

EVERFOCUS ELECTRONICS CORP.  
Parent Company Only Financial Statements  
With Independent Auditor's Report  
December 31, 2023 and 2022  
(Stock Code: 5484)

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EVERFOCUS ELECTRONICS CORP.

Parent Company Only Financial Statements

With Independent Auditor's Report December 31, 2023 and 2022

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## Independent Auditors' Report

(2024) Financial Audit Report No. 23004495

The Board of Directors and Shareholders of EVERFOCUS ELECTRONICS CORP.

### Opinion

We have audited the accompanying separate company only financial statements of EVERFOCUS ELECTRONICS CORP. (the "Everfocus"), which comprise the separate company only balance sheets as of December 31, 2023 and 2022 and the separate company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the separate company only financial statements (including a summary of significant accounting policies) of 2023 and 2022.

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 separate financial statements present fairly, in all material respects, the separate financial position of Everfocus as of December 31, 2023 and 2022, and its financial performance and its 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".

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the audit of the separate financial statements section of our report. We are independent of Everfocus in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 separate company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the separate company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 separate company only financial statements are stated as follows:

#### Existence for incorporating the revenues

##### Description

Please refer to Note 4(29) to the separate company only financial statements for the accounting policy on revenue recognition and Note 6(18) to the separate company only financial statements for the description of operating income items.

Everfocus'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.

##### 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 Everfocus's internal control system.
2. Obtaining and sampling relevant documents, such as sales invoices, to confirm that customers have taken control of the goods and assumed the risks of the goods before recognizing revenue.

### **Accounting estimate of inventory valuation**

#### Description

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

Everfocus'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. Everfocus 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, Everfocus readily adjusts its stocking demands, with significant inventory balances. In addition, given high uncertainty from the management's subjective estimates on the net realizable value used in evaluating obsolete inventories, the allowance for inventory devaluation is listed as one of the key audit matters.

#### Audit procedures for the key audit matter

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

1. Assessing the policy of allowance for inventory impairment with the understanding of Everfocus'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 other matters.

### **Other matters – reference to the audits of other independent auditors**

We did not audit the financial statement of certain investments accounted for under equity method. These investments accounted for under equity method amounted to \$17,884 thousand, constituting 1.87% of total assets as of December 31, 2023, and the comprehensive income (loss) of subsidiaries, associates, and joint ventures accounted for under equity method amounted to \$558 thousand, constituting for( 1.26% ) of total comprehensive income for the years ended December 31, 2023. The financial statements of these investments accounted for under equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Separate Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted 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 separate company only financial statements.

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

1. Identify and assess the risks of material misstatement of the separate company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of EverFocus Electronics Corp.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate company only financial statements, including the disclosures, and whether the separate company only financial statements

- represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within EverFocus Electronics Corp to express an opinion on the separate company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate company only 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.

PwC Taiwan  
Certified Public Accountant

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.**  
Separate company only Balance Sheets  
For December 31, 2023 and 2022

Unit: NT\$ thousands

Assets	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 100,364	11	\$ 55,057	6
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	7	68,527	8
1150	Notes receivable, net	6(4)	992	-	4,061	1
1170	Accounts receivable, net	6(4)	41,320	4	50,,559	6
1180	Accounts receivable - related party, net	6(4) and 7	26,138	3	47,452	5
1200	Other receivables		1,945	-	1,443	-
1210	Other receivables - related parties	7	100,209	10	273	-
130X	Inventories	6(5)	117,573	12	135,345	16
1470	Other current assets		18,780	2	10,782	1
11XX	<b>Total current assets</b>		<u>567,780</u>	<u>59</u>	<u>473,046</u>	<u>54</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through Other comprehensive income or loss	6(6)	4,000	1	12,800	2
1550	Investments accounted for using equity method	6(7)	26,340	3	11,779	1
1600	Property, plant and equipment	6(8) and 8	9,668	1	132,462	15
1755	Right-of-use asset	6(9)	21,944	2	-	-
1760	Investment property, net	6(10) and 8	211,592	22	86,542	10
1840	Deferred income tax assets	6(25)	74,266	8	92,019	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	29,982	3	45,886	5
15XX	<b>Total non-current assets</b>		<u>389,906</u>	<u>41</u>	<u>397,623</u>	<u>46</u>
1XXX	<b>Total assets</b>		<u>\$ 957,592</u>	<u>100</u>	<u>\$ 870,669</u>	<u>100</u>

(Continued)

The accompanying notes are an integral part of the parent company only financial statements.

Chairman :



President :



Accounting Officer :



  
**EVERFOCUS ELECTRONICS CORP.**  
**Separate company only Balance Sheets**  
**For December 31, 2023 and 2022**

Unit: NT\$ thousands

Liabilities and Equity	Note	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
<b>Current Liabilities</b>						
2100	Short-term borrowings	6(12)	\$ 86,000	9	\$ 30,000	3
2130	Contract liabilities - current	6(19)	4,961	1	5,485	1
2150	Notes payable		100	-	-	-
2170	Accounts payable		52,656	6	49,872	6
2180	Payables to related parties	7	10,487	1	2,,491	-
2200	Other payables	6(13)	22,690	2	22,200	3
2220	Other payables-related parties	7	39,916	4	-	-
2250	Provisions - current		1,014	-	1,699	-
2280	Lease provision-current		8,091	1	-	-
2300	Other current liabilities		2,708	-	5,544	1
21XX	<b>Total current liabilities</b>		<u>228,623</u>	<u>24</u>	<u>117,291</u>	<u>14</u>
<b>Non-current liabilities</b>						
2550	Provisions - noncurrent		558	-	4,990	1
2570	Deferred income tax liabilities	6(25)	3,371	-	2,802	-
2580	Lease liabilities-non current		13,937	2	-	-
2645	Guarantee deposits		988	-	972	-
2650	Credit balance of investments accounted for using the equity method	6(7)	117,372	12	107,682	12
25XX	<b>Total non-current liabilities</b>		<u>136,226</u>	<u>14</u>	<u>116,446</u>	<u>13</u>
2XXX	<b>Total liabilities</b>		<u>364,849</u>	<u>38</u>	<u>233,737</u>	<u>27</u>
<b>Equity</b>						
Capital stock						
3110	Ordinary share	6(16)	668,010	70	668,010	77
3140	collected in advance		-	-	-	-
Capital Surplus						
3200	Capital Surplus	6(17)	55,312	6	55,312	6
Deficit to be offset						
3350	Deficit to be offset	6(18)	( 158,023)	(17)	( 110,651)	(13)
Other equity items						
3400	Other equity items		27,444	3	24,261	3
3XXX	<b>Total equity</b>		<u>592,743</u>	<u>62</u>	<u>636,932</u>	<u>73</u>
Significant contingent liabilities and unrecognized commitments						
3X2X	<b>Total Liabilities and Equity</b>	9	<u>\$ 957,592</u>	<u>100</u>	<u>\$ 870,669</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Chairman :



President :



Accounting Officer :



  
**EVERFOCUS ELECTRONICS CORP.**  
**SEPARATE COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**For January 1 to December 31, 2023 and 2022**

Unit: NT\$ thousands  
(Except Losses Per Share)

Item	Note	2023		2022	
		Amount	%	Amount	%
4000 Operating income	6(19) and 7	\$ 338,161	100	\$ 294,081	100
5000 Operating cost	6(5)(23) (24) and 7	( 274,098)	( 81)	( 225,647)	( 77)
5900 Operating gross profit		64,063	19	68,434	23
5910 Unrealized loss(profit) on sales		2,800	1	( 3,000)	( 1)
5950 Net operating margin		66,863	20	65,434	22
Operating expense	6(23)(24) and 7				
6100 Selling expense		( 42,438)	( 13)	( 31,960)	( 11)
6200 General and administrative expenses		( 31,096)	( 9)	( 27,690)	( 9)
6300 Research and development expense		( 47,573)	( 14)	( 43,,558)	( 15)
6450 Expected credit impairment gains	7 and 12(2)	( 607)	-	( 115)	-
6000 Total operating expenses		( 121,714)	( 36)	( 103,323)	( 35)
6900 Operating loss		( 54,851)	( 16)	( 37,889)	( 13)
Non-operating income and expenses					
7100 Interest income	6(3)	4,619	1	998	1
7010 Other income	6(20)	13,765	4	8,923	3
7020 Other gains and losses	6(21)	22,371	7	( 34,405)	( 12)
7050 Finance costs	6(22)	( 1,083)	-	( 546)	-
7055 Expected credit( loss)profit	7	2,048	-	( 5,007)	( 2)
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method	6(7)	( 18,,093)	( 5)	( 13,908)	( 5)
7000 Non-operating income and expenses		23,627	7	( 43,945)	( 15)
7900 <b>Loss before income tax</b>		( 31,224)	( 9)	( 81,834)	( 28)
7950 Income tax (expense) benefit	6(25)	( 17,753)	( 5)	1,895	1
8200 <b>Net loss for the period</b>		<u>( \$ 48,977)</u>	<u>( 14)</u>	<u>( \$ 79,939)</u>	<u>( 27)</u>
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Gains on remeasurements of defined benefit plans	6(14)	\$ 2,848	1	\$ 2,812	1
8316 Unrealized gains or losses on equity investments measured at fair value through other comprehensive income	6(6)	( 674)	( 1)	-	
8349 Income tax related to components that will not be reclassified to profit or loss	6(25)	( 569)	-	( 563)	( 1)
8310 Total components of other comprehensive income that will not be reclassified to profit or loss		1,605	-	2,249	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Exchange differences arising on translation of foreign operations		3,183	1	( 3,508)	( 1)
8360 Total components of other comprehensive income that will be reclassified to profit or loss		3,183	1	( 3,508)	( 1)
8300 <b>Net other comprehensive income</b>		<u>\$ 4,788</u>	<u>1</u>	<u>( \$ 1,259)</u>	<u>( 1)</u>
8500 <b>Total comprehensive income (loss) for the period</b>		<u>( \$ 44,189)</u>	<u>( 13)</u>	<u>( \$ 81,198)</u>	<u>( 28)</u>
Basic/Diluted Losses Per Share					
9750 Basic/Diluted Losses Per Share	6(26)	( \$ 0.73)		( \$ 1.26)	
Diluted losses per share					
9850 Diluted losses per share	6(26)	( \$ 0.73)		( \$ 1.26)	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman :



President :



Accounting Officer :



**EVERFOCUS ELECTRONICS CORP.**  
**SEPARATE COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**As of January 1 to December 31, 2023 and 2022**




Unit: NT\$ thousands

	Note	Capital Surplus			Deficit to be offset	Other equity		Total equity
		Common share capital	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	
2022								
BALANCE, JANUARY 1, 2022		\$534,010	\$-	\$-	( \$32,921 )	\$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		\$668,010	\$55,051	\$261	( \$110,651 )	\$24,261	\$-	\$636,932
2023								
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)	-	-	261	( 674 )	-	-	-
BALANCE, DECEMBER 31, 2023		\$668,010	\$55,051	\$261	( \$158,023 )	\$27,444	\$-	\$592,743

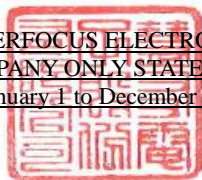
The accompanying notes are an integral part of the parent company only financial statements.

Chairman : 

President : 

Accounting Officer : 

**EVERFOCUS ELECTRONICS CORP.**  
**SEPARATE COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**As of January 1 to December 31, 2023 and 2022**



Unit: NT\$ thousands

	Note	For January 1 to December	For January 1 to
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net loss before income tax		( \$ 31,224 )	( \$ 81,834 )
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(10)(23)	7,388	4,802
Amortization expense	6(23)	1,783	1,485
Expected credit (Gain) loss	7 and 12(2)	( 1,441 )	5,122
Loss(Gain) on financial instruments at fair value through profit or loss, net	6(2)(21)	( 22,297 )	32,289
Finance costs	6(9)(12)(22)	1,083	546
Interest income		( 4,619 )	( 998 )
Dividend income	6(20)	( 1,610 )	( 2,378 )
Stock-based compensation cost	6(15)	-	2,312
Share of (gain) loss of associates and joint ventures accounted for using equity method	6(7)	18,093	13,908
Unrealized loss on sales		( 2,800 )	3,000
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		3,069	( 2,884 )
Accounts receivable		12,653	30,478
Receivable from related parties		21,315	37,742
Other receivables		( 648 )	( 714 )
Other receivables-related parties		( 42,038 )	114
Inventories		( 17,772 )	( 56,602 )
Other current assets		( 7,998 )	( 5,542 )
Other non-current assets		338	( 2,536 )
Changes in operating liabilities			
Contract liabilities		( 524 )	( 4,422 )
Notes payable		100	-
Accounts payable		2,784	20,664
Accounts payable- related parties		7,996	( 804 )
Other payables		490	155
Other payables- related parties		39,916	-
Provisions		( 5,117 )	( 1,266 )
Other current liabilities		( 2,836 )	3,261
Cash flows generated by (used in) operations		41,978	( 142,806 )
Interest received		4,619	998
Dividends received		1,756	2,598
Interest paid		( 1,083 )	( 546 )
Net cash flows generated by (used in) operating activities		47,270	( 139,756 )
<b><u>Cash flows from investing activities</u></b>			
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)	( 8,655 )	( 1,251 )
Disposal of investments accounted for using the equity method	6(7)and 7	22,470	-
Increase in other receivables from related parties	7	( 57,533 )	-
Acquisition of intangible assets		( 1,211 )	( 1,646 )
(Increase) decrease in refundable deposits		( 1,030 )	674
Net cash flows generated by (used in) investing activities		( 55,524 )	( 37,807 )
<b><u>Cash flows from financing activities</u></b>			
Increase(decrease) in short-term borrowings	6(28)	56,000	( 35,000 )
Repayment of lease principal	6(28)	( 2,455 )	-
Guarantee deposits received		16	98
Cash Capital Increase	6(16)	-	187,000
Net cash generated by financing activities		53,561	152,098
Increase (decrease) in cash and cash equivalents		45,307	( 25,465 )
Cash and cash equivalents at beginning of period		55,057	80,522
Cash and cash equivalents at end of period		\$ 100,364	\$ 55,057

The accompanying notes are an integral part of the parent company only financial statements.

Chairman :



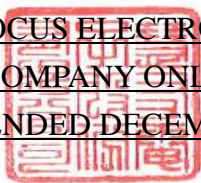
President :



Accounting Officer :



EVERFOCUS ELECTRONICS CORP.  
NOTES TO SEPARATE COMPANY ONLY 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 Everfocus or the Company) was established in the Taiwan. The Company is engaged in the design, manufacture, installation, sales and import/export of all kinds of surveillance products such as video processors and electronic cameras. The Company's shares were 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 Separate Financial Statements

These separate financial statements 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”)

Standards or interpretations issued, revised or amended by IASB which are endorsed by FSC at 2023 are listed below:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
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 company’s financial condition and financial performance based on the company’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 Arrangements”	January 1, 2024

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

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

Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are as below:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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 Company’s financial condition and financial performance based on the Company’s assessment.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 separate financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. Except for the following significant items, these separate 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 Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the separate financial statements are disclosed in Note 5.

(III) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The separate financial statements are presented in “New Taiwan Dollars (NTD)”, which is the Company’s functional and presentation currency.

1. Foreign currency transactions and balances

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

## (IV) Classification of current and non-current items

### 1. Assets that meet one of the following criteria are classified as current assets:

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

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

### 2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (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 Company classifies all liabilities that do not meet the above criteria as non-current liabilities.

(V) Cash equivalents

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

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

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

(VII) Financial assets 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 Company 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 Company 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.

(VIII) Financial assets at amortized cost

1. Financial assets at amortized cost are those that meet all the following criteria:

- (1) The objective of the Company's business model is achieved by collecting contractual cash flows.
- (2) The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. Time deposits held by the Company that do not meet cash equivalents criteria are measured at the amount invested due to the short holding period and the effect of discounting is not significant.

(IX) Accounts and notes receivable

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

(X) Impairment of financial assets

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.

(XI) Derecognition of financial assets

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

(XII) Operating leases (lessor)

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

(XIII) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw

materials, direct labor, other direct costs and related production overheads (allocated based on actual operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

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

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
4. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
5. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
6. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
7. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also

eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

8. When the Company disposes of an associate and loses significant influence over the associate, any amounts previously recognized in other comprehensive income related to the associate are accounted for in the same manner as if the Company were to dispose of the relevant assets or liabilities directly. This means that any gains or losses previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of the relevant assets or liabilities if the Company loses significant influence over the associate. However, if the Company still has significant influence over the associate, any amounts previously recognized in other comprehensive income will be transferred out on a proportionate basis as described above.
9. According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit (loss) and other comprehensive income in the separate financial statements should be the same as the amount attributable to the owners of the separate in the financial statements prepared on a consolidated basis. The owners' equity in the individual financial statements should be the same as the equity attributable to the owners of the separate in the financial statements prepared on a consolidated basis.

(XV) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Except for land which 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. If each component of property, plant and equipment is significant, it should be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of the financial reporting period. 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 economic lives of various assets are as follows:

Buildings and structures	55 years
Leasehold Improvements	2 to 6 years
Machinery and equipment	2 to 6 years
Transportation equipment	6 years
Other equipment	3 to 6 years

(XVI) Lease Transactions - Right-of-Use Assets / Lease Liabilities of the Lessee

1. Leased assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When lease contracts are short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. The lease liability is recognized on the lease commencement date at the present value of the lease payments yet to be paid using the incremental borrowing rate of the Group. Lease payments include fixed payments, net of any lease incentives receivable.

The subsequent measurement is done using the effective interest method based on the amortized cost. Interest expense is recognized over the lease term. When changes in lease term or lease payments occur that are not considered lease modifications, the lease liability is reassessed, and the remeasurement amount adjusts the right-of-use asset.

3. The right-of-use asset is recognized at cost on the lease commencement date. The cost includes:
  - (1) The original measurement amount of the lease liability; and
  - (2) Any initial direct costs incurred.

Subsequently, the assets are measured at cost, and depreciation expense is recognized upon the earlier of the asset's useful life reaching its end or the lease term's expiration. When the lease liability is reassessed, any remeasurement amount adjusts the right-of-use asset.

4. For lease modifications that reduce the scope of the lease, the lessee reduces the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes the difference between this amount and the remeasurement amount of the lease liability in profit or loss.

(XVII) Investment property

An investment property is stated initially at its cost and measured subsequently using the

cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 55 years.

(XVIII) 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.

(XIX) Impairment of non-financial assets

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

(XX) Borrowings

These are short-term 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.

(XXI) Notes and accounts payable

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

(XXII) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(XXIII) Provisions

Provisions (including warranty) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the

obligation can be reliably estimated. Provisions 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.

(XXIV) Employee benefits

1. Short-term employee benefits

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

2. Pensions

(1) Defined contribution plan

For 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 Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

C. 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 Company calculates the number of shares based on the closing price at the previous day of the Board meeting resolution.

(XXV) 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.

(XXVI) 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 Company and its subsidiaries 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 separate 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 Company 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.

(XXVII) 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.

(XXVIII) 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.

(XXIX) Revenue recognition

1. Sales of goods

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

## 2. Services revenue

The Company provides equipment installation 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.

### (XXX)Government subsidy

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

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

The preparation of these separate company only financial statements requires management to make critical judgements in applying the Company'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 Company 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 Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. This valuation of inventories is based on 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 is NT\$117,573.

## 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 Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, 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 Company recognized deferred income tax assets of \$74,266.

## 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	\$ 316	\$ 354
Checking accounts and demand deposits	72,395	45,180
Time deposits	27,653	9,523
Total	<u>\$ 100,364</u>	<u>\$ 55,057</u>

1. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. Regarding the situation where the Company provides cash and cash equivalents as collateral, please refer to Note 8.

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

<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)

2. The Company does not have financial assets measured at fair value through profit or loss provided as collateral.

(III) Financial assets at amortized cost

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

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

	<u>2023</u>	<u>2022</u>
Interest income	\$ 2,600	\$ 463

2. Regardless of any collateral held or other credit enhancements, the maximum exposure to the credit risk of financial assets at amortized cost as of December 31, 2023 and 2022 were NT\$68,840 and NT\$68,527, respectively.
3. The Company pledged its financial assets measured at amortized costs, please refer to Note 8.
4. Please refer to Note 12 for information on the credit risk of financial assets measured at amortized cost, The Company invests in fixed deposits with financial institutions of good credit quality, and expects that the probability of default is very low.

(IV) Notes and accounts receivable

	<u>2023/12/31</u>	<u>2022/12/31</u>
Notes receivable	\$ 992	\$ 4,061
Accounts receivable	\$ 38,053	\$ 50,881
Receivables from related parties	26,137	47,452
Installment receivables	4,228	4,228
Less: Unrealized interest income - installment receivables	( 207 )	( 265 )
Less: Loss allowance	( 754 )	( 4,285 )
	<u>\$ 67,457</u>	<u>\$ 98,011</u>
Long-term installment receivables	\$ 12,380	\$ 16,609
Less: Unrealized interest income - long-term installment receivables	( 266 )	( 474 )
	<u>\$ 12,114</u>	<u>\$ 16,135</u>

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	\$ 77,551	\$ 110,484
Up to 30 days	1,374	1,172
31 to 60 days	1,784	7,380
61 to 90 days	755	57
91 to 180 days	37	-
181 to 360 days	289	-
Over 360 days	-	4,138
	<u>\$ 81,790</u>	<u>\$ 123,231</u>

The above ageing analysis was based on past due date.

2. The Company does not hold any collateral over the accounts and notes receivables.
3. Accounts receivable and notes receivable as of December 31, 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 \$52,478,\$1,090 ,and \$4,170, 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\$992 and NT\$4,061 respectively, and the maximum exposure to the credit risk of accounts receivable as of December 31, 2023 and 2022were NT\$79,571 and NT\$114,146, respectively.
5. Please refer to Note 12(2) for information on the credit risk of notes and accounts receivable.

(V) Inventories

	2023/12/31		
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw materials	\$ 94,822	( \$ 59,908 )	\$ 34,914
Semi-finished goods	21,875	( 8,178 )	13,697
Work in progress	34,073	( 159 )	33,914
Finished goods	46,725	( 22,437 )	24,288
Merchandise Inventory	10,299	( 794 )	9,505
Goods in transit	1,255	-	1,255
Total	<u>\$ 209,049</u>	<u>( \$ 91,476 )</u>	<u>\$ 117,573</u>

	2022/12/31		
	<u>Cost</u>	<u>Allowance for decline in value</u>	<u>Carrying amount</u>
Raw materials	\$ 110,652	( \$ 27,180 )	\$ 83,472
Semi-finished goods	25,674	( 10,639 )	15,035
Work in progress	10,320	-	10,320
Finished goods	48,418	( 23,169 )	25,249
Merchandise Inventory	749	( 292 )	457
Goods in transit	812	-	812
Total	<u>\$ 196,625</u>	<u>( \$ 61,280 )</u>	<u>\$ 135,345</u>

The cost of inventories recognized as expense for the year:

	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 232,788	\$ 210,913
Loss on reversal of decline in market value of inventory	30,196	8,850
Loss on physical inventory	16	43
Loss on scrap of inventory	11,098	5,841
	<u>\$ 274,098</u>	<u>\$ 225,647</u>

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

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

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

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

Accumulated losses transferred to retained earnings	(\$ 674 )	\$ -
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3. The Company has not provided any collateral with financial assets measured at fair value through other comprehensive income.

(VII) Investments accounted for using equity method

	<u>2023/12/31</u>	<u>2022/12/31</u>
Subsidiaries		
EVER FOCUS ELECTRONICS CORP.	( \$ 70,971 )	( \$ 59,589 )
EVERFOCUS JAPAN CORP.	( 46,401 )	( 48,093 )
EverFocus Electronics (Shenzhen) Co., Ltd.	8,456	11,353
EVERHIGHLIGHT TECHNOLOGY CORP. (Note 1)	-	426
EVERFOCUS ELECTRONICS (EUROPE) GMBH (Note 2)	-	-
EVERFOCUS ELECTRONICS LIMITED. (Note 3)	-	-
Affiliates:		
Acrosser Technology Co.,LTD. (Note 4)	17,884	
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED(Note 5)	-	-
Add: Transferred credit balance of long-term investments to liabilities	117,372	107,682
	<u>\$ 26,340</u>	<u>\$ 11,779</u>

Note 1: EVERHIGHLIGHT TECHNOLOGY CORP. has filed for dissolution and liquidation with the local court on December 27,2023. Therefore, the Company no longer recognizes the (loss) gain on investment in the company from that date

onwards.

Note 2: EVERFOCUS ELECTRONICS (EUROPE) GMBH had filed a bankruptcy petition with the local court on June 28, 2018, and ceased the operation on September 28, 2018; therefore, the Company no longer recognizes the investment gain or loss in this company since that date. EVERFOCUS ELECTRONICS (EUROPE) GMBH completed the dissolution and liquidation process in April 2023 and remitted funds totaling \$20,422 (628,185.69 Euros).

Note 3: EVERFOCUS ELECTRONICS LIMITED. filed for liquidation in 2013, therefore, the Company no longer recognized investment (loss) in this company since 2013. EVERFOCUS ELECTRONICS LIMITED. remitted partial funds totaling \$2,048 (GBP 50,969.89) in August 2023.

Note 4: The Company originally held a 10% equity stake in Acrosser Technology Co.,LTD.. After participating in its cash capital increase on July 5, 2023, the Company's ownership interest increased to 15.25%. Although it did not reach 20%, the Company's shares, when combined with those of another related party—Fuli Investment Co., Ltd. (of which the Company's chairman serves as chairman), amounted to 20%. Moreover, the Group is one of the top five shareholders. As the assessment indicates significant influence, the equity method of valuation has been adopted starting from July 5, 2023.

Note 5: Since 2015, the Company lost its control over EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED due to its inability to dominate the main business; therefore, from that year, the Company no longer included EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED in the consolidated entity and instead reclassified as an investment accounted for using the equity method. and in 2023, the investment in the company accounted for using the equity method was derecognized.

1. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 for the information regarding the Company's subsidiaries.

2. Share of profit (loss) of associates accounted for using the equity method is as follows:

	<u>2023</u>	<u>2022</u>
Subsidiaries		
EVER FOCUS ELECTRONICS CORP.	(\$ 14,157 )	(\$ 8,617 )

EVERFOCUS JAPAN CORP.	(	1,532 )	(	4,071 )
EverFocus Electronics (Shenzhen) Co., Ltd.	(	2,881 )	(	1,215 )
EVERHIGHLIGHT TECHNOLOGY CORP.	(	81 )	(	5 )
EVERFOCUS ELECTRONICS (EUROPE) GMBH		-		-
EVERFOCUS ELECTRONICS LIMITED.		-		-
Affiliates:				
Acrosser Technology Co.,LTD.		558		-
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED		-		-
	(	<u>\$ 18,093</u> )	(	<u>\$ 13,908</u> )

### 3. Affiliated companies

(1) The basic information of the affiliated companies of our company is as follows.

<u>Company</u>	<u>Shareholding Ratio</u>	<u>Nature of Relationship</u>	<u>Measurement Method</u>
Acrosser Technology Co.,Ltd.	<u>December 31, 2023</u> 15.25%	Affiliated companies	Equity method

December 31, 2022: No such situation.

(2) The affiliated companies of our company do not have public market quotations, and therefore, fair value is not applicable.

4. No investment accounted for using the equity method is pledged.

(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	\$ 57,916	\$ 25,845	\$ 1,235	\$ 2,230	\$ 18,075	\$ -	\$ 191,369
	Accumulated depreciation and impairment	-	( 16,404 )	( 24,828 )	( 1,063 )	( 1,262 )	( 15,350 )	-	( 58,907 )
		<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,017</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 2,725</u>	<u>\$ -</u>	<u>\$ 132,462</u>
At January 1	Additions	\$ 86,068	\$ 41,512	\$ 1,017	\$ 172	\$ 968	\$ 2,725	\$ -	\$ 132,462
	Reclassification	-	-	420	192	2,869	1,833	1,791	7,105
	Depreciation expense	( 86,068 )	( 40,477 )	-	-	-	( - )	-	( 126,545 )
		-	( 1,035 )	( 822 )	( 29 )	( 574 )	( 894 )	-	( 3,354 )
At December 31		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,664</u>	<u>\$ 1,791</u>	<u>\$ 9,668</u>
At December 31	Cost	\$ -	\$ -	\$ 26,265	\$ 1,428	\$ 5,099	\$ 19,909	\$ 1,791	\$ 54,492
	Accumulated depreciation and impairment	-	-	( 25,650 )	( 1,093 )	( 1,836 )	( 16,245 )	-	( 44,824 )
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 335</u>	<u>\$ 3,263</u>	<u>\$ 3,664</u>	<u>\$ 1,791</u>	<u>\$ 9,668</u>
		2022							
		Land	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Total	
At January 1	Cost	\$ 89,728	\$ 66,627	\$ 25,588	\$ 1,045	\$ 2,159	\$ 17,342	\$ 202,489	
	Accumulated depreciation and impairment	-	( 18,532 )	( 23,877 )	( 1,045 )	( 706 )	( 14,602 )	( 58,762 )	
		<u>\$ 89,728</u>	<u>\$ 48,095</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>\$ 1,453</u>	<u>\$ 2,740</u>	<u>\$ 143,727</u>	
At January 1	Additions	\$ 89,728	\$ 48,095	\$ 1,711	\$ -	\$ 1,453	\$ 2,740	\$ 143,727	
	Reclassification	-	-	257	190	71	733	1,251	
	Depreciation expense	( 3,660 )	( 5,537 )	-	-	-	-	9,197	
		-	( 1,046 )	( 951 )	( 18 )	( 556 )	( 748 )	( 3,319 )	
At December 31		<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,017</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 2,725</u>	<u>\$ 132,462</u>	
At December 31	Cost	\$ 86,068	\$ 57,916	\$ 25,845	\$ 1,235	\$ 2,230	\$ 18,075	\$ 191,369	
	Accumulated depreciation and impairment	-	( 16,404 )	( 24,828 )	( 1,063 )	( 1,262 )	( 15,350 )	( 58,907 )	
		<u>\$ 86,068</u>	<u>\$ 41,512</u>	<u>\$ 1,017</u>	<u>\$ 172</u>	<u>\$ 968</u>	<u>\$ 2,725</u>	<u>\$ 132,462</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 Company, please refer to Note 8.

(IX) Lease Transactions – Lessee

1. The leased assets of the Company include buildings and transportation equipment, with lease terms typically lasting for 3 years. Lease contracts are individually negotiated and include various terms and conditions. Apart from the restriction that the leased assets cannot be used as collateral for borrowing, no other limitations are imposed.
2. The lease term for certain buildings and parking spaces leased by the Company does not exceed 12 months.
3. The information on the carrying amount of right-of-use assets and recognized depreciation expenses is as follows:

	<u>2023/12/31</u>	<u>2022/12/31</u>
	Book value	Book value
Buildings and structures	\$ 21,060	\$ -
Transportation equipment	884	-
	<u>\$ 21,944</u>	<u>\$ -</u>
	<u>2023</u>	<u>2022</u>
	Depreciation	Depreciation
Buildings and structures	\$ 2,096	\$ -
Transportation equipment	443	-
	<u>\$ 2,539</u>	<u>\$ -</u>

4. The addition of right-of-use assets used by the Company in 2023 was \$24,483.
5. The information related to profit and loss items associated with lease contracts is as follows:

	<u>2023</u>	<u>2022</u>
<u>Items affecting current period profit and loss</u>		

Interest expense on lease liabilities	\$	159	\$	-
Lease expense for short-term contracts		332		-

6. The total cash outflow for leases by the Company in 2023 and 2022 were \$2,946 and \$0, respectively.

(X) Investment property

	2023		
	Land	Buildings and structures	Total
At 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>
At January 1	\$ 33,547	\$ 52,995	\$ 86,545
Reclassification	86,068	40,477	126,545
Depreciation expense	-	( 1,495 )	( 1,495 )
At December 31	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$ 211,592</u>
At December 31			
Cost	\$ 119,615	\$ 141,638	\$ 261,253
Accumulated depreciation and impairment	-	( 49,661 )	( 49,661 )
	<u>\$ 119,615</u>	<u>\$ 91,977</u>	<u>\$ 211,592</u>

	2022		
	Land	Buildings and structures	Total
At 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>
At January 1	\$ 29,887	\$ 48,941	\$ 78,828
Reclassification	( 3,660 )	( 5,537 )	( 9,197 )
Depreciation expense	-	( 1,483 )	( 1,483 )
At December 31	<u>\$ 33,547</u>	<u>\$ 52,995</u>	<u>\$ 86,542</u>
At 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:

	2022	2021
Rental income from the 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 Company consist of the Xizhi Office Building and the Shenzhen Office Building and

Factory. The fair values as of December 31 ,2023 and 2022 were \$570,920 and \$228,537, respectively. These values were based on independent valuation experts' assessments as of June 29 ,2023 and December 31 ,2022, utilizing the comparative method and income approach. After assessment by the Company's management, there were no significant changes in the fair value of the investment properties. The aforementioned fair values are all classified as Level 3 fair value and are based on 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	\$ -	\$ 20,422
Guarantee deposits paid	3,171	2,141
Net defined benefit assets	23,019	19,928
Others	3,792	3,395
	<u>\$ 29,982</u>	<u>\$ 45,886</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			Land, buildings and construction (recognized as investment property)
Secured borrowings	\$ 86,000	2.20%~2.21%	

Type of borrowings	2022/12/31	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 30,000	1.91%~2.07%	Land, buildings and construction (recognized as Property, plant and equipment)

1. The interest expense recognized in profit or loss for the years ended December 31, 2023 and 2022 were \$919 and \$543, respectively.
2. Please refer to Note 8 for the information on short-term loans pledge.

(XIII) Other payables

	2023/12/31	2022/12/31
Salaries and bonuses payable	\$ 11,741	\$ 11,767
Payable for labor services	1,910	260
Labor insurance payable	848	840
National health insurance payable	747	757
Others	7,444	8,576
	<u>\$ 22,690</u>	<u>\$ 22,200</u>

(XIV) Pensions

1. (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the 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.

The Company was approved by the New Taipei City Government's Department of Labor to temporarily suspend the allocation of employee retirement reserve funds 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((including other non-current assets)	<u>\$ 23,019</u>	<u>\$ 19,928</u>

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

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	( \$ 8,517 )	\$ 28,445	\$ 19,928
Current service cost	( 30 )	-	( 30 )
Interest expense (income)	( 117 )	390	273
	( 8,664 )	28,835	20,171
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	222	222
Change in financial assumptions	( 69 )	-	( 69 )
Experience adjustments	2,695	-	2,695
	2,626	222	2,848
Balance at December 31	( \$ 6,038 )	\$ 29,057	\$ 23,019

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	( \$ 10,030 )	\$ 27,070	\$ 17,040
Current service cost	( 30 )	-	( 30 )
Interest expense (income)	( 63 )	169	106
	( 10,123 )	27,239	17,116
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	280	-	280
	691	2,121	2,812
Pay retirement pension	915	( 915 )	-
Balance at December 31	( \$ 8,517 )	\$ 28,445	\$ 19,928

- (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 are given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (5) The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate	1.250%	1.375%
Future salary increases	2.50%	2.50%

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:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
2023/12/31				
Effect on present value of defined benefit obligation	( \$ 136 )	\$ 141	\$ 137	( \$ 133 )
2022/12/31				
Effect on present value of defined benefit obligation	( \$ 192 )	\$ 199	\$ 193	( \$ 188 )

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 9.1 years.
- 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) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$4,117 and \$4,248, 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	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.

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

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

(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 \$187,600,000. 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 2011 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

	<u>2023</u>	<u>2022</u>
Revenue from Contracts with Customers	\$ 338,161	\$ 294,081

1. Disaggregation of revenue from contracts with customers

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

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

2022	Sales revenue - surveillance products	Service revenue	Total
Revenue from contracts	\$ 286,219	\$ 7,862	\$ 294,081
Time of income recognition			
Income recognized at a point in time	\$ 286,219	\$ -	\$ 286,219
Revenue recognized over time	-	7,862	7,862
Total	\$ 286,219	\$ 7,862	\$ 294,081

## 2.Contract liability

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

	2023/12/31	2022/12/31	2022/1/1
Contract liability			
- electronic monitoring products	\$ 4,961	\$ 5,485	\$ 9,907

(II) Recognized income of contract liabilities at January 1

	<u>2023</u>	<u>2022</u>
Beginning balance of contract liabilities		
Recognized income-electronic monitoring products	\$ 5,279	\$ 8,666

(XX) Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 5,458	\$ 5,533
Dividend income	1,610	2,378
Government subsidy income(Note)	5,600	-
Other incomes	1,097	1,012
	<u>\$ 13,765</u>	<u>\$ 8,923</u>

Note:Mainly subsidies from the Ministry of Transportation and Communications's special project plans.

(XXI)Other gains and losses

	2023		2022
Gain(Loss )on foreign exchange	\$ 74	(	\$ 2,116 )
Net gain(Loss) on financial assets and liabilities at fair value through profit or loss	22,297	(	32,289 )
	<u>\$ 22,371</u>	(	<u>\$ 34,405</u> )

(XXII) Finance costs

	2023	2022
Interests on bank borrowings	\$ 919	\$ 543
Interest on lease liabilities	159	-
Other interest expenses	5	3
	<u>\$ 1,083</u>	<u>\$ 546</u>

(XXIII) Costs and Expenses by nature

	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	\$ 27,568	\$ 59,468	\$ 87,036	\$ 24,175	\$ 68,198	\$ 92,373
Depreciation expense	1,163	6,225	7,388	1,165	3,637	4,802
Amortization expense	13	1,770	1,783	31	1,454	1,485

(XXIV) Employee benefit expenses

	2023	2022
Wages and salaries	\$ 71,122	\$ 75,026
Labor and health insurance fees	7,866	8,705
Pension costs	3,874	4,172
Directors' remuneration	430	540
Other personnel expenses	3,744	3,930
	<u>\$ 87,036</u>	<u>\$ 92,373</u>

1. The Company has 117 and 118 employees in 2023 and 2022, respectively; the number of directors who are not concurrently serving as employees is 7.

- (1) The average employee benefit expenses for the year were \$787; the average employee benefit expenses for the previous year were \$827.
- (2) Average employee wages and salaries for the year was \$647; average employee wages and salaries for the previous year was \$676.
- (3) The average employee salary expense adjustment increased by 4.29%.
- (4) The Company's compensation policy (covering directors, managers and employees) is described as follows
  - a. The remuneration to directors is in accordance with Article 19 of the Company's Articles of Incorporation. If the Company has a profit in a year, the Board of Directors shall resolve to set aside not more than 2.5% of the above-mentioned profit as remuneration to directors. However, if the Company still has accumulated losses, the Company should set aside the offsetting amount in advance and then allocate the directors' remuneration in accordance with the aforementioned ratio. In accordance with Article 7 of the Remuneration Committee Charter, the Committee shall exercise the care of a good administrator to periodically evaluate the performance objectives of the Company's managers, determine the content and amount of their individual remuneration, and submit its recommendations to the Board of Directors for discussion.
  - b. In accordance with Article 7 of the Remuneration Committee Charter, the Committee shall exercise the care of a good administrator to periodically evaluate the performance objectives of the Company's managers, determine the content and amount of their individual remuneration, and submit its recommendations to the Board of Directors for discussion. The Committee shall perform the duties under the preceding paragraph in accordance with the following principles: 1. Ensuring that the compensation arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talent. 2. Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.
  - c. Compensation for employees is determined by the internal fairness and external competitiveness, including fixed and

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

- (5) The Company has set up an audit committee, so it is not applicable to disclose information on the remuneration to the supervisors.
2. According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of 3%~10.5% and remuneration of directors and supervisors at rates of no higher than 2.5%, of the remaining profit after deducting accumulated losses.
  3. As of December 31, 2023 and 2022, the Company has accumulated losses; therefore, there is no need to estimate the compensation to employees and directors and supervisors. The information is available on the Market Observation Post System.

(XXV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2023</u>	<u>2022</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ 17,753	( \$ 1,895 )
Income tax 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	( \$ 6,245 )	( \$ 16,367 )
Expenses disallowed by tax regulation	1,245	6,615
Income exempt from tax regulation	( 6,026 )	( 633 )
Net investment gains and losses are not included in income	3,619	2,782
Change in realized valuation for deferred income tax assets	<u>25,160</u>	<u>5,708</u>
Income tax benefit	<u>\$ 17,753</u>	<u>( \$ 1,895 )</u>

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

	2023			
	At January 1	Recogniz ed in profit or loss	Recognized in other comprehensiv e income	At December 31
Deferred income tax assets:				
-Temporary differences:				
Provision of bad debt expense	\$ 18,861	(\$ 13,855)	\$ -	\$ 5,006
Allowance to reduce inventory to market	12,256	6,039	-	18,295
Unrealized loss on loans receivable	4,765	( 4,765 )	-	-
Others	3,087	( 904 )	-	2,183
Tax losses	53,050	( 4,268 )	-	48,782
Subtotal	<u>92,019</u>	<u>( 17,753 )</u>	<u>-</u>	<u>74,266</u>
Deferred income tax liabilities				
Re-measurement of defined benefit plans	( \$ 2,239 )	\$ -	( 569 )	( \$ 3,371 )
Subtotal	<u>( 2,239 )</u>	<u>-</u>	<u>( 569 )</u>	<u>( 3,371 )</u>
Total	<u>\$ 89,217</u>	<u>( \$ 17,753 )</u>	<u>( \$ 569 )</u>	<u>\$ 70,895</u>

	2022			
	At January	Recogniz ed in	Recognized in	At December
	1	profit or	other	31
	1	loss	comprehensiv e income	31
Deferred income tax assets:				
-Temporary differences:				
Provision of bad debt expense	\$ 17,982	\$ 879	\$ -	\$ 18,861
Allowance to reduce inventory to market	10,486	1,770	-	12,256
Unrealized loss on loans receivable	4,765	-	-	4,765
Others	3,841	( 754 )	-	3,087
Tax losses	53,050	-	-	53,050
Subtotal	<u>90,124</u>	<u>, 1,895 ,</u>	<u>-</u>	<u>92,019</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>( 2,802 )</u>
Total	<u>\$ 87,885</u>	<u>, \$ ,1,895 ,</u>	<u>( \$ 563 )</u>	<u>\$ 89,217</u>

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

December 31, 2023					
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>\$ 573,060</u>	<u>\$ 545,680</u>	<u>\$ 301,770</u>		

December 31, 2022					
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	65,975	2028	
2019	94,256	94,256	-	2029	
2020	69,562	69,562	-	2030	
2021	51,809	51,809	-	2031	
2022	26,162	26,162	-	2032	
	<u>\$ 436,899</u>	<u>\$ 409,519</u>	<u>\$ 144,269</u>		

6. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(XXVI) Losses per share

	2023		
	Profit after tax	Weighted average number of shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			
Net loss for the period	(\$ 48,977)	66,801	(\$ 0.73)

	2022		
	Profit after tax	Weighted average number of shares outstanding (in thousands)	Earnings per share (NT\$)
<u>Basic/Diluted Losses Per Share</u>			
Net loss for the period	(\$ 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	\$ 7,105	1,251
Add: Prepaid equipment expenses at the end of the period	1,729	-
Less: Accounts payable for equipment at the end of the	( 179 )	-

period		
Current period cash payments	\$ 8,655	\$ 1,251

(XXVIII) Changes in liabilities arising from financing activities

	2023		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1	\$ 30,000	\$ -	\$ 30,000
Changes in cash flows from financing activities	56,000	( 2,455 )	53,545
The current period increase in lease liabilities	-	24,483	24,483
At December 31	\$ 86,000	\$ 22,028	\$ 108,028

	2022		
	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1	\$ 65,000	\$ -	\$ 65,000
Changes in cash flows from financing activities	( 35,000 )	-	( 35,000 )
At December 31	\$ 30,000	\$ -	\$ 30,000

## VII. Related Party Transactions

### 1. Names of related parties and relationship

Names of related parties	Relationship with the Company
EVER FOCUS ELECTRONICS CORP.	Subsidiaries
EVERFOCUS JAPAN CORP.	Subsidiaries
EverFocus Electronics (Shenzhen) Co., Ltd.	Subsidiaries
EVERHIGHLIGHT TECHNOLOGY CORP.	Subsidiaries (Note 1)
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	Affiliates (Note 2)
EVERFOCUS ELECTRONICS LIMITED.	Subsidiaries in the liquidation (Note 1)
EVERFOCUS ELECTRONICS (EUROPE) GMBH	Subsidiaries in the liquidation (Note 1)
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
AAEON ELECTRONICS INC.	Other related parties

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

Note 2: The Company held a 75% equity interest in that company. However, as of January 1, 2015, it lost control over the company's relevant activities and consequently de-recognized the related receivable by fully providing for it. In 2023, the Company derecognized the investment accounted for using the equity method. Therefore, as of December 31, 2023, EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED ceased to be an associated enterprise of the Company.

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.

2. Significant transactions and balances with related parties

1. Operating Income

	<u>2023</u>	<u>2022</u>
Sales of goods		
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ 8,659	\$ 122,490
Subsidiary -Other	8,642	18,034
Affiliates - Other	7,348	-
Other related parties	5,467	551
Total	<u>\$ 30,116</u>	<u>\$ 141,075</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		
Subsidiary - Other	\$ 20,999	\$ 14,497
Affiliates - Other	1,315	-
Other related parties-Other	12,791	809
Total	<u>\$ 35,105</u>	<u>\$ 15,306</u>

The Company sells goods and services to related parties at prices and under payment terms agreed upon by both parties.

3. Accounts receivable

	<u>2023/12/31</u>	<u>2022/12/31</u>
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ 6,225	\$ 35,416
Subsidiary - EverFocus Electronics (Shenzhen) Co., Ltd.	4,317	11,301
Subsidiary - Other	1,665	542
Affiliates - Acrosser	9,441	-
Other related parties-Other	4,489	193
Total	<u>\$ 26,137</u>	<u>\$ 47,452</u>

4. Other receivables

	<u>2023/12/31</u>	<u>2022/12/31</u>
Subsidiary - Other	\$ 461	\$ 273
Affiliates - Acrosser	42,195	-
Total	<u>\$ 42,656</u>	<u>\$ 273</u>

5. Accounts payable

	<u>2023/12/31</u>	<u>2022/12/31</u>
Subsidiary -Other	\$ 4,260	\$ 2,458
Affiliates - Other	1,381	-
Other related parties-Other	4,846	33
Total	<u>\$ 10,487</u>	<u>\$ 2,491</u>

6. Other accounts payable

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

7. Other accounts receivable

The lending of funds to related parties:

A. Ending balance for Actual amount drawn down

	<u>2023/12/31</u>	<u>2022/12/31</u>
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ 57,553	\$ -

B. Interest income

	<u>2023</u>	<u>2022</u>
Subsidiary - EVER FOCUS ELECTRONICS CORP.	\$ 239	\$ -

During the fiscal year 2023, the Company charged an annual interest rate of 2.21% on the funds loaned to the above subsidiary.

8. Receivables from related parties (recorded as other non-current assets)

	<u>2023/12/31</u>	<u>2022/12/31</u>
EVERFOCUS ELECTRONICS LIMITED.	\$ 25,343	\$ 26,930
EVERFOCUS ELECTRONICS (EUROPE) GMBH	-	81,936
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	-	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.

9. Endorsements and guarantees to related parties:

	<u>2023/12/31</u>	<u>2022/12/31</u>
Subsidiary - EVERFOCUS JAPAN CORP.	\$ 54,363	\$ 58,263
Subsidiary - EVER FOCUS ELECTRONICS CORP..	46,088	46,080
	<u>\$ 100,451</u>	<u>\$ 104,343</u>

10. Software licensing fees (recorded as cost of goods sold)

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

11. Operating expense

	2023	2022
Subsidiary -Other	\$ 7,054	\$ -
Other related parties-Other	1,009	297
Total	\$ 8,063	\$ 297

The above operating expenses primarily consist of management consulting fees, manpower support service fees, and sample fees for research and development activities, which are respectively recorded under management expenses, sales expenses, and research and development expenses.

3. Key management compensation

	2023	2022
Salaries and other short-term employee benefits	\$ 2,754	\$ 1,684
Stock-based compensation	-	1,355
Total	\$ 2,754	\$ 3,039

VIII. Pledged Assets

The Company'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. Please refer to Note 7(2) for details of the endorsement and guarantee provided by the Company to its subsidiaries.
2. As of December 31, 2023 and 2022, the Company has issued a promissory note of NT\$370,000 and NT\$320,000 required for the application a comprehensive credit line and the provision of performance bonds as required by customer contracts,

respectively.

3. 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.
4. 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 management

The capital management objective of the Company is to ensure its ability to continue as a going concern, maintain an optimal capital structure to reduce the cost of funds, and provide returns to shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(II) Financial instrument

1. Type of financial instrument

	<u>2023.12.31</u>	<u>2022.12.31</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss, mandatorily measured at fair value	\$ 91,526	\$ 99,547
Financial assets measured at fair value through other comprehensive income		
Investment in designated equity instruments	4,000	12,800
Financial assets at amortized cost		
Cash and cash equivalents	100,364	55,057
Financial assets at amortized cost	68,840	68,527
Notes receivable	992	4,061
Accounts receivable	41,320	50,559
Receivables from related parties	26,137	47,452
Other receivables	100,209	273
Other receivables from related parties	1,945	1,443
Long-term notes and accounts receivable	12,114	16,135
Guarantee deposits paid (Listed as other non-current	3,171	2,141

assets)			
overdue receivables (Listed as other non-current assets)		-	20,422
	\$	450,618	\$ 378,417
<u>Financial liabilities</u>			
Financial liabilities at amortized cost			
Short-term borrowings	\$	86,000	\$ 30,000
Accounts payable		52,656	49,872
Payables to related parties		10,487	2,491
Other receivables		22,690	22,200
Other receivables from related parties		39,916	-
Guarantee deposit received		988	972
	\$	212,737	\$ 105,535
Lease liabilities	\$	22,028	\$ -

## 2. Risk management policy

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

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

### (1) Interest rate risk:

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

### (2) Foreign exchange risk:

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

### (3) Credit risk:

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

## 3. Significant financial risks and degrees of financial risks

### (1) Market risk

#### Foreign exchange risk

A. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used 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 Company's management formulated policies to manage exchange rate risks relative to the functional currency of the Company 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 Company's businesses involve some non-functional currency operations (The functional currency of the Company is New Taiwan Dollars). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		2023/12/31			
		Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)	
<b>(Foreign currency: Functional currency)</b>					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	\$	6,181	30.725	\$	189,911
JPY: NTD		10,608	0.217		2,302
EUR: NTD		86	34.028		2,926
CNY: NTD		399	4.330		1,728
GBP:NTD		222	39.191		8,700
<u>Non-monetary items</u>					
CNY: NTD		1,953	4.330		8,456
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	\$	543	30.725	\$	16,684
<u>Non-monetary items</u>					
USD: NTD		2,310	30.725		70,971
JPY: NTD		213,829	0.217		46,401

		2022/12/31		
		Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
<b>(Foreign currency: Functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	\$	5,107	30.720	\$ 156,887
JPY: NTD		4,175	0.233	973
EUR: NTD		635	32.748	20,926
<u>Non-monetary items</u>				
CNY: NTD		2,574	4.411	11,353
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	\$	524	30.720	\$ 16,097
<u>Non-monetary items</u>				
USD: NTD		1,940	30.720	59,589
JPY: NTD		206,362	0.233	48,093

D. The total exchange losses (including realized and unrealized) resulting from significant currency fluctuations on all monetary items of the Company amounted to \$74 and \$(2,116) for the fiscal years 2023 and 2022, respectively.

E. The analysis of the Company'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
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 1,899	\$ -
JPY: NTD	1%	23	-
EUR: NTD	1%	29	-
CNY:NTD	1%	17	-
GBP:NTD	1%	87	-
<u>Non-monetary items</u>			
CNY: NTD	1%	\$ -	\$ 85
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 167	\$ -
<u>Non-monetary items</u>			
USD: NTD	1%	\$ -	\$ 710
JPY: NTD	1%	-	464

		2022		
		Sensitivity analysis		
		Extent of change	Effect on income	Effect on other comprehensive income
<b>(Foreign currency: Functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	1,569	\$ -
JPY: NTD	1%		10	-
EUR: NTD	1%		209	-
<u>Non-monetary items</u>				
CNY: NTD	1%	\$	-	\$ 114
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD: NTD	1%	\$	161	\$ -
<u>Non-monetary items</u>				
USD: NTD	1%	\$	-	\$ 596
JPY: NTD	1%		-	481

#### Price risk

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

Company.

- B. The company primarily invests in domestic equity instruments issued by domestic companies. The prices of these equity instruments are influenced by the uncertainty of the future value of the underlying investments. If the prices of these equity instruments increase or decrease by 1%, while all other factors remain unchanged, the post-tax net profit for the fiscal years 2023 and 2022 would increase or decrease by \$915 and \$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 Company's interest rate risk arises mainly 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 TWD.
- B. Assuming all other factors remain unchanged, if the NTD borrowing rate rises or falls by 0.25%, net income for the year ended December 31, 2023 and 2022 will decrease or increase by \$172 and \$60, respectively, mainly due to changes in interest expenses that arise from floating rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.

- B. The Company manages its credit risk taking into consideration the entire group's concern. According to the Company's credit policy, the Company 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 Company 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 Company adopts the assumptions under IFRS 9. The Company determines that the default occurs when the contract payments were past due over 90 days based on the terms.
- D. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that 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:
  - (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (B) The disappearance of an active market for that financial asset because of financial difficulties;
  - (C) Default or delinquency in interest or principal repayments;
- 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 Company has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2023 and 2022, the Company 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 \$43,737 and \$72,350 as of December 31, 2023 and 2022, respectively.
  - (2) The Company considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December

31, 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>December 31, 2023</u>								
Expected loss rate	0.49%	8.60%	34.91%	79.89%	100%	100%	100%	
Total book value	\$ 37,218	\$ -	\$ 504	\$ 5	\$ 37	\$ 289	\$ -	\$ 38,053
Loss allowance	\$ 248	\$ -	\$ 176	\$ 4	\$ 37	\$ 289	\$ -	\$ 754
	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>December 31, 2022</u>								
Expected loss rate	0.24%	4.02%	13.19%	37.51%	100%	100%	100%	
Total book value	\$ 45,571	\$ 1,172	\$ -	\$ -	\$ -	\$ -	\$ 4,138	\$ 50,881
Loss allowance	\$ 99	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ 4,138	\$ 4,285

- I. The Company'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
At January 1	\$ 4,285	\$ 4,170
Recognition of impairment losses	607	115
Funds written off due to irrecoverability	( 4,138 )	-
At December 31	\$ 754	\$ 4,285

From the loss recognized in 2023 and 2022, the impairment losses for accounts receivables arising from customer

contracts were NT\$607 and \$115, respectively.

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

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

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

The financial assets held by the Company, measured at amortized cost, consist of restricted bank deposits and fixed-term deposits. There are no significant abnormalities in the credit risk ratings.

(3) Liquidity risk

- A. Cash flow forecasting is performed by the financial department of the Company. Company's financial department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- B. The Company's unused loan amount as of December 31, 2023 and 2022 was \$221,714 and \$214,187, respectively.
- C. The table below analyses the Company'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	\$ 86,406	\$ -	\$ -
Notes payable	100		
Accounts payable	52,656	-	-
Payables to related parties	10,487	-	-
Other payables	22,690	-	-
Other payables-related parties	39,916	-	-
Lease liabilities	8,481	8,434	5,717

Non-derivative financial liabilities			
2022/12/31	Within 1 year	1 to 2 years	2 to 5 years
Short-term borrowings	\$ 30,259	\$ -	\$ -
Accounts payable	49,872	-	-
Payables to related parties	2,491	-	-
Other payables	22,200	-	-

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

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial

instruments have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active 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 Company's investment in listed stocks is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

2. Financial instruments not measured at fair value

The cash and cash equivalents, financial assets 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 Company are recorded at amounts that reasonably approximate their fair values.

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

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

2023/12/31	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<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
<b>Assets</b>				
<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	\$ 99,547	\$ -	\$ 12,800	\$ 112,347

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

A. The Company 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.

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

5. The table below illustrates the changes in the third category during the fiscal year 2022:

	2023	2022
	Equity instruments	Equity instruments
At January 1	\$ 12,800	\$ -
Current period purchases	-	12,800
Recognized in other comprehensive income (Note)	674 )	-
Transferred out to Level 3	8,126	-
At December 31	\$ 4,000	\$ 12,800

Note: Unrealized gains and losses on equity instrument investments measured at fair value through other comprehensive income are listed.

6. 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		Significant	Range	Relationship
	Fair value	Valuation techniques	unobservable inputs	(weighted average)	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 related parties reaching NT\$100 million or 20% of the Company's paid-in capital or more: Please refer to table 4.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Information for significant inter-company transactions during the reporting periods: Please refer to table 4.

(II) Information on investees

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

(III) Information on investments in Mainland China

1. Basic information: Please refer to table 6.

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

(IV) Major shareholders information

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

XIV. Segment Information

Not applicable.

EVERFOCUS ELECTRONICS CORP.

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)		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
					Ending balance								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 tranches 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.

Endorsements for others

January 1 to December 31, 2023

Table 2

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

Serial No. (Note 1)	Name of Endorser / 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 endorsements / guarantees in the current period (Note 4)	Ending balance of endorsements and guarantees (Note 5)	Actual drawdown amount (Note 6)	Endorsement / guarantee amount secured by property	Ratio of accumulated endorsements / guarantees amount to the net value in the latest financial statements	Maximum endorsement / guarantee amount (Note 3)	Separate company endorsement / guarantees to others on behalf of subsidiary (Note 7)	Subsidiary endorsement / guarantees to others on behalf of separate company (Note 7)	Endorsements / 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 separate and the subsidiary exceeds 50% of the investee company.
- (4). Separate 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 endorsements / guarantees shall not exceed 50% of the Company's net value.

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

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

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

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

**EVERFOCUS ELECTRONICS CORP.**  
**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 current	400,000	4,000	2.64%	4,000	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.**

**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			Percentage of the total consolidated revenue or total assets (Note 3)
				Account name	Amount	Terms of transaction	
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). Fill in 0 for the parent company.
- (2). Subsidiaries are numbered in sequence in each company type starting from Arabic numeral 1.

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.**  
**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 (loss) of the investee	Income (loss) for the period	Remark
				End of the period	End of last year	Number of shares	Ratio (%)	Carrying amount			
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 LIMITED	German	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.**  
**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 commercial 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	Investment amount approved by the Investment Commission of the	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.  
Major shareholders information  
31-Dec-23

Table 7

Major Shareholders	Shares	
	Number of shares held	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.

EVERFOCUS ELECTRONICS CORP.  
Cash and cash equivalents  
December 31, 2023

Schedule I

Unit: NT\$ in thousands

Item	Summary	Amount
Cash on hand		\$ 316
Bank deposits		
Time deposits in NTD		48,282
Time deposits in USD	USD329,000 rate 30.725	10,103
	EUR 84,000 rate 34.028	2,866
	JPY2,810,000 rate 0.21745	611
	GBP221,000 rate 39.191	8,672
	CNY364,000 rate 4.33	1,577
	SGD12,000 rate 23.323	284
Foreign Currency Time Deposit	USD900,000 rate 30.72	27,653
		\$ 100,364

EVERFOCUS ELECTRONICS CORP.  
DETAILS OF FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT  
December 31, 2023

Schedule II

Unit: NT\$ in thousands

Name of financial instruments	Summary	Shares/ units	face value (in dollar )	Total amount (in thousand dollars)	Acquisition costs	Fair value		Changes in fair value attributable to credit risk changes	Provision of guarantees or pledges
						Unit price (NT\$)	Total amount		
MACHVISION , INC.	Stocks	150,000	\$ 10	\$ 1,500	\$ 42,750	\$ 218.5	\$ 32,755	\$ -	None
Advantech Co., Ltd. Taiwan	Stocks	52,000	10	520	19,635	372	19,344	-	"
Semiconductor Manufacturing Co., Ltd.	Stocks	25,000	10	250	11,824	593	14,825	-	"
TOP UNION ELECTRONIC S CORP..	Stocks	320,000	10	3,200	11,399	32.60	10,432	-	"
ONENESS BIOTECH CO. LTD.	Stocks	60,000	10	600	9,422	194.5	11,670	-	"
Castles Technology Co., Ltd.	Stocks	20,000	10	200	2,772	124	2,480	-	"
Sub-total					97,802		91,526		
Valuation adjustments					( 6,276 )		-		
Total					\$ 91,526		\$ 91,526		

EVERFOCUS ELECTRONICS CORP.  
DETAILS OF ACCOUNTS RECEIVABLES  
December 31, 2023

Schedule III

Unit: NT\$ in thousands

<u>Clients name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Client A		\$ 15,230	
Client B		5,611	
Client C		5,169	
Client D		4,021	
Client E		2,608	
Others		9,435	None of the individual miscellaneous customer balances exceed 5% of the balance of this account.
Less: allowance for uncollectible accounts	(	<u>754</u> )	
		<u>\$ 41,320</u>	
Accounts receivable – related parties			
Acrosser Technology Co.,LTD.		\$ 9,441	
EVER FOCUS ELECTRONICS CORP.		6,225	
EverFocus Electronics (Shenzhen) Co., Ltd.		4,317	
LYDS TECHNOLOGIES INC.		2,749	
EVERFOCUS JAPAN CORP.		1,665	
AREC Inc.		1,595	
Others		<u>145</u>	None of the individual miscellaneous customer balances exceed 5% of the
		<u>\$ 26,137</u>	

EVERFOCUS ELECTRONICS CORP.  
Details Of Other receivables - related parties  
31-Dec-23

Schedule IV

Unit: NT\$ in thousands

<u>Clients name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Other receivables - related parties			
EVER FOCUS ELECTRONICS CORP.		\$ 57,553	
Acrosser Technology Co.,LTD.		42,195	
Others		461	
		<u>\$ 100,209</u>	None of the individual miscellaneous customer balances exceed 5% of the balance of this account.

EVERFOCUS ELECTRONICS CORP.  
DETAILS OF INVENTORY  
December 31, 2023

Schedule V

Unit: NT\$ in thousands

Item	Amount		Remark
	Cost	Net realizable value	
Raw materials	\$ 94,822	\$ 34,914	Note
Semi-finished goods	21,875	14,000	"
Work in progress	34,073	54,889	"
Finished goods	46,725	32,287	"
Commodities	10,299	9,842	"
Goods in transit	1,255	1,255	"
	209,049	\$ 147,187	
Less: Allowance to reduce inventory (to market)	91,476		
	\$ 117,573		

Note: Allowance for losses on decline in value of inventories is determined by the lower of cost or net realizable value.

EVERFOCUS ELECTRONICS CORP.

Financial assets measured at fair value through other comprehensive income - Non-current fluctuation

January 1 to December 31, 2023

Schedule VI

Unit: NT\$ in thousands

Name	Beginning of period		Increase		Decrease		Number of Shares	Book Value	Fair value	Provision of collateral or pledge situation	Note
	Number of Shares	Book Value	Fair value	Number of Shares	Amount	Number of Shares					
Unlisted company stock											
Acrosser Technology Co.,LTD.	880,000	\$ 8,800	\$ 8,800	-	\$ -	(880,000 )	(\$ 8,800 )	-	\$ -	\$ -	None
AREC INC.	400,000	4,000	4,000	-	-	-	-	400,000	4,000	4,000	
		<u>12,800</u>	<u>\$ 12,800</u>		<u>\$ -</u>		<u>(\$ 8,800 )</u>		<u>4,000</u>	<u>\$ 4,000</u>	
Fair value adjustment of financial assets measured at fair value through other comprehensive income		-							-		
		<u>\$ 12,800</u>							<u>\$ 4,000</u>		

**EVERFOCUS ELECTRONICS CORP.**  
**Changes in investments accounted for using the equity method**  
**January 1 to December 31, 2023**

Schedule VII

Unit: NT\$ in thousands

Name	Beginning of period		Increase		Decrease		Ending of period			Market price or net value		Provision of guarantees or pledges
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Shareholding percentage	Amount	Unit price (NT\$)	Total price	
EVER FOCUS ELECTRONICS CORP.	8,934,000	( \$ 59,589 )	-	\$ 2,775	-	( \$ 14,157 )	8,934,000	100%	( \$ 70,971 )	( \$ 7.89 )	( \$ 70,471 )	None
EVERFOCUS JAPAN CORP.	2,600	( 48,093 )	-	3,224	-	( 1,532 )	2,600	100%	( 46,401 )	( 17,770 )	( 46,201 )	"
EverFocus Electronics (Shenzhen) Co., Ltd.	2,050,000	11,353	-	200	-	( 3,097 )	2,050,000	100%	8,456	5.20	10,656	"
EVERHIGHLIGHT TECHNOLOGY CORP.	500,000	426	-	-	-500,000	( 426 )	-	-	-	-	-	"
EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED	2,128,149	-	-	-	-	-	2,128,149	75%	-	-	-	"
Acrosser Technology Co.,LTD.	-	-	1,800,000	17,884	-	-	1,800,000	15.25%	17,884	0.55	6,523	"
		( <u>95,903</u> )		<u>\$ 24,083</u>		( <u>\$ 19,212</u> )			( <u>91,032</u> )		( <u>\$ 99,493</u> )	
Add: Transferred credit balance of long-term investments to liabilities		107,682							107,372			
		<u>\$ 11,779</u>							<u>\$ 26,340</u>			

- Note 1: 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 Company no longer recognizes its investment gain (loss) on September 28, 2018.
- Note 2: EverFosus UK has filed for liquidation in 2013 and therefore the Company no longer recognize its investment gain (loss) since 2013.
- Note 3: As of January 1, 2015, EverFocus Electronics Corporation was unable to dominate the business activities of EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED and therefore lost control of the EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED. The Company no longer included it in the consolidated entity and reclassified it as an investment accounted for using the equity method since that year, and the related receivables will be derecognized. Additionally, investments accounted for using the equity method will be derecognized in 2023.
- Note4: EVERHIGHLIGHT TECHNOLOGY CORP. filed a dissolution and liquidation application with the local court on December 27, 2023. Therefore, the company will no longer recognize the investment (loss) income related to that company from that date onwards.

EVERFOCUS ELECTRONICS CORP.

Details Of Short-term borrowings

31-Dec-23

Schedule VIII

Unit: NT\$ in thousands

<u>Types of loans</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest rate range</u>	<u>Financing limit</u>	<u>Mortgage or collateral</u>	<u>Remark</u>
Secured loan	Taipei Fubon Bank	\$ 40,000	2023/10/27~2024/04/24	2.21%	\$ 40,000	Investment properties	
Secured loan	CTBC Bank Co., Ltd.	46,000	2023/11/15~2024/02/15	2.20%	70,000	Investment properties	
		<u>\$ 86,000</u>					

EVERFOCUS ELECTRONICS CORP.  
DETAILS OF ACCOUNTS PAYABLES  
December 31, 2023

Schedule IX

Unit: NT\$ in thousands

Customer name	Summary	Amount	Note
Supplier A		\$ 5,880	
Supplier B		3,705	
Supplier C		2,668	
Others		<u>40,403</u>	None of the individual miscellaneous Supplier balances exceed 5% of the balance of this
		<u>\$ 52,656</u>	
Accounts receivable – related parties			
AREC Inc.		\$ 4,798	
EVER FOCUS ELECTRONICS CORP.		2,904	
Acrosser Technology Co.,LTD.		1,381	
EverFocus Electronics (Shenzhen) Co., Ltd.		1,356	
Others		<u>48</u>	None of the individual miscellaneous Supplier balances exceed 5% of the balance of this
		<u>\$ 10,487</u>	

EVERFOCUS ELECTRONICS CORP.  
Operating Income  
January 1 to December 31, 2023

Schedule X

Unit: NT\$ in thousands

<u>Item</u>	<u>Qty</u>	<u>Amount</u>	<u>Remark</u>
Sales revenues			
Digital Video Recorder	10,657pcs	\$ 121,466	
Camera	39,750 pcs	108,271	
Industrial computer	2,156 pcs	39,700	
Others	40,387 pcs	64,313	
Service revenue		4,411	
		<u>\$ 338,161</u>	

EVERFOCUS ELECTRONICS CORP.

Operating Cost

January 1 to December 31, 2023

Schedule XI

Unit: NT\$ in thousands

Item	Amount
Beginning Inventory	\$ 749
Add: Purchase of materials for the period	28,033
Less: Ending Inventory	( 10,299 )
Costs of goods sold	18,483
Beginning raw materials	111,464
Add: Purchase of materials for the period	127,776
Less: Ending raw materials	( 96,077 )
Direct materials	143,163
Direct labor	7,523
Manufacturing expenses	28,003
Manufacturing costs	178,689
Add: Beginning work-in-progress inventory	10,320
Beginning semi-finished goods inventory	25,674
Purchase of materials for the period	34,067
Outsourcing fee for semi-finished goods	17,271
Less: Ending work-in-progress inventory	( 34,073 )
Ending semi-finished goods inventory	( 21,875 )
Costs of finished goods	210,073
Add: Beginning finished goods inventory	48,418
Finished goods purchased	11,187
Outsourcing fee	1,429
Less: Ending finished goods	( 46,725 )
Loss on physical inventory	( 16 )
Inventory write-off	( 11,098 )
Production and sales costs	213,268
Installation service costs	3,248
Loss on inventory valuation and obsolescence	30,196
Inventory write-off	11,098
Loss on physical inventory	16
Reversal of warranty & maintenance costs	( 2,211 )
Operating Cost	\$ 274,098

EVERFOCUS ELECTRONICS CORP.  
Selling Expense  
January 1 to December 31, 2023

Schedule XII

Unit: NT\$ in thousands

Item	Summary	Amount	Remark
Wages and salaries		\$ 18,312	
professional service fees		5,244	
Advertising expense		4,394	
travelling expense		2,647	
Labor and health insurance		2,542	
Others		9,299	The balance for each incidental expense does not exceed 5% of the balance in this account
		<u>\$ 42,438</u>	

EVERFOCUS ELECTRONICS CORP.  
General and Administrative Expenses  
January 1 to December 31, 2023

Schedule XIII

Unit: NT\$ in thousands

Item	Summary	Amount	Remark
Wages and salaries		\$ 10,180	
Depreciation expense		5,992	
Professional service fees		6,263	
Others		8,661	The balance for each incidental expense does not exceed 5% of the balance in this account
		<u>\$ 31,096</u>	

EVERFOCUS ELECTRONICS CORP.

R&D Expenses

January 1 to December 31, 2023

Schedule XIV

Unit: NT\$ in thousands

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
Wages and salaries		\$ 19,120	
R&D expenses		9,264	
Testing fees		6,583	
Others		<u>12,606</u>	The balance for each incidental expense does not exceed 5% of the balance in this account
		<u>\$ 47,573</u>	