

EVERFOCUS ELECTRONICS CORP. AND
SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditor's Report

December 31, 2023 and 2022

(Stock Code: 5484)

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EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Representation Letter

The entities required to be included in the combined financial statements of EVERFOCUS ELECTRONICS CORP. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EVERFOCUS ELECTRONICS CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

EVERFOCUS ELECTRONICS CORP.



Yung-Shun Chuang, Chairman



March 12, 2024

Independent Auditors' Report

(2024) Financial Audit Report No. 23004901

To the Board of Directors and Shareholders of EVERFOCUS ELECTRONICS CORP. :

Opinion

We have audited the accompanying consolidated balance sheets of EVERFOCUS ELECTRONICS CORP. and its subsidiaries (the "Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent 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 consolidated financial statements of 2023. These matters were addressed in the context of our audit of the consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters individually.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Existence for incorporating the revenues

Description

Please refer to Note 4(30) to the consolidated financial statements for the accounting policy on revenue recognition and Note 6(19) to the consolidated financial statements for the description of operating income items.

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

Audit procedures for the key audit matter

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

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

Accounting estimate of inventory valuation

Description

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

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

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

Audit procedures for the key audit matter

Our key audit procedures performed in respect of the above key audit matter included the following:

1. Assessing the policy of allowance for inventory impairment with the understanding of the Group's operations and the nature of the industry.
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 - The mention of other independent auditors

The portion of the financial statements of investee companies accounted for using the equity method in the consolidated financial statements of the Group 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 NTD 17,884 thousands, representing 1.96% of total assets. The share of comprehensive income recognized for these associated companies and joint ventures using the equity method from January 1 to December 31, 2023, was NTD 558 thousands, representing (1.26%) of

comprehensive income.

Other Matters - Separate Financial reports

The Group has prepared separate financial statements for the years 2023 and 2022, and our auditor has issued an unqualified opinion with an explanatory paragraph on other matters in the audit report, which is available for reference.

Responsibilities of Management and Those Charged with Governance for Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the propriety of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal

control that we identify during our audit.

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

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

PricewaterhouseCoopers Taiwan

Mavis Chang

CPA

Shih-Jung Weng

Former Financial Supervisory Commission, Executive Yan

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

No.0990042602

Securities and Futures Commission, Ministry of Finance

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

March 12, 2024


EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
For December 31, 2023 and 2022

Unit: NT\$ thousands

Assets	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 111,254	12	\$ 75,558	9
1110	Current financial assets at fair value through profit or loss	6(2)	91,526	10	99,547	11
1136	Current financial assets at amortized cost	6(3) and 8	68,840	8	68,527	8
1150	Notes receivable, net	6(4)	4,932	1	4,061	-
1170	Accounts receivable, net	6(4)	45,080	5	80,212	9
1180	Accounts receivable-related parties	6(4) and 7	13,930	1	193	-
1200	Other receivables		2,006	-	1,534	-
1210	Other receivables- related parties	7	42,539	5	-	-
130X	Inventories	6(5)	120,905	13	148,876	17
1479	Other current assets - other		23,176	3	14,655	2
11XX	Total current assets		<u>524,188</u>	<u>58</u>	<u>493,163</u>	<u>56</u>
Non-current assets						
1517	Non-current financial assets at fair value through Other comprehensive income or loss	6(6)	4,000	1	12,800	1
1550	Investments accounted for using the equity method	6(7)	17,884	2	-	-
1600	Property, plant and equipment	6(7) and 8	10,085	1	132,899	15
1755	Right-of-use assets	6(9)	23,206	3	1,288	-
1760	Investment property, net	6(10) and 8	211,592	23	86,542	10
1840	Deferred income tax assets	6(25)	76,902	8	94,655	11
1930	Long-term notes and accounts receivable	6(4)	12,114	1	16,135	2
1990	Other non-current assets - other	6(11)(14) and 7	30,786	3	46,706	5
15XX	Total non-current assets		<u>386,569</u>	<u>42</u>	<u>391,025</u>	<u>44</u>
1XXX	Total assets		<u>\$ 910,757</u>	<u>100</u>	<u>\$ 884,188</u>	<u>100</u>

(Continued)

Chairman :



President :



Accounting Officer :



Consolidated Balance Sheets

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 For December 31, 2023 and 2022



Unit: NT\$ thousands
 December 31, 2022

Liabilities and Equity	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current Liabilities						
2100	Short-term borrowings	6(12)	\$ 133,636	14	\$ 124,555	14
2130	Contract liabilities - current	6(19)	5,776	1	6,850	1
2150	Notes payable		100	-	11	-
2170	Accounts payable		56,839	6	52,820	6
2180	Accounts payable- related parties	7	6,227	1	33	-
2200	Other payables	6(13)	42,225	5	44,222	5
2220	Other payables- related parties	7	39,916	4	-	-
2250	Provisions - current		1,928	-	2,613	-
2280	Lease liabilities - current		9,171	1	643	-
2399	Other current liabilities - other		3,119	0	6,089	1
21XX	Total current liabilities		<u>298,937</u>	<u>27</u>	<u>237,836</u>	<u>27</u>
Non-current liabilities						
2550	Provisions - noncurrent		558	-	4,990	1
2570	Deferred income tax liabilities	6(25)	3,371	-	2,802	-
2580	Lease liabilities - non-current		14,160	2	656	-
2670	Other non-current liabilities - other		988	-	972	-
25XX	Total non-current liabilities		<u>19,077</u>	<u>2</u>	<u>9,420</u>	<u>1</u>
2XXX	Total liabilities		<u>318,014</u>	<u>35</u>	<u>247,256</u>	<u>28</u>
Equity						
Equity attributable to owners of the Company						
	Capital stock	6(16)				
3110	Ordinary share		668,010	73	668,010	76
	Capital Surplus	6(17)				
3200	Capital Surplus		55,312	6	55,312	6
	Deficit to be offset	6(17)				
3350	Deficit to be offset		(158,023)	(17)	(110,651)	(13)
	Other equity items					
3400	Other equity items		27,444	3	24,261	3
31XX	Total equity attributable to owners of the Company		<u>592,743</u>	<u>65</u>	<u>636,932</u>	<u>72</u>
3XXX	Total equity		<u>592,743</u>	<u>65</u>	<u>636,932</u>	<u>72</u>
	Significant contingent liabilities and unrecognized commitments	9				
3X2X	Total Liabilities and Equity		<u>\$ 910,757</u>	<u>100</u>	<u>\$ 884,188</u>	<u>100</u>

Chairman :



President :



Accounting Officer :



EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For January 1 to December 31, 2023 and 2021

Unit: NT\$ thousands

Item	Note	2023		2022	
		Amount	%	Amount	%
4000 Operating income	6(19) and 7	\$ 369,555	100	\$ 332,309	100
5000 Operating cost	6(5)(23) (24) and 7	(289,701)	(78)	(237,581)	(71)
5900 Operating gross profit		<u>79,854</u>	<u>22</u>	<u>94,728</u>	<u>29</u>
Operating expense	6(23)(24) and 7				
6100 Selling expense		(46,823)	(13)	(43,563)	(13)
6200 General and administrative expenses		(56,297)	(15)	(57,697)	(18)
6300 Research and development expense		(47,898)	(13)	(43,558)	(13)
6450 Expected credit impairment gains(losses)		15	-	628)	-
6000 Total operating expenses		<u>(151,003)</u>	<u>(41)</u>	<u>(145,446)</u>	<u>(44)</u>
6900 Operating loss		<u>(71,149)</u>	<u>(19)</u>	<u>(50,718)</u>	<u>(15)</u>
Non-operating income and expenses					
7100 Interest income	6(3)	4,420	1	1,023	-
7010 Other income	6(20)	16,761	5	11,411	3
7020 Other gains and losses	6(21)	(21,633)	6	(35,049)	(11)
7050 Finance costs	6(22)	(5,495)	(2)	(3,494)	(1)
7055 Expected credit loss	7	(2,048)	(1)	(5,007)	(1)
7060 The share of profits and losses from associates and joint ventures accounted for using the equity method	6(7)	<u>558</u>	<u>-</u>	<u>-</u>	<u>-</u>
7000 Non-operating income and expenses		<u>39,925</u>	<u>11</u>	<u>31,116)</u>	<u>(10)</u>
7900 Loss before income tax		<u>(31,224)</u>	<u>(8)</u>	<u>(81,834)</u>	<u>(25)</u>
7950 Income tax(expenses)gains	6(25)	(17,753)	(5)	1,895	1
8200 Net loss for the period		<u>(\$ 48,977)</u>	<u>(13)</u>	<u>(\$ 79,939)</u>	<u>(24)</u>
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)	\$ 2,848	-	\$ 2,812	1
8316 Unrealized gains and losses on equity investments measured at fair value through other comprehensive income	6(6)	(674)	-	-	-
8349 Income tax related to components that will not be reclassified to profit or loss	6(25)	(569)	-	(563)	-
8310 Total components of other comprehensive income that will not be reclassified to profit or loss		<u>1,605</u>	<u>-</u>	<u>2,249</u>	<u>1</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Exchange differences arising on translation of foreign operations		<u>3,183</u>	<u>1</u>	<u>(3,508)</u>	<u>(1)</u>
8360 Total components of other comprehensive income that will be reclassified to profit or loss		<u>3,183</u>	<u>1</u>	<u>(3,508)</u>	<u>(1)</u>
8300 Net other comprehensive income		<u>\$ 4,788</u>	<u>1</u>	<u>(\$ 1,259)</u>	<u>-</u>
8500 Total comprehensive income (loss) for the period		<u>(\$ 44,189)</u>	<u>(12)</u>	<u>(\$ 81,198)</u>	<u>(24)</u>
Net profit (loss) attributable to:					
8610 Owners of the Company		<u>(\$ 48,977)</u>	<u>(13)</u>	<u>(\$ 79,939)</u>	<u>(24)</u>
Comprehensive income attributable to:					
8710 Owners of the Company		<u>(\$ 44,189)</u>	<u>(12)</u>	<u>(\$ 81,198)</u>	<u>(24)</u>
Basic earnings (losses) per share					
9750 Total basic earnings (losses) per share	6(26)		<u>0.73)</u>	<u>1.26)</u>	
Diluted earnings (losses) per share					
9850 Total diluted earnings (losses) per share	6(26)		<u>0.73)</u>	<u>1.26)</u>	

Chairman :



President :



Accounting Officer :




EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For January 1 to December 31, 2023 and 2022

Unit: NT\$ thousands

	Note	Common share capital	Capital Surplus		Deficit to be offset	Other equity		Total equity
			Capital Surplus - Additional Paid-In Capital	Capital Surplus - Other		Exchange differences arising on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	
<u>2022</u>								
BALANCE, JANUARY 1, 2022		\$534,010	\$ -	\$ -	(\$32,961)	\$27,769	\$ -	\$528,818
Net loss for the period		-	-	-	(79,939)	-	-	(79,939)
Other comprehensive income (loss) for the period		-	-	-	2,249	(3,508)	-	(1,259)
Total comprehensive income (loss) for the period		-	-	-	(77,690)	(3,508)	-	(81,198)
Stock-based compensation cost	6(15)	-	2,051	261	-	-	-	2,312
Cash Capital Increase	6(16)	134,000	53,000	-	-	-	-	187,000
BALANCE, DECEMBER 31, 2022		<u>\$668,010</u>	<u>\$55,051</u>	<u>\$261</u>	<u>(\$110,651)</u>	<u>\$24,261</u>	<u>\$ -</u>	<u>\$636,932</u>
<u>2023</u>								
BALANCE, JANUARY 1, 2023		\$668,010	\$55,051	\$261	(\$110,651)	\$24,261	\$ -	\$636,932
Net loss for the period		-	-	-	(48,977)	-	-	(48,977)
Other comprehensive income (loss) for the period		-	-	-	2,279	3,183	(674)	4,788
Total comprehensive income (loss) for the period		-	-	-	(46,698)	3,183	(674)	(44,189)
Reclassification of equity instruments measured at fair value through other comprehensive income	6(6)	-	-	-	(674)	-	674	-
BALANCE, DECEMBER 31, 2023		<u>\$668,010</u>	<u>\$55,051</u>	<u>\$261</u>	<u>(\$158,023)</u>	<u>\$27,444</u>	<u>\$ -</u>	<u>\$592,743</u>

Chairman :



President :



Accounting Officer :



EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For January 1 to December 31, 2023 and 2022

Unit: NT\$ thousands

	Note	For January 1 to December 31, 2023	For January 1 to December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before income tax		(\$ 31,224)	(\$ 81,834)
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(10)	(23)	5,862
Amortization expense	6(23)	1,783	1,495
Expected credit impairment(gain) losses	7and 12(2)	(2,063)	5,635
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)(21)	(22,297)	32,289
Finance costs	6(9)(12)(22)	5,495	3,494
Interest income		(4,420)	(1,023)
Dividend income	6(20)	(1,610)	(2,378)
The share of profits and losses from associates and joint ventures accounted for using the equity method	6(7)	(558)	-
Stock-based compensation cost	6(15)	-	2,312
Loss on disposal of property, plant, and equipment	6(21)	-	3
Unrealized loss on financial assets measured at amortized cost		32	1,070
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss, mandatorily measured at fair value		30,318	(3,334)
Notes receivable		(871)	(2,884)
Accounts receivable		39,282	(47,212)
Accounts receivable- related parties		(13,737)	381
Other receivables		(618)	(759)
Other receivables- related parties		(42,539)	-
Inventories		27,961	(62,727)
Other current assets		(8,589)	(7,126)
Other non-current assets		426	(1,595)
Changes in operating liabilities			
Contract liabilities		(1,074)	(3,462)
Notes payable		89	11
Accounts payable		4,069	20,598
Accounts payable- related parties		6,194	(245)
Other payables		(1,979)	875
Other payables- related parties		39,916	-
Provisions		(5,117)	(1,085)
Other current liabilities		(2,970)	3,139
Other non-current liabilities		-	99
Cash flows used in operations		24,400	(138,401)
Interest received		4,420	1,023
Dividends received		1,756	2,598
Interest paid		(5,495)	(3,494)
Net cash flows used in operating activities		25,081	(138,274)
Cash flows from investing activities			
Acquisition of investments accounted for using the equity method		(\$ 9,200)	-
Acquisition of financial assets at fair value through other comprehensive income.		-	(12,800)
Acquisition of financial assets at amortized cost		(3,145)	(22,784)
Disposal of financial assets measured at amortized cost		2,800	-
Acquisition of property, plant and equipment	6(8)(27)	(8,674)	(1,341)
Disposal of property, plant and equipment		-	28
Disposal of subsidiary	4(3) and 7	22,470	-
Acquisition of intangible assets		(1,211)	(1,646)
Refundable deposits (paid) refunded		(1,100)	615
Net cash flows used in investing activities		1,940	(37,928)
Cash flows from financing activities			
Increase in short-term borrowings	6(28)	11,741	(30,043)
Guarantee deposits received		16	97
Payment of lease liabilities	6(28)	(3,510)	(1,131)

Chairman :



President :



Accounting Officer :



Cash Capital Increase	6(16)	-	187,000
Net cash generated by financing activities		8,247	155,923
Effect of exchange rate change		428	(1,719)
Increase (decrease) in cash and cash equivalents		35,696	(21,998)
Cash and cash equivalents at beginning of period		75,558	97,556
Cash and cash equivalents at end of period		<u>\$ 111,254</u>	<u>\$ 75,558</u>

Chairman :



President :



Accounting Officer :




EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the Years Ended December 31, 2023 and 2022

Unit: NT\$ in thousands
(Unless Specified Otherwise)

I. Company History

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

II. Date and Procedures for the Authorization of Financial Reports

These consolidated financial reports were approved by the board of directors on March 12, 2024.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 regarding "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 regarding "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 regarding "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023
Amendments to IAS 12 regarding "International Tax reform Pillar Two Model Rules".	May 23, 2023

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

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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	January 1, 2024

Arrangements”

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
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 International Accounting Standards Board
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

IV. Summary Of Significant Accounting Policies

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

(I) Statement of compliance

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

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
 - (1) Financial assets at fair value through profit or loss.
 - (2) Financial assets measured at fair value through other comprehensive income.
 - (3) Defined benefit liabilities (or assets) recognized based on the net amount of pension fund assets less present value of defined benefit obligations.
2. For the preparation of financial statements in conformity with the IFRS, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the

Financial Supervisory Commission, it requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

- (1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (4) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Business Nature	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	EVER FOCUS ELECTRONICS CORP. (EverFocus USA)	Selling products and providing customer service for the Company	100%	100%	
The	EverFocus	Develop,	100%	100%	

Company	Electronics (Shenzhen) Co., Ltd. (EverFocus Shenzhen)	manufacture and sell commercial surveillance equipment			
The Company	EVERFOCUS JAPAN CORP. (EverFocus Japan)	Selling products and providing customer service for the Company	100%	100%	
The Company	EVERHIGHLIGHT TECHNOLOGY CORP. (Everhighlight)	Manufacture and sale of optical electronic devices	100%	100%	Note 1

3. Subsidiaries not included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Business Nature	Ownership (%)		Description
			December 31, 2023	December 31, 2022	
The Company	EVERFOCUS ELECTRONICS LIMITED. (EverFocus UK)	Selling products and providing customer service for the Company	75%	75%	Note 2
The Company	EVERFOCUS ELECTRONICS (EUROPE) GMBH (EverFocus Germany)	Selling products and providing customer service for the Company	-	100%	Note 3

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

Note2: EverFocus UK filed for liquidation in 2023. Therefore, the Group will no longer consolidate its financial statements starting from 2023. EverFocus UK has remitted a portion of funds amounting to \$2,048 (GBP 50,969.89) in August 2023.

Note3: EverFocus Germany has filed for bankruptcy and liquidation with the local court on June 28, 2018 and ceased operations as of September 28, 2018; therefore, the Group no longer includes it in the consolidated financial statements since September 28, 2018. EverFocus Germany completed the dissolution and liquidation process in April 2023, and remitted funds totaling \$20,422 (EUR 628,185.69).

4. Adjustment for subsidiaries with different balance sheet dates: None.

5. Significant restrictions: None.

6. Subsidiaries that have non-controlling interests that are material to the Group: None.

(IV) Foreign currency translation

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

1. Foreign currency transactions and balances

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

(2) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(4) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within "other gains and losses".

2. Translation of foreign operations:

The operating results and financial position of all the group entities that have a functional

currency different from the presentation currency are translated into the presentation currency as follows:

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

(V) Classification of current and non-current items

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

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

2. Liabilities that meet one of the following criteria are classified as current liabilities:
 - (1) Liabilities that are expected to be settled within the normal operating cycle;
 - (2) Assets held mainly for trading purposes;
 - (3) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(VI) Cash equivalents

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

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

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are

recognized and derecognized using trade date accounting.

3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.
4. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

1. This refers to an irrevocable election made at initial recognition to present the fair value changes of equity instruments classified as non-trading investments in other comprehensive income
2. The Group adopts the settlement date accounting for financial assets measured at fair value through other comprehensive income in accordance with trading conventions.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs, and subsequently measures them at fair value:
4. 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 in profit or loss 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.

(IX) Financial assets at amortized cost

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

(X) Accounts and notes receivable

1. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XI) Financial assets impairment

For debt instruments measured at fair value through other comprehensive income and financial

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

(XII) Derecognition of financial assets

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

(XIII) Operating leases (lessor)

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

(XIV) Inventories

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

(XV) Equity method investments- Affiliates

1. The affiliates refer to entities over which the Group has significant influence but not control, typically by holding directly or indirectly more than 20% of the voting rights. The Group accounts for investments in associated companies using the equity method, recognizing them at cost upon acquisition.
2. The Group recognizes its share of profit or loss from the affiliates in the current period's profit or loss and its share of other comprehensive income after acquisition as other comprehensive income. If the Group's share of losses from any affiliate equals or exceeds its interest in that affiliate's equity (including any other unsecured receivables), the Group does not recognize further losses unless it has incurred a legal obligation, a presumed obligation, or has already made payments on behalf of the affiliate.
3. When there are equity changes in an affiliate that are non-profit or other comprehensive income related and do not affect the Group's shareholding percentage in the affiliate, the Group records all equity changes as 'Capital Reserves' based on its ownership proportion.
4. The unrealized gains and losses arising from transactions between the Group and The affiliates have been eliminated in proportion to the Group's interest in the affiliate. Unrealized losses are also eliminated unless evidence indicates impairment of the transferred assets. The accounting policies of affiliates have been adjusted as necessary to align with the policies adopted by the Group.

- When the Group disposes of an affiliate and loses significant influence over it, the accounting treatment for all amounts previously recognized in other comprehensive income related to that affiliate follows the same basis as when the Group directly disposes of assets or liabilities. That is, any previously recognized gains or losses in other comprehensive income are reclassified to profit or loss upon disposal of the related assets or liabilities. Therefore, when significant influence over the affiliate is lost, such gains or losses are reclassified from equity to profit or loss. If significant influence over the affiliate is still retained, the amounts previously recognized in other comprehensive income are reclassified proportionally in the same manner as described above.

(XVI) Property, plant and equipment

- Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- 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:

Buildings and structures	12to55 years
Leasehold Improvements	2 to 6 years
Machinery and equipment	2 to 10years
Transportation equipment	6 years
Other equipment	1 to10 years

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

- Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include the fixed payments, less any lease incentives receivable.

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

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

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

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

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

(XVIII) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 55 years.

(XIX) Intangible assets

Computer software is recognized at acquisition cost and amortized by the straight-line method over its estimated useful life of 1 to 5 years.

(XX) Impairment of non-financial assets

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

(XXI) Borrowings

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

(XXII) Notes and accounts payable

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

(XXIII) Derecognition of financial liabilities

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

(XXIV) Provisions

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

(XXV) Employee benefits

1. Short-term employee benefits

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

2. Pensions

(1) Defined contribution plan

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

(2) Defined benefit plan

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term

of the employment benefit obligations.

B. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Past service costs are recognized immediately in profit or loss.

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

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 estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(XXVI) Share-based payment for employees

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

(XXVII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The 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 Group operate and generate 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 expense in the year the stockholders resolve to retain the earnings.
3. Deferred 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 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 nor 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 Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(XXVIII) Share capital

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

(XXIX) Dividends

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

(XXX) Revenue recognition

1. Sales of goods

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

- (4) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. Services revenue

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

(XXXI) Government subsidies

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

(XXXII) Operating segments

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

V. Critical Accounting Judgements, Estimates And Key Sources Of Assumption Uncertainty

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

Critical accounting estimates and assumptions

1. Investment property

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

valuation.

As of December 31, 2023, the carrying amount of inventories was \$120,905.

2. Realization of Deferred Income Tax Assets

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

As of December 31, 2023, the Group recognized deferred income tax assets of \$76,902.

VI. Explanation of Significant Accounts

(I) Cash and cash equivalents

	<u>2023/12/31</u>	<u>2022/12/31</u>
Cash on hand and working fund	\$ 410	\$ 474
Checking accounts and demand deposits	83,191	65,561
Time deposits	27,653	9,523
Total	<u>\$ 111,254</u>	<u>\$ 75,558</u>

1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

2. As information for the Group pledged its cash and cash equivalents to others, please refer to Note 8 for more information.

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

<u>Item</u>	<u>2023/12/31</u>	<u>2022/12/31</u>
Current items:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Stocks of listed companies	\$ 97,802	\$ 99,599
Valuation adjustments	(6,276)	(52)
	<u>\$ 91,526</u>	<u>\$ 99,547</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>2023</u>	<u>2022</u>
Financial assets at fair value through profit or loss, mandatorily measured at fair value		

Equity Instruments	\$	22,297	(\$	32,289)
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- The Group does not provide financial assets measured at fair value through profit or loss as collateral.

(III) Financial assets at amortized cost

Item	2023/12/31	2022/12/31
Current items:		
Restricted bank deposits	\$ 68,827	\$ 65,727
Restricted time deposits	13	2,800
	\$ 68,840	\$ 68,527

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

	2023	2022
Interest income	\$ 2,600	\$ 463

- 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, 2023 and 2022 were NT\$68,840 and NT\$68,527, respectively,
- The information for the Group pledged its financial assets measured at amortized costs, please refer to Note 8.
- Please refer to Note 12 for information on the credit risk of financial assets measured at amortized cost, The Group invests in fixed deposits with financial institutions of good credit quality, and expects that the probability of default is very low.

(IV) Notes and accounts receivable

	2023/12/31	2022/12/31
Notes receivable	\$ 4,932	\$ 4,061
Accounts receivable	\$ 42,159	\$ 81,541
Accounts receivable-related parties	13,930	193
Installment receivables	4,228	4,228
Less: Unrealized interest income	(207)	(265)
Less: Loss allowance	(1,100)	(5,292)
	\$ 59,010	\$ 80,405
Long-term installment receivables	\$ 12,380	\$ 16,609
Less: Unrealized interest income - long-term installment receivables	(266)	(474)
	\$ 12,114	\$ 16,135

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

	<u>2023/12/31</u>	<u>2022/12/31</u>
Not yet due	\$ 74,950	\$ 95,128
Up to 30 days	1,561	4,624
31 to 60 days	578	1,178
61 to 90 days	5	1,352
91 to 180 days	73	156
181 to 360 days	462	-
Over 360 days	-	4,194
	<u>\$ 77,629</u>	<u>\$ 106,632</u>

The above ageing analysis was based on past due date.

2. The Group does not hold any collateral over the accounts and notes receivables.
3. Accounts receivable and notes receivable as of December 31, 2023 and 2022 were arising from customer contracts. As of January 1, 2022, the accounts receivable balance, unrealized interest income and allowance for losses on customer contracts were \$59,943 ,1,090 and \$8,768, 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, 2023 and 2022 were NT\$4,932 and NT\$4,061 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2023 and 2022 were NT\$71,142 and NT\$96,540, respectively.
5. Please refer to Note 12(2) for information on the credit risk of notes and accounts receivable.

(V) Inventories

	2023/12/31		
	Cost	Allowance for decline in value	Carrying amount
Raw materials	\$ 97,503	(\$ 61,872)	\$ 35,721
Semi-finished goods	22,913	(8,986)	13,927
Work in progress	34,459	(159)	34,300
Finished goods	52,312	(27,518)	24,794
Merchandise Inventory	12,867	(2,409)	10,458
Goods in transit	1,705	-	1,705
Total	<u>\$ 221,849</u>	<u>(\$ 100,944)</u>	<u>\$ 120,905</u>

	2022/12/31		
	Cost	Allowance for decline in value	Carrying amount
Raw materials	\$ 114,290	(\$ 28,624)	\$ 85,666
Semi-finished goods	27,787	(11,585)	16,202
Work in progress	11,500	-	11,500
Finished goods	57,858	(25,876)	31,982
Merchandise Inventory	3,387	(1,833)	1,554
Goods in transit	1,972	-	1,972
Total	<u>\$ 216,794</u>	<u>(\$ 67,918)</u>	<u>\$ 148,876</u>

The cost of inventories recognized as expense for the year:

	2023	2022
Cost of goods sold	\$ 244,911	\$ 223,087
Gain(Loss) on reversal of decline in market value of inventory(Note)	33,300	8,562
Loss on scrap of inventory	11,315	5,841
Loss on physical inventory	95	91
	<u>\$ 289,701</u>	<u>\$ 237,581</u>

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

Item	2023/12/31	2022/12/31
Non-current assets:		
Equity Instruments		
Unlisted and non-OTC stock	\$ 4,000	\$ 12,800

1. The Group chooses to classify the aforementioned stocks that belong to strategic investments as financial assets measured at fair value through other comprehensive income. The fair value of such investments as of December 31, 2023 and 2022 were \$4,000 and \$12,800, respectively.
2. The details of financial assets measured at fair value through other comprehensive income recognized in the income statement and comprehensive income statement are as follows:

	2023/12/31	2022/12/31
<u>Equity instruments measured at fair value through other comprehensive income</u>		
Fair value changes recognized in other comprehensive income	(\$ 674)	\$ -
Accumulated losses transferred to retained earnings	(\$ 674)	\$ -

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

(VII) Investments accounted for using the equity method.

Item	2023
At January 1	\$ -
Increase in investments accounted for using the equity method	9,200
Reclassification of financial assets measured at fair value through other comprehensive income to investments accounted for using the equity method	8,126
Equity method investment share of profit or loss	558
At December 31	\$ 17,884

At December 31,2022:None.

Affiliates	2023/12/31	
	Shareholding rate %	Carrying amount
Acrosser Technology Co.,LTD.(Acrosser)	15.25%	\$ 17,884

At December 31,2022:None.

The Group originally held a 10% stake in Acrosser. After participating in its cash capital increase on July 5th,2023, the Group's shareholding percentage increased to 15.25%. Although it did not reach 20%, when combined with the shareholding of other related parties - Fuli Investment Co., Ltd. (the Chairman of our company is also the Chairman of that company), the Group's shareholding reached 20%. Additionally, as one of the top five single shareholders, the Group assessed it as having significant influence. Therefore, starting from July 5th,2023, it adopted the equity method for valuation.

(VIII) Property, plant and equipment

		2023						
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	construction in progress	Total
At January 1								
Cost	\$ 86,068	\$ 67,856	\$ 25,728	\$ 1,235	\$ 2,230	\$ 20,842	\$ -	\$ 205,659
Accumulated depreciation and impairment	-	(26,344)	(26,255)	(1,063)	(1,262)	(17,836)	-	(72,760)
	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,173</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 3,006</u>	<u>\$ -</u>	<u>\$ 132,899</u>
At January 1	\$ 86,068	\$ 41,512	\$ 1,173	\$ 172	\$ 968	\$ 3,006	\$ -	\$ 132,899
Additions	-	-	420	192	2,869	1,852	1791	7,124
Reclassification	(86,068)	(40,477)	-	-	-	-	-	(126,545)
Depreciation expense	-	(1,035)	(822)	(29)	(574)	(921)	-	(3,381)
Net exchange differences	-	-	(3)	-	-	(9)	-	(12)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,928</u>	<u>\$ 1791</u>	<u>\$ 10,085</u>
At December 31								
Cost	\$ -	\$ -	\$ 27,819	\$ 1,428	\$ 5,099	\$ 22,640	\$ 1,791	\$ 58,777
Accumulated depreciation and impairment	-	-	(27,051)	(1,093)	(1,836)	(18,712)	-	(48,692)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,928</u>	<u>\$ 1791</u>	<u>\$ 10,085</u>
		2022						
	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Total	
At January 1								
Cost	\$ 89,728	\$ 76,414	\$ 27,410	\$ 1,045	\$ 2,159	\$ 20,017	\$ 216,773	
Accumulated depreciation and impairment	-	(28,318)	(25,516)	(1,045)	(706)	(17,084)	(72,669)	
	<u>\$ 89,728</u>	<u>\$ 48,096</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ 1,453</u>	<u>\$ 2,933</u>	<u>\$ 144,104</u>	
At January 1	\$ 89,728	\$ 48,096	\$ 1,894	\$ -	\$ 1,453	\$ 2,933	\$ 144,104	
Additions	-	-	257	190	71	823	1,341	
Disposal	-	-	(28)	-	-	(3)	(31)	
Reclassification	(3,660)	(5,537)	-	-	-	-	(9,197)	
Depreciation expense	-	(1,047)	(953)	(18)	(556)	(754)	(3,328)	
Net exchange differences	-	-	3	-	-	7	10	
At December 31	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,173</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 3,006</u>	<u>\$ 132,899</u>	
At December 31								
Cost	\$ 86,068	\$ 67,856	\$ 27,428	\$ 1,235	\$ 2,230	\$ 20,842	\$ 205,659	
Accumulated depreciation and impairment	-	(26,344)	(26,255)	(1,063)	(1,262)	(17,836)	(72,760)	
	<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,173</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 3,006</u>	<u>\$ 132,899</u>	

1. The property, plant and equipment mentioned above are assets held for self-use.
2. For information on the pledge of property, plant and equipment by the Group, please refer to Note 8.

(IX) Leasing arrangements-lessee

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

	<u>2023/12/31</u>	<u>2022/12/31</u>
	Carrying amount	Carrying amount
Buildings	\$ 22,322	\$ 1,161
Transportation equipment	884	127
	<u>\$ 23,206</u>	<u>\$ 1,288</u>

	<u>2023</u>	<u>2022</u>
	Depreciation expense	Depreciation expense
Buildings	\$ 3,056	\$ 839
Transportation equipment	569	212
	<u>\$ 3,625</u>	<u>\$ 1,051</u>

4. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$25,721 and \$1,449, respectively.
5. Information on profit or loss in relation to lease contracts is as follows:

	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 223	\$ 25
Expense on short-term lease contracts	1,490	221

6. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$5,223 and \$1,377, respectively.

(X) Investment property

	<u>2023</u>		
	<u>Lands</u>	<u>Buildings and structures</u>	<u>Total</u>
January 1			
Cost	\$ 33,547	\$ 83,722	\$ 117,269
Accumulated depreciation and impairment	-	(30,727)	(30,727)
	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>

January 1	\$ 33,547	\$ 52,995	\$ 86,542
Reclassification	86,068	40,477	126,545
Depreciation expense	-	(1,495)	(1,495)
December 31	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$ 211,592</u>
December 31			
Cost	\$ 119,615	\$ 151,395	\$ 271,010
Accumulated depreciation and impairment	-	(59,418)	(59,418)
	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$ 211,592</u>

	2022		
	Lands	Buildings and structures	Total
January 1			
Cost	\$ 29,887	\$ 75,010	\$ 104,897
Accumulated depreciation and impairment	-	(26,069)	(26,069)
	<u>\$ 29,887</u>	<u>\$ 48,941</u>	<u>\$ 78,828</u>
January 1	\$ 29,887	\$ 48,941	\$ 78,828
Reclassification	3,660	5,537	9,197
Depreciation expense	-	(1,483)	(1,483)
December 31	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>
December 31			
Cost	\$ 33,547	\$ 83,722	\$ 117,269
Accumulated depreciation and impairment	-	(30,727)	(30,727)
	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>

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

	2023	2022
Rental income from investment property	<u>\$ 5,432</u>	<u>\$ 5,505</u>
Direct operating expenses arising from investment property that generated rental income	<u>\$ 1,495</u>	<u>\$ 1,483</u>

2. The investment properties held by the Group include the Xizhi Office Building and the Shengkeng factory and office building, with fair values of \$570,920 and \$228,537 as of December 31, 2023 and 2022, respectively. These values were determined based on independent appraisals conducted on June 29th, 2023 and December 31st, 2022, using the comparative and income approach methods. After assessment by the Group's management, it was concluded that there were no significant changes in the fair values of the investment properties. The fair values mentioned above are all classified as Level 3 fair values, with the following key assumptions:

	<u>2023</u>	<u>2022</u>
Gross margin	2.94%	2.94%
Earnings capitalization rate	0.61~1.85%	0.61%

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

(XI) Other non-current assets

	<u>2023/12/31</u>	<u>2022/12/31</u>
overdue receivables- related parties	\$ -	\$ 20,422
Net defined benefit assets	23,019	19,928
Guarantee deposits paid	3,900	2,800
Others	3,867	3,556
	<u>\$ 30,786</u>	<u>\$ 46,706</u>

Please refer to Note 7(2) for details of the collections.

(XII) Short-term borrowings

<u>Type of borrowings</u>	<u>2023/12/31</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 46,099	1.13%~2.05%	Time deposits
Secured borrowings	86,000	2.20%~2.21%	Land, buildings and construction (recognized as investment property)
Secured borrowings	1,537	7.85%~8.56%	Land, buildings and construction (recognized as investment property)
	<u>\$ 133,636</u>		

Type of borrowings	2022/12/31	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 48,475	1.15%~2.04%	Time deposits
Secured borrowings	30,000	1.91%~2.07%	Land, buildings and construction (recognized as investment property)
Secured borrowings	46,080	6.91%~7.93%	Land, buildings and construction (recognized as investment property)
	\$ 124,555		

1. The interest expense recognized in profit or loss for the years ended December 31, 2023 and 2022 were \$5,267 and \$3,466, respectively.
2. Please refer to Note 8 for the information on short-term loans pledged.

(XIII) Other payables

	2023/12/31	2022/12/31
Salaries and bonuses payable	\$ 12,732	\$ 12,806
Payable for labor services	1,910	260
Labor insurance payable	848	840
National health insurance payable	747	757
Others	25,988	29,559
	\$ 42,225	\$ 44,222

(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 Act. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years 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 6 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 the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every 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 to cover the deficit by next end of March.
In March 2023 and 2022, the Company was approved by the Labor Affairs Department, New Taipei City Government to suspend the contribution to the labor retirement reserve

for 2023 and 2022, respectively.

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

	<u>2023/12/31</u>	<u>2022/12/31</u>
Present value of defined benefit obligations	(\$ 6,038)	(\$ 8,517)
Fair value of plan assets	<u>29,057</u>	<u>28,445</u>
Net defined benefit liability	<u>\$ 23,019</u>	<u>\$ 19,928</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1	(\$ 8,517)	\$ 28,445	\$ 19,928
Current service cost	(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	<u>2,695</u>	<u>-</u>	<u>2,695</u>
	<u>2,626</u>	<u>222</u>	<u>2,848</u>
Balance at December 31	<u>(\$ 6,038)</u>	<u>\$ 29,057</u>	<u>\$ 23,019</u>
	<u>2022</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1	(\$ 10,030)	\$ 27,070	\$ 17,040
Current service cost	(30)	-	(30)
Interest expense (income)	(63)	169	106
	<u>(10,123)</u>	<u>27,239</u>	<u>17,116</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,121	2,121
Change in financial assumptions	411	-	411
Experience adjustments	<u>280</u>	<u>-</u>	<u>280</u>
	<u>691</u>	<u>2,121</u>	<u>2,812</u>

Pay retirement pension	<u>915</u>	(<u>915</u>)	<u>-</u>
Balance at December 31	(\$ <u>8,517</u>)	\$	<u>28,445</u>	\$ <u>19,928</u>

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" Article 6: (i.e: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with Paragraph 142 of IAS 19. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) The principal actuarial assumptions used were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.250%</u>	<u>1.375%</u>
Future salary increases	<u>2.50%</u>	<u>2.50%</u>

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

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ <u>136</u>)	<u>\$ 141</u>	<u>\$ 137</u>	(\$ <u>133</u>)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ <u>192</u>)	<u>\$ 199</u>	<u>\$ 193</u>	(\$ <u>188</u>)

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

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

(6) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 is \$0.

(7) As of December 31, 2023, the weighted average duration of the retirement plan is 9.1years.

2. (1) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) EverFocus Electronics (ShenZhen)CO., Ltd. contributes monthly to the old-age insurance fund at a certain rate based on the total salary of local employees in accordance with the PRC's defined pension insurance system. Each employee's pension is managed and arranged by the PRC government and EverFocus Shenzhen has no further obligation other than making monthly contributions.
- (3) EverFocus America and EverFocus Japan make pension contributions in accordance with local laws and regulations.
- (4) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2023 and 2022 were \$4,443 and \$4,399, respectively.

(XV) Share-based payments

1. The share-based payment agreement of the Company for the year 2022 is as follows:

Arrangement type	Grant date	No. of units (shares in thousands)	Contract period	Vested conditions
Cash capital increase with employee subscription rights reserved	2022.02.07	887	Not applicable	Immediately vested

The above share-based payment agreement is settled in equity.

There is no such situation for the year 2023.

2. The share-based payment transactions granted by the Company were estimated using the Black-Scholes option pricing model to determine the fair value of employee subscription rights reserved in the cash capital increase. The related information is as follows:

Arrangement type	Grant date	Stock price	Exercise price	Expected price Volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase with employee subscription rights reserved	2022.02.07	\$ 16.6	\$ 14	22.64%	0.09Year	0.34%	\$ 2.6061

3. The expenses arising from equity-settled transactions are as follows:

2023	2022
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Cash capital increase with employee subscription rights reserve	\$ <u> </u> - \$ <u> </u> 2,312
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(XVI) Capital stock

1. As of December 31, 2023, the Company's authorized capital was \$2,070,000, consisting of 207 million shares of ordinary stock (including 30 million shares reserved for employee stock options), and the paid-in capital was \$668,010, divided into 66,801 thousand shares with par value of \$10 per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares (shares in thousands) outstanding are as follows:

	<u>2023</u>	<u>2022</u>
At January 1	\$ 66,801	\$ 53,401
increase cash capital	-	13,400
At December 31	<u>\$ 66,801</u>	<u>\$ 66,801</u>

2. On December 9, 2021, the Board of Directors resolved to issue 13,400 thousand shares of common stock at NT\$14 per share for a total offering of \$187,600. The issuance was effective on January 18, 2022 upon filing with the competent authorities, with necessary costs deducted at \$600, resulting in a net fundraising of \$187,000. The aforementioned cash capital increase was completed and registered on April 19th, 2022.

(XVII) Capital surplus

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

(XVIII) 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 2022 and 2021 were approved by the shareholders' meeting on June 14, 2023 and June 15, 2022, respectively, and information on the Board of Directors' approval and the offsetting losses resolved at the shareholders' meeting is available on the "Market Observation Post System (MOPS)" of the TWSE.
4. As of December 31, 2023 and 2022, the Company had no earnings available for appropriation.

(XIX) Operating income

	2023	2022
Revenue from Contracts with Customers	\$ 369,555	\$ 332,309

1. Disaggregation of revenue from contracts with customers

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

2023	Sales revenue	Service revenue	Total
Revenue from contracts	\$ 365,144	\$ 4,411	\$ 369,555
Time of income recognition			
Income recognized at a point in time	\$ 365,144	\$ -	\$ 365,144
Revenue recognized over time	-	4,411	4,411
Total	\$ 365,144	\$ 4,411	\$ 369,555

2022	Sales revenue	Service revenue	Total
Revenue from contracts	\$ 324,447	\$ 7,862	\$ 332,309
Time of income recognition			
Income recognized at a point in time	\$ 324,447	\$ -	\$ 324,447
Revenue recognized over time	-	7,862	7,862
Total	\$ 324,447	\$ 7,862	\$ 332,309

2.Contract liability

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

	2024/12/31	2023/12/31	2022/1/1
Contract liability - Sales contract	\$ 5,776	\$ 6,850	\$ 10,312

(II) Recognized income of contract liabilities at January 1

	2023	2022
Beginning balance of contract liabilities		
Recognized income- Sales contract	\$ 6,554	\$ 9,071

(XX) Other income

	2023	2022
Rental income	\$ 6,350	\$ 7,503
Dividend income	1,610	2,378
Government subsidy income(Note)	5,600	-
Other incomes	3,201	1,530
	\$ 16,761	\$ 11,411

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

(XXI) Other gains and losses

	2023	2022
Net (loss) income from financial assets and liabilities measured at fair value through profit or loss	\$ 22,297	(\$ 32,289)
Gain(Loss)on foreign exchange	88	(1,888)
Loss on disposal of property, plant, and equipment	-	(3)
Other loss	(752)	(869)
	<u>(\$ 21,633)</u>	<u>(\$ 35,049)</u>

(XXII) Finance costs

	2023	2022
Interests on bank borrowings	\$ 5,267	\$ 3,466
Interests on lease borrowings	223	25
Other interest expenses	5	3
	<u>\$ 5,495</u>	<u>\$ 3,494</u>

(XXIII) Costs and Expenses by nature

	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 29,589	\$ 84,047	\$ 113,636	\$ 26,306	\$ 86,666	\$ 112,972
Depreciation expense	1,163	7,338	8,501	1,168	4,694	5,862
Amortization expense	13	1,770	1,783	31	1,464	1,495

(XXIV) Employee benefit expenses

	2023	2022
Wages and salaries	\$ 95,920	\$ 94,351
Labor and health insurance fees	9,566	10,114
Pension costs	4,200	4,323
Other personnel expenses	3,950	4,184
	<u>\$ 113,636</u>	<u>\$ 112,972</u>

1. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of 3%~10.5% and remuneration of directors and supervisors at rates of no higher than 2.5%, of the remaining profit after deducting accumulated losses.
2. The Company did not estimate the compensation to employees, directors and supervisors for the years ended December 31, 2023 and 2022 due to the Company had net loss before tax.
3. Information on remuneration of employees, directors and supervisors approved by the board of directors is disclosed on the MOPS.

(XXV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Deferred income tax:	\$	\$
Origination and reversal of temporary differences	<u>17,753</u>	<u>(1,895)</u>
Income tax expense (benefit)	<u>\$ 17,753</u>	<u>(\$ 1,895)</u>

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

	<u>2023</u>	<u>2022</u>
Re-measurement of defined benefit obligations	<u>\$ 569</u>	<u>\$ 563</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2023</u>	<u>2022</u>
Income tax calculated by applying statutory rate to the profit before tax (Note)	(\$ 6,245)	(\$ 16,368)
Expenses to be deducted as required by tax regulations	1,245	6,615
Income exempt from tax regulation	(6,026)	(633)
The net investment income is not included in the income	3,619	2,782
Change in realized valuation for deferred income tax assets	<u>25,160</u>	<u>5,709</u>
Income tax expenses(benefit)	<u>\$ 17,753</u>	<u>(\$ 1,895)</u>

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

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

2023					
	January 1	Recogniz ed in profit or loss	Recognized in other comprehensi ve income	Net exchange difference	December 31
Deferred income tax assets:					
-Temporary differences:					
Provisions of bad debt expense	\$ 18,861	(\$ 13,855)	\$ -	\$ -	\$ 5,006
Allowance to reduce inventory to market	12,910	7,048	-	(13)	19,945
Unrealized loss on loans receivable	4,765	(4,765)	-	-	-
Others	5,069	(1,097)	-	(803)	3,169
Tax losses	<u>53,050</u>	<u>(4,268)</u>	<u>-</u>	<u>-</u>	<u>48,782</u>
Subtotal	<u>94,655</u>	<u>(16,937)</u>	<u>-</u>	<u>(816)</u>	<u>76,902</u>
Deferred income tax liabilities:					
Re-measurement of defined benefit plans	(\$ 2,802)	\$ -	(569)	\$ -	(\$ 3,371)
Subtotal	<u>(2,802)</u>	<u>-</u>	<u>(569)</u>	<u>-</u>	<u>(3,371)</u>
Total	<u>\$ 91,853</u>	<u>(\$ 16,937)</u>	<u>(\$ 569)</u>	<u>(\$ 816)</u>	<u>\$ 73,531</u>

2022					
	January 1	Recogniz ed in profit or loss	Recognized in other comprehensi ve income	Net exchange difference	December 31
Deferred income tax assets:					
-Temporary differences:					
Provisions of bad debt expense	\$ 17,982	\$ 879	\$ -	\$ -	\$ 18,861
Allowance to reduce inventory to market	11,076	1,770	-	64	12,910
Unrealized loss on loans receivable	4,765	-	-	-	4,765
Others	5,627	(754)	-	196	5,069
Tax losses	<u>53,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,050</u>
Subtotal	<u>92,500</u>	<u>1,895</u>	<u>-</u>	<u>260</u>	<u>94,655</u>
Deferred income tax liabilities:					
Re-measurement of defined benefit plans	(\$ 2,239)	\$ -	(563)	\$ -	(\$ 2,802)
Subtotal	<u>(2,239)</u>	<u>-</u>	<u>(563)</u>	<u>-</u>	<u>(2,802)</u>
Total	<u>\$ 90,261</u>	<u>\$ 1,895</u>	<u>(\$ 563)</u>	<u>\$ 260</u>	<u>\$ 91,853</u>

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

2023/12/31				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
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>\$ 573,600</u>	<u>\$ 545,680</u>	<u>\$ 301,770</u>	

2022/12/31				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2014	\$ 4,137	\$ 3,547	\$ 3,547	2024
2015	58,906	31,525	31,525	2025
2017	50,569	50,569	50,569	2027
2018	89,457	89,457	65,995	2028
2019	94,601	94,601	345	2029
2020	69,905	69,905	343	2030
2021	51,814	51,814	6	2031
2022	26,167	26,167	5	2032
	<u>\$ 445,556</u>	<u>\$ 417,585</u>	<u>\$ 152,335</u>	

5. The Company and EVERHIGHLIGHT TECHNOLOGY CORP.'s income tax returns through 2021 have been assessed and approved by the Tax Authority.

(XXVI) Losses per share

	2023		
	Profit after tax	Retroactively adjusted weighted-average common shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			
Net loss for the period attributable to common shareholders of the Parent company	<u>(\$ 48,977)</u>	<u>66,801</u>	<u>(\$ 0.73)</u>

	2022		
	Profit after tax	Retroactively adjusted weighted-average common shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			
Net loss for the period attributable to common shareholders of the Parent company	(\$ 79,939)	63,497	(\$ 1.26)

(XXVII) Supplementary Cash Flow Information

Partial Cash Payment for Investment Activities:

	2023	2022
Acquisition of real estate, plants, and equipment	\$ 7,124	1,341
Add: Prepaid equipment expenses at the end of the period	1,729	-
Less: Accounts payable for equipment at the end of the period	(179)	-
Current period cash payments	<u>\$ 8,674</u>	<u>\$ 1,341</u>

(XXVIII) Changes in liabilities arising from financing activities

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

	2022		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1	\$ 151,242	\$ 879	\$ 152,121
Changes in financing cash flows	(30,043)	(1,131)	(31,174)
Additions to lease liabilities	-	1,449	1,449
Impact of changes in foreign exchange rate	3,356	102	3,458
December 31	<u>\$ 124,555</u>	<u>\$ 1,299</u>	<u>\$ 125,854</u>

VII. Related Party Transactions

(I) Names of related parties and relationship

Names of related parties	Relationship with the Group
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	Affiliates (Note 1)
EVERFOCUS ELECTRONICS LIMITED.	Subsidiaries in the liquidation (Note 2)
EVERFOCUS ELECTRONICS (EUROPE) GMBH	Subsidiaries in the liquidation (Note 2)
EVERHIGHLIGHT TECHNOLOGY CORP.	Subsidiaries in the liquidation (Note 2)
Acrosser Technology Co.,LTD.	Affiliates (Note 3)
AAEON Technology Inc.	Other related parties
AAEON TECHNOLOGY (SU ZHOU) INC.	Other related parties
Onyx Healthcare Inc.	Other related parties
LYDS TECHNOLOGIES INC.	Other related parties
Spark Technologies Inc.	Other related parties
AREC Inc.	Other related parties(Note 4)
JetWay Information Co. Ltd.	Other related parties
ONYX HEALTHCARE USA, INC.	Other related parties
AAEON TECHNOLOGY (EUROPE) B.V.	Other related parties

Note 1: The Company owns 75% of the ownership of that entity. However, since January 1, 2015, the Company has lost control over that entity due to the Company's inability to manage relevant activities, so the Company has recognized a 100% provision for the related debt. Additionally, the investment accounted for using the equity method was derecognized in 2023. Therefore, as of December 31, 2023, EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED is no longer an associated company of the Group.

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

Note 3: 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. has been considered an associated enterprise of the Company since its participation in the cash capital increase.

Note 4: The Company changed its manager on November 9, 2023. Therefore, it has been recognized as another related party of the Company since that date.

(II) Significant transactions and balances with related parties

1. Operating income

	<u>2023</u>	<u>2022</u>
Sales of goods		
Affiliates - Other	\$ 7,348	\$ -
Other related parties-Other	5,467	585
Total	<u>\$ 12,815</u>	<u>\$ 585</u>
Service sales		
Affiliates- Acrosser Technology Co.,LTD.	<u>\$ 1,163</u>	<u>\$ -</u>

(1) The transaction price and payment terms for the sales of goods to related parties by the Company are based on the agreed price and terms between both parties.

(2) The Company provides procurement services to its associated enterprise, Acrosser Technology Co.,LTD., and in 2023 and 2022, the purchase cost of goods purchased from another related party and sold to Acrosser Technology Co.,LTD. amounted to \$22,088 and \$0, respectively, expressed as net sales revenue.

2. Purchases

	<u>2023</u>	<u>2022</u>
Purchases of goods		
Affiliates - Other	\$ 1,315	\$ -
Other related parties-Other	12,791	2,285
Total	<u>\$ 14,106</u>	<u>\$ 2,285</u>

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

3. Accounts receivable

	<u>2023/12/31</u>	<u>2022/12/31</u>
Affiliates - Acrosser	\$ 9,441	\$ -
Other related parties-Other	4,489	193
Total	<u>\$ 13,930</u>	<u>\$ 193</u>

4. Other Receivables

	<u>2023/12/31</u>	<u>2022/12/31</u>
Subsidiary - Other	\$ 344	\$ -
Affiliates - Acrosser	42,195	-
Total	<u>\$ 42,539</u>	<u>\$ -</u>

5. Accounts payable

	2023/12/31	2022/12/31
Affiliates - Other	\$ 1,381	\$ -
Other related parties-Other	4,846	33
Total	<u>\$ 6,227</u>	<u>\$ 33</u>

6. Other Payables

	2023/12/31	2022/12/31
Other related parties-AAEON	\$ 35,738	\$ -
Other related parties-Other	4,178	-
Total	<u>\$ 39,916</u>	<u>\$ -</u>

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

	2023/12/31	2022/12/31
Subsidiary - EVERFOCUS UK	\$ 25,343	\$ 26,930
Subsidiary - EverFocus Germany	-	81,936
Affiliate - EverFocus India	-	26,040
Less: Allowance for doubtful accounts	(25,343)	(114,484)
Total	<u>\$ -</u>	<u>\$ 20,422</u>

- (1) The Company received partial payments from EVERFOCUS ELECTRONICS LIMITED. in the fiscal year 2023 of the Republic of China, recognizing an expected credit reversal benefit of \$2,048.
- (2) In 2022, the Company assessed the recoverability of receivables from EVERFOCUS ELECTRONICS (EUROPE) GMBH and evaluated its credit risk status, recognizing an expected credit impairment loss of \$5,007. EVERFOCUS ELECTRONICS (EUROPE) GMBH completed the dissolution and liquidation process in April ,2023 and remitted funds totaling \$20,422 (628,185.69 Euros).
- (3) The Company assessed in 2023 that the receivables from EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED were irrecoverable, and therefore, wrote off the entire amount in 2023.

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

	2023	2022
Other related parties-Others	<u>\$ 7,778</u>	<u>\$ -</u>

9. Operating expense

	2023	2022
Other related parties	\$ -	\$ 11,287
Onyx Healthcare USA, INC.	1,612	297
Others	<u>\$ 1,612</u>	<u>\$ 11,584</u>

The above operating expenses mainly consist of management consulting fees and rental

expenses, which are recorded under administrative expenses.

(III) Key management compensation

	2023	2022
Salaries and other employee benefits	\$ 2,754	\$ 1,684
Stock-based compensation	-	1,355
Total	<u>\$ 2,754</u>	<u>\$ 3,039</u>

VIII. Pledged Assets

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

Pledged assets	Book value		Guarantee purpose
	2023/12/31	2022/12/31	
Restricted time deposit (Listed in current financial assets at amortized cost)	\$ 68,827	\$ 65,727	Performance bonds for tenders, customs declarations and bank loans
Restricted time deposit (Listed in Amortized cost financial assets - current)	13	2,800	Government grant project guarantee deposit
Land, Building and Construction (Listed in property, plant and equipment)	-	127,580	Bank credit line guarantee
Land, Building and Construction (Listed in investment property)	211,592	86,542	Bank Loan Guarantee
	<u>\$ 280,432</u>	<u>\$ 282,649</u>	

IX. Significant contingent liabilities and unrecognized commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2023 and 2022, the Company has issued a promissory note of NT\$470,450 and NT\$452,755 required for the application a comprehensive credit line and the provision of performance bonds as required by customer contracts, respectively.
2. As of December 31, 2023, and 2022, the Company has commissioned financial institutions to issue guarantee letters for performance guarantees, as part of executing government subsidy projects, each in the amount of \$90,750.
3. As of December 31, 2023, and 2022, the Company has signed contracts for real estate, factory, and equipment payments that have not yet occurred, amounting to \$3,104 and \$0, respectively.

X. Significant Disaster Loss

None

XI. Significant events after the reporting period

None.

XII. Others

(I) Capital risk management

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

(II) Financial instruments

1. Financial instruments by category

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or low		
Financial assets mandatorily measured at fair value through profit or loss, mandatorily measured at fair value	\$ 91,526	\$ 99,547
Designation of equity instrument	4,000	12,800
<u>Financial assets at amortized cost</u>		
Cash and cash equivalents	111,254	75,558
Financial assets at amortized cost	68,840	68,527
Notes receivable	4,932	4,061
Accounts receivable (including related parties)	59,010	80,405
Other receivables (including related parties)	44,545	1,534
Long-term notes and accounts receivable	12,114	16,135
Guarantee deposits paid (Listed as other non-current assets)	3,900	2,800
overdue receivables (Listed as other non-current assets)	-	20,422
	<u>\$ 400,121</u>	<u>\$ 381,789</u>
<u>Financial liabilities</u>		
<u>Financial liabilities at amortized cost</u>		
Short-term borrowings	\$ 133,636	\$ 124,555
Notes payable	100	11
Accounts payable (including related parties)	63,066	52,853

Other receivable (including related parties)s	82,141	44,222
	<u>\$ 278,943</u>	<u>\$ 221,641</u>
Lease liabilities	<u>\$ 23,331</u>	<u>\$ 1,299</u>

2. Financial risk management policies

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

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

(1) Interest rate risk:

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

(2) Foreign exchange risk:

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

(3) Credit risk:

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

3. Significant financial risks and degrees of financial risks

4. Market risk

Foreign exchange risk

- A. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and CNY. Exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- B. The Group's management formulated policies to manage exchange rate risks relative to the functional currency of the Group and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing inventories.
- C. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and some subsidiaries 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:

		2023/12/31		
		Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	\$	6,181	30.725	\$ 189,911
JPY: NTD		10,608	0.217	2,302
EUR: NTD		86	34.028	2,926
CNY: NTD		399	4.330	1,728
GBP:NTD		222	39.191	8,700
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	\$	543	30.725	\$ 16,684
USD:CNY		140	7.096	4,302

		2022/12/31		
		Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	5,107	30.720	\$ 156,887
JPY:NTD		4,175	0.2330	973
EUR:NTD		639	32.748	20,926
USD:CNY		102	6.964	3,133
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$	524	30.720	\$ 16,097
USD:CNY		367	6.964	11,274

- D. The total exchange gain(losses) (including realized and unrealized) resulting from significant currency fluctuations on all monetary items of the Group amounted to \$88 and \$(1,888) for the fiscal years 2023 and 2022, respectively.
- E. The analysis of the Group's foreign currency market risk due to material exchange rate fluctuations is as follows:

2023	
Sensitivity analysis	

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

2022			
<u>Sensitivity analysis</u>			
	Extent of change	Effect on income	Effect on other comprehensive income
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,569	\$ -
JPY:NTD	1%	10	-
EUR:NTD	1%	209	-
USD:CNY	1%	31	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 161	\$ -
USD:CNY	1%	113	-

Price risk

- A. The Group is exposed to equity instrument price risk because of investments classified as financial assets at fair value through profit or loss. To manage the price risk arising from investments in equity instruments, the Group has diversified its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments and open-end funds issued by

domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. As of 2023 and 2022, 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 NT\$915 and NT\$995, 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 \$40 and \$128, respectively, due to gains or losses from equity investments classified as fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Group's main interest rate risk arises from short-term borrowings with variable rates which expose the Group to cash flow interest rate risk. The risk is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2023 and 2022, the Group's borrowings at variable rate were denominated in the USD, JPY and TWD.
- B. Assuming all other factors remain constant, a 0.25% increase or decrease in borrowing interest rates would result in a decrease or increase of \$267 and \$249, respectively, in after-tax net profit for the fiscal years 2023 and 2022. This is primarily due to the variability of interest expense resulting from floating-rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.
- B. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Group is responsible for managing and analyzing the credit risk for its new clients before standard payment and delivery terms and conditions are offered. To control internal risk, the Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Group adopts the assumptions under IFRS 9. The Group determines that the default occurs when the contract payments were past due over 90 days based on the terms.
- D. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

- (1) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (2) The disappearance of an active market for that financial asset because of financial difficulties;
- (3) Default or delinquency in interest or principal repayments;
- F. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- G. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2023 and 2022, the Group had no recourse claims that had been written off.
- H.(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 \$35,470 and \$25,091 as of December 31, 2023 and 2022, respectively.
- (2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2023 and 2022 is as follows:

	Not yet due	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91 - 180 days past due	181 - 360 days past due	Over 360 days past due	Total
<u>2023/12/31</u>								
Expected loss rate	0%~0.58%	0.5%~8.60%	2%~34.91%	3%~79.89%	100%	100%	100%	
Total book value	\$ 39,480	\$ 1,561	\$ 578	\$ 5	\$ 73	\$ 462	\$ -	\$ 42,159
Loss allowance	\$ 230	\$ 132	\$ 199	\$ 4	\$ 73	\$ 462	\$ -	\$ 1,100
<u>2022/12/31</u>								
Expected loss rate	0%~0.43%	0.5%~4.02%	2%~13.19%	3%~92.33%	100%	100%	100%	
Total book value	\$ 70,037	\$ 4,624	\$ 1,178	\$ 1,352	\$ 156	\$ -	\$ 4,194	\$ 81,541
Loss allowance	\$ 299	\$ 175	\$ 133	\$ 335	\$ 156	\$ -	\$ 4,194	\$ 5,292

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

Notes and accounts receivable (including related parties)	
2023	2022

January 1	\$	5,292	\$	8,768
Provision(Reversal)of impairment loss	(15)		628
Amounts written off due to irrecoverability	(4,163)	(3,871)
Effect of exchange rate change	(14)	(233)
December 31	\$	1,100	\$	5,292

From the loss recognized in 2023 and 2022, the impairment losses (gains on recovery) for accounts receivables arising from customer contracts were (\$15)and \$628, respectively.

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

	2023/12/31			
	Lifetime			Total
	12 months	Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 68,840	\$ -	\$ -	\$ 68,840

	2022/12/31			
	Lifetime			Total
	12 months	Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 68,527	\$ -	\$ -	\$ 68,527

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

(3) Liquidity risk

- A. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group's financial department. Group's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- B. The Group's unused loan amount as of December 31, 2023 and 2022 was \$229,977 and \$223,874, respectively.
- C. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities			
2023/12/31	Within 1 year	1 to 2 years	2 to 5 years
Short-term borrowings	\$ 134,270	\$ -	\$ -
Notes Payable	100		
Accounts payable(including related parties)	63,066	-	-
Other payables(including related parties)	82,141	-	-
Lease liabilities	9,592	8,977	5,717
Non-derivative financial liabilities			
2022/12/31	Within 1 year	1 to 2 years	2 to 5 years
Short-term borrowings	\$ 125,490	\$ -	\$ -
Notes Payable	11		
Accounts payable(including related parties)	52,853	-	-
Other payables(including related parties)	44,222	-	-
Lease liabilities	676	531	133

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

(III) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for assets or liabilities, including all non-listed stocks

invested by the Group.

2. The fair value information of investment properties measured at cost is detailed in Note 6(10). Please refer to the note for details.
3. Financial instruments not measured at fair value
 The cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables (including related parties), long-term notes and accounts receivable and amounts due, deposits for guarantee (presented as other non-current assets), overdue receivable (presented as other non-current assets), short-term borrowings, notes payable, accounts payable (including related parties), and other payables (including related parties) of the Group are recorded at amounts that reasonably approximate their fair values
4. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

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

2023/12/31	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 91,526	\$ -	\$ -	\$ 91,526
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	4,000	4,000
Total	\$ 91,526	\$ -	\$ 4,000	\$ 95,526

2022/12/31	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 99,547	\$ -	\$ -	\$ 99,547
Financial assets measured at fair				

value through other comprehensive income				
Equity securities	-	-	12,800	12,800
Total	<u>\$ 99,547</u>	<u>\$ -</u>	<u>\$ 12,800</u>	<u>\$ 112,347</u>

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

A. The Group adopts quoted prices as inputs used to measure fair value (1st level), which are classified as follows based on the characteristics of the financial instruments:

	Shares of listed (OTC) companies	Open-end funds
Quoted market price	Closing market prices	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.

5. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

6. The following table illustrates the changes in Level 3 during 2023 and 2022:

	2023	2022
	Equity instruments	Equity instruments
At January 1	\$ 12,800	\$ -
Current purchases	-	12,800
Recognized in other comprehensive income (Note)	(674)	
Transfer out of Level 3	(8,126)	
At December 31	<u>\$ 4,000</u>	<u>\$ 12,800</u>

Note: Unrealized gains and losses on equity instrument investments measured at fair value through

other comprehensive income are listed.

In 2023, the transfer out of Level 3 involves the reclassification of Acrosser Technology Co.,LTD. equity investments previously categorized as Level 3. For further details, please refer to Note 6(7). There were no transfers into or out of Level 3 in 2022.

7. The Company's valuation process for financial instruments classified in the third level of fair value is conducted by the Finance and Accounting department. It involves independent fair value verification of the financial instruments, using data from independent sources to ensure that the valuation results reflect market conditions. The data sources are independent, reliable, consistent with other resources, and representative of executable prices. The department also regularly updates the input values and data required by the valuation models, as well as any necessary fair value adjustments, to ensure the reasonableness of the valuation results.
8. The quantifiable information on significant unobservable input values used in the valuation models for items classified in the third level of fair value measurement and the sensitivity analysis of significant unobservable input value changes are explained as follows:

	2023/12/31 Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)	Relationship between input and fair value
Non-derivative equity instruments					
Unlisted and non-OTC stocks	\$ 4,000	Discounted Cash Flow method	Note 1	Not applicable	Note 2

	2022/12/31 Fair value	Valuation techniques	Significant unobservabl e inputs	Range (weighted average)	Relationship between input and fair value
Non-derivative equity instruments					
Unlisted and non-OTC stocks	\$ 12,800	Discounted Cash Flow method	Note 1	Not applicable	Note 2

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

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

lower the fair value.

XIII. SUPPLEMENTARY DISCLOSURES

(I) Significant transactions information

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

(I) General information

The management of the Group has identified reporting segments based on the

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

(II) Measurement of segment information

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

(III) Segment Information

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

	2023				
	Taiwan	USA	Others	Write off	Total
External revenue	\$ 320,860	\$ 24,374	\$ 24,321	\$ -	\$ 369,555
Internal revenue	17,301	936	23,187	(41,424)	-
Segment revenue	<u>\$ 338,161</u>	<u>\$ 25,310</u>	<u>\$ 47,508</u>	<u>(\$ 41,424)</u>	<u>\$ 369,555</u>
Segment income (loss)	(\$ 13,573)	(\$ 14,157)	(\$ 3,494)	\$ -	(\$ 31,224)
Segment income (loss) includes:					
Depreciation and amortization	<u>\$ 9,171</u>	<u>\$ -</u>	<u>\$ 1,113</u>	<u>\$ -</u>	<u>\$ 10,284</u>

	2022				
	Taiwan	USA	Others	Write off	Total
External revenue	\$ 153,557	\$ 143,774	\$ 34,978	\$ -	\$ 332,309
Internal revenue	140,524	-	16,057	(156,581)	-
Segment revenue	<u>\$ 294,081</u>	<u>\$ 143,774</u>	<u>\$ 51,035</u>	<u>(\$ 156,581)</u>	<u>\$ 332,309</u>
Segment income (loss)	(\$ 66,826)	(\$ 8,617)	(\$ 6,391)	\$ -	(\$ 81,834)
Segment income (loss) includes:					
Depreciation and amortization	<u>\$ 6,287</u>	<u>\$ 10</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ 7,357</u>

Note: Inter-segment revenue has been written off to \$0.

(IV) Reconciliation for segment income (loss)

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

(V) Information on products and services

Please refer to Note 6, (19).

(VI) Geographical information

The Group's geographical information for 2023 and 2022 is as follows:

	2023		2022	
	Income	Non-current assets	Income	Non-current assets
Taiwan	\$ 195,907	\$ 243,204	\$ 107,254	\$ 219,004
Asia	16,921	1,679	59,572	1,725
America	124,559	-	144,150	-
Europe	29,728	-	20,805	-
Others	2,440	-	528	-
	<u>\$ 369,555</u>	<u>\$ 244,883</u>	<u>\$ 332,309</u>	<u>\$ 220,729</u>

(VII) Major customer information

The following is the Group' s major customer information for 2023 and 2022:

	2023	2022
Customer A	\$ 95,062	\$ 39,524
Customer B	86,927	111,945
	<u>\$ 181,989</u>	<u>\$ 151,469</u>

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Lending funds to others

January 1 to December 31, 2023

Table 1

Unit: NT\$ in thousands

(Unless Specified Otherwise)

Serial No. (Note 1)	Lending company	Loan recipient	Transaction item	Related party or not	Maximum amount of the current period (Note 3)	Ending balance	Actual drawdown amount	Interest rate range %	Loan nature (Note 4)	Business transaction amount	Reason for short-term financing	Provision for bad debts	Collateral		Loans and limits to individual objects (Note 7)	Loans and total limit (Note 7)	Remark
													Name	Value			
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	Other receivables - related parties	Yes	\$ 9,929	\$ -	\$ -	2.21%	Business dealings	\$ 122,490	-	\$ -	None	\$ -	\$ 122,490	\$ 118,548	None
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS ELECTRONICS CORP.	Other receivables - related parties	Yes	\$ 57,553	\$ 57,553	\$ 57,553	2.21%	Financing	\$ -	Operation turnover	\$ -	None	\$ -	\$ 59,274	\$ 118,548	None

Note 1: The description of the number column is as follows:

- (1). Fill in 0 for the issuer.
- (2). Investee companies are numbered in sequence in each company type starting from Arabic numeral 1.

Note 2: This field shall be filled in for accounts receivable from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc., if the nature is lending funds to others.

Note 3: The maximum balance of lending funds to others in the current year.

Note 4: The nature of the lending funds to other shall be filled in if it is a business transaction or if there is a need for short-term financing.

Note 5: Where the nature of the lending funds to other is a business transaction, the amount of the business transaction shall be filled in. The business transaction amount refers to the amount of business transactions between the lending company and the borrowing object in the most recent year.

Note 6: If the nature of the lending funds to other is necessary for short-term financing, the reason for the loan and the purpose of the loan borrower shall be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: (1) For lending funds to companies or firms with which the Company has business transactions, the total loan amount shall not exceed 20% of the Company's net value; and the amount of individual loans shall not exceed the amount of business transactions between the two parties in the most recent year. The business transaction amount refers to the higher of the purchase or sale amount between the parties.

- (2) For lending funds to companies or firms with short-term financing needs, the total amount of such lending shall not exceed 20% of the Company's net value; the amount of individual lending shall not exceed 10% of the Company's net value.

Note 8: If a public company submits its lending to the board of directors' meeting for resolution one by one in accordance with paragraph 1, Article 14 of the Regulations Governing Lending Funds to Others and Making of Endorsements Guarantees by Public Companies, the amount of the resolution of the board of directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out; If the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the board of directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the board of directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the board of directors' meeting shall still be used as the balance for the public announcement and declaration.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Endorsements for others

January 1 to December 31, 2023

Table 2

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Serial No. (Note 1)	Name of Endorserment / guarantor company	Counterparty of guarantee and endorsement Company name	Relationship (Note 2)	Limitation on amount of guarantees and endorsements for one party (Note 3)	Maximum balance of endorserments / guarantees in the current period (Note 4)	Ending balance of endorserments and guarantees (Note 5)	Actual drawdown amount (Note 6)	Endorserment / guarantee amount secured by property	Ratio of accumulated endorserments / guarantees amount to the net value in the latest financial statements	Maximum endorserment / guarantee amount (Note 3)	Parent company endorserment / guarantees to others on behalf of subsidiary (Note 7)	Subsidiary endorserment / guarantees to others on behalf of parent company (Note 7)	Endorserments / guarantees to others on behalf of company in Mainland China (Note 7)	Remark
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	2	\$ 177,823	\$ 32,618	\$ 32,618	\$ 29,573	\$ 32,618	5.50	\$ 296,371	Y	N	N	
0	EVERFOCUS ELECTRONICS CORP.	EVERFOCUS JAPAN CORP.	2	177,823	21,745	21,745	16,526	21,745	3.67	296,371	Y	N	N	
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	2	177,823	46,088	46,088	1,536	46,088	7.78	296371	Y	N	N	

Note 1: The description of the number column is as follows:

- (1). Fill in 0 for the issuer.
- (2). Investee companies are numbered in sequence in each company type starting from Arabic numeral 1.

Note 2: There are 6 kinds of relations between the endorsement / guarantor and the endorsed / guaranteed indicated as follows:

- (1). A company with business contacts.
- (2). A company with more than 50% of its voting shares held by the Company.
- (3). The total common stock held by the parent and the subsidiary exceeds 50% of the investee company.
- (4). Parent company that directly holds or indirectly holds through its subsidiaries more than 50% of the total common stock.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry for the purpose of contracting the project.
- (6). A company that has been endorsed / guaranteed by the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

Note 3: The Company's endorsement / guarantee limits for individual counterparty and the maximum endorsement / guarantee limits stipulated in the procedures for endorsement / guarantee for others.

- (1) The limit of endorsement and guarantee provided to a single party shall not exceed 20% of the Company's net value, except that for a single overseas affiliate, the limit shall not exceed 30% of the net value.

If the endorsement and guarantee is for business purposes, it shall not exceed the total amount of transactions with the Company in the most recent year (whichever is the higher of purchase or sale between the two parties).

- (2) The total amount of external endorserments / guarantees shall not exceed 50% of the Company's net value.

Note 4: The maximum balance of Endorserments for others in the current year.

Note 5: The Company shall assume the obligation of endorserment or guarantee when the endorserment or guarantee contract or note lines are approved by the bank at the end of the period. Any other related endorserment or guarantee should be included in the endorserment or guarantee balance.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorserments / guarantees shall be entered.

Note 7: For the parent company providing endorserment guarantees to its subsidiary, for the subsidiary providing endorserment guarantees to the parent company, and for endorsers from mainland China, please indicate "Y" in the respective columns.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures)
31-Dec-23

Table 3

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Holding company	Type and name of securities		Relationship with the securities issuer	General ledger account	As of December 31, 2023				
	Type	Name (Note 1)			Number of shares	Carrying amount (Note 2)	Shareholding percentage	Fair value	Remark
EVERFOCUS ELECTRONICS CORP.	Stock	MACHVISION, INC.	-	Financial assets at fair value through profit or loss - current	150,000	\$ 32,775	0.26%	\$ 32,775	None
"	"	Taiwan Semiconductor Manufacturing Co., Ltd.	-	"	25,000	14,825	-	14,825	"
"	"	ONENESS BIOTECH CO., LTD.	-	"	60,000	11,670	0.01%	11,670	"
"	"	TOP UNION ELECTRONICS CORP.	-	"	320,000	10,432	0.23%	10,432	"
"	"	Castles Technology Co., Ltd.	-	"	20,000	2,480	0.02%	2,480	"
"	"	Advantech Co., Ltd.	-	"	52,000	19,344	0.01%	19,344	"
						<u>\$ 91,526</u>		<u>\$ 91,526</u>	
EVERFOCUS ELECTRONICS CORP.	Stock	AREC INC.	other related parties	Financial assets at fair value through profit or loss - non currentnon current	400,000	<u>4,000</u>	2.64%	<u>4,000</u>	Note 3
						<u>\$ 4,000</u>		<u>\$ 4,000</u>	

Note 1: The term "securities" in this table refers to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 "Financial instruments."

Note 2: For those measured at fair value, the column for the carrying amount should be the balance of the carrying amount after fair value adjustment and net of accumulated impairment. For those who are not measured at fair value, the column for the carrying amount should be the carrying amount of the initial acquisition cost or amortized cost less accumulated impairment.

Note 3: The company changed its manager on November 9, 2023. Therefore, starting from that day, they will be recognized as another related party of the company.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
Business relations and important transactions between the parent and the subsidiaries and the amounts
January 1 to December 31, 2023

Table 4

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Serial No. (Note 1)	Name of transaction party	Transaction counterparty	Relationship with the counterparty (Note 2)	Transaction situation			
				Account name	Amount	Terms of transaction	Percentage of the total consolidated revenue or total assets (Note 3)
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	1	Accounts receivable	\$ 6,225	Credit on180 days	0.68%
"	"	"	"	Sales	8,659	"	2.34%
"	"	"	"	Accounts payable	2,904	Credit on 60 days	0.32%
"	"	"	"	Purchases	2,752	"	0.74%
"	"	"	"	Other receivables- related parties	57,553	Lending funds	6.32%
"	"	"	"	Service fees	4,911	Credit on 60 days	1.33%
"	"	EverFocus Electronics (Shenzhen) Co., Ltd.	"	Accounts receivable	4,317	Credit on180 days	0.47%
"	"	"	"	Sales	6,568	"	1.78%
"	"	"	"	Accounts payable	1,356	Credit on 60 days	0.15%
"	"	"	"	Purchases	18,247	"	4.94%
"	"	"	"	Service fees	1,176	"	0.32%
"	"	EVERFOCUS JAPAN CORP.	"	Accounts receivable	1,665	Credit on180 days	0.19%
"	"	"	"	Sales	2,074	"	0.56%
1	EverFocus Electronics (Shenzhen) Co., Ltd.	EVER FOCUS ELECTRONICS CORP.	3	Sales	1,557	"	0.42%

Note 1: The business information between the parent company and the subsidiaries shall be indicated in the number column, and the number shall be filled in as follows:

(1).Fillin0fortheparentcompany.

(2).SubsidiariesarenumberedinsequenceineachcompanytypestartingfromArabicnumeral1.

Note 2: There are three types of relationship with the trading party; just indicate the type (There is no need to disclose repeatedly if the same transaction occurs between the parent and subsidiary or between subsidiaries). For example, if a parent company has disclosed a transaction with a subsidiary, the subsidiary does not need to disclose the same transaction. If a subsidiary has disclosed a transaction with another subsidiary, the other one does not need to disclose it repeatedly):

(1). Represents parent company to subsidiary transactions.

(2). Represents subsidiary to parent transactions.

(3). Represents transactions between subsidiaries.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if it belongs to the account of assets and liabilities, it shall be calculated in the way that the ending balance accounts for the total consolidated assets; if it belongs to the account of income, it shall be calculated in the way that the accumulated amount in the period accounts for the total consolidated revenue.

Note 4: Individual transactions less than \$1,000 will not be disclosed; in addition, the asset income is used as the disclosure method, and its relative transactions will not be disclosed.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
information on investees (excluding the investees in Mainland China)
January 1 to December 31, 2023

Table 5

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Name of Investor	Name of investee	Location	Main business items	Initial investment amount		Holding at the end of the period			Current income	Investment	Remark
				End of the period	End of last year	Number of shares	Ratio (%)	Carrying amount	(loss) of the	Income (loss)	
EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	U.S.A.	Selling products and providing customer service for the Company	\$ 93,941	\$ 93,941	8,934,000	100	(\$ 70,971)	(\$ 14,157)	(\$ 14,157)	Subsidiary of the Company
"	EVERFOCUS JAPAN CORP.	Japan	Selling products and providing customer service for the Company	35,697	35,697	200	100	(46,401)	(1,532)	(1,532)	Subsidiary of the Company
"	EVERHIGHLIGHT TECHNOLOGY CORP.	Taiwan	Manufacture and sale of optical electronic devices	-	5,000	-	-	-	(81)	(81)	Subsidiary of the Company and Note 1
"	EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	India	Selling the company's products and dealing with CCTV related software and hardware	-	22,068	2,128,149	75	-	-	-	The Company's investees accounted for using the equity method and Note 2
"	EVERFOCUS ELECTRONICS (EUROPE) GMBH	Germany	Selling products and providing customer service for the Company	-	111,610	-	-	-	-	-	Subsidiary of the Company and Note 3
"	EVERFOCUS ELECTRONICS LIMITED.	UK	Selling products and providing customer service for the Company	45,212	47,743	-	-	-	-	-	Subsidiary of the Company and Note 4
"	Acrosser Technology Co.,LTD.	Taiwan	Selling or rental of computer products, peripherals, and information-related products from domestic and international manufacturers	18,000	8,800	1,800,000	15.25	17,884	5,890	558	The Company's investees accounted for using the equity method

Note 1: EVERHIGHLIGHT TECHNOLOGY CORP. filed for dissolution and liquidation with the local court on December 27, 2023. Consequently, this company no longer recognizes the investment (losses) gains related to that company from that date onward.

Note 2: 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.

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

Note 4: EVERFOCUS ELECTRONICS LIMITED. filed for liquidation in 2013. Consequently, the Company no longer recognizes the investment (losses) gains related to that company from 2013. EVERFOCUS ELECTRONICS LIMITED. repatriated a portion of the liquidation proceeds amounting to GBP50,969.89 in August, 2023.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
Basic Information on investment in Mainland China
January 1 to December 31, 2023

Table 6

Unit: NT\$ in thousands
(Unless Specified Otherwise)

Investee in Mainland China	Main business items	Paid-in capital (Note 2)	Investment Method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 (Note 3)	Amount remitted from Taiwan to Mainland China Amount remitted back to Taiwan for this period		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 3)	Net profit (loss) of the investee for this period	Percentage of shares held by the Company (direct or indirect)	Investment gains losses recognized for the current period (Note 4)	Carrying amount of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Remark
					Remitted from Taiwan	Remitted back to Taiwan							
EverFocus Electronics (Shenzhen) Co., Ltd.	Develop, manufacture and sell surveillance equipment	\$ 64,748	Note 1	\$ 64,748	\$ -	\$ -	\$ 64,748	(\$ 1,881)	100%	(\$ 2,881)	\$ 8,456	\$ -	

Note 1: Invested in Mainland China by other remittances.

Note 2: That Company's paid-in capital was RMB15,119 thousand in original currency.

Note 3: The accumulated amount of remittance from Taiwan to Mainland China in original currency at the beginning and end of the period were both US\$2,050 thousand.

Note 4: The investment gains or losses recognized in the current period were evaluated and disclosed in accordance with the financial statements audited by the parent company's accountants in Taiwan.

2. The limit for investing in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (Note 2)	The investment limit in Mainland China is in accordance with the rules set by the Investment Commission of the Ministry of Economic Affairs.
EVERFOCUS ELECTRONICS CORP.	\$ 64,748	\$ 64,748	355,645

Note 1: The accumulated amount of remittance from Taiwan to Mainland China in original currency was US\$2,050 thousand at the end of the period.

Note 2: The amount of investment approved by the Investment Commission of the Ministry of Economic Affairs is US\$2,050 thousand.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES
Major shareholders information
31-Dec-23

Table 7

Major Shareholders	Number of shares held	Shares	Shareholding percentage (%)
Yung-Shun Chuang	10,655,686		15.95%
LCL CAPITAL INC.	3,768,021		5.64%
Chia-Ming Huang	3,540,485		5.30%

Note 1: The major shareholder information in this table is based on the Central Depository's record of common shares and special shares of the Company (including treasury shares) held by shareholders, which reached 5% or more on the last business day at the end of the quarter. There may be a difference between the number of shares recorded in the Company's consolidated financial statements and the number of shares actually delivered for scripless registration due to a different calculation basis.

Note 2: If the above information is about the shareholder delivered the shares to the trust, it shall be disclosed as individual subaccounts of the trustee who opened the trust account. As for the shareholders who report their insider shares in excess of 10% under the Securities and Exchange Act, the insider shares include their own shares plus shares held in a trust with discretionary power over the trust property. Please refer to the Market Observation Post System for information on insider ownership reporting.