

Everfocus Electronics Corp.
Parent Company Only Financial Statements and
Independent Auditor's Report
For the Years Ended December 31, 2024 and 2023
(Stock Code: 5484)

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For the Years Ended December 31, 2024 and 2023
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Independent Auditors' Report

(2025) Financial Audit Report No. 24004636

The Board of Directors and Shareholders of Everfocus Electronics Corp.

Opinion

We have audited the accompanying separate company only financial statements of Everfocus Electronics Corp. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2024 and 2023 and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, based on our audits and the reports of other auditors (please refer to "Other Matter"), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and cash flows for the years ended December 31, 2024 and 2023, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards accepted in the Republic of China. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the parent company only financial statements section. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2024 are stated as follows:

Authenticity for incorporating the revenues

Description

Please refer to Note 4(28) to the parent company only financial statements for the accounting policy on revenue recognition and Note 6(18) to the parent company only financial statements for the description of operating income items.

The Company'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 response 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 the Company'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

Regarding the accounting policy for inventory valuation, please refer to Note 4(13) of the parent company only financial statements. For the accounting estimates and uncertainties related to inventory valuation, please refer to Note 5 of the parent company only financial statements. For the description of inventory accounting items, please refer to Note 6(5) of the parent company only financial statements.

The Company'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 Company 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 Company 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 devaluation 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 response audit matters are listed as follows:

1. Assessing the policy of provision for loss on inventory devaluation with the understanding of the Company'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

The portion of the financial statements of investee companies accounted for using the equity method in the parent company only financial statements of the Company is audited by other auditors rather than our auditor. Therefore, the amounts included in the financial statements of these companies in our auditor's opinion are based on the audit reports of other auditors. As of December 31, 2023, the investment amount accounted for using the equity method in these companies was \$17,884 thousand, representing 1.87% 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 \$558 thousands, representing (1.26%) of comprehensive income.

Responsibilities of Management and Those Charged with Governance for the Separate Company Only Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards accepted in the Republic of China will always detect a significant misstatement when it exists. Misstatement may arise from frauds or errors. If fraud or errors are considered significant, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 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

Shu-Chiung Chang



CPA

Shih-Jung Weng



Former Financial Supervisory Commission, Executive Yan

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

No.0990042602

Former Securities and Futures Commission, Ministry of
Finance

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

March 11, 2025




Everfocus Electronics Corp.
Parent Company Only Balance Sheet
December 31, 2024 and 2023

Unit: NT\$ thousands

Assets		Note	December 31, 2024		December 31, 2023	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 79,330	9	\$ 100,364	11
1110	Financial assets at fair value through profit or loss - current	6(2)	72,763	8	91,526	10
1136	Financial assets at amortized cost - current	6(3) and 8	74,978	9	68,840	7
1150	Notes receivable, net	6(4)	282	-	992	-
1170	Accounts receivable, net	6(4)	56,670	6	41,320	4
1180	Accounts receivable - related parties, net	6(4) and 7	19,196	2	26,137	3
1200	Other receivables		921	-	1,945	-
1210	Other receivables - related parties	7	79,704	9	100,209	10
130X	Inventories	6(5)	100,008	11	117,573	12
1470	Other current assets		11,638	1	18,780	2
11XX	Total current assets		<u>495,490</u>	<u>55</u>	<u>567,686</u>	<u>59</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	31,572	3	-	-
1517	Financial assets at fair value through other comprehensive income - non-current	6(6)	2,230	-	4,000	1
1550	Investments accounted for using the equity method	6(7)	23,903	3	26,340	3
1600	Property, plant and equipment	6(8)	16,860	2	9,668	1
1755	Right-of-use assets	6(9)	15,993	2	21,944	2
1760	Investment property, net	6(10) and 8	209,062	23	211,592	22
1840	Deferred income tax assets	6(24)	67,212	7	74,266	8
1930	Long-term notes and accounts receivable	6(4)	8,034	1	12,114	1
1990	Other non-current assets - Other	6(11)(14) and 7	33,666	4	29,982	3
15XX	Total non-current assets		<u>408,532</u>	<u>45</u>	<u>389,906</u>	<u>41</u>
1XXX	Total assets		<u>\$ 904,022</u>	<u>100</u>	<u>\$ 957,592</u>	<u>100</u>

(Continued)


Everfocus Electronics Corp.
Parent Company Only Balance Sheet
December 31, 2024 and 2023

Unit: NT\$ thousands

Liabilities and equity		Note	December 31, 2024		December 31, 2023	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 143,800	16	\$ 86,000	9
2130	Contract liabilities - current	6(18)	2,314	-	4,961	1
2150	Notes payable		-	-	100	-
2170	Accounts payable		44,407	5	52,656	6
2180	Accounts payable - related parties	7	7,332	1	10,487	1
2200	Other payables	6(13)	26,221	3	22,690	2
2220	Other payables - related parties	7	8,207	1	39,916	4
2250	Provisions for liabilities - current		859	-	1,014	-
2280	Lease liabilities - current		9,429	1	8,091	1
2300	Other current liabilities		2,546	-	2,708	-
21XX	Total current liabilities		<u>245,115</u>	<u>27</u>	<u>228,623</u>	<u>24</u>
Non-current liabilities						
2550	Provisions for liabilities - non-current		823	-	558	-
2570	Deferred income tax liabilities	6(24)	5,115	-	3,371	-
2580	Lease liabilities - non-current		6,782	1	13,937	2
2645	Guarantee deposits received		1,199	-	988	-
2650	Outstanding loan balance of investments accounted for using the equity method	6(7)	114,954	13	117,372	12
25XX	Total non-current liabilities		<u>128,873</u>	<u>14</u>	<u>136,226</u>	<u>14</u>
2XXX	Total liabilities		<u>373,988</u>	<u>41</u>	<u>364,849</u>	<u>38</u>
Equity						
Share capital						
3110	Ordinary share	6(15)	668,010	74	668,010	70
Capital surplus						
3200	Capital surplus	6(16)	55,312	6	55,312	6
Deficit to be offset						
3350	Deficit to be offset	6(17)	(215,593)	(24)	(158,023)	(17)
Other equity items						
3400	Other equity items		22,305	3	27,444	3
3XXX	Total equity		<u>530,034</u>	<u>59</u>	<u>592,743</u>	<u>62</u>
Significant contingent liabilities and unrecognized commitments						
3X2X	Total liabilities and equity	9	<u>\$ 904,022</u>	<u>100</u>	<u>\$ 957,592</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements. Please refer to it as well.

Chairman: Yung-Shun Chuang



President: Chin-Hung Kao



Accounting officer: Chien-Liang Chen





Everfocus Electronics Corp.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousands
(Except for losses per share expressed in New Taiwan Dollar)

Item	Note	2024		2023	
		Amount	%	Amount	%
4000 Operating income	6(18) and 7	\$ 432,945	100	\$ 338,161	100
5000 Operating costs	6(5)(22)(23) and 7	(324,960)	(75)	(274,098)	(81)
5900 Operating gross profit		107,985	25	64,063	19
5910 Unrealized loss on sales		-	-	2,800	1
5950 Operating gross profit, net		107,985	25	66,863	20
Operating expenses	6(22)(23) and 7				
6100 Selling expenses		(52,500)	(12)	(42,438)	(13)
6200 Administrative expenses		(43,925)	(10)	(31,096)	(9)
6300 Research and development expenses		(121,298)	(28)	(47,573)	(14)
6450 Expected credit impairment gains (losses)	7 and 12(2)	325	-	(607)	-
6000 Total operating expenses		(217,398)	(50)	(121,714)	(36)
6900 Operating loss		(109,413)	(25)	(54,851)	(16)
Non-operating income and expenses					
7100 Interest income	6(3) and 7	6,771	1	4,619	1
7010 Other income	6(19)	29,154	7	13,765	4
7020 Other gains and losses	6(20)	20,123	5	22,371	7
7050 Finance costs	6(9)(12)(21)	(3,679)	(1)	(1,083)	-
7055 Expected credit impairment gains	7	399	-	2,048	-
7070 The share of profit or loss of the from subsidiaries, associates and joint ventures accounted for using the equity method	6(7)	5,095	1	(18,093)	(5)
7000 Total non-operating income and expenses		57,863	13	23,627	7
7900 Loss before income tax, net		(51,550)	(12)	(31,224)	(9)
7950 Income tax expenses	6(24)	(8,242)	(2)	(17,753)	(5)
8200 Net loss for the period		(\$ 59,792)	(14)	(\$ 48,977)	(14)
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gains on remeasurements of defined benefit plans	6(14)	\$ 2,778	1	\$ 2,848	1
8316 Unrealized gains and losses on equity investments measured at fair value through other comprehensive income	6(6)	(1,770)	(1)	(674)	(1)
8349 Income tax related to components that will not be reclassified to profit or loss	6(24)	(556)	-	(569)	-

(Continued)

The accompanying notes are an integral part of the parent company only financial statements. Please refer to it as well.

Chairman: Yung-Shun Chuang



President: Chin-Hung Kao



Accounting officer: Chien-Liang Chen





Everfocus Electronics Corp.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousands
(Except for losses per share expressed in New Taiwan Dollar)

8310	Total components of other comprehensive income that will not be reclassified to profit or loss		452	-	1,605	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Exchange differences arising from translation of foreign operations		(3,369)	-	3,183	1
8360	Total components of other comprehensive income that will be reclassified to profit or loss		(3,369)	-	3,183	1
8300	Other comprehensive income, net		(\$ 2,917)	-	\$ 4,788	1
8500	Total comprehensive income (loss) for the period		(\$ 62,709)	(14)	(\$ 44,189)	(13)
	Basic losses per share					
9750	Basic losses per share	6(25)	(\$ 0.90)		(\$ 0.73)	
	Diluted losses per share					
9850	Diluted losses per share	6(25)	(\$ 0.90)		(\$ 0.73)	

The accompanying notes are an integral part of the parent company only financial statements. Please refer to it as well.

Chairman: Yung-Shun Chuang

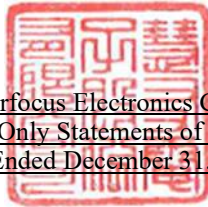


President: Chin-Hung Kao



Accounting officer: Chien-Liang Chen





Everfocus Electronics Corp.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousands

	Note	Capital surplus			Other equity items			Total equity
		Ordinary share	Capital surplus - share premium	Capital surplus - Other	Deficit to be offset	Exchange differences arising from translation of foreign operations	Unrealized valuation gains or losses on financial assets 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 for the period		-	-	-	2,279	3,183	(674)	4,788
Total comprehensive income (loss) for the period		-	-	-	(46,698)	3,183	(674)	(44,189)
Reclassification of equity instruments measured at fair value through other comprehensive income	6(6)	-	-	-	(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 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 are an integral part of the parent company only financial statements. Please refer to it as well.

Chairman: Yung-Shun Chuang



President: Chin-Hung Kao



Accounting officer: Chien-Liang Chen





Everfocus Electronics Corp.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousands

	Note	January 1 to December 31, 2024	January 1 to December 31, 2023
<u>Cash flows from operating activities</u>			
Net loss before income tax		(\$ 51,550)	(\$ 31,224)
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expenses	6(8)(9)(10)(22)	15,364	7,388
Amortization expenses	6(22)	2,129	1,783
Gains of reversal from expected credit impairment	7 and 12(2)	(724)	(1,441)
Financial assets at fair value through profit or loss, net	6(2)(20)	(8,961)	(22,297)
Finance costs	6(9)(12)(21)	3,679	1,083
Interest income		(6,771)	(4,619)
Dividend income	6(19)	(1,904)	(1,610)
Impairment loss on non-financial assets	6(7)(20)	1,745	-
Share of profit (loss) of subsidiaries and associates accounted for using the equity method	6(7)	(5,095)	18,093
Unrealized loss on sales		-	(2,800)
Unrealized exchange (gains) losses on financial assets at amortized cost		(4,201)	32
Gains on lease modifications		(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		710	3,069
Accounts receivable		(10,945)	12,653
Accounts receivable - related parties		6,941	21,315
Other receivables		1,092	(648)
Other receivables - related parties		16,168	(42,038)
Inventories		17,565	17,772
Other current assets		7,142	(7,998)
Other non-current assets		271	338
Net changes in operating liabilities			
Contract liabilities		(2,647)	(524)
Notes payable		(100)	100
Accounts payable		(8,249)	2,784
Accounts payable - related parties		(3,155)	7,996
Other payables		3,531	490
Other payables - related parties		(31,709)	39,916
Provisions for liabilities		110	(5,117)
Other current liabilities		(162)	(2,836)
Cash generated from (used in) operations		(33,576)	41,978
Interest received		6,771	4,619
Dividends received		1,836	1,756
Interest paid		(3,679)	(1,083)
Cash generated from (used in) operating activities, net		(28,648)	47,270

(Continued)



Everfocus Electronics Corp.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousands

	Note	January 1 to December 31, 2024	January 1 to 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 at amortized cost		(1,937)	(3,145)
Disposal of financial assets at amortized cost		-	2,800
Acquisition of financial assets at fair value through profit or loss		(30,000)	-
Acquisition of property, plant and equipment	6(8)(26)	(9,453)	(8,655)
Disposal of investments accounted for using the equity method	6(7) and 7	399	22,470
Decrease (Increase) in other receivables - related parties	7	4,337	(57,553)
Acquisition of intangible assets		(4,370)	(1,211)
Increase in guarantee deposits paid		(486)	(1,030)
Cash used in investing activities, net		(41,510)	(55,524)
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(27)	57,800	56,000
Repayment of lease principal	6(27)	(8,887)	(2,455)
Increase in guarantee deposits received		211	16
Cash generated by financing activities, net		49,124	53,561
Increase (decrease) in cash and cash equivalents		(21,034)	45,307
Cash and cash equivalents at beginning of period		100,364	55,057
Cash and cash equivalents at end of period		\$ 79,330	\$ 100,364

The accompanying notes are an integral part of the parent company only financial statements. Please refer to it as well.

Chairman: Yung-Shun Chuang



President: Chin-Hung Kao



Accounting officer: Chien-Liang Chen



Everfocus Electronics Corp.
Notes to the Parent Company Only Financial Statements
For the Years Ended December 31, 2024 and 2023

Unit: NT\$ thousands
(Except as otherwise specified)

I. Company History

Everfocus Electronics Corp. (hereinafter referred to as the "Company") was established in Taiwan. The Company is 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 Statements

The parent company only financial statements 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") Accounting Standards 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 Date Issued by International Accounting Standards Board ("IASB")</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 Company's financial condition and financial performance based the Company's assessment.

(II) Effect of new issuances of or amendments to IFRS Accounting Standards 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 Date Issued by International Accounting Standards Board (“IASB”)</u>
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

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

(III) Effect of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 9 and IFRS 7, "Amendments to Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7, "Contracts Referencing Nature-dependent 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 IASB
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17, "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18, "Presentation and Disclosure in 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 for the following standard, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based the Company's assessment.

IFRS 18, "Presentation and Disclosure in Financial Statements"

IFRS 18, "Presentation and Disclosure in Financial Statements," replaces IAS 1 and updates the structure of the statement of comprehensive income, adds disclosure of the measurement of the management performance, 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 the parent company only 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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers endorsed by the FSC.

(II) Basis of preparation

1. Except for the following significant items, the parent company only financial statements have been prepared under the historical cost convention:
 - (1) Financial assets at fair value through profit or loss.
 - (2) Financial assets 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. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued by the FSC (collectively, "IFRSs") requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in the process of applying The Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(III) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in "New Taiwan Dollars (NTD)", which is the Company's functional and 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) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing as at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss in the period in which they arise.
 - (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 subsidiaries and associates 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.

(IV) 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 Company 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) With no right to defer settlement of liabilities for at least twelve months after the reporting period.

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

(V) 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.

(VI) 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 Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.
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 Company and the amount of the dividend can be measured reliably.

(VII) Financial assets 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 at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
3. At initial recognition, the Company 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 Company and the amount of the dividend can be measured reliably.

(VIII) 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 financial assets' contractual cash flows generated at specific dates represent solely payments of principal and interest on the principal amount outstanding.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. Time deposits held by the Company 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.

(IX) Accounts and notes receivable

1. As per contractual agreements, 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.

(X) 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 that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(XI) Derecognition of financial assets

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

(XII) 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.

(XIII) 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). However, 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.

(XIV) Investments accounted for using equity method - subsidiaries and associates

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
2. Unrealized gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company'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. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
4. The associates refer to entities over which the Company has significant influence but not control, typically by holding directly or indirectly 20% or more of the voting rights. The Company accounts for investments in associates using the equity method, recognizing them at cost upon acquisition.
5. The Company's share of associates' 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. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
6. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in "capital surplus" in proportion to its ownership.

7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
8. When the Company disposes of an associate and loses significant influence over the associate, any amounts previously recognized in other comprehensive income related to the associate are accounted for in the same manner as if the Company were to dispose of the relevant assets or liabilities directly. This means that any gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of the relevant assets or liabilities if the Company loses significant influence over the associate. However, if the Company still has significant influence over the associate, any amounts previously recognized in other comprehensive income will be transferred out on a proportionate basis as described above.
9. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit (loss) and other comprehensive income in the parent company only financial statements should be the same as the amount attributable to the owners of the consolidated financial statements. The owners' equity in the parent company only financial statements should be the same as the equity attributable to the owners of the consolidated financial statements.

(XV) 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 Company 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 recognized to profit or loss during the financial period in which they are incurred.
3. While land is not depreciated, other property, plant and equipment that apply cost model are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant in relation to the total cost of the item, it 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 years ~ 6 years
Machinery and equipment	3 years ~ 6 years
Transportation equipment	7 years
Other equipment	4 years ~ 6 years

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

1. Leased assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When lease contracts are short-term leases or leases of low-value assets, lease payments are recognized as expenses 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 Company 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. For lease modifications that reduce the scope of the lease, the lessee will reduce the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognizes the difference between the carrying amount and the remeasurement amount of the lease liability in profit or loss.

(XVII) 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.

(XVIII) Intangible assets

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

(XIX) Impairment of non-financial assets

The Company 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.

(XX) Borrowings

These are short-term borrowings 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.

(XXI) 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.

(XXII) Derecognition of financial liabilities

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

(XXIII) Provisions for liabilities

Provisions for liabilities (including warranty) are recognized when the Company 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 for liabilities 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 for liabilities are not recognized for future operating losses.

(XXIV) 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 defined contribution plans, 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 Company 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. Expenses related to prior service costs are recognized immediately in profit or loss.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in accounting estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXV) Income tax

1. The income tax expenses for the period comprises current and deferred income 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 current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expenses in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
4. Deferred income 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.

(XXVI) 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.

(XXVII) 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.

(XXVIII) Revenue recognition

1. Sales of goods

- (1) The Company manufactures and sells 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 Company does not adjust the transaction price to reflect the time value of money.
- (3) The Company 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 Company provides equipment installation, procurement, and testing 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 balance sheet date 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.

(XXIX) Government subsidy

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

V. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of the parent financial statements requires the management to make judgments in applying the Company's accounting policies, as well as accounting estimates and assumptions for the reasonable expectation of future events based on circumstances as of the balance sheet date. 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. Below details the uncertainties of critical accounting judgments, estimates and assumptions:

Critical accounting estimates and assumptions

1. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date based on judgments and estimates. Due to the rapid change in the industry, the Company 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 estimates of past product sales experience, thus there might be significant changes in the valuation.

As of December 31, 2024, the carrying amount of inventories is \$100,008.

2. Realization of deferred income tax assets

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred income tax assets can be utilized. Assessment of the realization of the deferred income tax assets requires the Company'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 income tax assets.

As of December 31, 2024, the Company recognized deferred income tax assets of \$67,212.

VI. Explanation of Significant Accounts

(I) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand and working fund	\$ 359	\$ 316
Checking accounts and demand deposits	49,464	72,395
Time deposits	<u>29,507</u>	<u>27,653</u>
Total	<u>\$ 79,330</u>	<u>\$ 100,364</u>

1. The Company 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. Regarding the situation where the Company provides cash and cash equivalents as collateral, please refer to Note 8.

(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		
Listed stocks	\$ 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		
Unlisted and emerging stocks	\$ 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 Company 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 \$74,978 and \$68,840, respectively.
3. The information for the Company pledged its financial assets at amortized costs, please refer to Note 8.
4. For information to credit risk for financial assets at amortized cost, please refer to Note 12. The Company 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>992</u>
Accounts receivable	\$ 53,019	\$ 38,053
Receivables from related parties	19,196	26,137
Installment receivables	4,229	4,228
Less: Unrealized interest income - installment receivables	(149)	(207)
Less: Loss allowance	(429)	(754)
	<u>\$ 75,866</u>	<u>\$ 67,457</u>
Long-term installment receivables	\$ 8,152	\$ 12,380
Less: Unrealized interest income - long-term installment receivables	(118)	(266)
	<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 past due	\$ 83,453	\$ 77,078
Within 30 days	209	1,374
31-60 days	297	1,784
61-90 days	243	755
91-180 days	380	37
181-360 days	-	289
Over 360 days	29	-
	<u>\$ 84,611</u>	<u>\$ 81,317</u>

The above aging analysis was based on past due date.

2. The Company 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, accounts receivable, unrealized interest income and allowance for losses on customer contracts were \$123,231, \$739, and \$4,285, 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 \$282 and \$992 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2024 and 2023 were \$83,900 and \$79,571, respectively.

5. Please refer to Note 12,(2) for the information on the credit risk of notes and accounts receivable.

(V) Inventories

		<u>December 31, 2024</u>		
	<u>Cost</u>	<u>Allowance for valuation</u>		<u>Carrying amount</u>
			<u>losses</u>	
Raw materials	\$ 74,533	(\$ 41,018)		\$ 33,515
Semi-finished goods	30,914	(7,928)		22,986
Work in progress	19,352	(219)		19,133
Finished goods	32,476	(11,491)		20,985
Merchandise Inventory	948	(913)		35
Goods in transit	<u>3,354</u>	<u>-</u>		<u>3,354</u>
Total	<u>\$ 161,577</u>	<u>(\$ 61,569)</u>		<u>\$ 100,008</u>

		<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for valuation</u>		<u>Carrying amount</u>
			<u>losses</u>	
Raw materials	\$ 94,822	(\$ 59,908)		\$ 34,914
Semi-finished goods	21,875	(8,178)		13,697
Work in progress	34,073	(159)		33,914
Finished goods	46,725	(22,437)		24,288
Merchandise Inventory	10,299	(794)		9,505
Goods in transit	<u>1,255</u>	<u>-</u>		<u>1,255</u>
Total	<u>\$ 209,049</u>	<u>(\$ 91,476)</u>		<u>\$ 117,573</u>

The cost of inventories recognized as expenses for the year:

		<u>2024</u>		<u>2023</u>
Cost of goods sold	\$	347,366	\$	232,788
Obsolescence and valuation loss (gain on recovery)	(	29,907)		30,196
Loss on physical inventory		7		16
Loss on inventory scrapping		<u>7,494</u>		<u>11,098</u>
	\$	<u>324,960</u>	\$	<u>274,098</u>

Note: For the year ended December 31, 2024, the Company recognized a reversal gain due to the disposal of inventory for which an valuation loss had been previously recognized in prior years.

(VI) Financial assets 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		
Unlisted and emerging stocks	\$ 4,000	\$ 4,000
Valuation adjustments	(1,770)	-
	<u>\$ 2,230</u>	<u>\$ 4,000</u>

1. The Company has opted to classify the above stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of these investments as of December 31, 2024 and 2023 was \$2,230 and \$4,000, respectively.
2. The details of financial assets at fair value through other comprehensive income recognized in profit or loss and comprehensive income are as follows:

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

3. The Company has not pledged any financial assets at fair value through other comprehensive income.

(VII) Investments accounted for using the equity method

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiaries:		
EverFocus USA Corp.	(\$ 72,420)	(\$ 70,971)
Everfocus Japan Corp.	(42,534)	(46,401)
EverFocus Electronics (Shenzhen) Co., Ltd.	10,215	8,456
Everhighlight Technology Corp. (Note 1)	-	-
EverFocus Electronics GmbH (Note 2)	-	-
Everfocus Electronics Limited. (Note 3)	-	-
Associates:		
Acrosser Technology Co., Ltd. (Note 4)	13,688	17,884
EverFocus Electronics (India) Corp. (Note 5)	-	-
Add: Long-term investment balances transfer to liabilities	<u>114,954</u>	<u>117,372</u>
	<u>\$ 23,903</u>	<u>\$ 26,340</u>

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

Note 2: EverFocus Electronics GmbH filed for bankruptcy liquidation with the local court on June 28, 2018 and ceased operations on September 28, 2018. Consequently, the Company no longer recognizes the investment (losses) gains related to that company from that date onward. EverFocus Electronics GmbH completed the dissolution and liquidation process in April, 2023 and repatriated funds amounting to \$20,422 (EUR 628,185.69).

Note 3: Everfocus Electronics Limited. filed for liquidation in 2013. Consequently, the Company no longer recognizes the investment and was liquidated that company from 2013. Everfocus Electronics Limited. has repaid a portion of \$2,048 (GBP50,969.89) and \$399 (GBP9,939.13) in August 2023 and March 2024, respectively.

Note 4: The Company originally owned 10% of the shares of Acrosser Technology, and after participating in its cash capital increase on July 5, 2024, the Company's shareholding ratio was 15.25%, which was less than 20%. However, the Company's shareholding ratio reached 20% after counting the shareholding ratio of other related party, Fu Li Investment Co., Ltd. (whose chairman is also the chairman of the Company), and the Group is one of the top five shareholders with a single shareholding. Based on the assessment that the Company has significant influence, the equity method has been applied for valuation starting from July 5, 2023.

Note 5: Since 2015, the company has lost control over the major operational activities of Everfocus Electronics (India) Company and consequently, no longer includes it in the consolidated financial statements. It has been accounted for as an investment using the equity method since that year. Additionally, in 2023, the investment accounted for using the equity method was derecognized.

1. For information on the Company's subsidiaries, please refer to Note 4, (3) of the consolidated financial statements for the year ended December 31, 2024.
2. Share of profit (loss) of subsidiaries and associates for using the equity method is as follows:

	<u>2024</u>	<u>2023</u>
Subsidiaries:		
EverFocus USA Corp.	\$ 3,400	(\$ 14,157)
Everfocus Japan Corp.	2,127	(1,532)
EverFocus Electronics (Shenzhen) Co., Ltd.	1,385	(2,881)
Everhighlight Technology Corp.	-	(81)
EverFocus Electronics GmbH	-	-
Everfocus Electronics Limited.	-	-
Associates:		
Acrosser Technology Co., Ltd.	(1,817)	558
EverFocus Electronics (India) Corp.	-	-
	<u>\$ 5,095</u>	<u>(\$ 18,093)</u>

3. Associates

(1) The basic information on associates of the Company is as follows:

<u>Company name</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>		
Acrosser Technology Co., Ltd.	15.25%	15.25%	Associates	Equity method

(2) The Company's associates do not have quoted prices in the public market; therefore, no fair value is applicable.

4. The Company has not pledged any investments under the equity method as collateral.
5. The Company recognized an impairment loss of \$1,745 and \$0 for the years ended December 31, 2024 and 2023, respectively, due to the recoverable amount of the investment in Acrosser Technology was lower than the carrying amount.

(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 pending acceptance</u>	<u>Total</u>
January 1						
Cost	\$ 26,265	\$ 1,428	\$ 5,099	\$ 19,909	\$ 1,791	\$ 54,492
Accumulated depreciation	(25,650)	(1,093)	(1,836)	(16,245)	-	(44,824)
	<u>\$ 615</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,664</u>	<u>\$ 1,791</u>	<u>\$ 9,668</u>
January 1	\$ 615	\$ 335	\$ 3,263	\$ 3,664	\$ 1,791	\$ 9,668
Additions	3,450	53	5,714	1,786	-	11,003
Reclassification	-	-	1,791	-	(1,791)	-
Depreciation expenses	(513)	(58)	(1,937)	(1,303)	-	(3,811)
December 31	<u>\$ 3,552</u>	<u>\$ 330</u>	<u>\$ 8,831</u>	<u>\$ 4,147</u>	<u>\$ -</u>	<u>\$ 16,860</u>
December 31						
Cost	\$ 29,715	\$ 1,481	\$ 12,604	\$ 21,695	\$ -	\$ 65,495
Accumulated depreciation	(26,163)	(1,151)	(3,773)	(17,548)	-	(48,635)
	<u>\$ 3,552</u>	<u>\$ 330</u>	<u>\$ 8,831</u>	<u>\$ 4,147</u>	<u>\$ -</u>	<u>\$ 16,860</u>

2023

	<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 pending acceptance</u>	<u>Total</u>
January 1								
Cost	\$ 86,068	\$ 57,916	\$ 25,845	\$ 1,235	\$ 2,230	\$ 18,075	\$ -	\$ 191,369
Accumulated depreciation	-	(16,404)	(24,828)	(1,063)	(1,262)	(15,350)	-	(58,907)
	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,017</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 2,725</u>	<u>\$ -</u>	<u>\$ 132,462</u>
January 1	\$ 86,068	\$ 41,512	\$ 1,017	\$ 172	\$ 968	\$ 2,725	\$ -	\$ 132,462
Additions	-	-	420	192	2,869	1,833	1,791	7,105
Reclassification (Note)	(86,068)	(40,477)	-	-	-	-	-	(126,545)
Depreciation expenses	-	(1,035)	(822)	(29)	(574)	(894)	-	(3,354)
December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,664</u>	<u>\$ 1,791</u>	<u>\$ 9,668</u>
December 31								
Cost	\$ -	\$ -	\$ 26,265	\$ 1,428	\$ 5,099	\$ 19,909	\$ 1,791	\$ 54,492
Accumulated depreciation	-	-	(25,650)	(1,093)	(1,836)	(16,245)	-	(44,824)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,664</u>	<u>\$ 1,791</u>	<u>\$ 9,668</u>

Note: The Group reclassified property, plant and equipment from real estate, plant and equipment to investment property in 2023 when the land, buildings and structures were leased out; please refer to Note 6(10) for related information.

1. The above property, plant and equipment are assets used by the Company.
2. The Company does not pledge any property, plant and equipment as collateral.

(IX) Leasing arrangements - lessee

1. The Company leases various assets including buildings, and transportation equipment. Rental contracts are typically made for periods of 3 years. The lease contract is negotiated individually and contains various terms and conditions, and no other restrictions are imposed except that the leased assets cannot be used as loan guarantees.
2. The lease tenor of certain premises and parking spaces leased by the Company does not exceed 12 months.
3. The book value of right-of-use assets and the depreciation expenses are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 15,551	\$ 21,060
Transportation equipment	<u>442</u>	<u>884</u>
	<u>\$ 15,993</u>	<u>\$ 21,944</u>

	<u>2024</u>	<u>2023</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Buildings	\$ 8,581	\$ 2,096
Transportation equipment	<u>442</u>	<u>443</u>
	<u>\$ 9,023</u>	<u>\$ 2,539</u>

4. For the years ended December 31, 2024 and 2023, the additions to right-of-use assets were \$4,698 and \$24,483, 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 expenses on lease liabilities	\$ 434	\$ 159
Expense on short-term lease contracts	319	332
Gains on lease modifications	2	-

6. For the years ended December 31, 2024 and 2023, the Company's total cash outflow for leases were \$9,640 and \$2,946, respectively.

(X) Investment property

		<u>2024</u>		
	<u>Land</u>	<u>Buildings and</u>	<u>structures</u>	<u>Total</u>
January 1				
Cost	\$ 119,615	\$ 141,638	\$	261,253
Accumulated depreciation	-	(49,661)	(	49,661)
	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$</u>	<u>211,592</u>
January 1	\$ 119,615	\$ 91,977	\$	211,592
Depreciation expenses	-	(2,530)	(	2,530)
December 31	<u>\$ 119,615</u>	<u>\$ 89,447</u>	<u>\$</u>	<u>209,062</u>
December 31				
Cost	\$ 119,615	\$ 141,638	\$	261,253
Accumulated depreciation	-	(52,191)	(	52,191)
	<u>\$ 119,615</u>	<u>\$ 89,447</u>	<u>\$</u>	<u>209,062</u>
	<u>Land</u>	<u>2023</u>	<u>Buildings and</u>	<u>Total</u>
			<u>structures</u>	
January 1				
Cost	\$ 33,547	\$ 83,722	\$	117,269
Accumulated depreciation	-	(30,727)	(	30,727)
	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$</u>	<u>86,542</u>
January 1	\$ 33,547	\$ 52,995	\$	86,542
Reclassification (Note)	86,068	40,477		126,545
Depreciation expenses	-	(1,495)	(	1,495)
December 31	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$</u>	<u>211,592</u>
December 31				
Cost	\$ 119,615	\$ 141,638	\$	261,253
Accumulated depreciation	-	(49,661)	(	49,661)
	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$</u>	<u>211,592</u>

Note: The Group reclassified property, plant and equipment from real estate, plant and equipment to investment property in 2023 when the land, buildings and structures were leased out.

1. Rental income from the investment property and direct operating expenses arising from investment property are as follows:

	<u>2024</u>	<u>2023</u>
Rental income from investment property	\$ 5,483	\$ 5,432
Direct operating expenses arising from investment property that generated rental income	\$ 2,530	\$ 1,495

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

	<u>2024</u>	<u>2023</u>
Gross margin	2.94%	2.94%
Capitalization rate	0.61% ~ 1.85%	0.61% ~ 1.85%

3. For information on guarantees provided by property, plant and equipment, please refer to Note 8.

(XI) Other non-current assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Guarantee deposits paid	\$ 3,657	\$ 3,171
Net defined benefit assets	26,085	23,019
Other assets	3,924	3,792
	<u>\$ 33,666</u>	<u>\$ 29,982</u>

(XII) Short-term borrowings

<u>Type of loans</u>	<u>December 31, 2024</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ <u>143,800</u>	2.43%~2.55%	Land, buildings and structures (Listed in investment property)

<u>Type of loans</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ <u>86,000</u>	2.20%~2.21%	Land, buildings and structures (Listed in property, plant and equipment)

1. The interest expenses recognized in profit or loss for the years ended December 31, 2024 and 2023 were \$3,228 and \$919, 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	\$ 14,380	\$ 11,741
Payable for labor services	1,347	1,910
Labor insurance payable	956	848
National health insurance payable	821	747
Others	8,717	7,444
	<u>\$ 26,221</u>	<u>\$ 22,690</u>

(XIV) Pensions

1. (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years (inclusive) and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company assesses the balance in the aforementioned labor pension reserve account at year end each year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by the end of next March.

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 (Listed in other non-current assets)	<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</u> <u>defined benefit</u> <u>obligations</u>	<u>Fair value of plan</u> <u>assets</u>	<u>Net defined benefit</u> <u>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</u> <u>defined benefit</u> <u>obligations</u>	<u>Fair value of plan</u> <u>assets</u>	<u>Net defined benefit</u> <u>assets</u>
Balance at January 1	(\$ 8,517)	\$ 28,445	\$ 19,928
Current service costs	(30)	-	(30)
Interest expense (income)	(117)	390	273
	<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	2,695	-	2,695
	<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.). The related utilization of the Fund is supervised by the retirement fund committee. 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, it shall be replenished by the state treasury upon approval by the competent authority. 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 disclosed in the Annual Labor Retirement Fund Utilization Report published 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 increase rate	<u>2.50%</u>	<u>2.50%</u>

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

The analysis of the affected present value of defined benefit obligation due to the change of the main actuarial assumption was as follows:

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2024				
The impacts to the present value of defined benefit obligations	(\$ 95)	\$ 98	\$ 95	(\$ 93)
December 31, 2023				
The impacts to the present value of defined benefit obligations	(\$ 136)	\$ 141	\$ 137	(\$ 133)

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 ended December 31, 2025 is \$0.
- (7) As of December 31, 2024, the weighted average duration of the retirement plan is 7.9 years.

2. (1) Effective July 1, 2005, the Company have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. According to the labor pension systems opted by employees as per the “Labor Pension Act”, the Company and its subsidiaries make a monthly contribution based on 6% of the employees’ monthly salaries and wages to their individual pension accounts at the Bureau of Labor Insurance. The pensions accrued in employees’ individual accounts and the amounts of accumulated gains are paid monthly or in lump sum upon termination of employment.
- (2) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2024 and 2023 were \$4,752 and \$4,117, respectively.

(XV) Share capital

1. As of December 31, 2024, the Company's authorized capital was \$2,070,000, consisting of 207,000 thousand shares of ordinary stock (including 30,000 thousand 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.

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 (i.e., December 31)	<u>66,801</u>	<u>66,801</u>

(XVI) Capital surplus

Pursuant to the Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of ordinary shares and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership when the Company has no accumulated deficit. Furthermore, the Securities and Exchange Act requires that the amount of capital reserve to be capitalized mentioned above not exceeding 10% of the paid in capital each year. Capital reserve should not be used to cover accumulated deficit even though the surplus 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 the years ended December 31, 2023 and 2022 were approved by the shareholders' meeting on June 21, 2024 and June 14, 2023, respectively, and the 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>432,945</u>	\$ <u>338,161</u>

1. Disaggregation of revenue from contracts with customers

The Company'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:

2024	<u>Sales revenue</u>	<u>Services revenue</u>	<u>Total</u>
Revenue from contracts	\$ <u>407,994</u>	\$ <u>24,951</u>	\$ <u>432,945</u>
Time of income recognition			
Income recognized at a point in time	\$ 407,994	\$ -	\$ 407,994
Revenue recognized over time	-	24,951	24,951
Total	\$ <u>407,994</u>	\$ <u>24,951</u>	\$ <u>432,945</u>

<u>2023</u>	<u>Sales revenue</u>	<u>Services revenue</u>	<u>Total</u>
Revenue from contracts	\$ <u>333,750</u>	\$ <u>4,411</u>	\$ <u>338,161</u>
Time of income recognition			
Income recognized at a point in time	\$ 333,750	\$ -	\$ 333,750
Revenue recognized over time	-	4,411	4,411
Total	\$ <u>333,750</u>	\$ <u>4,411</u>	\$ <u>338,161</u>

2. Contract liabilities

(1) Recognized contract liabilities relative to revenue from contracts with customers are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities-			
Sales contracts	\$ <u>2,314</u>	\$ <u>4,961</u>	\$ <u>5,485</u>

(2) Contract liabilities at beginning of period recognized in current revenue

	<u>2024</u>	<u>2023</u>
Balance of contract liabilities at beginning of period recognized in current revenue		
Sales contracts	\$ 4,331	\$ 5,279

(XIX) Other income

	<u>2024</u>	<u>2023</u>
Rental income	\$ 5,793	\$ 5,458
Dividend income	1,904	1,610
Government subsidy income (Note)	18,420	5,600
Other income - Other	3,037	1,097
	<u>\$ 29,154</u>	<u>\$ 13,765</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>
Gains on lease modifications	2 \$	-
Gains on foreign exchange	12,905	74
Net gains on financial assets and liabilities at fair value through profit or loss	8,961	22,297
Impairment loss on non-financial assets	(1,745)	-
	<u>\$ 20,123</u>	<u>\$ 22,371</u>

(XXI) Finance costs

	<u>2024</u>	<u>2023</u>
Interests on bank borrowings	\$ 3,228	\$ 919
Interests on lease borrowings	434	159
Other interest expenses	17	5
	<u>\$ 3,679</u>	<u>\$ 1,083</u>

(XXII) Additional information on costs and expenses

	<u>2024</u>			<u>2023</u>		
	<u>Classified as</u>	<u>Classified as</u>	<u>Total</u>	<u>Classified as</u>	<u>Classified as</u>	<u>Total</u>
	<u>operating costs</u>	<u>operating expenses</u>		<u>operating costs</u>	<u>operating expenses</u>	
Employee benefit expenses	\$ 31,179	\$ 77,077	\$ 108,256	\$ 27,568	\$ 59,468	\$ 87,036
Depreciation expenses	3,294	12,070	15,364	1,163	6,225	7,388
Amortization expenses	28	2,101	2,129	13	1,770	1,783

(XXIII) Employee benefit expenses

	<u>2024</u>	<u>2023</u>
Wages and salaries	\$ 88,643	\$ 71,122
Labor and health insurance fees	9,085	7,866
Pension costs	4,464	3,874
Director remuneration	675	430
Other personnel expenses	<u>5,389</u>	<u>3,744</u>
	<u>\$ 108,256</u>	<u>\$ 87,036</u>

1. The number of employees of the Company for the years ended December 31 2024 and 2023 was 130 and 112, respectively, of which 5 were directors who were not concurrently serving as employees for both years.
 - (1) The average employee benefits expenses was \$786 for the current year; it was \$773 for the previous year.
 - (2) The average employee wages and salaries was \$682 for the current year; it was \$635 for the previous year.
 - (3) The change in average wages and salaries adjustment increased by 7.40%.
 - (4) The Company's compensation policy (including directors, managers and employees) is described as follows:

- a. The distribution of the remuneration to directors shall be in accordance with Article 19 of the Company's Articles of Incorporation. If the Company has a profit in a year, the Board of Directors shall resolve to set aside not more than 2.5% of the above-mentioned profit as remuneration to directors. However, if the Company still has accumulated losses, the Company should set aside the offsetting amount in advance and then allocate the directors' remuneration in accordance with the aforementioned ratio. In accordance with Article 7 of the Remuneration Committee Charter, the Committee shall exercise the care of a good administrator to periodically evaluate the performance objectives of the Company's directors, determine the content and amount of their individual remuneration, and submit its recommendations to the Board of Directors for discussion.
- b. In accordance with Article 7 of the Remuneration Committee Charter, the Committee shall exercise the care of a good administrator to periodically evaluate the performance objectives of the Company's managers, determine the content and amount of their individual remuneration, and submit its recommendations to the Board of Directors for discussion. The Committee shall perform the duties under the preceding paragraph in accordance with the following principles: 1. Ensuring that the compensation arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent. Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years as well as to evaluate the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.

- c. Compensation for employees is determined by the internal fairness and external competitiveness, including fixed and variable salaries. The Company also pays bonuses promptly to share operating results with employees in order to attract, motivate and retain talents. In accordance to Article 19 of the Article of Incorporation, when the Company has a profit in a year, it shall set aside 3% to 10.5% as employee compensation, which shall be distributed in shares or cash as resolved by the Board of Directors. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements. However, if the Company still has accumulated losses, the Company should set aside the offsetting amount in advance and then allocate the employees' compensation in accordance with the aforementioned ratio. Individual wage is determined based on job duties and professional skills. Bonus and employee compensation are rewarded based on individual performance and contribution to the Company.

- (5) The Company has set up an audit committee, so it is not applicable to disclose information on the remuneration to the supervisors.
2. 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.
3. As of December 31, 2024 and 2023, the Company has accumulated losses; therefore, there is no need to estimate the compensation to employees and directors and supervisors. The related information is available on the Market Observation Post System.

(XXIV) Income tax

1. Income tax expenses

(1) Components of income tax expense:

	<u>2024</u>	<u>2023</u>
Deferred income tax:		
Origination and reversal of temporary differences	\$ 8,242	\$ 17,753
Income tax expenses	<u>\$ 8,242</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. Relation between income tax expenses and accounting profits

	<u>2024</u>	<u>2023</u>
Income tax calculated by applying statutory rate to the loss before tax	(\$ 10,310)	(\$ 6,245)
Expenses to be deducted as required by tax regulations	945	1,245
Income exempt from tax regulation	(2,770)	(6,026)
Tax losses unrecognized in deferred tax assets	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 expenses	<u>\$ 8,242</u>	<u>\$ 17,753</u>

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

	<u>January 1</u>	<u>2024</u> <u>Recognized in</u> <u>profit or loss</u>	<u>Recognized in</u> <u>other</u> <u>comprehensive</u> <u>income</u>	<u>December 31</u>
Deferred income tax assets:				
- Temporary differences:				
Provisions of bad debt expense	\$ 5,006	(\$ 151)	\$ -	\$ 4,855
Allowance to reduce inventory to market	18,295	(5,981)	-	12,314
Others	2,183	(922)	-	1,261
Tax losses	48,782	-	-	48,782
Subtotal	<u>74,266</u>	<u>(7,054)</u>	<u>-</u>	<u>67,212</u>
Deferred income tax liabilities:				
Unrealized foreign exchange gains		- (1,188)	- (1,188)	
Re-measurement of defined benefit plans	<u>(3,371)</u>	<u>-</u>	<u>(556)</u>	<u>(3,927)</u>
Subtotal	<u>(3,371)</u>	<u>(1,188)</u>	<u>(556)</u>	<u>(5,115)</u>
Total	<u>\$ 70,895</u>	<u>(\$ 8,242)</u>	<u>(\$ 556)</u>	<u>\$ 62,097</u>

	<u>2023</u>			
		<u>Recognized in</u>		
		<u>other</u>		
	<u>January 1</u>	<u>Recognized in</u>	<u>comprehensive</u>	<u>December 31</u>
		<u>profit or loss</u>	<u>income</u>	
Deferred income tax assets:				
- Temporary differences:				
Provisions of bad debt expense	\$ 18,861	(\$ 13,855)	\$ -	\$ 5,006
Allowance to reduce inventory to market	12,256	6,039	-	18,295
Unrealized loss on loans receivable	4,765	(4,765)	-	-
Others	3,087	(904)	-	2,183
Tax losses	<u>53,050</u>	<u>(4,268)</u>	<u>-</u>	<u>48,782</u>
Subtotal	<u>92,019</u>	<u>(17,753)</u>	<u>-</u>	<u>74,266</u>
Deferred income tax liabilities:				
Re-measurement of defined benefit plans	<u>(2,802)</u>	<u>-</u>	<u>(569)</u>	<u>(3,371)</u>
Subtotal	<u>(2,802)</u>	<u>-</u>	<u>(569)</u>	<u>(3,371)</u>
Total	<u>\$ 89,217</u>	<u>(\$ 17,753)</u>	<u>(\$ 569)</u>	<u>\$ 70,895</u>

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

<u>December 31, 2024</u>						
<u>Year incurred</u>	<u>Amount filed/assessed</u>	<u>Unused amount</u>	<u>Unrecognized</u>	<u>deferred tax assets</u>	<u>Expiry year</u>	
2015	\$ 56,076	\$ 28,696	\$ 28,696	28,696	2025	
2017	49,598	49,598	49,598	49,598	2027	
2018	89,436	89,436	89,436	89,436	2028	
2019	94,256	94,256	94,256	94,256	2029	
2020	69,562	69,562	69,562	69,562	2030	
2021	51,809	51,809	51,809	51,809	2031	
2022	59,023	59,023	17,106	17,106	2032	
2023	96,918	96,918	-	-	2033	
2024	<u>105,074</u>	<u>105,074</u>	<u>-</u>	<u>-</u>	2034	
	<u>\$ 671,752</u>	<u>\$ 644,372</u>	<u>\$ 400,463</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	103,300	103,300	-	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>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Losses per share</u>
Net loss for the period	(\$ 59,792)	66,801	(\$ 0.90)

2023

<u>Basic/Diluted losses per share</u>	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Losses per share</u>
Net loss for the period		66,801	(\$ 0.73)

(XXVI) Supplementary cash flow information

Partial cash payment for investment activities:

	<u>2024</u>		<u>2023</u>
Acquisition of real estate, plants, and equipment	\$ 11,003	\$	7,105
Add: Payables on equipment at beginning of period	179		-
Add: Advance payments for equipment at end of period	-		1,729
Less: Accounts payable for equipment at end of period	-	(	179)
Less: Advance payments for equipment at end of period	(1,729)		-
Cash paid during the period	<u>\$ 9,453</u>	\$	<u>8,655</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	\$ 86,000	\$ 22,028	\$ 108,028
Changes in financing cash flow	57,800	(8,887)	48,913
Additions to lease liabilities for the current period		4,698	4,698
Disposal of lease liabilities for the current period	-	(1,628)	(1,628)
December 31	<u>\$ 143,800</u>	<u>\$ 16,211</u>	<u>\$ 160,011</u>

	<u>2023</u>		
	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 30,000	\$ -	\$ 30,000
Changes in financing cash flow	56,000	(2,455)	53,545
Additions to lease liabilities for the current period	-	24,483	24,483
December 31	<u>\$ 86,000</u>	<u>\$ 22,028</u>	<u>\$ 108,028</u>

VII. Related Party Transactions

(I) Names of related parties and relationship

<u>Names of related parties</u>	<u>Categories</u>
EverFocus USA Corp.	Subsidiary
Everfocus Japan Corp.	Subsidiary
EverFocus Electronics (Shenzhen) Co., Ltd.	Subsidiary
Everhighlight Technology Corp.	Subsidiary in liquidation (Note 1)
Everfocus Electronics Limited.	Subsidiary in liquidation (Note 1)
EverFocus Electronics GmbH	Subsidiary in liquidation (Note 1)
Acrosser Technology Co., Ltd.	Associate (Note 2)
Shenzhen Acrosser Electronic Co., Ltd.	Associate (Note 2, Note 3)
AAEON Technology Inc.	Other related party
AAEON Technology (Suzhou) Inc.	Other related party
ONYX Healthcare Inc	Other related party
Linkence Technologies Inc.	Other related party
Spark Technologies Inc.	Other related party
AREC Inc.	Other related party (Note 4)
Jetway Information Co., Ltd.	Other related party
Onyx Healthcare USA, Inc.	Other related party
Aaeon Technology (Europe) B.V.	Other related party
AAEON Electronics Inc.	Other related party
QQE Technology Co., Ltd.	Other related party
Atech OEM Inc.	Other related party

Note 1: Please refer to Note 6 (7).

Note 2: On July 5, 2023, the Company participated in Acrosser Technology Co., Ltd.'s cash capital increase and subsequently recognized it as an investee accounted for using the equity method. Therefore, Acrosser Technology Co., Ltd. and its subsidiary, Shenzhen Acrosser Electronic Co., Ltd. have been considered as associates of the Company since its participation in the cash capital increase.

Note 3: Acrosser Technology Co., Ltd. sold 100% of its equity in its subsidiary, Shenzhen Acrosser Electronic Co., Ltd., on December 25, 2024. As a result, Shenzhen Acrosser Electronic Co., Ltd. is no longer an associate of the Company from that date onward.

Note 4: The Company changed its manager on November 9, 2023. Therefore, starting from that day, they will be recognized as other related party of the Company.

(II) Significant transactions and balances with related parties

1. Operating income

	<u>2024</u>		<u>2023</u>
Sales of goods			
Subsidiary - EverFocus USA	\$ 11,217	\$	8,659
Subsidiary - EverFocus Japan	52,433		-
Subsidiary - Other	4,306		8,642
Associate - Acrosser	-		7,348
Other related party - Other	6,477		5,467
Total	<u>\$ 74,433</u>	\$	<u>30,116</u>
Service sales			
Associate - Acrosser	\$ 16,033	\$	1,163
Other related party - Other	3,990		-
Total	<u>\$ 20,023</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 Associate - Acrosser, and in 2023 and 2022, the purchase cost of goods purchased from another related party and sold to Acrosser, which amounted to \$26,551 and \$22,088, respectively, expressed as net sales revenue. Unsold inventories as of December 31, 2024 and 2023 were \$0 and \$20,107, respectively (listed under other receivables - related parties).
- (3) For the transactions of purchasing raw materials and labor services from related parties and non-related parties, and partially sells to related parties, and transactions of semi-finished products, finished products and labor services from related parties by the Company, the cost of purchasing raw materials and labor services was \$36,714 and \$0, respectively for the years ended December 31, 2024 and 2023, and the sales revenue and services revenue was expressed in net amount.

2. Purchases

	<u>2024</u>		<u>2023</u>
Purchases of goods			
Subsidiary - EverFocus Shenzhen	\$ 51,271	\$	18,247
Subsidiary - Other	2,633		2,752
Associate - Other	-		1,315
Other related party - Other	26,372		12,791
Total	<u>\$ 80,276</u>	\$	<u>35,105</u>

The transaction prices of the Company's purchases from related parties are based on mutually agreed prices, and the payment period is 60 days, which does not significantly differ from that of regular suppliers.

3. Accounts receivable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - EverFocus USA	\$ 6,948	\$ 6,225
Subsidiary - EverFocus Shenzhen	4,119	4,317
Subsidiary - Other	1,523	1,665
Associate - Acrosser	4,277	9,441
Other related party - Other	<u>2,329</u>	<u>4,489</u>
Total	<u>\$ 19,196</u>	<u>\$ 26,137</u>

4. Other receivables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - Other	\$ 624	\$ 461
Associate - Acrosser	24,287	42,195
Other related party - Other	<u>1,577</u>	<u>-</u>
Total	<u>\$ 26,488</u>	<u>\$ 42,656</u>

5. Accounts payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - EverFocus USA	\$ -	\$ 2,904
Subsidiary - EverFocus Shenzhen	5,762	1,356
Associate - Acrosser	339	1,381
Other related party - AREC	790	-
Other related party - Other	<u>441</u>	<u>4,846</u>
Total	<u>\$ 7,332</u>	<u>\$ 10,487</u>

6. Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - EverFocus USA	\$ 4,739	\$ -
Associate - Acrosser	1,590	-
Other related party - AAEON	97	35,738
Other related party - AREC	792	3,740
Other related party - Other	<u>989</u>	<u>438</u>
Total	<u>\$ 8,207</u>	<u>\$ 39,916</u>

7. Other receivables

The Company's loans to related party are as follows:

(1) Balance from actual expenditure at end of period

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - EverFocus USA	<u>\$ 53,216</u>	<u>\$ 57,553</u>

(2) Interest income

	<u>2024</u>	<u>2023</u>
Subsidiary - EverFocus USA	<u>\$ 1,307</u>	<u>\$ 239</u>

For the years ended December 31, 2024 and 2023, the Company charged interest at the annual rate of 2.35% and 2.21%, respectively, on the loans to the above subsidiary.

8. Overdue 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 bad debt	<u>(24,944)</u>	<u>(25,343)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

The Company received partial payments from EverFocus UK in 2024 and 2023, recognizing as expected credit reversal benefits of \$399 and \$2048 respectively.

9. Endorsement/guarantee for related parties

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Subsidiary - EverFocus Japan	\$ 52,550	\$ 54,363
Subsidiary - EverFocus USA	<u>32,785</u>	<u>46,088</u>
	<u>\$ 85,335</u>	<u>\$ 100,451</u>

10. Leasing arrangements - lessee

- (1) The Company leases office space from Other related party - AREC, for a period of two years, with rentals payable at the end of each year.
- (2) Acquisition of right-of-use assets

	<u>2024</u>	<u>2023</u>
Other related party - AREC	<u>\$ 2,115</u>	<u>\$ 2,198</u>

(3) Lease liabilities

A. Closing balance:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other related party - AREC	<u>\$ 1,276</u>	<u>\$ 1,771</u>

B. Interest expenses

	<u>2024</u>	<u>2023</u>
Other related party - AREC	<u>\$ 29</u>	<u>\$ 25</u>

11. Software licensing fees (recognized as cost of goods sold)

	<u>2024</u>	<u>2023</u>
Other related party - Other	<u>\$ 9,186</u>	<u>\$ 7,778</u>

12. Operating expenses

	<u>2024</u>	<u>2023</u>
Subsidiary - Other	\$ 16,500	\$ 7,054
Associate - Other	5	-
Other related party - Other	<u>2,809</u>	<u>1,009</u>
Total	<u>\$ 19,314</u>	<u>\$ 8,063</u>

The above operating expenses consisted of management consulting fees, labor support services, and sample fees for research and development activities, which were recorded under administrative expenses, selling expenses, and research and development expenses, respectively.

(III) Key management compensation

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

VIII. Pledged Assets

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

<u>Asset</u>	<u>Book value</u>		<u>Guarantee purpose</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>	
Restricted time deposits (Listed in current financial assets at amortized cost)	\$ 74,926	\$ 68,827	Performance bonds for tenders, customs declarations and bank loans
Restricted bank deposits (Listed in current financial assets at amortized cost)	52	13	Guarantee deposit for Government subsidy project
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 Contract Commitments

(I) Contingencies

None.

(II) Commitments

1. For the endorsement and guarantee of subsidiaries by the Company, please refer to Note 7 (2).
2. As of December 31, 2024 and 2023, the Company has issued promissory notes with the amount of \$370,000 for both years, for the application a comprehensive credit line and the provision of performance bonds as required by customer contracts.
3. 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, with the amount of \$90,750 for both years.
4. As of December 31, 2024, and 2023, the Company has signed contracts for real estate, factory, and equipment payments 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 risk management

The objective of the Company's capital management is to ensure that the Company can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital and provide returns to shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid 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 at fair value through other comprehensive income		
Designated investments in equity instruments	2,230	4,000
Financial assets at amortized cost		
Cash and cash equivalents	79,330	100,364
Financial assets at amortized cost	74,978	68,840
Notes receivable	282	992
Accounts receivable	56,670	41,320
Accounts receivable - related parties	19,196	26,137
Other receivables	921	1,945
Other receivables - related parties	79,704	100,209
Long-term notes and accounts receivable	8,034	12,114
Guarantee deposits paid (listed as other non-current assets)	3,657	3,171
	<u>\$ 397,765</u>	<u>\$ 450,618</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 143,800	\$ 86,000
Accounts payable	44,407	52,656
Accounts payable - related parties	7,332	10,487
Other payables	26,221	22,690
Other payables - related parties	8,207	39,916
Guarantee deposits received	1,199	988
	<u>\$ 231,166</u>	<u>\$ 212,737</u>
Lease liabilities	<u>\$ 16,211</u>	<u>\$ 22,028</u>

2. Financial risk management policies

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

The Company's control and management strategies are as follows:

(1) Interest rate risk:

The Company continuously keeps track on the trend of interest rates and sets up stop-loss points to control interest rate risks.

(2) Foreign exchange risk:

The Company 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 Company 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 Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used 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. For such risks, the Company's management has set up policies to manage the exchange rate risks of the functional currencies. The Company should hedge its overall exposure to exchange rate risks through the Finance and Accounting Department.
- C. The Company's businesses involve some non-functional currency operations (The functional currency of the Company is New Taiwan Dollars). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2024

(Foreign currency: functional currency)	<u>Foreign currency</u> <u>(in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount</u> <u>(NTD)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 6,295	32.785	\$ 206,382
JPY: NTD	13,766	0.210	2,891
EUR: NTD	15	34.135	512
CNY: NTD	135	4.472	604
GBP: NTD	3	41.160	123
<u>Non-monetary items</u>			
CNY: NTD	2,284	4.472	10,215
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 687	32.785	\$ 22,523
CNY: NTD	306	4.472	1,368
<u>Non-monetary items</u>			
USD: NTD	2,209	32.785	72,420
JPY: NTD	202,543	0.210	42,534

December 31, 2023

(Foreign currency: functional currency)	<u>Foreign currency</u> <u>(in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount</u> <u>(NTD)</u>
<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>Non-monetary items</u>			
CNY: NTD	1,953	4.330	8,456

December 31, 2023

	<u>Foreign currency</u> <u>(in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount</u> <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 543	30.725	\$ 16,684
<u>Non-monetary items</u>			
USD: NTD	2,310	30.725	70,971
JPY: NTD	213,829	0.217	46,401

- D. The total exchange gain (losses) including realized and unrealized) resulting from significant currency fluctuations on all monetary items of the Company amounted to \$12,906 and \$74 for the years ended December 31, 2024 and 2023, respectively.
- E. The analysis of the Company's foreign currency market risk due to material exchange rate fluctuations is as follows:

2024

Sensitivity analysis

	<u>Extent of variation</u>	<u>Items affecting</u> <u>profit or loss</u>	<u>Items affecting</u> <u>other</u> <u>comprehensive</u> <u>income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 2,064	\$ -
JPY: NTD	1%	29	-
EUR: NTD	1%	5	-
CNY: NTD	1%	6	-
GBP: NTD	1%	1	-
<u>Non-monetary items</u>			
CNY: NTD	1%	\$ -	\$ 102
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 225	\$ -
CNY: NTD	1%	14	-
<u>Non-monetary items</u>			
USD: NTD	1%	\$ -	\$ 724
JPY: NTD	1%	-	425

2023
Sensitivity analysis

(Foreign currency: functional currency)	<u>Extent of variation</u>	<u>Items affecting profit or loss</u>	<u>Items affecting other comprehensive income</u>
<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>Non-monetary items</u>			
CNY: NTD	1%	\$ -	\$ 85
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 167	\$ -
<u>Non-monetary items</u>			
USD: NTD	1%	\$ -	\$ 710
JPY: NTD	1%	-	464

Price risk

- A. The Company 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 Company has diversified its portfolio. The diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company mainly invests in equity instruments issued by domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. As of December 31, 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 Company's main interest rate risk arises from short-term borrowings with variable rates which expose the Company to cash flow interest rate risk. The risk is partially offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2024 and 2023, the Company's borrowings at variable rates were denominated in NTD.
- B. Assuming all other factors remain constant, when the borrowing interest rates increase or decrease by 0.25%, it would result in a decrease or increase of \$288 and \$172, respectively, in after-tax net profit for the years ended December 2024 and 2023. This is primarily due to the variability of interest expenses resulting from borrowings at variable rates.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company 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 Company has established credit risk management from the perspective as a group. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each of new client before standard payment and delivery terms and conditions are offered. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings. The utilization of credit limits is regularly monitored.
- C. The Company adopts the assumptions under IFRS 9. The Company determines that the default occurs when the contract payments were past due over 90 days based on the terms.
- D. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that financial instrument since initial recognition:
- E. 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.
- F. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

- (B) The disappearance of an active market for that financial asset because of financial difficulties;
- (C) Default or delinquency in interest or principal repayments;
- G. 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.
- H. The Company 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 Company had no recourse claims that had been written off.
- I. (1) The expected loss rate of customers who have better credit ratings was 0.03%, and the total carrying value of accounts and notes receivable (including current, non-current and related parties) was \$31,592 and \$43,264 as of December 31, 2024 and 2023, respectively; and the allowance for loss was \$0 for both years due to the expected credit losses were not material.
- (2) The Company 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:

	<u>Not past due</u>	<u>Past due 1-30 days</u>	<u>Past due 31-60 days</u>	<u>Past due 61-90 days</u>	<u>Past due 91-180 days</u>	<u>Past due 181-361 days</u>	<u>Past due over 360 days</u>	<u>Total</u>
<u>December 31, 2024</u>								
Expected loss rate	0.87%	13.77%	34.38%	52.94%	100%	100%	100%	
Total book value	\$ 52,774	\$ 15	\$ 63	\$ 138	\$ -	\$ -	\$ 29	\$ 53,019
Loss allowance	\$ 267	\$ 1	\$ 22	\$ 110	\$ -	\$ -	\$ 29	\$ 429

	<u>Not past due</u>	<u>Past due 1-30 days</u>	<u>Past due 31-60 days</u>	<u>Past due 61-90 days</u>	<u>Past due 91-180 days</u>	<u>Past due 181-361 days</u>	<u>Past due over 360 days</u>	<u>Total</u>
<u>December 31, 2023</u>								
Expected loss rate	0.49%	8.60%	34.91%	79.89%	100%	100%	100%	
Total book value	\$ 37,218	\$ -	\$ 504	\$ 5	\$ 37	\$ 289	\$ -	\$ 38,053
Loss allowance	\$ 248	\$ -	\$ 176	\$ 4	\$ 37	\$ 289	\$ -	\$ 754

- J. The Company'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	\$	754	\$	4,285
Provision of impairment loss		-		607
Reversal of impairment loss	(	325)		-
Amounts written off due to irrecoverability		-	(	4,138)
December 31	<u>\$</u>	<u>429</u>	<u>\$</u>	<u>754</u>

Gains (losses) on reversal impairment of receivables arising from customer contracts was \$325 and (\$607) for the years ended December 31, 2024 and 2023, respectively.

K. For investments in debt instruments at amortized cost, the credit rating levels are presented below:

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

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

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

(3) Liquidity risk

- A. Cash flow projections are performed by the Company's Finance and Accounting Department. The Company's Finance and Accounting Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- B. The Company's unused loan amount as of December 31, 2024 and 2023 was \$159,000 and \$221,714.
- C. The table below analyzes the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities categorized into relevant maturity groups, i.e. 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 undiscounted contractual cash flows.

Non-derivative financial liabilities:

December 31, 2024	<u>Less than 1 year</u>	<u>Between 1 to 2 years</u>	<u>Between 2 to 5 years</u>
Short-term borrowings	\$ 145,175	\$ -	\$ -
Accounts payable	44,407	-	-
Accounts payable - related parties	7,332	-	-
Other payables	26,221	-	-
Other payables - related parties	8,207	-	-
Lease liabilities	9,677	6,544	297

Non-derivative financial liabilities:

December 31, 2023	<u>Less than 1 year</u>	<u>Between 1 to 2 years</u>	<u>Between 2 to 5 years</u>
Short-term borrowings	\$ 86,406	\$ -	\$ -
Notes payable	100	-	-
Accounts payable	52,656	-	-
Accounts payable - related parties	10,487	-	-
Other payables	22,690	-	-
Other payables - related parties	39,916	-	-
Lease liabilities	8,481	8,434	5,717

D. The Company'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 when 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 Company'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 the asset or liability.

2. Financial instruments not measured at fair value

The cash and cash equivalents, financial assets at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables (including related parties), long-term notes and accounts receivable, guarantee deposits paid (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 Company are recorded at amounts that reasonably approximate their fair values.

3. 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 on assets and liabilities categorized by their nature is as follows:

December 31, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 72,763	\$ -	\$ 31,572	\$ 104,335
Financial assets 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 measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 91,526	\$ -	\$ -	\$ 91,526
Financial assets 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 Company's approaches and assumptions for fair value measurement are as follows:

A. The Company adopts market quoted prices as their fair values (i.e., Level 1), which are listed below by the characteristics of the instruments:

	<u>Listed stocks</u>	<u>Open-end fund</u>
Market quoted price	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 output of the valuation models represents estimated approximations, and the valuation techniques may not capture all relevant factors related to the financial and non-financial instruments held by the Group. Therefore, the estimated values from the valuation models are appropriately adjusted based on additional parameters, such as model risk or liquidity risk. In accordance with the Group's fair value measurement policies and related control procedures, management believes that these valuation adjustments are necessary and appropriate to fairly represent the fair value 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 adjusted as deemed appropriate considering the current market conditions.

4. For the years ended December 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.

5. The following table shows the movement of Level 3 in the years ended December 31, 2024 and 2023:

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

Note 1: Recognized in other gains and losses.

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

6. For the year ended December 31, 2024, there were no transfers in or out of Level 3; for the year ended December 31, 2023, there was a transfer out from Level 3 of the investment in Acrosser Technology, which was originally classified as Level 3; for more information, please refer to Note 6 (7).
7. The Company's valuation process for financial instruments classified in Level 3 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.
8. The quantifiable information on significant unobservable input values used in the valuation models for items classified in Level 3 of fair value measurement and the sensitivity analysis of significant unobservable input value changes are explained as follows:

	<u>December 31, 2024</u>	<u>Valuation</u>	<u>Significant</u>	<u>Range</u>	<u>Relationship between</u>
	<u>Fair value</u>	<u>technique</u>	<u>unobservable input</u>	<u>(weighted</u>	<u>inputs and fair value</u>
				<u>average)</u>	
Non-derivative equity instrument:					
Unlisted stocks		Cash flow discount	Note 1	Not applicable	Note 2
	\$ 2,230				
Venture capital stocks		Net assets valuation	Not applicable	Not applicable	Not applicable
	31,572				

	<u>December 31, 2023</u> <u>Fair value</u>	<u>Valuation</u> <u>technique</u>	<u>Significant</u> <u>unobservable input</u>	<u>Range</u> <u>(weighted</u> <u>average)</u>	<u>Relationship between</u> <u>inputs and fair value</u>
Non-derivative equity instrument:					
Unlisted stocks	\$ 4,000	Cash flow discount	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. Supplementary Disclosure

(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 end of 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. Segment Information

Not applicable.

Everfocus Electronics Corp.
Cash and Cash Equivalents
For the Year Ended December 31, 2024

Statement 1			Unit: NT\$ thousands
Item	Summary	Amount	
Cash on hand		\$	359
Bank deposits			
Demand deposits (NTD)			27,679
Foreign currency demand deposits	USD 605 thousand, rate at 32.789		19,628
	EUR 6,473 thousand, rate at 34.135		403
	JPY 6,473 thousand, rate at 0.210		1,361
	GBP 2 thousand, rate at 41.160		90
	CNY 64 thousand, rate at 4.472		287
	SGD 0.7 thousand, rate at 24.12		16
Foreign currency time deposits	USD 900 thousand, rate at 32.789		29,507
		<u>\$</u>	<u>79,330</u>

Everfocus Electronics Corp.
Financial Assets at Fair Value Through Profit or Loss - Current
For the Year Ended December 31, 2024

Statement 2

Unit: NT\$ thousands

Financial instruments	Summary	Number of shares	Par value (NT\$)	Total amount (In thousands)	Acquisition cost	Fair value		Changes in fair value attributable to credit risk	Collateral or pledge
						Unit price (NT\$)	Total amount		
Taiwan Semiconductor Manufacturing Co., Ltd.	Stocks	17,000	\$ 10	\$ 170	\$ 16,391	\$ 1,075.00	\$ 18,275	\$ -	None
Oneness Biotech Co., Ltd.	Stocks	62,998	10	630	9,422	87.30	5,500	-	"
Top Union Electronics Corporation	Stocks	356,660	10	3,567	12,064	32.40	11,556	-	"
Castles Technology Co., Ltd.	Stocks	128,100	10	1,281	16,217	83.70	10,722	-	"
Allied Supreme Corp.	Stocks	8,000	10	80	3,170	307.00	2,455	-	"
Advantech Co., Ltd.	Stocks	70,000	10	700	26,330	346.50	24,255	-	"
Subtotal					83,594		72,763		
Valuation adjustments					(10,831)		-		
Total					<u>\$ 72,763</u>		<u>\$ 72,763</u>		

Everfocus Electronics Corp.
Financial Assets at Fair Value Through Profit or Loss - Non-current
January 1 to December 31, 2024

Statement 3

Unit: NT\$ thousands

Financial instruments	Summary	Number of shares	Par value (NT\$)	Total amount (In thousands)	Acquisition cost	Fair value		Changes in fair value attributable to credit risk	Collateral or pledge
						Unit price (NT\$)	Total amount		
Tui Pin Erhhao Innovative Investment Co., Ltd.	Stocks	3,000,000	\$ 10	\$ 30,000	\$ 30,000	\$ 10.52	\$ 31,572	\$ -	None
Valuation adjustments					1,572		-		
Total					<u>\$ 31,572</u>		<u>\$ 31,572</u>		

Everfocus Electronics Corp.
Accounts Receivable
For the Year Ended December 31, 2024

Statement 4

Unit: NT\$ thousands

Customer name	Summary	Amount	Note
Customer A		\$ 15,468	
Customer B		11,594	
Customer C		10,238	
Customer D		3,868	
Customer E		3,025	
Others		12,906	The balance of each sporadic customer does not exceed 5% of the balance of this account.
Less: Loss allowance		(429)	
		<u>\$ 56,670</u>	
Accounts receivable - related parties			
Acrosser Technology Co., Ltd.		\$ 4,277	
EverFocus USA Corp.		6,948	
EverFocus Electronics (Shenzhen) Co., Ltd.		4,119	
Everfocus Japan Corp.		1,523	
AREC Inc.		1,570	
Others		759	The balance of each sporadic customer does not exceed 5% of the balance of this account.
		<u>\$ 19,196</u>	

Everfocus Electronics Corp.
Other Receivables - Related Parties
For the Year Ended December 31, 2024

Statement 5

Unit: NT\$ thousands

Customer name	Summary	Amount	Note
Other receivables - related parties			
EverFocus USA Corp.		\$ 53,216	
Acrosser Technology Co., Ltd.		24,287	
Others		2,201	The balance of each of supplier does not exceed 5% of the balance of this account.
		<u>\$ 79,704</u>	

Everfocus Electronics Corp.
Inventories
For the Year Ended December 31, 2024

Statement 6

Unit: NT\$ thousands

	<u>Item</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Net realizable value</u>	
			\$	
Raw materials		\$ 74,533	29,850	Note
			69,81	
Semi-finished goods		30,914	7	"
			45,33	
Work in progress		19,352	9	"
			28,27	
Finished goods		32,476	8	"
Merchandise inventory		948	166	"
			<u>3,35</u>	
Goods in transit		<u>3,354</u>	<u>4</u>	"
			<u>\$</u>	
			<u>176,80</u>	
		161,577	<u>4</u>	
Less: Allowance to reduce inventory to market		<u>(61,569)</u>		
		<u>\$ 100,008</u>		

Note: Allowance to reduce inventory to market is determined by the lower of cost or net realizable value.

Everfocus Electronics Corp.
Changes in Investments Accounted for Using the Equity Method
January 1 to December 31, 2024

Statement 7

Unit: NT\$ thousands

Name	Opening balance		Increase in the period		Decrease in the period		Closing balance			Market price or net equity		Collateral or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding ratio	Amount	Unit price (NT\$)	Total	
EverFocus USA Corp.	8,934,000	(\$ 70,971)	-	\$ 3,400	-	(\$ 4,849)	8,934,000	100%	(\$ 72,420)	(\$ 8.03)	(\$ 71,720)	None
Everfocus Japan Corp.	2,600	(46,401)	-	3,867	-	-	2,600	100%	(42,534)	(16,359)	(42,534)	"
EverFocus Electronics (Shenzhen) Co., Ltd.	2,050,000	8,456	-	1,759	-	-	2,050,000	100%	10,215	6.79	13,915	"
EverFocus Electronics (India) Corp.	2,128,149	-	-	-	-	-	2,128,149	75%	-	-	-	"
Acrosser Technology Co., Ltd.	1,800,000	17,884	-	-	-	(4,196)	1,800,000	15.25%	13,688	(3.66)	(6,586)	"
		(91,032)		<u>\$ 9,026</u>		<u>(\$ 9,045)</u>			(91,051)		<u>(\$ 106,925)</u>	
Add: Long-term investment balances transfer to liabilities		117,372							114,954			
		<u>\$ 26,340</u>							<u>\$ 23,903</u>			

- Note 1:** EverFocus Electronics GmbH filed for bankruptcy liquidation with the local court on June 28, 2018 and ceased operations on September 28, 2018. Consequently, the Company no longer recognizes the investment (losses) gains related to that company from that date onward.
- Note 2:** Everfocus Electronics Limited. filed for liquidation in 2013. Consequently, the Company no longer recognizes the investment and was liquidated that company from 2013.
- Note 3:** Since 2015, the company has lost control over the major operational activities of Everfocus Electronics (India) Company and consequently, no longer includes it in the consolidated financial statements. It has been accounted for as an investment using the equity method since that year, and related receivables have been derecognized. Additionally, in 2023, the investment accounted for using the equity method was derecognized.

Everfocus Electronics Corp.
Short-term Borrowings
For the Year Ended December 31, 2024

Statement 8

Unit: NT\$ thousands

Borrowing type	Description	Closing balance	Contract period	Interest rate range	Financing amount	Pledge or guarantee	Note
Secured borrowings	Taipei Fubon Commercial Bank	\$ 89,000	2024/10/28~2025/04/25	2.43%	\$ 89,000	Investment property	
Secured borrowings	CTBC Bank	54,800	2024/12/31~2025/06/30	2.55%	70,000	Investment property	
		<u>\$ 143,800</u>					

Everfocus Electronics Corp.
Statement of Accounts Payable
For the Year Ended December 31, 2024

Statement 9

Unit: NT\$ thousands

Customer name	Summary	Amount	Note
Supplier A		\$ 4,500	
Supplier B		3,126	
Supplier C		2,773	
Supplier D		2,205	
Others		31,803	The balance of each of supplier does not exceed 5% of the balance of this account.
		<u>\$ 44,407</u>	
Accounts payable - related parties			
AREC Inc.		\$ 790	
Acrosser Technology Co., Ltd.		339	
EverFocus Electronics (Shenzhen) Co., Ltd.		5,762	
Others		441	The balance of each of supplier does not exceed 5% of the balance of this account.
		<u>\$ 7,332</u>	

Everfocus Electronics Corp.
Operating Income
January 1 to December 31, 2024

Statement 10

Unit: NT\$ thousands

Item	Quantity	Amount	Note
Sales revenue			
AV-over-IP devices	8,781 pcs	\$ 98,985	
CCD IP cameras	54,960 pcs	152,059	
Industrial computers	2,224 pcs	27,906	
Others	98,273 pcs	129,044	
Services revenue		24,951	
		<u>\$ 432,945</u>	

Everfocus Electronics Corp.
Operating Costs
January 1 to December 31, 2024

Statement 11

Unit: NT\$ thousands

Item	Amount
Opening inventory	\$ 10,299
Add: Purchases for current period	14,603
Less: Closing inventory	(948)
Purchasing and selling costs	23,954
Opening raw materials	96,077
Add: Raw materials purchased for current period	163,281
Less: Closing raw materials	(77,887)
Raw materials scrapping	(1,050)
Reclassified to operating expenses	(4,775)
Direct raw materials	175,646
Direct labor	9,480
Manufacturing expenses	32,822
Manufacturing costs	217,948
Less: Opening wok in process	34,073
Opening inventory of semi-finished goods	21,875
Purchase of supplies for the current period	86,371
Outsource fees for semi-finished goods	28,503
Less: Closing inventory of wok in process	(19,352)
Closing inventory of semi-finished goods	(30,914)
Semi-finished goods scrapping	(502)
Reclassified to operating expenses	(7,495)
Costs of finished goods	330,507
Add: Opening inventory of finished goods	46,725
Purchase of finished goods	27,761
Outsource fees	3,508
Less: Closing inventory of finished goods	(32,476)
Finished goods scrapping	(5,942)
Reclassified to operating expenses	(50,054)
Loss on physical inventory	(7)
Production and sales costs	320,022
Installment service costs	3,390
Gain from price recovery of inventory	(29,907)
Inventory scrapping	7,494
Loss on physical inventory	7
Operating costs	<u>\$ 324,960</u>

Everfocus Electronics Corp.
Selling Expenses
January 1 to December 31, 2024

Statement 12

Unit: NT\$ thousands

Item	Summary	Amount	Note
Payroll expenses		\$ 17,483	
Labor services expenses		15,013	
Depreciation expenses		3,167	
Others		16,837	The balance of each expense does not exceed 5% of the balance of this account.
		<u>\$ 52,500</u>	

Everfocus Electronics Corp.
Administrative Expenses
January 1 to December 31, 2024

Statement 13

Unit: NT\$ thousands

Item	Summary	Amount	Note
Payroll expenses		\$ 13,866	
Labor services expenses		8,736	
Depreciation expenses		7,136	
Others		14,187	The balance of each expense does not exceed 5% of the balance of this account.
		<u>\$ 43,925</u>	

Everfocus Electronics Corp.
Research and Development Expenses
January 1 to December 31, 2024

Statement 14

Unit: NT\$ thousands

Item	Summary	Amount	Note
Payroll expenses		\$ 29,991	
Research and development expenses		32,238	
Others		59,069	The balance of each expense does not exceed 5% of the balance of this account.
		<u>\$ 121,298</u>	