</u>		<u>Guarantee purpose</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>	
Restricted time deposit (Listed in current financial assets at amortized cost)	\$ 74,926	\$ 68,827	Performance bonds for tenders, customs declarations and bank loans
Restricted time deposit (Listed in Amortized cost financial assets - current)	52	13	Government grant project guarantee deposit
Land, Building and Construction (Listed in investment property)	<u>209,062</u>	<u>211,592</u>	Bank Loan Guarantee
	<u>\$ 284,040</u>	<u>\$ 280,432</u>	

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2024 and 2023, the Company has issued a promissory note of \$471,728 and \$470,450 required for the application a comprehensive credit line and the provision of performance bonds as required by customer contracts, respectively.
2. As of December 31, 2024, and 2023, the Company has commissioned financial institutions to issue guarantee letters for performance guarantees, as part of executing government subsidy projects, each in the amount of \$90,750.
3. As of December 31, 2024, and 2023, the Company has signed contracts for real estate, factory, and equipment that have not yet occurred, amounting to \$0 and \$3,104, respectively.

X. Significant Disaster Loss

None.

XI. Significant events after the reporting period

None.

XII. Others

(I) Capital management

The Group has set up capital management objectives to ensure continued operation, maintain the best capital structure for the reduction in cost of capital, and protect shareholders interests. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(II) Financial instruments

1. Financial instruments by category

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	\$ 72,763	\$ 91,526
Financial assets measured at fair value through other comprehensive income		
Investment in designated equity instruments	2,230	4,000
Financial assets at amortized cost		
Cash and cash equivalents	95,786	111,254
Financial assets at amortized cost	74,978	68,840
Notes receivable	282	4,932
Accounts receivable (including related parties)	68,627	59,010
Other receivables (including related parties)	28,611	44,545
Long-term notes and accounts receivable	8,034	12,114
Refundable deposits (Listed as other non-current assets)	<u>4,402</u>	<u>3,900</u>
	<u>\$ 355,713</u>	<u>\$ 400,121</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 201,476	\$ 133,636
Notes payable	-	100
Accounts payable (including related parties)	48,740	63,066
Other receivable (including related parties)	<u>49,103</u>	<u>82,141</u>
	<u>\$ 299,319</u>	<u>\$ 278,943</u>
Lease liabilities	<u>\$ 16,434</u>	<u>\$ 23,331</u>

2. Financial risk management policies

The Group adopts a comprehensive risk management system for the management to clearly identify, measure and control all risks to achieve effective control and measurement.

The Group's Control and management strategies are as follows:

(1) Interest rate risk:

The Group continuously keep track on the trend of interest rates and set up stop-loss points to control interest rate risks.

(2) Foreign exchange risk:

The Group uses derivative financial instruments such as forward foreign exchange transactions to hedge for foreign currency assets or liabilities or highly probable transactions to reduce the risks in cash flows and fair value from fluctuation in foreign exchange rates. In addition, the changes foreign exchange rate is closely monitored, with a stop loss point to mitigate exchange rate risks.

(3) Credit risk:

The Group has a stringent credit evaluation policy and only trades with counterparties of good credit quality, with regular application of credit protection measures to mitigate credit risk.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and CNY. Exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- B. The Group's management formulated policies to manage exchange rate risks relative to the functional currency of the Group and its subsidiaries.
The finance department is responsible for hedging the overall exchange rate risk.
- C. The Group's business operations involve several non-functional currencies (the functional currency of the Company and some subsidiaries is New Taiwan Dollar, while the functional currency of other subsidiaries is US Dollar and Chinese Yuan, etc.), thus subject to the effects of exchange rate fluctuations. Information regarding foreign currency assets and liabilities with significant impact from exchange rate fluctuations is as follows:

December 31, 2024

	<u>Foreign currency</u> <u>(thousand)</u>	<u>Exchange rate</u>	<u>Carrying amount</u> <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 6,295	32.785	\$ 206,382
JPY:NTD	13,766	0.210	2,891
CNY:NTD	135	4.472	604
EUR:NTD	15	34.135	512
GBP:NTD	3	41.160	123
USD:CNY	558	7.331	18,294
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 687	32.785	\$ 22,523
CNY:NTD	306	4.472	1,368
USD:CNY	126	7.331	4,131

December 31, 2023

	<u>Foreign currency</u> <u>(thousand)</u>	<u>Exchange rate</u>	<u>Carrying amount</u> <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 6,181	30.725	\$ 189,911
JPY:NTD	10,608	0.217	2,302
EUR:NTD	86	34.028	2,926
CNY:NTD	399	4.330	1,728
GBP:NTD	222	39.191	8,700
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 543	30.725	\$ 16,684
USD:CNY	140	7.096	4,302

- D. The total exchange gain (including realized and unrealized) resulting from significant currency fluctuations on all monetary items of the Group amounted to \$13,558 and \$88 for the fiscal years 2024 and 2023, respectively.
- E. The analysis of the Group's foreign currency market risk due to material exchange rate fluctuations is as follows:

2024
Sensitivity analysis

	<u>Magnitude of change</u>	<u>Impact on profit and loss</u>	<u>Impact on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 2,064	\$ -
JPY:NTD	1%	29	-
CNY:NTD	1%	6	-
EUR:NTD	1%	5	-
GBP:NTD	1%	1	-
USD:CNY	1%	183	-
(Foreign currency: functional currency)			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 225	\$ -
CNY:NTD	1%	14	-
USD:CNY	1%	41	-

2023
Sensitivity analysis

	<u>Magnitude of change</u>	<u>Impact on profit and loss</u>	<u>Impact on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,899	\$ -
JPY:NTD	1%	23	-
EUR:NTD	1%	29	-
CNY:NTD	1%	17	-
GBP:NTD	1%	87	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 167	\$ -
USD:CNY	1%	43	-

Price risk

- A. The Group is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss. To manage the price risk arising from investments in equity instruments, the Group has diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. In 2024 and 2023, assuming that all other factors remain unchanged, if the price of equity instruments rises or falls by 1%, the net profit after tax from gains or losses of equity instruments measured at fair value through profit or loss will increase or decrease by \$1,043 and \$915, respectively, due to gains or losses from equity instruments measured at fair value through profit or loss. The other comprehensive income would increase or decrease by \$22 and \$40, respectively, due to gains or losses from equity investments classified as fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Group's main interest rate risk arises from short-term borrowings with variable rates which expose the Group to cash flow interest rate risk. The risk is partially offset by cash and cash equivalents held at variable rates. In 2024 and 2023, the Group's borrowings at variable rate were denominated in the USD, JPY and TWD.
- B. Assuming all other factors remain constant, a 0.25% increase or decrease in borrowing interest rates would result in a decrease or increase of \$403 and \$267, respectively, in after-tax net profit in 2024 and 2023. This is primarily due to the variability of interest expense resulting from floating-rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.
- B. The Group establishes credit risk management at the group level. According to the internally specified credit policy, each operating entity within the Group must conduct management and credit risk analysis for each new customer before establishing payment terms and delivery conditions. Internal risk control evaluates customer credit quality by considering their financial condition, past experience, and other factors. Individual risk limits are set by the board of directors based on internal or external ratings, and credit limit usage is regularly monitored.
- C. The Group adopts the assumptions under IFRS 9. The Group determines that the default occurs when the contract payments were past due over 90 days based on the terms.
- D. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (1) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (2) The disappearance of an active market for that financial asset because of financial difficulties;
 - (3) Default or delinquency in interest or principal repayments;
- F. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- G. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2024 and 2023, the Group had no recourse claims that had been written off.
- H. (1) For customers in the high-quality group, the expected loss rate is 0.03%. As of December 31, 2024 and 2023, the total carrying amount of accounts receivable and notes receivable (including current and non-current) was \$19,002 and \$34,997, respectively. Since the expected credit losses are not significant, the allowance for losses is \$0 for both periods.
- (2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2024 and 2023 is as follows:

	Not overdue	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91-180 days	Overdue 181-361 days	Over due more than 360 days	Total
<u>December 31, 2024</u>								
Expected loss rate	0.36%-0.77%	2.45%-13.77%	18.97%-34.38%	31.20%-52.94%	100%	100%	100%	
Total book value	\$ 56,537	\$ 1,031	\$ 413	\$ 841	\$ 135	\$ 60	\$ 208	\$ 59,225
Loss allowance	\$ 438	\$ 26	\$ 88	\$ 329	\$ 135	\$ 60	\$ 208	\$ 1,284

	Not overdue	Overdue 1-30 days	Overdue 31-60 days	Overdue 61-90 days	Overdue 91-180 days	Overdue 181-361 days	Over due more than 360 days	Total
<u>December 31, 2023</u>								
Expected loss rate	0%-0.58%	0.5%-8.60%	2%-34.91%	3%-79.89%	100%	100%	100%	
Total book value	\$ 39,480	\$ 1,561	\$ 578	\$ 5	\$ 73	\$ 462	\$ -	\$ 42,159
Loss allowance	\$ 230	\$ 132	\$ 199	\$ 4	\$ 73	\$ 462	\$ -	\$ 1,100

- I. The Group's simplified approach of notes receivable and changes in allowance for doubtful accounts are as follows:

Notes and accounts receivable

	<u>(including related parties)</u>			
	<u>2024</u>		<u>2023</u>	
January 1	\$	1,100	\$	5,292
Provision (Reversal) of impairment loss		160	(15)
Amounts written off due to uncollectibility		-	(4,163)
Effect of exchange rate changes		24	(14)
December 31	\$	<u>1,284</u>	\$	<u>1,100</u>

In 2024 and 2023, the impairment losses (reversal gains) recognized on accounts receivable arising from customer contracts were \$160 and (\$15), respectively.

- J. For financial assets at amortized cost, the credit rating levels are presented below:

	<u>December 31, 2024</u>			
	<u>Based on duration</u>			
	<u>With significant</u>			
	<u>increase in credit</u>			
	<u>Based on 12 months</u>	<u>risk</u>	<u>Credit-impaired</u>	<u>Total</u>
Financial assets at amortized cost	\$ <u>74,978</u>	\$ -	-	\$ <u>74,978</u>

	<u>December 31, 2023</u>			
	<u>Based on duration</u>			
	<u>With significant</u>			
	<u>increase in credit</u>			
	<u>Based on 12 months</u>	<u>risk</u>	<u>Credit-impaired</u>	<u>Total</u>
Financial assets at amortized cost	\$ <u>68,840</u>	\$ -	-	\$ <u>68,840</u>

The financial assets at amortized cost are restricted bank deposits, and there is no major material in credit risk assessment.

(3) Liquidity risk

- A. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group's financial department. Group's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- B. The Group's unused loan amount as of December 31, 2024 and 2023 was \$160,324 and \$229,977, respectively.
- C. The table below analyses the Group's non-derivative financial liabilities and net-

settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2024	<u>Within a</u>		
	<u>year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
Short-term borrowings	\$ 203,271	\$ -	\$ -
Accounts payable (including related parties)	48,740	-	-
Other receivable (including related parties)	49,103	-	-
Lease liabilities	9,901	6,544	297

Non-derivative financial liabilities:

December 31, 2023	<u>Within a</u>		
	<u>year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>
Short-term borrowings	\$ 134,270	\$ -	\$ -
Notes payable	100	-	-
Accounts payable (including related parties)	63,066	-	-
Other receivable (including related parties)	82,141	-	-
Lease liabilities	9,592	8,977	5,717

D. The Group's cash flows are not expected to occur significantly earlier than the maturity date, or to be significantly different from the actual amount.

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for assets or liabilities, including all non-listed stocks invested by the Group.

2. The fair value information of investment properties measured at cost is detailed in Note 6(10). Please refer to the note for details.

3. Financial instruments not measured at fair value

The cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables (including related parties), long-term notes and accounts receivable and amounts due, deposits for guarantee (presented as other non-current assets), overdue receivable (presented as other non-current assets), short-term borrowings, notes payable, accounts payable (including related parties), and other payables (including related parties) of the Group are recorded at amounts that reasonably approximate their fair values

4. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(1) The related information of the nature of the assets and liabilities:

December 31, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 72,763	\$ -	\$ 31,572	\$ 104,335
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	2,230	2,230
Total	<u>\$ 72,763</u>	<u>\$ -</u>	<u>\$ 33,802</u>	<u>\$ 106,565</u>

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 91,526	\$ -	\$ -	\$ 91,526
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	4,000	4,000
Total	<u>\$ 91,526</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 95,526</u>

(2) The Group's approaches and assumptions for fair value measurement are as follows:

- A. The Group adopts market quotations as fair value inputs (i.e., Level 1), categorized by instrument characteristics as follows:

Market quotation	<u>Stocks of TWSE/TPEX listed companies</u>	<u>Open-end funds</u>
	Closing price	Net value

- B. Except for the aforementioned financial instruments in an active market, the fair values of other financial instruments are obtained by using valuation techniques, or by reference to the quoted prices of counterparties.

- C. The outputs of valuation models are estimated approximate values, and valuation techniques may not reflect all relevant factors of financial and non-financial instruments held by the Group. Therefore, the estimated values from valuation models are appropriately adjusted based on additional parameters, such as model risk or liquidity risk. According to the Group's fair value valuation model management policy and related control procedures, management believes that valuation adjustments are appropriate and necessary to properly present the fair values of financial and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the valuation process are carefully evaluated and appropriately adjusted based on current market conditions.

5. For the years ended December 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.
6. The following table shows the changes in Level 3 for the years 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>Equity instruments</u>	<u>Equity instruments</u>
January 1	\$ 4,000	\$ 12,800
Purchases in the period	30,000	-
Recognized in profit or loss (Note 1)	1,572	-
Recognized in other comprehensive income (Note 2)	(1,770)	(674)
Transfers out of Level 3	-	(8,126)
December 31	<u>\$ 33,802</u>	<u>\$ 4,000</u>

Note 1: Listed in other gains and losses

Note 2: Listed in unrealized gains and losses on equity investments measured at fair value through other comprehensive income

7. There were no transfers into or out of Level 3 in 2024; in 2023, the transfer out of Level 3 was related to the equity investment in Acrosser Technology that was originally classified as Level 3. For related information, please refer to Note 6(7).
8. The Company's valuation process for financial instruments classified in the third level of fair value is conducted by the Finance and Accounting department. It involves

independent fair value verification of the financial instruments, using data from independent sources to ensure that the valuation results reflect market conditions. The data sources are independent, reliable, consistent with other resources, and representative of executable prices. The department also regularly updates the input values and data required by the valuation models, as well as any necessary fair value adjustments, to ensure the reasonableness of the valuation results.

9. The quantifiable information on significant unobservable input values used in the valuation models for items classified in the third level of fair value measurement and the sensitivity analysis of significant unobservable input value changes are explained as follows:

	<u>December 31,</u> <u>2024 Fair value</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u>	<u>Range (weighted</u> <u>average)</u>	<u>Relationship</u> <u>between inputs</u> <u>and fair value</u>
Non-derivative equity instruments:					
Stocks of non-listed companies	\$ 2,230	Discounted cash flow method	Note 1	Not applicable	Note 2
Stocks of venture capital companies	31,572	Net asset value method	Not applicable	Not applicable	Not applicable

	<u>December 31,</u> <u>2023 Fair value</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u>	<u>Range (weighted</u> <u>average)</u>	<u>Relationship</u> <u>between inputs</u> <u>and fair value</u>
Non-derivative equity instruments:					
Stocks of non-listed companies	\$ 4,000	Discounted cash flow method	Note 1	Not applicable	Note 2

Note 1: Long-term revenue growth rate, weighted average cost of capital, long-term pretax operating income, lack of market liquidity discount, minority interest discount.

Note 2: The higher the long-term revenue growth rate and long-term pretax operating income, the higher the fair value; the higher the weighted average cost of capital and minority interest discount, the lower the fair value; the higher the lack of market liquidity discount, the lower the fair value.

XIII. Notes to Disclosures

(I) Significant transactions information

1. Lending funds to others: Please refer to table 1.
2. Provision of endorsements and guarantees to others: Please refer to table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of the Company's paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Information for significant inter-company transactions during the reporting periods: Please refer to table 4.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(III) Information on investments in Mainland China

1. Basic information: Please refer to table 6.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 4.

(IV) Major shareholders information

The names of shareholders with at least 5% shareholding: Please refer to Table 7.

XIV. Departmental Information

(I) General information

The management of the Group has identified reporting segments based on the information used by the Board of Directors in making decisions. The Group's Board of Directors operates the business from a regional perspective, with a focus on Taiwan and the United States as the two major sales regions. The operating results of other regions are consolidated and presented under the "Other segments" category. There have been no significant changes in the composition of the Group, the basis for segment allocation, or the measurement basis of segment information during the current period.

(II) Measurement of segment information

The Group's segment profit (loss) is measured with the segment revenue and the profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(III) Departmental Information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	<u>2024</u>				<u>Eliminations</u>	<u>Total</u>
	<u>Taiwan</u>	<u>U.S.</u>	<u>Japan</u>	<u>Other</u>		
	<u>Department</u>	<u>Department</u>	<u>Department</u>	<u>departments</u>		
External revenue	\$ 364,989	\$ 18,716	\$ 58,829	\$ 17,746	\$ -	\$ 460,280
Internal department revenue	<u>67,956</u>	<u>2,749</u>	<u>-</u>	<u>51,159</u>	<u>(121,864)</u>	<u>-</u>
Department revenue	<u>\$ 432,945</u>	<u>\$ 21,465</u>	<u>\$ 58,829</u>	<u>\$ 68,905</u>	<u>(\$121,864)</u>	<u>\$ 460,280</u>
Department profit or loss	<u>(\$ 59,962)</u>	<u>\$ 3,814</u>	<u>\$ 2,187</u>	<u>\$ 2,886</u>	<u>\$ -</u>	<u>(\$ 51,075)</u>
Department profit/loss includes:						
Depreciation and amortization	<u>\$ 17,493</u>	<u>\$ -</u>	<u>\$ 437</u>	<u>\$ 635</u>	<u>\$ -</u>	<u>\$ 18,565</u>

	<u>2023</u>				<u>Eliminations</u>	<u>Total</u>
	<u>Taiwan</u>	<u>U.S.</u>	<u>Japan</u>	<u>Other</u>		
	<u>Department</u>	<u>Department</u>	<u>Department</u>	<u>departments</u>		
External revenue	\$ 320,860	\$ 24,374	\$ 3,458	\$ 20,863	\$ -	\$ 369,555
Internal department revenue	<u>17,301</u>	<u>936</u>	<u>-</u>	<u>23,187</u>	<u>(41,424)</u>	<u>-</u>
Department revenue	<u>\$ 338,161</u>	<u>\$ 25,310</u>	<u>\$ 3,458</u>	<u>\$ 44,050</u>	<u>(\$ 41,424)</u>	<u>\$ 369,555</u>
Department profit or loss	<u>(\$ 13,573)</u>	<u>(\$ 14,157)</u>	<u>(\$ 1,531)</u>	<u>(\$ 1,963)</u>	<u>\$ -</u>	<u>(\$ 31,224)</u>
Department profit/loss includes:						
Depreciation and amortization	<u>\$ 9,171</u>	<u>\$ -</u>	<u>\$ 465</u>	<u>\$ 648</u>	<u>\$ -</u>	<u>\$ 10,284</u>

Note: Interdepartmental revenue has been eliminated to\$0.

(IV) Reconciliation for segment income (loss)

The Group's reportable segment profit or loss is the same as that of the continuing operations. Therefore, no reconciliation is required.

(V) Information on products and services

Please refer to Note 6, (18).

(VI) Geographical information

The Group' s geographical information for 2024 and 2023 is as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 191,953	\$ 241,915	\$ 195,907	\$ 243,204
Asia	91,535	635	16,921	1,679
Americas	154,306	-	124,559	-
Europe	22,311	-	29,728	-
Others	175	-	2,440	-
	<u>\$ 460,280</u>	<u>\$ 242,550</u>	<u>\$ 369,555</u>	<u>\$ 244,883</u>

(VII) Major customer information

The following is the Group' s major customer information for 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
A	\$ 124,144	\$ 86,927		
B	<u>74,714</u>	<u>95,062</u>		
	<u>\$ 198,858</u>	<u>\$ 181,989</u>		