

**EverFocus**

Stock Code:5484

慧友電子股份有限公司  
EverFocus Electronics Corp.

**2023 ANNUAL REPORT**

PRINTED ON MAY 15,2024

Website : <http://mops.twse.com.tw>

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**Six. Website of the Company:** <http://www.EverFocus.com>

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## One Letter to Shareholders

Ladies and Gentlemen:

Thank you very much, shareholders, for taking the time out of your busy schedules to attend the 2024 Annual General Meeting of our company. On behalf of the Board of Directors and the management team of Everfocus, I would like to express our utmost respect and gratitude to all of you. Since its inception, Everfocus has been committed to advancing image analysis technology and exploring larger horizons. Despite the continuous downturn in performance in recent years, the company has been tirelessly dedicated to research and innovation, actively developing solutions in various fields, and seeking new market opportunities. Thanks to the efforts of our team, we have achieved significant success in the field of automotive applications. Upholding a spirit of positivity and innovation, our company continues to grow, striving to become an industrial computer manufacturer with a distinct focus on 'Vision AIoT solutions,' while also promoting corporate governance and environmental sustainability. We hope to bring better returns to our shareholders.

I hereby report the results of the Company's business performance for 2023, 2024 business plans and future development strategies:

### I. 2023 Business Report

#### (I) Comparison of Operating Results

Standalone Financial Statements			Unit: NT\$ thousands	
Item	2023	2022	Amount increased (decreased)	Percentage increased (decreased)
Net operating income	338,161	294,081	44,080	14.99
Net operating margin	66,863	65,434	1,429	2.18
Net losses for the period	(48,977)	(79,939)	30,962	38.73

Consolidated Financial Statements:			Unit: NT\$ thousands	
Item	2023	2022	Amount increased (decreased)	Percentage increased (decreased)
Net operating income	369,555	332,309	37,246	11.21
Operating gross profit	79,854	94,728	(14,874)	(15.70)
Net losses for the period	(48,977)	(79,939)	30,962	38.73

#### (II) Financial income and expenditures and profitability analysis (Standalone)

Item		2023	2022	Discrepant value
Financial structure	Debt to assets ratio (%)	38.10	26.85	11.25
	Ratio of long-term capital to property, plant and equipment (%)	7,540.02	568.75	6,971.27
Solvency	Current ratio (%)	248.31	403.31	(155.00)
	Quick ratio (%)	189.66	279.69	(90.03)
Profitability	Return on assets (%)	(5.26)	(9.80)	4.49
	Return on equity (%)	(7.97)	(13.71)	5.74

	Profit margin (%)	(14.48)	(27.18)	12.70
	Earnings per share (NT\$)	(0.73)	(1.26)	0.53

#### Financial income and expenditures and profitability analysis (Consolidated)

Item		2023	2022	Discrepant value
Financial structure	Debt to assets ratio (%)	34.92	27.96	6.96
	Ratio of long-term capital to property, plant and equipment (%)	6,066.63	486.35	5,580.28
Solvency	Current ratio (%)	175.35	207.35	(32.00)
	Quick ratio (%)	127.90	139.15	(11.25)
Profitability	Return on assets (%)	(4.97)	(9.27)	4.30
	Return on equity (%)	(7.97)	(13.71)	5.74
	Profit margin (%)	(13.25)	(24.06)	10.81
	Earnings per share (NT\$)	(0.73)	(1.26)	0.53

#### (III) Budget

implementation: None. The Company has only set internal budget targets for 2023 and does not disclose financial projections to the public.

#### (IV) R&D Status:

The execution results of our company's product strategy are as follows:

##### 1. Multifaceted hardware development platform :

Our company not only focuses on developing edge computing devices based on Intel and Nvidia series, but also starts to incorporate NXP and TI Cortex-A/M low-power processors, suitable for applications requiring multiple I/O ports and industrial communication protocols, enhancing the completeness of our product planning and layout.

##### 2. Vehicle Industrial Computers:

Building upon our professional automotive monitoring MDVR/NVR product series, our company continues to develop features tailored for in-vehicle applications. In terms of hardware, we focus on strengthening designs for automotive-grade wide-temperature and wide-voltage specifications, implementing start-up power delay modules, and obtaining product automotive certifications. On the software front, we offer comprehensive in-vehicle software and hardware solutions, ranging from basic passenger safety monitoring, vehicle driving condition recording, to extending to driver behavior monitoring. These solutions are utilized for data collection, processing, analysis, and control, aiming to achieve vehicle automation, intelligence, and connectivity.

##### 3. Image-based software and hardware integration solution:

By using our products, image data can be transmitted to third-party platforms or applications, such as fleet management, remote control, video conferencing, etc. Our company offers image solutions that enable full-process management from image capture to application services, making it more convenient, efficient, and secure for customers to use.

##### 4. IOT Architecture and Management Platform:

We continue to develop expandable platform base modules that integrate various IoT technologies and functionalities to achieve collaborative work of IoT devices, centralized management of data, and development and deployment of applications. This enhances the efficiency, security, visibility, and scalability of IoT systems and enables the development of big data platforms for smart cities, smart hospitals, smart fleets, etc.

## 5. AI Image Recognition Software and Application Environment:

Utilizing technologies such as machine learning and deep learning, computers can automatically analyze and identify objects, behaviors, and contexts in images, including edge computing for cameras, industrial computer edge computing, and recognition and analysis systems on backend servers. This enables intelligent monitoring and management of specific scenes and environments. Such software applications have a wide range of uses, particularly in areas like security surveillance, smart manufacturing, road safety, intelligent transportation, and technology enforcement, where they hold significant value. Complex and large-scale vehicle early warning system (car recorder and ADAS) :

## 6. Integrated large-scale vehicle driving safety warning assistance system (dashcam+ADAS)

Our company's integrated large-scale vehicle driving safety warning assistance system combines advanced ADAS onboard computers with a 16-in-1 dashcam. Utilizing image recognition technology, it provides drivers with multiple safety monitoring and driving assistance functions, including lane departure warning, forward collision warning, tire pressure monitoring, alcohol lock, blind spot detection, 360-degree surround view, fatigue driving detection, and more. Meanwhile, during vehicle operation, the 16-in-1 dashcam automatically records driving information, capturing driving behaviors and vehicle events as evidence. Everfocus's intelligent in-vehicle system enhances driving safety, reduces the occurrence of traffic accidents, and assists drivers in developing good driving habits, making it an essential safety equipment for commercial vehicles.

## II. 2024 Business Plan

### (I) Business policy

1. Maintain existing key ODM customers (American car system suppliers, Japanese commercial vehicle customers, European system suppliers).
2. Become an IPC company with imaging technology, security features, and automotive characteristics: Expand the customer base for IPC and automotive applications, aiming to account for 80% of total revenue.
3. Integrate R&D resources from affiliated companies within the group, implement multi-brand management, and split into three major product lines (Imaging IoT/Smart Automotive/Industrial Computers) to penetrate different vertical application markets.
4. Continue investing in international marketing to expand brand awareness and market influence, accelerating the accumulation of ODM Key Account/VAD/System Integrator customer bases across global regions.
5. As a Tier1 supplier for Japanese automotive manufacturers, strengthen quality control and expand supply of products compliant with emerging regulations.
6. Transition from a hardware product manufacturer to a solution provider, focusing on imaging technology, edge computing, and IoT control, to develop Visualized, Intelligent, Networked, Secure, and Energy-efficient Vision AIoT application solutions.

### (II) Product Development Strategy

1. Continuously maintain existing surveillance product business, introduce image analysis solutions, and expand into vertical application fields.
2. Target the broad applications brought by image analysis, fully invest in Computer Vision + Edge AI solution integration, and develop solutions for smart manufacturing, intelligent security, and smart automotive applications.
3. Through the implementation of government scientific projects, integrate eight major vehicle safety assistance solutions, and introduce MDVR/ADAS/16-1 systems into large commercial vehicles.
4. Develop digital cockpit systems for commercial vehicles to create a convenient, safe, and comfortable driving environment.
5. Actively launch high-performance embedded computers with image capture interfaces and

automotive specifications, built-in edge computing platforms, and provide comprehensive customization services.

6. Continuously develop core capabilities (image processing/edge computing), accelerate product development and solution integration, and provide complete hardware + software, edge + cloud integrated solutions and development environments.

### III. Long-term development strategy

Under the wave of AI-IoT, our company is gradually transforming into an industrial computer solution service provider specializing in "Vision AIoT solutions" that integrate image features. In the future, we will focus on image technology as the core, develop solutions for artificial intelligence and the Internet of Things, and expand into vertical application areas, including security, transportation, smart manufacturing, healthcare, and education. It is expected that there will be many new applications and directions in the year 2024, and we will invest more resources and technology accordingly. Our future product line will be fully integrated with AI artificial intelligence-related technologies.

### IV. Effect of external competition

The external security market is becoming increasingly competitive. Not only the existing European, American and Japanese brands, but also the new competitors from Korea and China. The technology is constantly evolving, and new products are being developed rapidly. In response to such a complex and unpredictable environment, we are actively transforming towards digitization, intelligence, networking, integration and centralized surveillance to meet our customers' market needs. We will work with our customers to create differentiated market opportunities and actively transform EverFocus from a traditional CCTV product manufacturer to a global AIoT smart surveillance platform that provides total services and solutions to meet the customer's demands for multi-functional applications, in order to accelerate the development of smart surveillance technology for industrial control.

### V. Effect of the legal environment and the overall business environment

The Company's internal manager, financial accountants, stock affairs and internal auditors are always aware of any domestic or foreign policies and regulations that may affect the financial and operations of the Company, and are always able to keep track of important policy and law updates. We also cooperate with an accounting firm and legal advisors constantly for real-time advice, so that we can keep up with the changes in the legal environment and comply with the law promptly. Although EVERFOCUS Operations is currently experiencing accumulated losses, overall, the security industry remains a promising sector with growth potential. We have subsidiaries in the United States, Japan, China, and other countries to facilitate the dissemination of internal market information and ensure timely understanding of market and customer dynamics. This allows us to provide prompt and efficient services, actively offer solutions, and meet customer needs, thereby enabling us to make sound operational decisions

In recent years, although impacted by the pandemic, our company has focused on the domestic market and achieved good results in intelligent transportation and smart campus. We have also actively developed other products and solutions to meet the ever-changing needs of our customers. We are committed to improving corporate governance, environmental sustainability, and maintaining the long-term development and financial stability of the company. We will continue to maintain stable finances and pursue innovation to bring better returns to investors and customers.

I wish to all our shareholders

Stay healthy and all the best!

EVERFOCUS ELECTRONICS CORP.



Chairman : Yung-Shun Chuang



President : Chih -Hung Kao



Accounting Officer: Chien-Liang Chen



## Two. Company Profile

### I. Company Profile

(I) Date of incorporation: July 18, 1995

(II) Company profile:

1995	<ul style="list-style-type: none"> <li>• Founded in 8F-4, No. 79, Sec. 1, Xintai 5th Rd., Xizhi District, New Taipei City with a share capital of NT\$7 million.</li> <li>• Successfully developed and launched 1/3" Color Camera in Taiwan.</li> <li>• Developed and launched color quad processor.</li> </ul>
1996	<ul style="list-style-type: none"> <li>• Increased cash capital by NT\$5 million, resulting in total paid-in capital of NT\$12 million.</li> <li>• Set up a subsidiary in the United States with an investment amount of NT\$1.39 million.</li> <li>• The Company acquired 5F-5, No. 79, Sec. 1, Xin Tai 5th Road, Xizhi City for the purpose of business expansion.</li> <li>• Successfully developed Mini Case Color Quad Processor.</li> </ul>
1997	<ul style="list-style-type: none"> <li>• Increased capital by NT\$80,320,000 from cash and NT\$5,680,000 from retained earnings, resulting in total paid-in capital of NT\$98,000,000.</li> <li>• Introduced corporate directors.</li> <li>• Successfully developed 1/3" Color CCD Digital Controlled Camera.</li> </ul>
1998	<ul style="list-style-type: none"> <li>• Increased capital by NT\$9,800,000 from retained earnings and NT\$1,383,530 from employee bonuses, resulting in total paid-in capital of NT\$109,183,530.</li> <li>• Certified by ISO 9002.</li> <li>• Invested in Yung Jun, as the sales office in China.</li> <li>• Set up a subsidiary in Germany as the sales office in Europe.</li> <li>• Successfully developed 4 &amp; 8 Channel Color Mutiplexer.</li> </ul>
1999	<ul style="list-style-type: none"> <li>• Invested in EverFocus International Corp., a BVI company, to develop business globally.</li> <li>• Set up a Sub-subsiary company in Hong Kong as the sales office in Southeast Asia.</li> <li>• List in Excellent Exporters.</li> <li>• Established the VAD business segment to develop online surveillance products.</li> <li>• Won the 8th Taiwan Excellence Award. Increased the capital by NT\$53,499,930 from retained earnings, NT\$6,958,000 from employee bonuses, and NT\$10,358,540 from cash; resulting in the total paid-in capital of NT\$180,000,000. The public offering was completed and the turnover was NT\$483,980,000.</li> </ul>
2000	<ul style="list-style-type: none"> <li>• We have successfully developed a digital frame compressor with multi-processing and multi-screen display and a high resolution multi-functional digital signal processing camera.</li> <li>• Increase capital by NT\$50,400,000 from retained earnings, NT\$7,115,000 from employee bonuses, and NT\$3,600,000 from capital surplus, resulting in total capital of NT\$241,115,000.</li> <li>• Won the 3rd Rising Star Award.</li> <li>• Won the eighth place (profit) and tenth place (revenue) of the 100 fastest growing companies in the country by the Commonwealth Magazine.</li> </ul>
2001	<ul style="list-style-type: none"> <li>• The stock was officially listed and traded on OTC on March 16.</li> <li>• EDR1600 won the 3rd MIT Excellent Award in Safety Equipment.</li> <li>• Certified by ISO 9001:2000.</li> <li>• Increase the capital by NT\$48 million from cash, NT\$60,278,750 from retained earnings and NT\$9,190,000 from employee bonuses, resulting in total capital of NT\$358,583,750.</li> <li>• In order to expand the business and meet the future development plan, the Company purchased the office on the 12th floor, No. 79, Section 1, Xintai 5th Road, Xizhi City, and moved in on August 13.</li> </ul>
2002	<ul style="list-style-type: none"> <li>• Digital color outdoor HD camera EZ300 won the "10th Taiwan Excellence Award".</li> <li>• The PowerPlex EDR400 won three awards: the 10th Taiwan Excellence Award, the 4th MIT Excellent in Safety Equipment and the SecuTech Innovative Product Award.</li> <li>• Set up a subsidiary in Japan in March.</li> <li>• Increase in capital by NT\$89,645,940 from retained earnings, NT\$13,661,940 from employee bonus, NT\$35,858,370 from capital surplus, resulting in total capital of NT\$497,750,000.</li> </ul>
2003	<ul style="list-style-type: none"> <li>• Color Anti-explosion Dome Camera EHD350 won the 11th Taiwan Excellence Award.</li> <li>• EDSR100 won the 11th Taiwan Excellence Award.</li> <li>• The company was honored with the first Golden Root Award.</li> <li>• EDSR100 won the 3rd "2003 SecuTech Award - Innovative Technology Products Online Voting".</li> <li>• Officially traded on TWSE on August 25 from TPEx.</li> <li>• The Company's capital was increased NT\$99,550,000 from retained earnings, NT\$16,855,000 from employee bonuses, and NT\$29,865,000 from capital surplus, resulting in a total capital of NT\$644,200,000.</li> </ul>
2004	<ul style="list-style-type: none"> <li>• WDR Camera EQ600 won the "SecuTech Expo 2004 Taipei International Security Technology Expo - Innovative Technology Award for Security Equipment".</li> <li>• Color Explosion-Proof Dome Camera with IR Function EHI350 won the 12th Taiwan Excellence Award and the 4th "SecuTech Award - 2004 Innovative Technology Products Online Voting".</li> <li>• 16-channel Real-Rime Digital Video Recorder (DVR) EDR1680 won the 12th Taiwan Excellence Award.</li> <li>• 4-channel Real-Time Digital Video Recorder for Vehicles EDSR400M won the 12th Taiwan Excellence Award.</li> <li>• The Company's capital is increased NT\$109,483,400 from retained earnings and NT\$19,996,600 from employee bonuses, resulting in a total capital of NT\$772,600,000.</li> </ul>
2005	<ul style="list-style-type: none"> <li>• 530TVL Low-noise HDTV camera EQ550 won the 6th "2006 SecuTech Award - Innovative Technology Products Online Voting".</li> <li>• 16-channel Real-Rime Digital Video Recorder (DVR) EDR1680 won the 5th "2005 SecuTech Award - Innovative Technology</li> </ul>

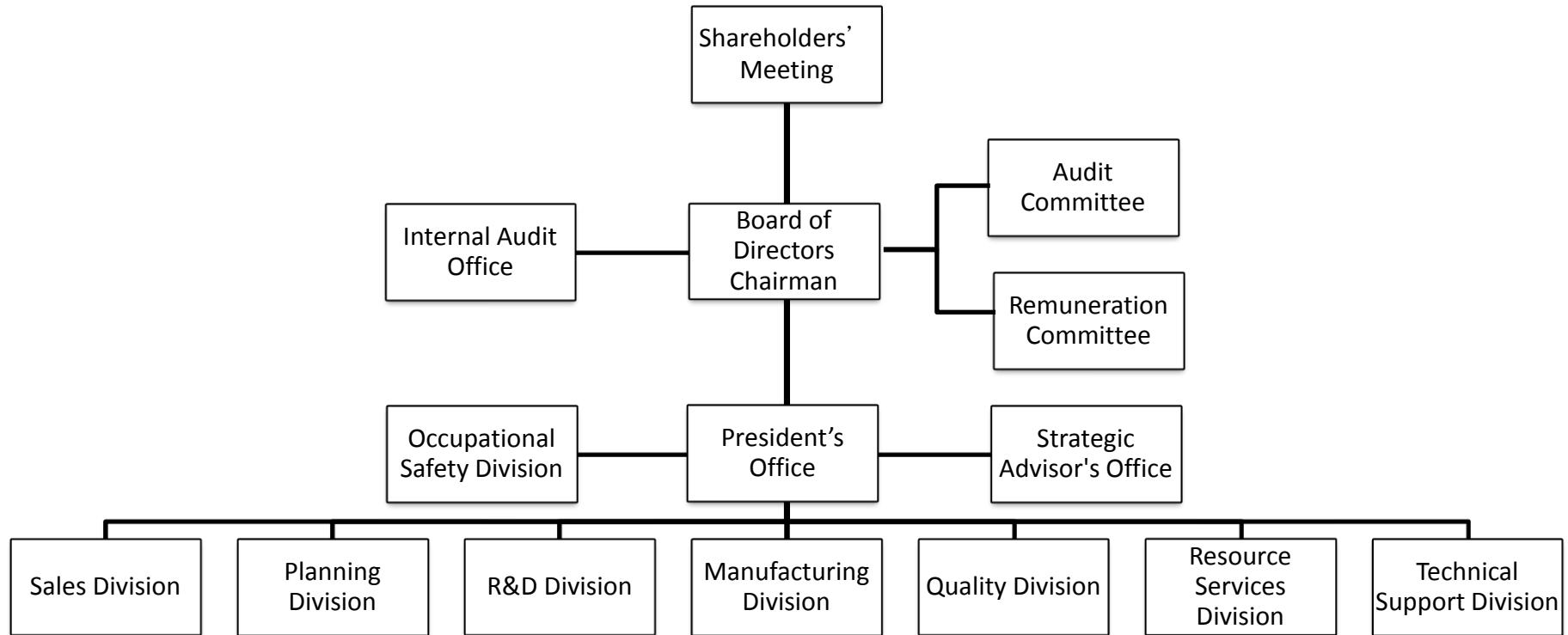
	<p>Products Online Voting".</p> <ul style="list-style-type: none"> <li>Increased the capital by NT\$154,520,000 from retained earnings and NT\$21,760,000 from employee bonuses, resulting in total capital of NT\$948,880,000.</li> </ul>
2006	<ul style="list-style-type: none"> <li>530TVL HDTV camera EQ550 won the best popularity award from A&amp;S Magazine Internet Poll.</li> <li>Won the sixth place in the surveillance camera category of "Distributor's Choice for Taiwan Brand Image" by A&amp;S magazine.</li> <li>Won the 2nd place in the surveillance DVR category of "Distributor's Choice for Taiwan Brand Image" by A&amp;S magazine.</li> <li>Increased the capital by NT\$75,910,400 from retained earnings and NT\$10,716,600 from employee bonuses, resulting in total capital of NT\$1,035,507,000.</li> </ul>
2007	<ul style="list-style-type: none"> <li>Ranked 25th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>Ranked No. 1 in the Taiwanese Security Companies by A&amp;S Magazine.</li> <li>The EDVR series won the most popular award in A&amp;S Magazine online poll.</li> <li>Winner of the 5th Taiwan Excellent Brand Award organized by the Bureau of International Trade, Ministry of Economic Affairs.</li> <li>Increased capital of NT\$27,100,000 from retained earnings and NT\$15,004,000 from employee bonuses, resulting in total capital of NT\$1,071, 221,000.</li> </ul>
2008	<ul style="list-style-type: none"> <li>Ranked 19th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>Ranked the 8th in the Security Companies in Asia by A&amp;S Magazine.</li> <li>Ranked 9th in DVR market by IMS Research (Americas).</li> <li>EZN850 Outdoor Infrared IP Camera won the 2008 Taiwan Excellence Award.</li> <li>In September, the Ministry of the Interior approved the establishment of the "EverFocus Foundation".</li> <li>Increased capital of NT\$31,356,630 from retained earnings and NT\$19,920,370 from employee bonuses, resulting in total capital of NT\$1,122,498,000.</li> </ul>
2009	<ul style="list-style-type: none"> <li>Ranked 20th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>Ranked the 10th in the Security Companies in Asia by A&amp;S Magazine.</li> <li>EPN3600 H.264 Smart Tracking Fast Dome IP Camera won the 18th Taiwan Excellence Award.</li> <li>ELR DVR won the "Most Popular Product Award" in surveillance product category at 2009 A&amp;S North, Central and South Exhibition.</li> <li>Certified by ISO 14001.</li> <li>Increased capital of NT\$20,729,960 from retained earnings, resulting in total capital of NT\$1,143,227,960.</li> </ul>
2010	<ul style="list-style-type: none"> <li>Set up a subsidiary in India as a sales office in South Asia.</li> <li>Set up a subsidiary in UK as a sales office in European. <ul style="list-style-type: none"> <li>Ranked 23rd in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>Ranked the 11th in the Security Companies in Asia by A&amp;S Magazine.</li> <li>Received the 19th Taiwan Excellence Award for the Paragon HD 8-CH HD-SDI DVR.</li> <li>Paragon HD DVR won the Most Popular Product Award in Safety Product category at 2009 A&amp;S North, Central and South Exhibition</li> </ul> </li> <li>Reduce the capital by NT\$26 million from treasury stock, resulting in total capital of NT\$1,117,227,960.</li> </ul>
2011	<ul style="list-style-type: none"> <li>Ranked 18th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>Ranked the 10th in the Security Companies in Asia by A&amp;S Magazine.</li> <li>Received the 20th Taiwan Excellent Award for ENDEAVOR HD+SD DVR (EDR HD-4H4) and 8CH HD+SD Hybrid DVR.</li> <li>Increase the capital by NT\$97,850,510 from capital surplus, resulting in total capital of NT\$1,215,078,470.</li> <li>Reduce the capital by NT\$30 million from treasury stock, resulting in total capital of NT\$1,185,078,470.</li> </ul>
2012	<ul style="list-style-type: none"> <li>Ranked 27th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>Received the 21st Taiwan Excellence Award for: EPN4200 Fast Dome IP camera.</li> <li>Awarded the Best HD-SDI Camera in the HD Surveillance Equipment Competition at the 15th SecuTech Expo: EQH5202 HDcctv HD Gun Camera.</li> <li>Awarded the Best DVR in the HD Surveillance Equipment Competition at the 15th SecuTech Expo: EDR HD-4H4 8-ch HD+SD hybrid DVR.</li> <li>PARAGON HD DVR 8-ch H.264 HD-SDI won the "Most Popular Product Award" in surveillance product category at the 2012 North, Central and South Exhibition</li> <li>ECOR264-4X1 4-channel ECOR264 H.264 was awarded "BENCHMARK RECOMMENDED" by British BENCHMARK magazine in 2012.</li> </ul>
2013	<ul style="list-style-type: none"> <li>In December, EVERFOCUS ELECTRONICS LIMITED filed a liquidation petition with the local court.</li> <li>EverFocus Yuanhua (Shanghai) Co., Ltd. completed the cancellation of registration in October.</li> <li>Ranked 28th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>Received the 22nd Taiwan Excellence Award for four products: <ol style="list-style-type: none"> <li>Genie-XMS Integrated System (the first time that the Company won an award for its integrated system).</li> <li>Vehicle Surveillance Integrated System (EMV1600+EMN2320+EMW330T) (the first time the Company won an award for an integrated solution).</li> <li>EAN3300 3 Megapixel Gun IP Camera.</li> <li>EHN3261 2 Megapixel Auto Focus Infrared Night Vision Dome IP Camera.</li> </ol> </li> <li>EAN3300 3.0 Megapixel Gun IP Camera won the Best IP Camera at the 16th SecuTech Expo.</li> </ul>
2014	<ul style="list-style-type: none"> <li>EverFocus (Hong Kong) was liquidated and the cancellation of registration was completed in January.</li> <li>THI EVERFOCUS HOLDING LIMITED completed the cancellation of registration in May.</li> <li>EVERFOCUS INTERNATIONAL CORPORATION (B.V.) completed the cancellation of registration in August.</li> <li>Ranked 30th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> <li>ENVR8304E 8-ch 1080p plug-and-play NVR won the Best NVR at the 17th SecuTech Expo</li> </ul>
2015	<ul style="list-style-type: none"> <li>Reduced the capital by NT\$30 million from treasury stock, resulting in total paid-in capital of NT\$1,155,078,470.</li> </ul>
2016	<ul style="list-style-type: none"> <li>2016 Taiwan Excellence Award: 12-channel car DVR.</li> <li>Sidekick network camera helper won the 2016 Taiwan Excellence Award.</li> </ul>

2017	<ul style="list-style-type: none"> <li>• 2017 Taiwan Excellence Award: ESN41 FHD Surveillance System</li> </ul>
2018	<ul style="list-style-type: none"> <li>• 2018 Taiwan Excellence Award: 4-channel 1080p Full HD Real-Time Digital Video Recorder for Vehicles (EMV400S FHD).</li> <li>• 32-ch 4 HDD EPRO NVR 32 won the 2018 Taiwan Excellence Award.</li> <li>• EZN7221 Star Light Outdoor IR Bullet Ultra Low Light Network Camera won the 2018 Taiwan Excellence Award.</li> <li>• EZN7360 Star Light Outdoor IR Bullet Ultra Low Light Network Camera won the 2018 Taiwan Excellence Award</li> <li>• EMV1200 12-channel FHD Digital Video Recorder for Vehicles won the 2018 Taiwan Excellence Award.</li> <li>• Ranked 47th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> </ul>
2019	<ul style="list-style-type: none"> <li>• Ranked 46th in the Top 50 Global Security Companies by A&amp;S Magazine.</li> </ul>
2020	<ul style="list-style-type: none"> <li>• Winner of 2020 Taiwan Excellence Award: Intel Gen7 Core i7-7600U Car DVR (eIVP-KBU-IV-V0008)</li> <li>• Winner of 2020 Taiwan Excellence Award: 4-ch 1080p FHD All in One (EMV407_TD)</li> <li>• Ranked in the Top 50 Global Security Companies.</li> <li>• Received the TAICS certification.</li> <li>• EverFocus becomes NVIDIA Preferred Partner to create a win-win market</li> <li>• 7 industrial computers and accessories from EverFocus receive Microsoft® certification</li> </ul>
2021	<ul style="list-style-type: none"> <li>• EverFocus Electronics becomes a Gold Member of Intel® IPA and starts the technology cooperation with Intel</li> <li>• EverFocus's VANGUARD II Series XVR is in compliance with the U.S. National Defense Authorization Act (NDAA)</li> </ul>
2022	<ul style="list-style-type: none"> <li>• EverFocus Electronics Product: Smart Electronic Rearview Mirror Wins the 2023 Taiwan Excellence Award.</li> <li>• EverFocus Electronics becomes a Gold Member of Intel® IPA and starts the technology cooperation with Intel</li> </ul>
2023	<ul style="list-style-type: none"> <li>• Awarded the 2024 Taiwan Excellence Award: Intelligent Solution for Large Commercial Vehicles (EMV400S ODF-N)</li> <li>• Awarded the 2024 Taiwan Excellence Award: Outdoor AMR Sensor Synchronization Solution (SFB-200)</li> </ul>

### Three. Corporate Governance Report

#### I. Organizational system

##### 1. Organization chart



## 2. Major corporate functions

Divisions	Functions and Duties
President's Office	Provide overall strategic planning, assist the staff in all departments of the Company to perform their duties properly and ensure the correctness of their work in order to improve organizational effectiveness; take charge of the planning, evaluation and counseling of the management system.
Strategic Advisor's Office	Assist in the development of corporate strategies and performance management, setting goals, scheduling, supervising, keeping track of corporate improvement progress, making analysis and suggestions for improvement.
Office of Internal Audit	Conduct audits, response to abnormalities and make recommendations for improvement on the implementation of the internal control system and accounting system for each department.
Occupational Safety Division	Prepare, plan, supervise and promote the matters related to safety and health management of the Company.
Sales Division	In charge of sales and marketing for customers worldwide and in emerging markets; also, providing marketing and sales services for EVERFOCUS brand, promote products and provide technical support, etc. to customers
Planning Division	Responsible for new product planning, design, development schedule management, product and system integration, and global customer technical services.
R&D Division	Coordinate IP system, DVR/ENVR/MDVR/CMS related product development, product planning, design, developing schedule control, and providing product and system integration solutions.
Manufacturing Division	In charge of the procurement planning and implementation for raw materials used in manufacturing process, and adjusting strategies in line with the industry trend. Take charge of the production specification, production technology, implementation of production order, quality control, warehouse management, production planning, and material planning, .....etc.
Quality Division	Develop quality assurance operation plans, make and revise quality handbooks and ensure the implementation, provide after-sales maintenance, analysis of customer complaints....., etc. to ensure the stability of product quality and the normal operation.
Technical Support Division	Customer needs assessment and problem-solving, product testing, and technical support services. Project system planning and technical support, maintenance and operation execution at each stage, and progress control.
Resource Services Division	Coordinate IT application development, maintenance and services, network services and IT security management, etc.
	In charge of finance, accounting, taxation, stock affairs and administrative work, etc.
	Corporate strategy communication, human resources assessment, allocation, training, performance management, human resources related operational management, general affairs and administrative work.

II. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

(I) Information on directors and supervisors

1. Information on directors:

April 23, 2024

Title	Nationality or place of registration	Name	Gender	Age distribution	Date elected (appointed)	Term of office	Date first elected	Shareholding when elected		Current shareholding		Shares currently held by spouse and minors		Shares held by third parties		Education and experience	Concurrent positions at the Company and other companies	Other officers, directors, or supervisors of the Company who is a spouse or a relative within the second degree of kinship			Remark
								Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
Chairman	ROC	Yung-Shun Chuang	Male	71-80	2021.07.01	3 years	2018.06.14	2,538,909	3.73	10,655,686	15.95	0	0	0	0	<ul style="list-style-type: none"> <li>Chairman, AAEON Technology Inc.</li> <li>Honorary Doctorate of Engineering, National Taiwan University of Science and Technology</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, EVERFOCUS JAPAN CORP.</li> <li>Chairman, EverFocus Electronics (ShenZhen) Co., Ltd.</li> <li>Chairman, EVER FOCUS ELECTRONICS CORP.</li> <li>President, EVERFOCUS ELECTRONICS CORP.</li> <li>Please see (Note 1) for other concurrent positions.</li> </ul>	None	None	None	
Director	ROC	Hui-Ming Tsao	Female	61-70	2021.07.01	3 years	2002.6.13	2,277,037	3.34	1,707,541	2.56	3,479,485	5.21	0	0	<ul style="list-style-type: none"> <li>President, EVERFOCUS ELECTRONICS CORP.</li> <li>Master, Department of Electrical Engineering, National Taiwan University</li> </ul>	<ul style="list-style-type: none"> <li>Director, EVERFOCUS JAPAN CORP.</li> <li>Cat Logistics Automation Co., Ltd. - Supervisor</li> </ul>	None	None	None	
Director	ROC	LCL CAPITAL INC.	Not applicable		2021.07.01	3 years	2018.6.14	4,806,260	7.06	3,768,021	5.64	0	0	0	0	None	<ul style="list-style-type: none"> <li>Director, COLLINS CO., LTD.</li> <li>Director, GLAC BIOTECH CO., LTD.</li> <li>Director, Bioengine Technology Development Inc.</li> </ul>	None	None	None	
	ROC	Representative Ching-Kun Chen	Male	61-70	2021.07.01	3 years	2011.11.28	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Master, Department of Management Science, National Chiao Tung University</li> <li>Passed the CPA Exam</li> <li>Instructor, Department of Finance, Tamkang University</li> </ul>	<ul style="list-style-type: none"> <li>Partner, Jar Shin CPAs</li> <li>Collins Co., Ltd- Representative Director</li> <li>Independent Director and Member of Remuneration Committee, ALLIED BIOTECH CORP.</li> </ul>	None	None	None	
	ROC	Representative Chieh-Hsi Li	Male	41-50	2021.07.01	3 years	2021.01.05	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Ph.D. in Information Engineering, University of Southern California, USA</li> </ul>	<ul style="list-style-type: none"> <li>CEO, COLLINS CO., LTD.</li> <li>CEO, THRoute Corporation</li> </ul>	None	None	None	
Independent director	ROC	Hsu-Nan Huang	Male	61-70	2021.07.01	3 years	2018.06.14	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Ph.D., College of Management, National Chiao Tung University</li> <li>Ming Chuan University</li> </ul>	For other concurrent positions, please see (Note 2)	None	None	None	
Independent director	ROC	Hsueh-Yu Lo	Male	61-70	2021.07.01	3 years	2014.6.12	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Chairman, Grand Fortune Securities</li> <li>President, Grand Fortune Securities</li> <li>Executive VP, TAIWAN INTERNATIONAL SECURITIES CO.,LTD.</li> <li>Master, Department of Accounting and Information Technology, National Chung Cheng University</li> </ul>	<ul style="list-style-type: none"> <li>Director, Welldone Company</li> <li>Independent director, member of Audit Committee and member of Remuneration Committee, HONG TAI ELECTRIC INDUSTRIAL CO.,LTD.</li> </ul>	None	None	None	
Independent director	ROC	Chen-An Li	Male	51-60	2021.07.01	3 years	2021.07.01	20,000	0.03	18,629	0.03	0	0	0	0	<ul style="list-style-type: none"> <li>Master, Institute of Business Automation and Management, National Taipei University of Technology</li> <li>Vice President, Manufacturing Center, LITEMAX ELECTRONICS INC.</li> </ul>	-	None	None	None	

(Note 1) Concurrently serves as the Chairman of the Board for the following companies: AAEON Technology Inc., ONYX Healthcare Inc., AAEON TECHNOLOGY (SU ZHOU) INC., Onyx Healthcare (Shanghai) Inc., Yen Yu Investment Co., Inc., Yen Xin Investment Co., Ltd., Chang Yang Technology Co., Ltd. Fu Li Investment Co., Ltd. and JETWAY INFORMATION CO., LTD. Concurrently serves as the Board Director for the following companies: AAEON Electronics Inc., AAEON TECHNOLOGY (Europe) B.V., AAEON TECHNOLOGY GMBH, AAEON TECHNOLOGY SINGAPORE PTE. LTD., ONYX Healthcare USA, Inc., ONYX Healthcare Europe B.V., AAEON Foundation, Atech Technology Co., Ltd., Outstanding Electronics Manufacturer Co., Ltd., Outstanding Electronics Manufacturer(Danyang) Co., Ltd. LITEMAX ELECTRONICS INC., LitemaxTechnology, Inc., King Core Electronics Inc., ALLIED BIOTECH CORP., SUNENGINE CORPORATION LTD., MACHVISION, INC., Machvision (Dongguan) Testing Equipment Co., Ltd., XAC AUTOMATION CORP., CHC Healthcare Group, TOP UNION ELECTRONICS (Suzhou) CORPORATION, Allied Oriental International Ltd., Mefees Group Inc., Bei Ke Star Venture Capital Co., Ltd., Feng Xin Venture Capital Co., Ltd., iHELPER Inc., IBASE TECHNOLOGY INC., and Winmate Inc. Foundation of China University of Science and Technology and PROTECTLIFE INTERNATIONAL BIOMEDICAL INC. Concurrently serves as independent director for TOP UNION ELECTRONICS CORPORATION and TAIFLEX SCIENTIFIC CO., LTD.

(Note 2) Professor and Director of the Small and Medium Enterprise Innovation Incubation Center, Ming Chuan University; Institute for Financial and Economic Legislation Promotion- Director : Independent Director of KING CORE ELECTRONICS INC. and XAC AUTOMATION CORP.; Director of LITEMAX ELECTRONICS INC.; Supervisor of Le Young Construction Co., Ltd.; Director (Corporate Representative) of SUNSINO DEVELOPMENT ASSOCIATE INC : TOP UNION ELECTRONICS CORPORATION -Independent Director

## 2. Major Shareholders of Institutional Shareholders

April 16, 2023

Institutional shareholders	Major Shareholders of Institutional Shareholders
LCL CAPITAL INC.	Wen-Hsuan Tseng 84.4% Yi-Hsuan Li 9% Chong-Liang Li 4.6% Kuei-Hua Lin 2%

### (II) Directors' professional qualification and independent directors' status of independence

Name	Qualification	Professional qualification and work experience (Note 1)	Status of independence (Note 2)	Name of other Companies currently Serves as an independent Director
Chairman Yung-Shun Chuang		He graduated from National Taiwan University of Science and Technology with an honorary doctorate in engineering and is currently the Chairman of the Company, AAEON Technology Inc. and ONYX Healthcare Inc. He is the Corporate Representative for several listed companies and has more than five years of experience in commerce and corporate business and has been working in the industrial computer industry for nearly 30 years. He possesses the skills in professional leadership, marketing, operational management and strategic planning.	Does not meet any of the conditions stated in Article 30 of the Company Act.	1
Director Hui-Ming Tsao		She graduated from the Department of Electrical Engineering, National Taiwan University with a Master degree. She was the President of the Company and has more than five years of working experience in commerce and corporate business with the ability of industrial management and R&D.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0
Corporate representative Ching-Kun Chen		He graduated from the Department of Management Sciences of National Chiao Tung University with a Master degree. He is currently a partner of Jar Shin CPAs with more than five years of experience in commerce, finance and corporate business.	Does not meet any of the conditions stated in Article 30 of the Company Act.	1
Corporate representative Chieh-Hsi Li		He received his Ph.D. in Information Engineering at USC. He is the CEO of Collins Co., Ltd. and has over five years of experience in commerce, finance and corporate business.	Does not meet any of the conditions stated in Article 30 of the Company Act.	0
Independent director Hsu-Nan Huang		He received his PhD from the Department of Management Science, National Chiao Tung University and is currently the director of the Institute of Management at Ming Chuan University. He has over 10 years of teaching experience in law, finance and accounting.	Meet the following independence criteria two years prior to election and during the term of office: (1) Not an employee of the Company or any of its affiliates; (2) Not a director or supervisor of the company or any of its affiliates (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent). (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.	3
Independent director Hsueh-Yu Lo		He graduated from the Department of Accounting and Information Technology, National Chung Cheng University with a Master degree. He was the Chairman of Fortune Securities Investment Consulting Co., Ltd and the President of Grand Fortune Securities. He has more than five years of working experience in commerce, finance and corporate business.		1

<p>Independent director Chen-An Li</p>	<p>He graduated from National Taipei University of Technology with a Master's degree in Business Automation and Management, and served as the Vice President of the Manufacturing Center at LITEMAX ELECTRONICS INC. He has more than five years of working experience in commerce, finance and corporate business.</p>	<p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the preceding subparagraphs (2) or (3).  (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).  (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: Not a director, supervisor, or employee of that other company (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).  (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: Not a director (or governor), supervisor, or employee of that other company or institution.(do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).  (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (do not apply to specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).  (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NTS500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.  (10) Not a spouse or a relative within two degrees of kinship with other directors  (11) Does not meet any of the conditions stated in Article 30 of the Company Act.  (12) Not be elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.</p>	<p>0</p>
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Note 1: Professional Qualifications and Experience: Please specify individual director's and supervisor's professional qualifications and experience. If the director is a member of the Audit Committee and specialized in accounting or finance, please specify his/her accounting or financial background and working experience, and also whether he/she meets any circumstances referred to in Article 30 of the Company Act.

Note 2: Please specify the independent directors' compliance of independence, including, but not limited to, whether they or their spouses or relatives within the second degree of kinship serve as directors, supervisors or employees in the Company or any of its affiliates; the number and percentage of the Company's shares held in their own names or names of the spouses, relatives within the second degree of kinship (or proxy shareholder); whether they serve as directors, supervisors, or employees in any company engaged in specific relationship with the Company (please refer to the subparagraphs 5-8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its affiliates.

(III) Information on the company's general manager, vice president, assistant vice president and the supervisors of all the company's divisions and branch units:

April 23, 2024

Title	Nationality	Name	Gender	Date elected (appointed)	Number of shares held		Shares held by spouse and minors		Shares held by third parties		Education and experience	Concurrent positions at other companies	Other managers of the company who is a spouse or a relative within the second degree of kinship			Remark
					Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)			Title	Name	Relationship	
President	ROC	Chih-Hung Kao	Male	2023.11.09	0	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Master's in Electrical Engineering from National Taiwan University</li> <li>EMBA from the Business School of National Taiwan University</li> <li>Co-founder and CEO of AREC Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Director and concurrently General Manager of AREC Inc.</li> </ul>	None	None	None	None
Executive Vice President of Operations	ROC	Fu-Chieh Chuang	Male	2023.11.09	900,000	1.35	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Master's degree in Electrical Engineering from Carnegie Mellon University, USA</li> <li>Special Assistant to the Chairman of AAEON Technology Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Director of LINKENCE TECHNOLOGIES INC.</li> <li>Director of Spark Technologies Inc.</li> </ul>	None	None	None	None
Financial Officer	ROC	Chien-Liang Chen	Male	2019.11.14	19,000	0.03	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Master, Department of Management Science, National Chiao Tung University</li> <li>Taxation Officer, TECO Electric and Machinery Co., Ltd.</li> <li>Accounting Manager, Taiwan Pelican Express Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Supervisor, EVERFOCUS JAPAN CORP.</li> </ul>	None	None	None	None
Assistant Manager of Internal Audit	ROC	Li-Wen Chou	Female	2021.08.12	1,000	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Department of Accounting, Kun Shan University</li> </ul>	None	None	None	None	None
Corporate Governance Officer	ROC	Yun-Hua Chiang	Female	2023.03.22	69	0.00	0	0.00	0	0.00	<ul style="list-style-type: none"> <li>Assistant V.P., Deloitte Taiwan.</li> <li>Manager, Global Gene Biotech Company</li> <li>Project Manager, Elite Computer Corporation</li> <li>Department of Accounting, Fu Jen Catholic University</li> </ul>	<ul style="list-style-type: none"> <li>Director, EVERFOCUS JAPAN CORP.</li> </ul>	None	None	None	None

### III. Remuneration paid to directors, supervisors, presidents, and vice presidents

#### 1. Remuneration paid to directors (including independent directors) (disclosure of directors' names and remuneration)

December 31, 2023

Unit: NT\$ thousands

Title	Name	Directors' remuneration								Sum of A, B, C and D as percentage of Net Income (%) (Note 2)		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A, B, C, D, E, F and G as percentage of Net Income % (Note 2)		Compensation from invested businesses other than subsidiaries
		Compensation (A)		Severance pay and pensions (B)		Remuneration for directors (C) (Note 1)		Allowances (D)				Base compensation, bonuses, and allowances (E)		Severance pay and pensions (F)		Employee profit sharing from earnings distribution (G) (Note 1)						
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	Cash Amount	Share Amount	Cash Amount	Share Amount	The Company	From all consolidated entities	
Chairman and President	Yung-Shun Chuang	0	0	0	0	0	0	25	25	25 (0.05)	25 (0.05)	0	0	0	0	0	0	0	0	25 (0.05)	25 (0.05)	None
Director and Consultant	Hui-Ming Tsao	0	0	0	0	0	0	20	20	20 (0.04)	20 (0.04)	0	0	0	0	0	0	0	0	20 (0.04)	20 (0.04)	None
Director	LCL CAPITAL INC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Representative: Ching-Kun Chen	0	0	0	0	0	0	25	25	25 (0.05)	25 (0.05)	0	0	0	0	0	0	0	0	25 (0.05)	25 (0.05)	None
Director	LCL CAPITAL INC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
	Representative: Chieh-Hsi Li	0	0	0	0	0	0	25	25	25 (0.05)	25 (0.05)	0	0	0	0	0	0	0	0	25 (0.05)	25 (0.05)	None
Independent director	Hsueh-Yu Lo	0	0	0	0	0	0	115	115	115 (0.23)	115 (0.23)	0	0	0	0	0	0	0	0	115 (0.23)	115 (0.23)	None
Independent director	Chen-An Li	0	0	0	0	0	0	115	115	115 (0.23)	115 (0.23)	0	0	0	0	0	0	0	0	115 (0.23)	115 (0.23)	None
Independent director	Hsu-Nan Huang	0	0	0	0	0	0	105	105	105 (0.21)	105 (0.21)	0	0	0	0	0	0	0	0	105 (0.21)	105 (0.21)	None

1. Please explain the policy, system, standards, and structure by which independent director remuneration is paid, and association between the amount paid and independent directors' responsibilities, risks, and time committed:

(1) Article 16 of the Article of Incorporation states: Directors of the Company shall be entitled to remuneration for their duties regardless of profit or loss. The Board of Directors is authorized to determine the remuneration within the standards for maximum salaries established in the Company's Remuneration Policy based on the level of their participation in the Company's operations and the value of their contribution. The Directors shall be reimbursed for all expenses incurred as necessary to carry out their duties. Directors are entitled to receive NT\$5,000 transportation fee for attending the meeting.

(2) In addition, 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 parent s or subsidiaries of the company meeting certain specific requirements. In addition, the Company may set aside no more than 2.5% of the above-mentioned profit as director remuneration as resolved by the Board of Directors. However, if the Company still has accumulated losses, the Company shall reserve the amount to offset the losses in advance, and then set aside the employee compensation and director remuneration based on the aforementioned proportions.

2. Compensation received by director for providing service (e.g. consultancy service without the title of an employee) to the parent company, any company included in the financial statements, or any business investment in the last year, except those disclosed in the above table: None

Note 1: Due to the Company has accumulated losses in 2023, the Board of Directors resolved not to appropriate the remuneration to directors, supervisors and employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2023 parent company only financial statements..

#### 2. Remuneration paid to supervisors (disclosure of supervisors' names and remuneration): None.

3. Remuneration paid to president and vice president (disclosure of their names and remuneration):

December 31, 2023  
Unit: NT\$ thousands

Title	Name	Salary (A)		Severance pay and pensions (B)		Bonuses and special expenses (C)		Employee compensation (D) (Note 1)				Sum of A, B, C and D as percentage of Net Income (%) (Note 2)		Amount of employee stock option received		Number of new restricted employee shares received		Compensation from invested businesses other than subsidiaries	
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company		From all consolidated entities		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities		
								Cash Amount	Share Amount	Cash Amount	Share Amount								
President	Yung-Shun Chuang (Note 4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
President	Chih - Hung Kao (Note 3)	190	190	0	0	0	0	0	0	0	0	190 (0.39)	190 (0.39)	0	0	0	0	0	None
Executive Vice President of Operations	Fu-Chieh Chuang	80	80	0	0	0	0	0	0	0	0	80 (0.16)	80 (0.16)	0	0	0	0	0	None

Note 1: Due to the Company has accumulated losses in 2023, the Board of Directors resolved not to appropriate the remuneration to employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2023 parent company only financial statements.

Note 3: Assumed office on November 9, 2023.

Note 4: Dismissed on November 9, 2023.

4. Top five officers' remuneration (disclosure of officers' names and remuneration)

December 31, 2023  
Unit: NT\$ thousands

Title	Name	Salary (A)		Severance pay and pensions (B)		Bonuses and special expenses (C)		Employee compensation (D) (Note 1)				Sum of A, B, C and D as percentage of Net Income (%) (Note 2)		Compensation from invested businesses other than subsidiaries
		The Company	From all consolidated entities	The Company	From all consolidated entities	The Company	From all consolidated entities	The Company		From all consolidated entities		The Company	From all consolidated entities	
								Cash Amount	Share Amount	Cash Amount	Share Amount			
President	Chih -Hung Kao (Note 3)	190	190	0	0	0	0	0	0	0	0	190 (0.39)	190 (0.39)	189
Executive Vice President of Operations	Fu-Chieh Chuang (Note 3)	80	80	0	0	0	0	0	0	0	0	80 (0.16)	80 (0.16)	None
Corporate Governance Officer	Yun-Hua Chiang (Note 4)	934	934	58	58	0	0	0	0	0	0	992 (2.03)	992 (2.03)	None
Financial Officer	Chien-Liang Chen	1,097	1,097	63	63	0	0	0	0	0	0	1,160 (2.37)	1,160 (2.37)	None

Note 1: Due to the Company has accumulated losses in 2023, the Board of Directors resolved not to appropriate the remuneration to employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2023 parent company only financial statements.

Note 3: Assumed office on November 9, 2023.

Note 4: Assumed office on March 22, 2023.

## 5. Employee Remuneration Distributed to Managers and Distribution Situation

December 31, 2023  
Unit: NT\$ thousands

	Title	Name	Share amount(Note 1)	Cash amount(Note 1)	Total	Percentage of net earnings after tax (Note 2)
Manager	President	Chih -Hung Kao	0	0	0	0
	Executive Vice President of Operations	Fu-Chieh Chuang				
	Corporate Governance Officer	Yun-Hua Chiang				
	Financial Officer	Chien-Liang Chen				

Note 1: Due to the Company has accumulated losses in 2023, the Board of Directors resolved not to appropriate the remuneration to employees.

Note 2: The Company has adopted the IFRS, the net income disclosed is the net loss after tax in the 2023 parent company only financial statements.

6. Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to net income and the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks:
- A. Percentage of total remunerations of net income:

Title	2023	2022
	Amount of remuneration paid by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to net income (%).	Amount of remuneration paid by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to net income (%).
Director	430 (0.88)	1,843 (2.31)
Supervisor	0	0
President and Vice President	270 (0.55)	1,303 (1.63)

Please refer to page 68 for the description of employee bonus and remuneration to directors and supervisors.

B. Policies, standards by which they were paid, and their association with business performance and future risks:

The remuneration criteria for directors and supervisors of the Company are specified in the Company's Articles of Incorporation. The remuneration for managers of the Company is evaluated and proposed by the Remuneration Committee and approved by the Board of Directors.

The annual operating performance of the Company reflects the remuneration to directors and supervisors, as well as the year-end bonuses and employee bonuses to managers.

#### IV. Implementation of Corporate Governance:

##### (I) Board of directors' meeting status:

##### Board of directors' meeting status

A total of 5 meetings were held in 2023

Attendance of directors are shown below:

Title	Name	Attendance rate in person	Attendances by proxy	Attendance rate in person (%)	Remark
Chairman	Yung-Shun Chuang	5	0	100.00 %	
Director	Hui-Ming Tsao	4	0	80.00 %	
Director	LCL CAPITAL INC. Representative - Ching-Kun Chen	5	0	100.00 %	
Director	LCL CAPITAL INC. Representative - Chieh-Hsi Li	5	0	100.00 %	
Independent director	Hsueh-Yu Lo	5	0	100.00 %	
Independent director	Chen-An Li	5	0	100.00 %	
Independent director	Hsu-Nan Huang	4	0	80.00 %	

Other items to be stated:

- I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

1. Matters described in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Contents of Motions	Matters described in Article 14-3 of the Securities and Exchange Act	Opinions of independent directors	Company's resolution of independent director's opinions	Result of Resolution
10th meeting of the 13th term (2023.03.22)	The proposal for the company plans to establish a "Corporate Governance Best Practice Principles.	V	None	None	Unanimous consent of all directors present at the meeting.
	The proposal for the company plans to establish a "Code of Ethical Conduct	V	None	None	Unanimous consent of all directors present at the meeting.
	The proposal for the company plans to establish "Procedures and Guidelines for Ethical Business Conduct.	V	None	None	Unanimous consent of all directors present at the meeting.
	The proposal for the company plans to abolish the "Director Election Method" and establish the "Director Election Procedures" separately.	V	None	None	Unanimous consent of all directors present at the meeting.
	The proposal for the company plans to establish the "Financial and Business Operation Procedures for Related Parties of the Company Limited by Shares.	V	None	None	Unanimous consent of all directors present at the meeting.
	The proposal for the company plans to amend the "Board Meeting Rules.	V	None	None	Unanimous consent of all directors present at the meeting.
	The proposal for the company plans to amend the "Material Information Evaluation Procedures.	V	None	None	Unanimous consent of all directors present at the meeting.
10th meeting of the 15th term (2023.08.10)	The company's loan to EVER FOCUS ELECTRONICS CORP.	V	None	None	Unanimous consent of all directors present at the meeting.
	The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP.	V	None	None	Unanimous consent of all directors present at the meeting.
10th meeting of the 16th term (2023.11.9)	The company's loan to EVER FOCUS ELECTRONICS CORP.	V	None	None	Unanimous consent of all directors present at the meeting.
	The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP.	V	None	None	Unanimous consent of all directors present at the meeting.

					the meeting.
	The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP.	v	None	None	Unanimous consent of all directors present at the meeting.

2. Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.
- II. When there is avoidance due to conflicts of interest by director, the name of the director, the motion(s), the cause for the conflict of interest, and the participation of the voting should be noted: None.

III. The following information is about the TWSE/TPEX listed financial holding companies are required to disclose the cycle, duration, scope, method and detail of board performance self (or peer) evaluations performed:

**Implementation of Board Performance Evaluation:**

Assessment cycle	Assessment period	Scope of assessment	Method of assessment	Assessment items
Conducted once each year	January 01, 2023 to December 31, 2023	Board of Directors	Questionnaire of Self-Evaluation of Performance of the Board	A. Participation in the operation of the Company B. Improvement of the quality of the board of directors C. Composition and structure of the board of directors D. Election and continuing education of the directors E. Internal control
		Board members	Questionnaire of Self-Evaluation of Performance of Board Members	A. Alignment of the goals and missions of the company B. Awareness of the duties of a director C. Participation in the operation of the Company D. Management of internal relationship and communication E. The director's professionalism and continuing education F. Internal control
		Audit Committee	Questionnaire of Self-Evaluation of Performance of the Board	A. Participation in the operation of the Company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of the functional committee and election of its members E. Internal control
		Remuneration Committee	Questionnaire of Self-Evaluation of Performance of the Board	A. Participation in the operation of the Company B. Awareness of the duties of the functional committee C. Improvement of quality of decisions made by the functional committee D. Makeup of the functional committee and election of its members E. Internal control

The Company's board of directors approved rules for "Board of Directors Self-Assessment of Performance" on March 19, 2021, and conducted the performance assessment based on the evaluation procedures and evaluation indicators stipulated in the said rules for the current year. The assessment was completed in the first quarter of 2024 for the year 2023 and the results were submitted to the 18th meeting of the 10th term of Board of Directors on March 12, 2024. The results of the 2023 Board of Directors Self-Assessment of Performance: The results of the Board of Director Self-Assessment and the Board Members' Self-Assessment were both "Superior"; the Audit Committee Performance Assessment was "Excellent"; the Remuneration Committee Performance Assessment was "Excellent" and "Superior". When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the board.

IV. Enhancements to the functionality of the board of directors in the current and the most recent year, and the progress of such enhancements:

1. Enhancement of board functionality:

The Company has always followed the corporate governance principle since its establishment to maintain a sound operation of the Company through the corporate governance mechanism in order to maximize the interests of shareholders. Besides stipulating the "Rules of Procedures of the Board of Directors Meeting" based on the

"Regulations Governing Procedure for Board of Directors Meetings of Public Companies", the Company also established the Remuneration Committee in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and formulated the "Remuneration Committee Charter", the specifies that the Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers, and shall submit its recommendations for deliberation by the board of directors.

2. In order to strengthen the corporate governance function of the Board of Directors, the Company has established an Audit Committee to replace the Supervisors on June 14, 2018, which is composed of all independent directors. The "Audit Committee Charter" was formulated to govern the operation of the Audit Committee.
3. Implementation of the Board of Directors:  
The agenda working group of the Board of Directors always pays attention to the changes of laws and regulations made by the government and the corporate governance needs to amend the "Rules of Procedures of the Board of Directors Meeting" in order to promptly and effectively fulfill the important policies of corporate governance, and to effectively establish the governance system for the Board of Directors Meeting and improve the supervision and management functions. In addition, the Board of Directors will post important resolutions on the Market Observation Post System (MOPS) immediately after the meeting to maintain the transparency of information and to protect the investors' rights. Up to date, the Board of Directors of the Company has been running smoothly.

#### (II) Operations of Audit Committee

The Company's Audit Committee was formally established on June 14, 2018 and consists of three independent directors. The Audit Committee assists the Board in fulfilling its oversight of the accuracy and integrity of the accounting, auditing, reporting, and financial control practices of the Company and meets at least once every quarter. The term of office for members is from July 1, 2021 to June 30, 2024. The Audit Committee reviews the following issues:

1. Auditing and accounting policies and procedures;
2. Internal control systems and including related policies and procedures;
3. Material asset or derivatives transactions;
4. Material lending funds, endorsements or guarantees;
5. Derivatives and cash investments;
6. Legal compliance;
7. Related-party transactions and potential conflicts of interests involving managers and directors;
8. Ombudsman reports;
9. Fraud prevention and investigation reports;
10. Corporate information security;
11. Corporate risk management;
12. Hiring or dismissal of an attesting CPA, or the compensation given thereto;
13. Appointment or discharge of financial, accounting, or internal auditing officers;

#### Operations of Audit Committee

Title	Name	Qualification
Independent director Convener	Hsu-Nan Huang	He received his PhD from the Department of Management Science, National Chiao Tung University and is currently the director of the Institute of Management at Ming Chuan University. He has over 10 years of teaching experience in law, finance and accounting.
Independent director	Hsueh-Yu Lo	Graduated from the Department of Accounting and Information Technology, National Chung Cheng University with

		Master degree. He was the Chairman of the Board of Grand Fortune Securities Investment Consulting Co., Ltd. and the President of Grand Fortune Securities. He has more than five years of working experience in commerce, finance and corporate business.
Independent director	Chen-An Li	National Taipei University of Technology with a Master's degree in Business Automation and Management, and served as the Vice President of the Manufacturing Center at LITEMAX ELECTRONICS INC. He has more than five years of working experience in commerce, finance and corporate business.

Audit Committee held 4 committee meetings (A) in 2023, with the attendance of independent directors shown below:

Title	Name	Attendance in person (B)	Attendances by proxy	Attendance rate in person (%) (B/A)	Remark
Member	Hsu-Nan Huang	3	0	75%	
Member	Hsueh-Yu Lo	4	0	100%	
Member	Chen-An Li	4	0	100%	

Other items to be stated:

- I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, any independent director's opinions expressing objections or reservations or important suggestions, Audit Committee's resolution and the Company's resolution of Audit Committee's opinions:

(I) Matters described in Article 14-5 of the Securities and Exchange Act.

Board of Directors	Contents of Motions	Matters described in Article 14-5 of the Securities and Exchange Act.	Opinions of independent directors	Company's resolution of independent director's opinions	Result of Resolution
10th meeting of the 2th term (2023.03.22)	1.The proposal for the company plans to establish a "Corporate Governance Best Practice Principles. 2. The proposal for the company plans to establish a "Code of Ethical Conduct 3. The proposal for the company plans to establish "Procedures and Guidelines for Ethical Business Conduct. 4. The company plans to formulate the "Method for Assessing the Independence and Suitability of Certified Public Accountants. 5. The proposal for the company plans to abolish the "Director Election Method" and establish the "Director Election Procedures" separately. 6. The proposal for the company plans to establish the "Financial and Business Operation Procedures for Related Parties of the Company Limited by Shares. 7. The proposal for the company plans to amend the "Board Meeting Rules. 8. The proposal for the company plans to amend the "Material Information Evaluation Procedures.	V	None	None	Unanimous consent of all members present at the meeting.
11th meeting of the 2th term (2023.05.11)	Consolidated Financial Statements for the First Quarter of Year 2023 of the Company.	V	None	None	Unanimous consent of all members present at the meeting.
12th meeting of the 2th term (2023.08.10)	1.Consolidated Financial Statements for the Second Quarter of Year 2023 of the Company. 2. The company's loan to EVER FOCUS ELECTRONICS CORP. 3. The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP.	V	None	None	Unanimous consent of all members present at the meeting.
13th meeting of the 2th term (2023.11.09)	1. Consolidated Financial Statements for the Third Quarter of Year 2023 of the Company. 2. The company's loan to EVER FOCUS ELECTRONICS CORP. 3. he endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP 4.The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP	V	None	None	Unanimous consent of all members present at the meeting.

(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two thirds of the Board of Directors: None.

- II. When there is avoidance due to conflicts of interest by independent director, the name of the independent director, the motion(s), the cause for the conflict of interest, and the participation of the voting should be noted: None.
- III. Communication between independent directors, chief internal auditor and CPAs (e.g., matters methods and results of communication on the Company's financial and business status):

(I) Communication methods between independent directors and chief internal auditor:

1. Based on the execution status of the annual audit plan, the internal audit supervisor submits the audit report for the previous month by the end of each month. Quarterly, a follow-up report on improvements is prepared and delivered to the respective committee members for review. If there are any doubts, thorough communication is conducted through telephone or written correspondence at any time.
2. The Audit Committee and the Board of Directors report the company's audit business reports to the committee members during quarterly meetings. In the event of significant abnormal matters, immediate reports are made to the committee members for review and approval. As of the most recent meeting, there have been no special circumstances reported.
3. Regular communication with independent directors is maintained as needed through telephone, emails, or face-to-face meetings, and the communication is in good condition.

(II) Summary of Communication between Independent Directors and chief internal auditor in 2023

Date	Number of attendees	Key points of communication	Communication results
Nov.9,2023	Independent Director Hsu-Nan Huang Independent Director Hsueh-Yu Lo Independent Director Chen-An Li chief internal auditor Li-Wen Chou	Internal Audit Execution Report for the Year 2023	No objections were raised

(III) Communication methods between independent directors and CPAs

1. The auditors provided a detailed explanation of the matters related to the audit (review) of the financial statements and the key audit matters for the current year's financial report during the Audit Committee meetings. They engaged in fruitful discussions and maintained good communication with the independent directors.
2. In addition to the communication that takes place during the Audit Committee meetings, the auditors and the independent directors maintain regular and open communication throughout the year. They are in contact through various means, including telephone, video conferencing, and email, to ensure that any questions or concerns regarding the audit process or financial reporting can be addressed promptly.

IV. The annual work priorities are as follows :

1. According to Article 14-1 of the Securities and Exchange Act, the company is required to establish or amend internal control systems
2. Assessment of the effectiveness of internal control systems

3. Establishment or revision of processing procedures for significant financial transactions involving acquisition or disposal of assets, engaging in derivative trading, lending funds to others, endorsing or providing guarantees for others, as required by Article 36-1 of the Securities and Exchange Act
4. Matters concerning conflicts of interest involving directors themselves
5. Material asset or derivatives transactions
6. Material lending funds, endorsements or guarantees
7. Fundraising, issuance, or private placement of equity securities
8. Hiring or dismissal of an attesting CPA, or the compensation given thereto
9. Appointment or discharge of financial, accounting, or internal auditing officers
10. Annual financial statements signed or stamped by the Chairman, Manager and Accounting Officer , and the second quarter financial report subject to audit certification by the auditor
11. Significant matters prescribed by other companies or regulatory authorities

(III) Implementation status of the company's corporate governance, any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies and the reason for such discrepancies:

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
I. Does the company establish and disclose the Corporate Governance Best Practice Principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has formulated the "Code of Corporate Governance Practice"	No discrepancy
II. Equity structure and shareholders' equity (I) Does the Company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If so, have these procedures been implemented accordingly? (II) Does the Company possess a list of its major shareholders as well as the ultimate owners of these shares? (III) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? (IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓   ✓  ✓		(I) The Company has set up spokesman, acting spokesman and stock affair officer to handle matters related to shareholders' suggestions, questions and disputes; if there is a dispute and litigations, it will be handled by the Company's attorney. (II)The Company has appointed Grand Fortune Securities to handle related stock affairs. The Company also has a dedicated staff to maintain contact with the stock agent at all times to handle the list of major shareholders of the Company and ultimate owners of these shares. (IV) The division of management authority and responsibility between the Company and its affiliates is clearly defined. All inter-company transactions are carried out in accordance with the relevant provisions of the Company's internal control system. (V) The "Procedures for Handling Material Inside Information" are established to regulate the operating procedures of information confidentiality and how to handle abnormal situations.	No discrepancy
III. Composition and responsibilities of the Board of Directors (I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly? (II) Other than the Remuneration Committee and Audit Committee which are required by the law, does the Company plan to set up any other Board committees? (III) Has the Company established a methodology for evaluating the performance of its Board of Directors, on an annual	✓	✓	(I) In accordance to Article 24 of “Corporate Governance Best Practice Principles”, the composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards: 1. Basic requirements and values: Gender, age, nationality, and culture. 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills,	No discrepancy

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
<p>basis, reported the results of the performance to the Board of Directors, and used the results as reference for directors’ remuneration and renewal ?</p> <p>(IV) Does the company regularly evaluate its external auditors’ independence?</p>	<p>✓</p> <p>✓</p>		<p>and industry experience. Currently, there are 7 directors, including 3 independent directors (1 with less than 3 years of tenure and 2 with 3 or more years of tenure but less than 9 years), and 2 corporate directors, all of whom are Taiwanese nationals. Among them, there are 6 male directors and 1 female director. Two directors also serve as employees of the company. The company is committed to achieving specific management objectives for board diversity and aims to prioritize the appointment of at least one director with a legal background in future board member selections. Please refer to [Attachment I] for more details.</p> <p>(II)The Company has not established functional committees other than the Remuneration Committee and the Audit Committee as required by law.</p> <p>(III)The Company's Board of Directors has approved the Board of Director's Self-Assessment of Performance on March 26, 2020. The Company has submitted the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term. The assessment for 2022 was completed in the first quarter of 2023 and the results were submitted to the 13th Board meeting of the 10th term on March 22, 2023.</p> <p>(IV) The Company's Audit Committee conducts regular assessments of the independence and suitability of the engagement auditors. In addition to requesting the engagement auditors to provide a "Statement of Independence," the assessments are conducted based on the standards outlined in [Attachment II]. After confirming that the auditors have no financial interests or business relationships with the Company other than fees for audit and taxation services, and that their family members do not violate the independence requirements, the assessment results for the most recent fiscal year were discussed and approved by the Audit Committee on March 22, 2023, and submitted to the 13th Board meeting of the 10th term on the same date for resolution regarding the independence assessment of the engagement auditors.</p>	No discrepancy

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary description	
IV. Has the company designated an appropriate number of personnel that specializes (or are involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders' meetings, preparation of board meeting and shareholders meeting minutes, etc.)?	✓		As resolved by the Board of Directors on March 22, 2023, Ms. Yun-Hua Chiang, a senior manager, is appointed as the Corporate Governance Officer of the Company, responsible for governance-related matters. The main responsibilities of the Corporate Governance Officer are as follows: I. Handle matters related to the meetings of the Board of Directors and shareholders' meetings in accordance with the law. II. Prepare minutes of meetings of the Board of Directors and shareholders' meetings. III. Assist directors in their appointment and continuous professional development. IV. Provide information necessary for directors to carry out their duties. V. Assist directors in complying with laws and regulations. VI. Report to the Board of Directors on the examination results of whether the qualifications of independent directors comply with relevant laws and regulations during nomination, election, and tenure. VII. Handle matters related to changes in directors. VIII. Handle other matters stipulated in the company's articles of incorporation or contracts.	No discrepancy
V. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		We have set up a stakeholder section on our website to disclose the contact information and contact options.	No discrepancy
VI. Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		Professional registrar (stock agent) of the Company: The Company has appointed Grand Fortune Securities to handle related stock affairs.	No discrepancy

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
<p>VII. Disclosure of information</p> <p>(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(II) Does the Company use other information disclosure channels (e.g. maintaining an English language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors’ conference etc.)?</p> <p>(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first , second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>(I) The "About " section of the company's website discloses the monthly revenue, quarterly results and CSR related information.</p> <p>(II) The Company has a dedicated staff to maintain the Company's English website, and there is also a spokesman and an acting spokesman responsible for the disclosure of external information; all required announcements are posted on the Market Observation Post System in accordance with the regulations.</p> <p>(III) The following are the Company's annual financial statements, quarterly financial statements and monthly operating status as announced and reported in accordance with relevant regulations:</p> <ol style="list-style-type: none"> <li>1. The Company announces and reports the annual financial statements within three months after the end of the fiscal year.</li> <li>2. The Company announces and reports the first, second, and third quarter financial statements with 45 days after the end of each period.</li> <li>3. The Company announces and reports the operating status of each month with 10 days after the end of each month.</li> </ol>	<p>No discrepancy</p>

Evaluation items	Implementation status and			Discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		<p>1. The Company is committed to environmental protection, labor safety and labor welfare. The executives of the Company operate the business based on the ethical code of conduct and maintain good relationships with customers, suppliers and banks. The Company has established the "Regulations for Handling Operations, Business and Financial Transactions between the Company and its Related Parties, Specific Companies and Affiliates" in its internal control system so that each of the Company's related parties can recuse themselves from conflict of interest activities. Please refer to pages 81-84 of the Annual Report for additional information on environment protection and labor relations of the Company.</p> <p>2. The Company has not established corporate governance best practice principles, but has disclosed the attendance of directors and supervisors for board meetings on the Market Observation Post System. The attendance of directors and supervisors in the board meetings has been satisfactory over the years. The minutes of each board meeting are provided to the directors and supervisors for their reference after the meeting.</p> <p>3. The Company has adopted the Procedures for Handling Material Inside Information for the purpose of establishing sound mechanisms for the handling and disclosure of material inside information by this Corporation, in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by the Company to the public. For more information, please refer to the Company's website / About / Social Responsibility / Corporate Governance / Important Regulations.</p> <p>4. The agenda working group of the Board of Directors would remind the managers, directors and supervisors of the Company regarding the rules and regulations related to material information by e-mail from time to time.</p> <p>5. The Company will notify the directors and supervisors by e-mail from time to time to attend the professional education courses held by the relevant units; and will disclose the information about the directors' and supervisors' training on the Market Observation Post System (MOPS) on a regular basis as required by the competent authority. Please refer to page 44 of the Annual Report for information on the 2023 training records for directors and supervisors of the Company.</p> <p>6. Implementation status of risk management policies and risk measurement standards: (1) Risk management policy: The Company has always adopted a prudent prevention policy for risk management and has established a strict internal control system in compliance with the requirements set by the competent authority, laws and regulations. We also have qualified internal auditors who formulate risk-oriented audit plans to review the existing or potential risks in the internal control procedures annually. In addition, the Company maintains insurance policies including property insurance, product liability insurance, and others to avoid and diversify risks.</p>	No discrepancy

Evaluation items	Implementation status and			discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary description	
	✓		<p>(2) Responsibility for risk management at each level: All management units in the Company are responsible for the risk management according to the nature of the business; the following is a summary of the Company's risk implementation and the main responsible management units:</p> <ul style="list-style-type: none"> <li>• President's Office: In charge of making and planning business decisions; evaluating medium and long-term investment efficiency, improving organizational effectiveness, and reducing strategic risks.</li> <li>• Resource Services Division: The Finance and Accounting Division is responsible for the preparation and control of budget and the system; the allocation and utilization of funds; and the establishment of a hedging mechanism to reduce financial risks. The Information Division promotes and implements computerization and information security control and protection to minimize information security risks.</li> <li>• R&amp;D Division: Focus on product development, R&amp;D efficiency evaluation and analysis to increase market share and reduce the risk associated with product substitution and market obsolescence.</li> <li>• Sales Division: Responsible for marketing strategies, marketing promotions, keeping track of market trends and minimizing business operating risks.</li> <li>• Manufacturing Division: Responsible for production, manufacturing, machinery and equipment maintenance and repair, and labor safety and health management to reduce the risk associated with the manufacturing process.</li> <li>• Quality Division: Prepare quality assurance plans, revise quality handbooks and make sure they are implemented to reduce the risk of unstable product quality; provide after-sales service, technical support to customers, and analyze and resolve customer complaints to minimize the risks arising from customer complaints, loss and being replaced by the competitors.</li> <li>• Occupational Safety Division: Develop/plan/supervise and promote the safety and health management activities to reduce the risk of occupational disasters among the employees of the Company.</li> </ul> <p>7.For the implementation of customer policies, quality is always our</p>	No discrepancy

Evaluation items	Implementation status and			discrepancies with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons								
	Yes	No	Summary description									
			<p>core value.</p> <p>Our products are covered by product liability insurance. The Company adopts "green processes" to produce "green products" through pollution prevention, process reduction and continuous improvement measures to enhance environmental performance and operational efficiency, such as: eco-friendly product design, waste removal and treatment, efficient use of natural resources, energy saving and waste reduction efficiency.</p> <p>The Company obtained ISO 14001 environmental management system certification in 2009 to meet international standards. Subsequently, the Company conducts regular internal audits and comprehensive reviews to establish a foundation for sustainability and to protect the rights of consumers.</p> <p>8. The Company has purchased liability insurance for its directors and supervisors since 2005.</p> <p>The directors of the Company are highly self-disciplined and have recused themselves from all motions in which they have a conflict of interest with in order to implement corporate governance.</p> <p>The information on the Company's liability insurance for directors and supervisors is as follows:</p> <table border="1"> <thead> <tr> <th>Insured</th> <th>Insurance Company</th> <th>Coverage</th> <th>Insured Period</th> </tr> </thead> <tbody> <tr> <td>All directors and supervisor</td> <td>Shinkong Insurance Co., Ltd.</td> <td>USD 2 millions</td> <td>From: September 1, 2023 To: September 1, 2024</td> </tr> </tbody> </table> <p>2. For additional information about the Company, please visit the Company's website. Website of the Company: <a href="http://www.everfocus.com.tw">http://www.everfocus.com.tw</a></p>	Insured	Insurance Company	Coverage	Insured Period	All directors and supervisor	Shinkong Insurance Co., Ltd.	USD 2 millions	From: September 1, 2023 To: September 1, 2024	
Insured	Insurance Company	Coverage	Insured Period									
All directors and supervisor	Shinkong Insurance Co., Ltd.	USD 2 millions	From: September 1, 2023 To: September 1, 2024									
IX. The improvement status regarding the results of the Corporate Governance Evaluation announced by Taiwan Stock Exchange. (Not applicable. The Company is exempted from the assessment)		✓	<p>After the annual evaluation results are published, the company will review and continue to improve areas that have not met standards. Initiatives promoting sustainable development will be prioritized as key improvement projects for the company's fiscal year 2024.</p>	Same as the description on the left.								

[Attachment I] Individual directors for diversification of Board members

I.Basic Information of Board of Directors Members:

Job Titles	Nationality	Name	Gender/ Age	Date of appointment	Term of office	Date of initial appointment	Education	Experience
Chairman	R.O.C	Yung-Shun Chuang	Male 71-80 years old	2021.07.01	Three years	2018.06.14	<ul style="list-style-type: none"> <li>Honorary Doctorate in Engineering National Taiwan University of Science</li> </ul>	<ul style="list-style-type: none"> <li>Technology Chairman of AAEON Technology Inc.</li> </ul>
Director	R.O.C	Hui-Ming Tsao	Female 61-70 years old	2021.07.01	Three years	2012.6.13	<ul style="list-style-type: none"> <li>Master, Department of Electrical Engineering, National Taiwan University</li> </ul>	<ul style="list-style-type: none"> <li>Master, Department of Electrical Engineering, National Taiwan University</li> </ul>
Corporate Director Representative	R.O.C	Representative Ching-Kun Chen	Male 61-70 years old	2021.07.01	Three years	2011.11.28	<ul style="list-style-type: none"> <li>Master, Department of Management Science, National Chiao Tung University</li> <li>Passed the CPA Exam</li> </ul>	<ul style="list-style-type: none"> <li>Partner, Jar Shin CPAs</li> </ul>
Corporate Director Representative	R.O.C	Representative Chieh-Hsi Li	Male 41-50 years old	2021.07.01	Three years	2021.01.05	<ul style="list-style-type: none"> <li>Ph.D. in Information Engineering, University of Southern California, USA</li> </ul>	<ul style="list-style-type: none"> <li>CEO, COLLINS CO., LTD.</li> <li>CEO, THRoute Corporation</li> </ul>
Independent Director	R.O.C	Hsu-Nan Huang	Male 61-70 years old	2021.07.01	Three years	2019.06.14	<ul style="list-style-type: none"> <li>Ph.D., College of Management, National Chiao Tung University</li> </ul>	Professor and Dean of the College of Management, Department of Business Administration, Ming Chuan University.
Independent Director	R.O.C	Hsueh-Yu Lo	Male 61-70 years old	2021.07.01	Three years	2014.6.12	<ul style="list-style-type: none"> <li>Master, Department of Accounting and Information Technology, National Chung Cheng University</li> </ul>	Chairman, Grand Fortune Securities
Independent Director	R.O.C	Chen-An Li	Male 51-60 years old	2021.07.01	Three years	2021.7.01	<ul style="list-style-type: none"> <li>Master's degree in Business Automation and Management, Taipei University of Technology.</li> </ul>	<ul style="list-style-type: none"> <li>Vice President, Manufacturing Center, LITEMAX ELECTRONICS INC.</li> </ul>

## II. Board of Directors Diversity Policy

Individual directors for diversification of Board members As for the composition of the Board of Directors, an appropriate diversification policy is formulated based on its operations, operation type, and development needs, which shall include but not limited to the following two major standards

(I) Basic conditions and values: Gender, age, nationality, culture, etc.

(II) Professional knowledge and skills: Professional background, professional skills, and industry experience, etc.

To achieve the ideal goals of corporate governance, the members of the Board are equipped with professional knowledge, skills, and qualities necessary for performing their duties. These include operational judgment, accounting and financial analysis abilities, business management skills, crisis handling capabilities, industry knowledge, international market perspectives, leadership qualities, and decision-making skills.

The members of the Board of Directors of this company are selected based on the company's operations, business type, and development needs. They possess different expertise in various domains.

## III. Current Status of Board of Directors Diversity Achievement

(I) The members of the company's Board of Directors are highly experienced professionals, all aged 45 or above, who have excelled in their respective fields for many years. Currently, there are 7 directors, including 3 independent directors (1 with less than 3 years of tenure, and 2 with 3 to 9 years of tenure), 2 corporate representative directors, all of whom are Taiwanese nationals. Among them, 6 are male and 1 is female. There are 2 directors who also hold positions as employees of the company. The board members possess diverse professional backgrounds and demonstrate excellent leadership capabilities. The relevant information is as follows

Diversification Items Name	Profile								Professional Background						Professional Background							
	Nationality	Gender	Employee of the Company	Age			Term of independent directors		Law	Accounting	Finance	Industry	Marketing	Technology	Operational judgment	Accounting and financial analysis	Business Management	Crisis Management	Knowledge of Industry	International market view	Leadership	Decision-making
				45 To 60	61 To 70	71 To 75	Under 3years	3~9 years														
Yung-Shun Chuang	R.O.C	Male	v			v						v	v	v	v	v	v	v	v	v	v	v
Hui-Ming Tsao	R.O.C	Female	v		v							v	v	v	v	v	v	v	v	v	v	v
Ching-Kun Chen	R.O.C	Male			v				v	v				v	v	v	v	v	v	v	v	v
Chieh-Hsi Li	R.O.C	Male		v							v	v	v	v	v	v	v	v	v	v	v	v
Hsu-Nan Huang	R.O.C	Male			v			v	v	v				v	v	v	v	v	v	v	v	v
Hsueh-Yu Lo	R.O.C	Male			v			v	v	v				v	v	v	v	v	v	v	v	v
Chen-An Li	R.O.C	Male		v			v				v		v	v	v	v	v	v	v	v	v	v

(II)The company is continuously striving to achieve the specific management objectives of the Board of Directors' diversity policy.

EVERFOCUS ELECTRONICS CORP  
Assessment Form of CPA's Independence and Competence in 2022

Mar. 12, 2024

CPA Firm: PricewaterhouseCoopers, Taiwan

CPA: Mavis Chang and Shih-Jung Weng

I. Independence Assessment

Evaluation Item	Evaluation Result	Corresponding CPA Independence Statement Item
I. The appointed auditor has no direct or indirect financial interests in the company.	Yes	In Compliance
II. The appointed auditor has not engaged in any financing or guarantee activities with the company or its directors.	Yes	In Compliance
III. The appointed auditor has not compromised the audit work based on considerations of possible client loss °	Yes	In Compliance
IV. The appointed auditor has not received any fees related to the audit engagement or public expenses.	Yes	In Compliance
V. The appointed auditor has no significant commercial or potential employment relationships with the company.	Yes	In Compliance
VI. Members of the audit service team have not held positions as directors, executives, or influential roles in audit engagements with the company currently or in the past two years.	Yes	In Compliance
VII. The accounting firm appointed has provided non-assurance services to the company that do not directly impact significant aspects of the audit engagement	Yes	In Compliance
VIII. The appointed auditor has not promoted or facilitated the issuance of stocks or other securities of the company.	Yes	In Compliance
IX. The appointed auditor has not acted as a defense counsel for the company or represented the company in coordinating conflicts with third parties.	Yes	In Compliance
X. The appointed auditor has no immediate family relationships with directors, executives, or individuals holding influential positions in relation to audit services.	Yes	In Compliance
XI. The appointed auditor has not served as a director, executive, or held influential positions in relation to audit engagements with the company within the past year of their resignation as a co-practicing accountant.	Yes	In Compliance
XII. The appointed auditor has not received significant gifts or presents of value from the company or its directors and executives.	Yes	In Compliance
XIII. The appointed auditor has not accepted inappropriate choices of accounting policies or improper disclosures in financial statements made by the company's management °	Yes	In Compliance
XIV. The appointed auditor has not been subjected to or influenced by the company's management to reduce the necessary audit procedures on the grounds of reducing audit fees.	Yes	In Compliance
XV. The appointed auditor does not have any litigation relationship with the company.	Yes	In Compliance

II. Competence Assessment

Evaluation Item	Evaluation Result	Whether the CPA possesses Competence
I. The accountant has experience with multinational groups and related industries	Yes	Yes
II. Whether the accountant undergoes ongoing professional training.	Yes	Yes
III. In the most recent year, the company has not been involved in any litigation or received any sanctions from regulatory authorities regarding its financial reporting.	Yes	Yes
IV. the accountant has not been subject to disciplinary actions by the disciplinary committee for accountants and publicly announced sanctions within the past five years, or any penalties under Article 37, Paragraph 3 of the Securities and Exchange Act.	Yes(Note)	Yes

Note : Upon reviewing the information provided in the 2022 Audit Quality Indicators (AQIs) from PricewaterhouseCoopers, Taiwan and the list of accountants disciplined under the Accountants Act released by the Financial Supervisory Commission on August 2, 2023, as well as the list of accountants subject to penalties under Article 37 of the Securities and Exchange Act published on November 13, 2020, it is confirmed that CPA Mavis Chang and CPA Shih-Jung Weng have not been subject to disciplinary actions by the Accountants Disciplinary Committee and publicly announced as such.

III. Evaluation Results :

After evaluation, it has been determined that the appointed signing CPAs do not have any of the circumstances mentioned in the independence assessment criteria above and meet the assessment criteria for competence

Chairman:



Manager:



Accounting Officer:



(IV) The composition, duties and operations of the Remuneration Committee of the Company:

1. Composition of Remuneration Committee

March 12, 2023

Title		Qualification	Professional qualifications and experience	Independence Status (Note)	Number of other public companies where concurrently serving as a member of remuneration committee
Name					
Independent director Convener	Hsu-Nan Huang		He received his PhD from the Department of Management Science, National Chiao Tung University and is currently the director of the Institute of Management at Ming Chuan University. He has over 10 years of teaching experience in law, finance and accounting.	Compliance with the independence requirements.	0
Independent director	Hsueh-Yu Lo		Graduated from the Department of Accounting and Information Technology, National Chung Cheng University with Master degree. He was the Chairman of the Board of Grand Fortune Securities Investment Consulting Co., Ltd. and the President of Grand Fortune Securities. He has more than five years of working experience in commerce, finance and corporate business.	Compliance with the independence requirements.	0
Independent director	Chen-An Li		He graduated from National Taipei University of Technology with a Master's degree in Business Automation and Management, and served as the Vice President of the Manufacturing Center at LITEMAX ELECTRONICS INC. He has more than five years of working experience in commerce, finance and corporate business.	Compliance with the independence requirements.	0

Note: During the two years before being elected or during the term of office, **an independent director of a public company may not have been or be any of the following:**

- (1) Not an employee of the company or any of its affiliates.

- (2) Not a director or supervisor of the company or any of its affiliates (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in the preceding subparagraphs (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: Not a director, supervisor, or employee of that other company (do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: Not a director (or governor), supervisor, or employee of that other company or institution.(do not apply to independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) A director (governor), supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (do not apply to specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company, and independent directors or supervisors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Do not have any of the circumstances in the subparagraphs of Article 30 of the Company Act.

2. Committee Responsibilities:

To ensure a sound system for compensation of the directors, supervisors and managerial officers of the Company, the Remuneration Committee Charter is adopted pursuant to Article 3 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

- (1) Functions of the Committee: The functions of the Committee are to professionally and objectively evaluate the policies and systems for compensation of the directors, supervisors, and managers of the Company, and submit recommendations to the board of directors for its reference in decision making.
- (2) Scope of duties: The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.
- i. Periodically reviewing this Charter and making recommendations for amendments.
  - ii. Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managers of the Company.
  - iii. Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation.

3. Status of Remuneration Committee meetings:

- (1) The Company's Remuneration Committee has three members.
- (2) The current term of the Remuneration Committee members is from August 12, 2021 to June 30, 2024. The Remuneration Committee held two (A) meetings during the most recent year, and qualifications and attendance record of members are as follows:

Title	Name	Attendance in person (B)	Attendances by proxy	Rate of actual attending (%) (B/A)	Remark
Convener	Hsu-Nan Huang	2	0	100 %	
Member	Hsueh-Yu Lo	2	0	100 %	
Member	Chen-An Li	2	0	100 %	

Other items to be stated:

- I. If the board of directors declines to adopt or modify a recommendation of the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the remuneration package approved by the Board is better than the recommendation made by the committee and the reason for such variance): None
- II. As to the resolution of the remuneration committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None

- (3) The discussion items and results of resolutions of the Remuneration Committee:

Remuneration Committee	Contents of motions and the Company's resolution of remuneration committee members' opinions	Result of Resolution	Handling of the opinions of Remuneration Committee members

4th meeting of the 5th term 2023.03.22	Discussion of the 2022 year-end bonus for the Company's managers	All members of the Committee present approved.	Proposed to the Board of Directors and approved by all Directors present
5th meeting of the 5th term 2023.11.09	Amendments to the Management Guidelines for the Compensation and Performance System of the Company's Managers	All members of the Committee present approved.	Proposed to the Board of Directors and approved by all Directors present
	2023 salary adjustment for the Company's managers		

## (V) Directors' and supervisors' ongoing education in 2023:

December 31, 2023

Title	Name	Current term Date of appointed	Course date		Organizer	Course name	Course hours	Whether in compliance with the regulations (Note 1)
			From	To				
Chairman	Yung-Shun Chuang	2021.07.01	2023.03.27	2023.03.27	Chinese National Federation of Industries	Corporate Resilience and Taiwan's Competitiveness	3	Yes
			2023.04.13	2023.04.13	Taiwan Institute of Financial Studies and Training	Corporate Governance Lecture Series - Issue 157	3	
Director	Hui-Ming Tsao	2021.07.01	2023.10.20	2023.10.20	Securities and Futures Institute	Internal Insider Trading Prevention Seminar for the 112th Fiscal Year	3	
Corporate Representative of Director	Ching-Kun Chen	2021.07.01	2023.04.13	2023.04.13	Taiwan Institute of Financial Studies and Training	Corporate Governance Lecture Series - Corporate Sustainability and Domestic and International Tax Avoidance Trends	3	Yes
			2023.07.13	2023.07.13	Taiwan Stock Exchange	Promotion Meeting for the Sustainable Development Action Plan of Listed Companies	3	
			2023.11.03	2023.11.03	Securities and Futures Institute	Listed Companies - Seminar on Understanding Derivatives Markets and Advancing Corporate Sustainability	3	
Corporate Representative of Director	Chieh-Hsi Li	2021.07.01	2023.03.27	2023.03.27	Chinese National Federation of Industries	Corporate Resilience and Taiwan's Competitiveness	3	Yes
			2023.11.01	2023.11.01	Taiwan Institute of Financial Studies and Training	Corporate Governance and Sustainability Workshop	3	
Independent director	Hsu-Nan Huang	2021.07.01	2023.07.04	2023.07.04	Taiwan Stock Exchange	2023 Cathay Sustainable Finance and Climate Change Summit	6	Yes
Independent director	Hsueh-Yu Lo	2021.07.01	2023.03.27	2023.03.27	Chinese National Federation of Industries	Corporate Resilience and Taiwan's Competitiveness	3	Yes
			2023.04.27	2024.04.27	Taiwan Stock Exchange	Promotion Meeting on Sustainable Development Action Plans for Listed Companies.	3	
Independent director	Chen-An Li	2021.07.01	2023.03.27	2023.03.27	Chinese National Federation of Industries	Corporate Resilience and Taiwan's Competitiveness	3	Yes
			2023.06.02	2023.06.02	Chinese National Federation of Industries	2023 Taishin Net Zero Electricity Summit	3	

Note 1: Disclosure is made in accordance with the provisions of the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".

(VI) Implementation status of the company's promotion of sustainable development, any discrepancy from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies, and the reason for any such discrepancy:

Promoted items	Implementation status (Note 1)			Discrepancies with the Sustainable Development Best Practice Principles for TWSE/ GTSM Listed Companies and the reasons
	Yes	No	Summary description	
I. Does the Company develop guidelines for sustainability and establish a sustainability unit which is delegated to Management by the Board of Directors and subject to supervision by the board?		V	At present, the Resource Service Division is responsible for organizing and planning. Its main responsibilities are to continuously promote social welfare, maintain labor relations, protect the environment and save energy, and promote labor safety and health.	The Company has not established a dedicated (concurrent) unit to promote sustainable development, and will formulate a "Sustainable Development Best Practice Principles" based on the schedule.
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies based on the principle of materiality? (Note 2)	V		<ol style="list-style-type: none"> <li>The Company has established the procedures for organizational background and risk management to address the organizational risk management process.</li> <li>The management team reviews the operating philosophy and strategic objectives annually and identifies changes in the internal and external environment related to organizational quality, environmental risks, and other issues that stakeholders are concerned about. Establish ISO 9001 and 14001 management systems and have them certified by the certification body. The subsidiaries will implement these systems in accordance with local laws and regulations.</li> </ol>	No significant difference
III. Environmental Issue (I) Has the Company established appropriate environmental management procedures in accordance with its industrial characteristics?	V		<ol style="list-style-type: none"> <li>The Company has established an environmental management system in accordance with Waste Disposal Act, the Water Pollution Control Act, the Air Pollution Control Act, Fire Services Act, Tobacco Hazards Prevention Act, Resource Recycling Act, Noise Control Act, and other laws and regulations. Also, the Company controls and monitors hazardous chemicals and disinfects the site in every six months to prevent mosquitoes.</li> <li>All of the plants have followed the ISO 14001 environmental management system and have been certified by a third party every year. The ISO 14001 quality certificate is valid from 2024/5/7 to 2027/5/7 and is verified by GCL.</li> </ol>	No significant difference
(II) Has the Company improved the utilization rate of each resource and used the re-generated material with low impact on the environment?	V		<ol style="list-style-type: none"> <li>The Company divides the waste into general waste and industrial waste according to the Waste Disposal Act; we recycle the materials that can be reused. The use of hazardous substances is prohibited in all processes including R&amp;D, production, manufacturing, and packaging. We design, and develop our products to comply with EU WEEE,</li> </ol>	No significant difference

			<p>RoHS, REACH, BOSCH, PPW, SVHC and other international standards to reduce the impact on the environment.</p> <p>2. The Company also makes efforts to improve the efficiency of resource utilization: For example, the Company does not provide paper cups; employees are required to bring their own cups and are encouraged to bring their own utensils; workers will collect and reuse the raw material boxes. Industrial park management committee is responsible for collecting the general wastes in 2021. The Company has appointed a qualified waste disposal company to handle the business wastes after the materials department reported and registered with the government as required by law.</p>	
(III) Has the Company evaluated the potential risks and opportunities from climate change and taken precautions on climate-related issues?	V		<p>1. The Company takes climate change and global warming-related issues very seriously, and therefore asks its employees to start with daily activities, such as: We use double-sided printing and photocopying as much as possible, set up recycling bins for recycling paper, use electronic invoices and deliver official documents or letters by electronic means as much as possible; use electronic application forms to reduce the paper consumption.</p> <p>2. The air-conditioning temperature in the office is set at 26 °C, the lighting fixtures are gradually replaced with more energy-efficient LED T5 lights. We encourage employees to turn off the lights and save energy, and use automatic sensors to control the water volume of the faucets to save water in order to slow down global warming.</p> <p>3. In terms of product design, we are committed to light weight and low energy consumption design, and we emphasize the utilization of recycled materials and waste recycling in the manufacturing process.</p>	No significant difference
(IV) Has the Company track the total amount emission of greenhouse gas, water consumption, and waste for the past two years, and establish policy for energy saving and carbon reduction, lower emission of greenhouse gas, decrease water consumption and better waste management?	V		<p>1. We currently calculate CO2 emissions for all of our sites based on turnover, electricity consumption and water usage.</p> <p>2. The inventory and verification (including the subsidiaries in the consolidated financial statements) will be completed by December 2026 according to the schedule.</p>	No significant difference
IV. Social issues (I) Does the Company make relevant management policies and processes according to the International Bill of Human Rights?	V		<p>1. EverFocus Electronics is committed to fulfilling its corporate social responsibility by safeguarding the fundamental human rights of its employees and stakeholders. The company supports and adheres to international human rights conventions, including the "United Nations Global Compact," the "Universal Declaration of</p>	No significant difference

		<p>Human Rights," and the "International Labour Organization Declaration on Fundamental Principles and Rights at Work." We respect internationally recognized basic human rights and have formulated a human rights policy statement in accordance with the aforementioned standards.</p> <p>The Human Rights Policy Statement of EverFocus Electronics is as follows:</p> <p>I. Provide employees with fair and reasonable salary conditions.</p> <p>II. In accordance with all applicable labor laws of the country, we do not employ child labor and prohibit forced labor.</p> <p>III. We prohibit employment discrimination and ensure that everyone has the right to equal protection without any form of discrimination.</p> <p>IV. A harassment-free work environment is maintained, and any behavior that violates human rights is strictly prohibited.</p> <p>V. We respect employees' fundamental human rights and provide diverse communication mechanisms to ensure harmonious and mutually beneficial labor-management relations.</p> <p>VI. Caring for the physical and mental well-being of employees, providing regular free health check-ups, and organizing health management seminars; offering diverse activities to enhance interpersonal interactions among colleagues, enrich the concept of "work-life balance," and comprehensively take care of employees' physical, mental, and emotional health.</p> <p>Our policy implementation includes the following measures:</p> <p>I. Prohibition of Forced Labor: We strictly prohibit any form of slavery, servitude, or coercion in which employees are compelled to work against their will.</p> <p>II. No child labor: comply with local minimum age laws and regulations, no child labor.</p> <p>III. Safe and Healthy Working Environment: We conduct semi-annual monitoring of the working environment to ensure that our employees are protected from physical and chemical hazards in the workplace. Our aim is to maintain exposure levels that comply with legal standards.</p> <p>IV. Occupational Safety Promotion: We provide health promotion campaigns, training on labor safety, health, and fire safety, as well as first aid training for our employees.</p>	
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			<p>V. We have established a "Sexual Harassment Prevention and Complaint" channel to ensure gender equality and address any incidents of sexual harassment.</p> <p>VI. We provide comprehensive annual health check-ups for all employees</p>	
(II) Has the Company set reasonable employee benefits (including remuneration, vacation days, and other benefits), and reflect business performance or achievements in the employee remuneration policy?	V		<ol style="list-style-type: none"> <li>1. In addition to the labor insurance, health insurance, and pension contribution as required by laws and regulations, the Company has provided employees with a variety of welfare policies, including: wedding and funeral subsidies, childbirth subsidies, injury and illness assistance, disaster relief, birthday bonuses, meal subsidies, field trip grants, and festival gifts.</li> <li>2. In addition, according to the Company's Articles of Incorporation, 3% to 10.5% of the Company's profits will be allocated to employee compensation.</li> </ol>	No significant difference
(III) Does the Company provide a safe and healthy work environment for employees and regularly provide health and safety training for employees?	V		<ol style="list-style-type: none"> <li>1. The Company organizes regular health checkups for employees in accordance with the regulations set by the Ministry of Labor, and strengthens the supervision of labor safety and health in each department.</li> <li>2. On-site health services are provided by contracted medical personnel in accordance with the regulations of the Ministry of Labor.</li> <li>3. The workplace is monitored every six months in accordance with the law.</li> <li>4. Regular training on labor safety and health is required by law in order to develop the emergency response capability and safety concept among employees.</li> <li>5. There were no occupational accidents during the year.</li> <li>6. No fire incidents occurred this year.</li> </ol>	No significant difference
(IV) Has the Company established an effective career development training program for employees?	V		The Company's training program is integrated with the government's industrial talent investment program to continuously train and enhance employees' career development.	No significant difference

<p>(V) Regarding customer health and safety, customer privacy, marketing and labelling of products and services, does the Company follow relevant regulations and international standards, and formulate relevant consumer protection policies and grievance procedures?</p>	<p>V</p>		<ol style="list-style-type: none"> <li>1. The Company has set up an internal technical and maintenance Division and an external helpdesk on the Company's website to provide information on product warranties and frequently asked questions to consumers.</li> <li>2. In addition, the Company's contact information is disclosed so that consumers can contact the Company directly by phone or mail.</li> <li>3. All of our products and services are in compliance with the RoHS, we have announced the standards for banned hazardous substances on our website, and they are in compliance with the RoHS environmental standards and international standards</li> </ol>	<p>No significant difference</p>
<p>(VI) Has the Company established supplier management policies which require suppliers to comply with relevant standards on issues such as environmental protection, occupational safety and health or labor rights, and suppliers' implementation?</p>	<p>V</p>		<ol style="list-style-type: none"> <li>1. We have formulated the "Regulations for Managing Suppliers" to effectively control the quality, price, delivery and compatibility of our suppliers. We actively communicate with and learn from our suppliers on environmental protection, occupational safety and health, and labor human rights issues, and encourage them to improve their environmental safety and health performance.</li> <li>2. In addition, suppliers are required to sign an "Guarantee Letter for Environmentally Prohibited Substances" at the same time as providing basic company information, to guarantee that the products and materials produced, manufactured or provided by them and downstream suppliers do not contain any prohibited substances.</li> <li>3. The warranty specifies the compensation coverage to ensure the rights and reputation of the Company.</li> </ol>	<p>No significant difference</p>
<p>V. Does the Company adopt internationally recognized standards or guidelines when producing corporate social responsibility reports, to disclose the status of their implementation of the corporate social responsibility policy? Did the Company obtain a third party assurance or verification to ensure the reliability of the information in their CSR reports?</p>		<p>V</p>	<p>The Company has not yet compiled a CSR report.</p>	<p>Although the Company does not prepare a CSR report, it has set up various sections on the Company's website to disclose CSR-related information.</p>
<p>VI. If the Company has established sustainable development principles based on the "Corporate Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancies between the Principles and their implementation: The Company will formulate the "Sustainable Development Best Practice Principles" according to the scheduled plan.</p>				
<p>VII. Other important information to facilitate a better understanding of the company's sustainable development practices:</p> <ol style="list-style-type: none"> <li>1. Please refer to pages 45-50 of this annual report for more information.</li> <li>2. On April 25, 2023, our company responded to the Together for Prosperity: Embracing ESG E + public welfare campaign by making a donation to the "2023 Taiwan Good Air Yu Fu Tian"</li> </ol>				

program, which aims to stop the burning of rice straw. The burning of rice straw has a significant impact on air quality and poses a threat to human health. To address this issue, we have initiated the "2023 Taiwan Good Air Yu Fu Tian" program, which calls for farmers to adopt non-burning methods to manage rice straw, and provides corresponding financial subsidies to support the implementation of this program. Through this initiative, we hope to reduce the impact of rice straw burning on air quality while safeguarding the rights and interests of farmers.

3. Regarding CSR environmental sustainability, on March 25, 2023, our company collaborated with AAEON, ONYX, and Spark Technologies to organize a tree planting event. In cooperation with the Luodong Forest District Office, we adopted an area in Ruifang District, New Taipei City, and planted a total of 1,335 tree seedlings. Through the process of photosynthesis, we aim to significantly reduce carbon emissions. On April 13, 2024, jointly organized with AAEON and ONYX companies, planting 100 saplings in cooperation with adopting Pinglin District. By engaging in tree planting activities, we hope to raise awareness among our employees and their families about the importance of preserving and cherishing the Earth. We also aim to share this awareness with the friends and relatives of our employees.

Note 1: If Implementation status is specified “Yes,” please explain the key policies, strategies, and measures taken and the execution progress. If Implementation status is specified “No,” please explain discrepancy and reason of discrepancy in the field titled “Discrepancies with the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and the reasons,” and provide any policy, strategy and measure planned for the future.

Note 2: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company's investors and stakeholders.

Note 3: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.

## (VII) Climate-related Information

Item	Implementation status
1. Describe the supervision and governance by the board of directors and management regarding climate-related risks and opportunities.	<p>The Board of Directors serves as the highest governance body on climate issues, responsible for approving climate-related policies, strategies, and goals. It incorporates climate-related risks and opportunities into consideration, oversees climate risk management and disclosure.</p> <p>To strengthen sustainable governance, chaired by the Chairman, plans are underway to establish a Sustainability Committee in 2024, which will regularly review climate-related issues and implementation progress and report to the Board of Directors.</p>
2. Describe how the identified climate risks and opportunities impact the business, strategy, and finances of the company (short-term, medium-term, long-term).	<p>The physical risks primarily stem from extreme weather events such as typhoons and floods, which pose threats to employee safety, cause work disruptions, and result in financial losses while also damaging the company's reputation. Over the long term, the greenhouse gas effect will raise global temperatures, heightening climate-related risks across global operations and increasing operational costs associated with risk management.</p> <p>Transition risks arise from regulatory compliance, leading to increased operational costs, and from shifts in customer demand towards low-carbon products, potentially decreasing demand for non-green products. Climate change presents opportunities, such as developing low-energy products and technologies to meet customer demands, adopting renewable energy and low-carbon materials, and enhancing carbon reduction awareness throughout the supply chain.</p> <p>In response to the above risks and opportunities, the company will implement the following measures:</p> <p>Physical Risks:            Develop emergency response plans.            Enhance employee education and training. Implement environmentally friendly activities to raise awareness of carbon reduction.</p> <p>Transition Risks :</p>

	<p>Adhere to TCFD guidelines.  Regularly track performance execution.  Promote ISO14064-1/GHG greenhouse gas inventory.  Evaluate the feasibility of purchasing renewable energy.  Introduce circular economy thinking and develop low-carbon products.</p>
3. Describe the financial impacts of extreme weather events and transition actions.	<p>(1) Extreme weather is classified into immediate risks and long-term risks. Immediate risks include typhoons, heavy rainfall, extreme cold, and heat events, which pose threats to employee safety leading to occupational accidents, subsequently affecting work progress, causing financial losses to the company, and damaging corporate image. Longterm risks involve the continuous global temperature rise, which will increase the probability of floods, wildfires, and heatwaves, thereby necessitating increased risk management operational costs for the company.  (2) Transition actions include compliance with international climate-related policies and regulations, adoption of renewable energy technologies, and adjustment to market demands for low-carbon products. These actions will increase the company's investment in operational costs to reduce sensitivity to extreme weather events, while also developing new business opportunities and competitive advantages.</p>
4. Describe how the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system.	<p>To understand the impacts of climate change, we conduct an annual inventory of risks and opportunities arising from climate change based on the nature of our business. We identify and assess climate risks and opportunities according to the climate risk and opportunity categories, impact pathways, timing and geographic scope of impacts, position in the value chain, and financial implications as recommended by TCFD (Task Force on Climate-related Financial Disclosures). We use the TCFD framework to identify climate risks and opportunities based on their likelihood, frequency, and potential impacts on the company. We evaluate the risk and opportunity values and prioritize the "physical risks," "transition risks," and "climate change opportunities" that require urgent attention.</p>
5. When conducting scenario analysis to assess resilience to climate change risks, it is necessary to specify the scenario, parameters, assumptions, analysis factors, and key financial impacts used in the analysis.	<p>As of the printing date of the annual report, the company has not yet used scenario analysis to assess resilience to climate change risks, hence it is not applicable.</p>
6. If there is a transformation plan in place to address climate related risks, please describe the contents of that plan, including the indicators and objectives used for identifying and managing physical risks and transition risks.	<p>As of the printing date of the annual report, the company has not yet completed its transition plan for managing climate-related risks. The related information will be disclosed on the company's official website upon completion.</p>
7. If internal carbon pricing is used as a planning tool, the basis for price determination should be explained.	<p>The company has not yet used internal carbon pricing as a planning tool.</p>
8. If climate-related targets are established, details should be provided on the covered activities, scope of greenhouse gas emissions, planning timeline, progress achieved annually, and if carbon offsets or Renewable Energy Certificates (RECs) are used to achieve these targets, information should be disclosed on the source and quantity of carbon offsets for emissions reduction or the quantity of Renewable Energy Certificates (RECs) used	<p>According to the schedule outlined in the sustainability development roadmap for listed companies, our company's capital falls under the 'Phase Three' category, involving an assessment of individual entities. We are only required to complete assessments for Scope One and Scope Two entities by 2026. After completing the greenhouse gas assessment this year, we will then set relevant reduction targets, strategies, and detailed action plans.</p>
9. Greenhouse gas inventory and verification status with reduction targets, strategies, and specific action plans.	<p>According to the schedule outlined in the sustainability development roadmap for listed companies, our company's capital falls under the 'Phase Three' category for individual entity assessments, with the completion of Scope One and Scope Two assessments required only by the 2026</p>

(VIII) Status the company's performance in the area of ethical corporate management, any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the reason for such discrepancies

Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(II) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Does the Company provide clear operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The company has established the "Code of Conduct for Integrity Management," "Operating Procedures and Behavioral Guidelines for Integrity Management," and "Code of Ethics," requiring directors and executives to lead by example and adhere to the principles of honesty and integrity, fostering a corporate culture of trust and integrity .</p> <p>(II) In addition to the established "Code of Conduct for Integrity Management" and "Operating Procedures and Behavioral Guidelines for Integrity Management," the company has also included relevant reward and punishment measures in its employee code of conduct to prevent occurrences of dishonest behavior among employees</p> <p>(III) The company conducts preliminary assessments of legality and integrity of business relationships, ensuring avoidance of dealing with entities lacking integrity. It also complies with relevant laws and regulations. Any donation or sponsorship funds require authorization from the authorized hierarchy before being processed</p>	It generally complies.
<p>II. To implement integrity management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year)</p>	<p>✓</p> <p>✓</p>	<p>✓</p>	<p>(I) To ensure that the Company conducts its business activities in a fair and transparent way, the Company is clearly defined to prohibit conducting business with persons who have a misconduct record.</p> <p>(II) The Company has not established a dedicated unit under the Board of Directors. Currently, the HR Division has</p>	It generally complies.

Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>to the Board of Directors while overseeing such operations?</p> <p>(III) Whether the Company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(IV) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct and have its ethical conduct program audited by internal auditors or CPA periodically?</p> <p>(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?</p>	<p>✓</p> <p>✓</p>		<p>been appointed as the executive unit to promote and convey ethical corporate management by conducting various training courses related to ethical corporate management.</p> <p>(III) To communicate the company's management philosophy, direction, concepts and priorities through internal channels on a regular and occasional basis in order to deepen the ethical corporate management best practice principles.</p> <p>(IV) The Company has established an effective accounting system and internal control system. The internal auditors conduct audits on all departments from time to time to implement the supervision mechanism and control various risk management.</p> <p>(V) The company provides various training courses such as new employee training to convey the company's ethical management principles, or the supervisor can convey these concepts within the department.</p>	
<p>III. Operation of integrity channels</p> <p>(I) Has the Company established a reward /punishment system and a complaint hotline? Has the Company established a system where the accused individual can be reached by an appropriate person?</p> <p>(II) Has the Company established standard operating procedures for investigating the complaints received, as well as follow-ups after investigations are completed, and has the Company ensured these investigations are handled confidentially?</p> <p>(III) Does the Company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) When employees discover any dishonest or improper behavior, they can directly report it to senior management. The company also ensures the confidentiality of the whistleblower's identity and the reported content to prevent retaliation. The company has established a disciplinary system and employees can file complaints through normal administrative procedures. Violators will face disciplinary action.</p> <p>(II) The company's "Code of Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices" have specified provisions regarding the standard operating procedures for investigating reported matters, the subsequent actions to be taken after the investigation is completed, and the related confidentiality mechanisms.</p> <p>(III) The relevant provisions in the company's "Code of</p>	<p>It generally complies.</p>

Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
			Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices" stipulate that confidentiality obligations are imposed on individuals who report misconduct, and they are prohibited from engaging in any improper handling or actions	
Evaluation items	Implementation status and			Discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
IV. Strengthening information disclosure (I) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?		✓	(I) The company has established the "Code of Conduct for Integrity Management," "Operating Procedures and Behavioral Guidelines for Integrity Management," and "Code of Ethics," requiring directors and executives to lead by example and adhere to the principles of honesty and integrity, fostering a corporate culture of trust and integrity.	It generally complies.
V. If the Company has drafted its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please clearly state any discrepancies between the policies and their implementation: The company has implemented the "Code of Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices" in accordance with the established standards.				
VI. Other important information facilitating a better understanding of the Company's ethical corporate management policies: To establish a culture of ethical business conduct and ensure the healthy development of the company, we have implemented the "Code of Conduct" and "Operating Procedures and Guidelines for Ethical Business Practices." These documents provide guidelines for conducting business with integrity. Furthermore, we disclose the implementation status of these guidelines in our annual report, demonstrating our commitment to transparency and accountability.				

(IX) Disclosure to the Company's Corporate Governance Principles: The regulations formulated by the Company, such as "Code of Ethical Conduct", "Code of Business Conduct", "Procedures for Ethical Management and Guidelines for Conduct", "Rules for Board Meetings", "Rules and Procedures for Board Meetings", "Rules and Procedures of Shareholders' Meetings", "Procedure for the Election of Directors", "Charter of Audit Committee", "Charter of Compensation Committee", "Code of Corporate Governance Practice", "Corporate Governance Best Practice Principles", "Regulations Governing the Self-Evaluation by the Board of Directors or Peer Evaluation" are disclosed on MOPS and the Company's website.

(X) Other information that facilitates the understanding in the Company's corporate governance should be also disclosed: None.

# EVERFOCUS ELECTRONICS CORP.

## Codes of Ethical Conduct

- I. Purpose of and basis for adoption:  
In recognition of the necessity to assist the Company in its establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, and managerial officers of the Company (including president or its equivalents, vice president or its equivalents, deputy assistant general managers or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.
- II. Prevention of conflicts of interest:
  - (1) Company directors shall exercise a high degree of self-discipline. If a director is an interested party with respect to any proposal for a board meeting, and when the interested party relationship is likely to prejudice the interests of the company, the director shall enter recusal during the voting. The director also may not act as another director's proxy to exercise voting rights on that matter. The directors shall practice self-discipline and must not support one another in improper dealings.
  - (2) When a director or manager of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship, the Company shall strictly comply with the relevant regulations of the Company when lending of funds, providing guarantees, and making major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which a director or a manager belongs, and shall take the initiative to report to the Board of Directors during the decision-making process to explain the possible conflict of interest and shall recuse themselves.
- III. Minimizing incentives to pursue personal gain:  
When the company has an opportunity for profit, it is the responsibility of the directors or managers to maximize the reasonable and proper benefits that can be obtained by the company; shall prevent its directors or managers from engaging in any of the following activities:
  - (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.
  - (2) Obtaining personal gain by using company property or information or taking advantage of their positions.
  - (3) Competing with the company.
- IV. Confidentiality:  
The directors or managers of the Company shall be bound by the obligation during their terms or after the terms to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information.  
Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.
- V. Fair trade:  
Directors or managers of the Company shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.
- VI. Safeguarding and proper use of company assets:  
All directors or managers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes in order to protect the profitability of the Company.
- VII. Legal compliance:  
The company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws and regulations.
- VIII. Encouraging reporting on illegal or unethical activities:  
The Company shall raise awareness of ethics internally through its employee website and encourage employees to report to a company chief internal auditor upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. The chief internal auditor should carefully investigate and communicate the situation to clarify any confusion if it is not a truth. If there is a fact, he/she should report it to the President, the Board of Directors or the independent directors as soon as possible when appropriate. The chief internal auditor, President, Board of Directors or independent directors shall use their best efforts to ensure the safety of informants and protect them from reprisals.
- IX. Disciplinary measures:  
When a director or a manager violates the Code of Ethical Conduct, the Company shall report to the Board of Directors to dismiss the manager or request the shareholders' meeting to dismiss the director if moral advice is ineffective. When the Board of Directors or the shareholders' meeting discusses the dismissal of the violator, the violator shall be notified to appeal in the meeting. When the Board of Directors or the shareholders' meeting passes a resolution to discipline the offender, the Board of Directors or the shareholders' meeting shall disclose on the Market Observation Post System (MOPS) the title and name of the violator, date of violation, reason for the violation, the provisions of the code violated, and the disciplinary actions taken.
- X. Procedures for exemption

A director or manager may be exempt from the Company's Code of Ethical Conduct by resolution of the Board of Directors in order to maintain the Company's normal operations (e.g., purchase and sale of goods) or to develop the Company's long-term interests (e.g., technical cooperation) for the benefit of his or her own family members, spouse, parents, children or third relatives within third degree of kinship. Any exemption for directors or managers from compliance with the code shall be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

- XI. Method of disclosure: The company shall disclose the code of ethical conduct approved by the Board of Directors, and any amendments to it, in its annual reports and prospectuses and on the MOPS.
- XII. Enforcement: The Company's code of ethical conduct, and any amendments to it, shall enter into force after it has been adopted by the board of directors, and submitted to a shareholders meeting.
- XIII. This code was established on June 15, 2006  
The first amendment was made on March 9, 2018.

(IX) Implementation of internal control system

1. Statement of Internal Control System

EVERFOCUS ELECTRONICS CORP.

Statement of Internal Control System

March 12, 2024

Based on the findings of a self-assessment, EVERFOCUS ELECTRONICS CORP. (“the Company”) states the following with regard to its internal control system during the year 2023 :

- I. The Company’s Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control:
  1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities.Each component also includes several items which can be found in the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the Company’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 12, 2024, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

EVERFOCUS ELECTRONICS CORP.

Chairman: Yung-Shun Chuang

President: Chih -Hung Kao



2. CPA audit report, where a CPA has been hired to carry out a special audit of the internal control system: Not applicable.

(X) As of the reporting date, has the Company or its personnel been punished due to violation of regulations or has the Company punished its personnel for violating the Company's internal controls? If so, what were the major deficiencies and the steps taken to improve on the deficiencies? None.

(XI) Up to recent year and the publication date of this annual report, major resolutions of shareholders' and board meetings:

1. Major resolutions of shareholders' meeting on July 14, 2023:

Major resolution		Implementation status
Matters for Adoption	1. To approve the Company's 2022 final accounts.	Resolved at the 2023 Annual General Meeting of Shareholders.
	2. To approve the Company's 2022 loss make-up statement.	Resolved at the 2023 Annual General Meeting of Shareholders.
Matters for Discussion	Discussion of abolishing the ' Rules for Election of Directors ' and establishing a new ' Procedures for Election of Directors '.	Resolved at the 2023 Annual General Meeting of Shareholders.

2. Major resolutions of board meeting:

(1) Board meetings in 2023:

Date/Term	Proposals	Result of Resolution
2023.03.22 (Wednesday) the 13th meeting of the 10th term	1. Proposal to Establish [Corporate Governance Practices Guidelines] for the Company	Unanimous consent of all directors present at the meeting.
	2. Proposal to Establish [Code of Business Ethics] for the Company	Unanimous consent of all directors present at the meeting.
	3. Proposal to Establish [Code of Conduct and Operating Procedures for Business Ethics] for the Company	Unanimous consent of all directors present at the meeting.
	4. Discussion of abolishing the ' Rules for Election of Directors ' and establishing a new ' Procedures for Election of Directors	Unanimous consent of all directors present at the meeting.
	5. Drafting of "Operational Guidelines for Financial Transactions among Related Parties of a Limited Company"	Unanimous consent of all directors present at the meeting.
	6. Amendment to the Company's Board Meeting Regulations	Unanimous consent of all directors present at the meeting.
	7. Amendment to the Company's Significant Information Evaluation Process	Unanimous consent of all directors present at the meeting.
2023.8.10(Thursday) the 15 th meeting of the 10th term	1.The company's loan to EVER FOCUS ELECTRONICS CORP.	Unanimous consent of all directors present at the meeting.
	2. The endorsement and guarantee provided by the Company to EVERFOCUS JAPAN CORP.	Unanimous consent of all directors present at the meeting.
2023.11.9 (Thursday)	1.The company's loan to EVER FOCUS	Unanimous consent of all

the 16th meeting of the 10th term	ELECTRONICS CORP.	directors present at the meeting.
	2. The endorsement and guarantee provided by the Company to EVER FOCUS ELECTRONICS CORP	Unanimous consent of all directors present at the meeting.
	3. Endorsement and guarantee to EVERFOCUS JAPAN CORP. provided by the Company.	Unanimous consent of all directors present at the meeting.
	7. Internal managerial salary adjustment proposal within the company in 2022.	Unanimous consent of all directors present at the meeting.

(2) Board of Directors for the year 2024 as at the date of publication of the annual report:

<b>Date/Term</b>	<b>Proposal</b>	<b>Result of Resolution</b>
2024.03.12 (Tuesday) the 18th meeting of the 10th term	1. The Company's 2023 final accounts.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	2. The Company's 2023 loss make-up statement.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	3. 2023 Internal Control System Effectiveness Assessment and Internal Control System Declaration.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	4. Proposal to Establish [Assessment Framework for Independence and competence of the Company's CPAs	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	5. Proposal for the Re-election of Directors of the Company.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	6. Proposal for Expanding the Lease Scope of Right-of-Use Assets Acquired from Related Party AREC Inc..	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	7. Annual Shareholders' Meeting of the Year 2023: Date, Venue, and Agenda.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	8. Submit the 2023 annual manager performance bonus distribution proposal	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
2024.05.08 (Wednesday) the 18th meeting of the 10th term	1. Proposal for the Company's Consolidated Financial Report for the First Quarter of 2024.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	2. Nominate and Approve the List of Candidates for Directors (including Independent Directors).	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	3. Adjust the authorization of the chairman to handle the trading limits of securities in the centralized trading market.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.
	4. Proposal for Partial Amendments to the Company's 'Real Estate, Plant, and Equipment Cycle' Provisions.	Unanimous consent of all directors present at the meeting upon inquiry by the chair.

(XII) Major issues of record or written statements made by any director or supervisor dissenting to important resolutions passed by the Board of Directors during 2023 and as of the date of this annual report: None.

(XIII) Summary of resignations and dismissals of personnel related to the financial report (including the chairman, general manager, chief accounting officer, chief financial officer, chief internal auditor, and chief research and development officer) during the most recent year and up to the date of the annual report printing:

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
General Manager	Yung-Shun Chuang	2019.03.22	2023.11.09	Position adjustment
Director of Research and Development	Fu-Shun Yang	2018.08.02	2023.08.31	Resignation

V. Information on the professional fees of the external auditors

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Auditing Period	Audit fees	Non-audit fees	Total	Remark
Pricewaterhouse Coopers Taiwan	Mavis Chang	2023.1.1-2023.12.31	2,100		2,100	Note
	Shih-Jung Weng					

Note: The non-audit fee is paid to the CPAs for the review of the Company's capital reduction in 2022

- (I) If the ratio of non-audit fees from the signing accountant's firm and its related entities to audit fees exceeds one-fourth, the amounts and nature of audit and non-audit fees should be disclosed: None
- (II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.
- (III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: None.

VI. The facts about the Company chairman, president, managerial officer in charge of financial or accounting affairs having served with the CPA Office or the affiliation thereof over the past year, the name, title and period of employment with the certified public accountant's firm or its affiliates should be disclosed: None

VII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

1. Changes in shareholdings of directors, supervisors, managers and major shareholders

Unit: shares

Title	Name	2023		As of April 23, 2024	
		Increase (decrease) in number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in number of shares held	Increase (decrease) in pledged shares
Chairman and President	Yung-Shun Chuang	0	0	0	0
Director	Hui-Ming Tsao	0	0	0	0
Director	LCL CAPITAL INC.	0	0	0	0
Corporate Representative	Ching-Kun Chen	0	0	0	0
Corporate Representative	Chieh-Hsi Li	0	0	0	0
Independent director	Hsu-Nan Huang	0	0	0	0
Independent director	Hsueh-Yu Lo	0	0	0	0

Independent director	Chen-An Li	0	0	0	0
President	Chih -Hung Kao (Date of Appointment:2023.11.09)	0	0	0	0
Executive Vice President of Operations	Fu-Chieh Chuang (Date of Appointment:2023.11.09)	0	0	0	0
Financial Officer	Chien-Liang Chen	(16,000)	0	0	0
Internal Auditor	Li-Wen Chou	0	0	0	0
Chief Corporate Governance Officer	Yun-Hua Chiang (Date of Appointment:2023.03.22)	0	0	0	0

2. The person to whom shares are transferred is a related party: None.

3. The person to whom shares are pledged is a related party: None.

VIII. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.

Related-Party Relationships Among Top Ten Shareholders

April 23, 2024 Unit: shares; %

Name	Number of shares held by themselves		Shares held by spouse and minors		Shares held by others		NAMES AND THE RELATIONSHIP AMONG THE TOP TEN SHAREHOLDERS IN THE RELATIONSHIP OF RELATED PARTIES OR SPOUSES, BLOOD RELATIVES WITHIN THE SECOND DEGREE OF KINSHIP.		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or abbreviation)	Relationship	
Yung-Shun Chuang	10,655,686	15.95	0	0.00	0	0	Fu-Chieh Chuang	1st degree of kinship	None
Chia-Ming Huang	3,971,485	5.95	0	0.00	0	0	Hui-Ming Tsao	Spouse	None
LCL CAPITAL INC.	3,768,021	5.64	0	0.00	0	0	WITTY MATE CORPORATION	Note	None
Wu Shun Investment Co., Ltd.	1,881,682	2.82	-	-	-	-	-	-	None
Hui-Ming Tsao	1,707,541	2.56	0	0.00	0	0	Chia-Ming Huang	Spouse	None
Zhi Pin Industrial Co., Ltd.	1,579,616	2.37	-	-	-	-	-	-	None
WITTY MATE CORPORATION	1,564,220	2.34	-	-	-	-	LCL CAPITAL INC.	Note	None
PEI HSI CO., LTD.	1,545,000	2.31	-	-	-	-	-	-	None
Bi-hui Chen	1,375,696	2.06	-	-	-	-	-	-	None
Fu-Chieh Chuang	900,000	1.35	-	-	-	-	Yung-Shun Chuang	1st degree of kinship	None

Note: LCL CAPITAL INC. is the major shareholder of WITTY MATE CORPORATION.

IX. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company.

Unit: shares; %

Invested enterprise (Note 1)	Held by the Company		Held by Directors, Supervisors, Managers, and Directly/Indirectly Controlled Businesses		Total Investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
EVER FOCUS ELECTRONICS CORP.	8,934,000	100.00	0	0	8,934,000	100.00
EVERFOCUS JAPAN CORP.	200	100.00	0	0	200	100.00
EverFocus Electronics (Shenzhen) Co., Ltd.	USD 2,050,000 (Note 2)	100.00	0	0	USD 2,050,000 (Note 2)	100.00
EVERHIGHLIGHT TECHNOLOGY CORP.(Note 4)	500,000	100.00	0	0	500,000	100.00
EVERFOCUS ELECTRONICS LIMITED (Note 3)	75	75.00	0	0	75	75.00

Note 1: It is the long-term investment accounted for using the equity method.

Note 2: It is stated as investment amount.

Note 3: EVERFOCUS ELECTRONICS LIMITED filed for liquidation with the local court in December 2013.

Note 4: EVERHIGHLIGHT TECHNOLOGY CORP. filed for dissolution and liquidation with the local court on December 27, 2023.

## Four. Capital and Shares

### I. Capital and shares

#### (I) Capitalization:

Month/Year	Issue price	Authorized Share Capital		Capital Stock		Remark			
		Number of shares	Amount (NT\$)	Number of shares	Amount (NT\$)	Sources of Capital	Capital Increase by Assets other than Cash	Others	
1995.07	10	1,000,000	10,000,000	700,000	7,000,000	Capital upon establishment	7,000,000	-	-
1996.11	10	1,200,000	12,000,000	1,200,000	12,000,000	Cash capital increase	5,000,000	-	-
1997.09	10	9,800,000	98,000,000	9,800,000	98,000,000	Capitalization of retained earnings Cash capital increase	5,680,000 80,320,000	-	Note 1
1998.07	10	10,918,353	109,183,530	10,918,353	109,183,530	Capitalization of retained earnings Employee bonus	9,800,000 1,383,530	-	Note 2
1999.09	10	18,000,000	180,000,000	18,000,000	180,000,000	Cash capital increase Capitalization of retained earnings Employee bonus	10,358,540 53,499,930 6,958,000	-	Note 3
2000.10	10	42,000,000	420,000,000	24,111,500	241,115,000	Capitalization of retained earnings Capitalization of capital reserves Employee bonus	50,400,000 3,600,000 7,115,000	-	Note 4
2001.09	10	42,000,000	420,000,000	35,858,375	358,583,750	Cash capital increase Capitalization of retained earnings Employee bonus	48,000,000 60,278,750 9,190,000	-	Note 5
2002.08	10	103,000,000	1,030,000,000	49,775,000	497,750,000	Capitalization of retained earnings Capitalization of capital reserves Employee bonus	89,645,940 35,858,370 13,661,940	-	Note 6
2003.06	10	103,000,000	1,030,000,000	64,402,000	644,020,000	Capitalization of retained earnings Capitalization of capital reserves for employee bonus	99,550,000 29,865,000 16,855,000	-	Note 7
2004.09	10	150,000,000	1,500,000,000	77,260,000	772,600,000	Capitalization of retained earnings Employee bonus	109,483,400 19,096,600	-	Note 8
2005.08	10	207,000,000	2,070,000,000	94,888,000	948,880,000	Capitalization of retained earnings Employee bonus	154,520,000 21,760,000	-	Note 9
2006.07	10	207,000,000	2,070,000,000	103,550,700	1,035,507,000	Capitalization of retained earnings Employee bonus	75,910,400 10,716,600	-	Note 10
2007.06	10	207,000,000	2,070,000,000	107,122,100	1,071,221,000	Capitalization of retained earnings Employee bonus	20,710,000 15,004,000	-	Note 11
2008.07	10	207,000,000	2,070,000,000	112,249,800	1,122,498,000	Capitalization of retained earnings Employee bonus	31,356,630 19,920,370	-	Note 12
2009.07	10	207,000,000	2,070,000,000	114,322,796	1,143,227,960	Capitalization of retained earnings	20,729,960	-	Note 13
2010.12	10	207,000,000	2,070,000,000	111,722,796	1,117,227,960	Cancellation of treasury stock to reduce capital	-26,000,000	-	Note 14
2011.07	10	207,000,000	2,070,000,000	121,507,847	1,215,078,470	Capitalization of capital reserves	97,850,510	-	Note 15
2011.10	10	207,000,000	2,070,000,000	118,507,847	1,185,078,470	Cancellation of treasury stock to reduce capital	-30,000,000	-	Note 16
2015.04	10	207,000,000	2,070,000,000	115,507,847	1,155,078,470	Cancellation of treasury stock to reduce capital	-30,000,000	-	Note 17
2019.08	10	207,000,000	2,070,000,000	68,115,093	681,150,930	Capital reduction to offset losses	-473,927,540	-	Note 18
2021.09	10	207,000,000	2,070,000,000	53,401,000	534,010,000	Capital reduction to offset losses	-147,140,930	-	Note 19
2022.04	10	207,000,000	2,070,000,000	66,801,000	668,010,000	Cash capital increase	134,000,000	-	Note 20

Note 1: Approved with the letter 86 Chien San Kuei Zi No. 238993 dated on September 30, 1997 issued by Department of Reconstruction of the Taiwan Provincial Government

Note 2: Approved with the letter Jing (087) Shang Zi No. 087120921 issued by the Ministry of Economic Affairs

Note 3: Approved with letter (88) Tai Cai Zheng (I) No. 59484 dated on July 6, 1999 issued by the Securities and Futures Institute, Ministry of Finance.

Note 4: Approved with letter (89) Tai Cai Zheng (I) No. 77552 dated on September 15, 2000 issued by the Securities and Futures Institute, Ministry of Finance.

Note 5: Approved with letters (90) Tai Cai Zheng (I) No. 130237 dated on May 16, 2001 and (90) Tai Cai Zheng (I) No. 130236 dated on May 24, 2001 issued by the Securities and Futures Institute, Ministry of Finance.

Note 6: Approved with letter (91) Tai Cai Zheng Yi Zi No. 0910135217 dated on June 27, 2002 issued by the Securities and Futures Institute, Ministry of Finance.

Note 7: Approved with letter Tai Cai Zheng Yi Zi No. 0920120693 dated on May 13, 2003 issued by the Securities and Futures Institute, Ministry of Finance.

Note 8: Approved with letter Tai Cai Zheng Yi Zi No. 0930129867 dated on July 6, 2004 issued by Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan  
Note 9: Approved with letter Jin Guan Zheng Yi Zi No. 0940126083 dated on June 29, 2005 issued by Financial Supervisory Commission, Executive Yuan  
Note 10: Approved with letter Jin Guan Zheng Yi Zi No. 0950128163 dated on July 4, 2006 issued by Financial Supervisory Commission, Executive Yuan  
Note 11: Approved with letter Jin Guan Zheng Yi Zi No. 0960033108 dated on June 29, 2007 issued by Financial Supervisory Commission, Executive Yuan  
Note 12: Approved with letter Jin Guan Zheng Yi Zi No. 0970032585 dated on July 1, 2008 issued by Financial Supervisory Commission, Executive Yuan  
Note 13: Approved with letter Jin Guan Zheng Fa Zi No. 0980032662 dated on July 1, 2009 issued by Financial Supervisory Commission, Executive Yuan  
Note 14: Approved with the letter Jing Shou Shang Zi No. 09901291690 dated on December 31, 2010 issued by the Ministry of Economic Affairs.  
Note 15: Approved with letter Jin Guan Zheng Fa Zi No. 1000030654 dated on July 4, 2011 issued by Financial Supervisory Commission, Executive Yuan  
Note 16: Approved with the letter Jing Shou Shang Zi No. 10001233290 dated on December 31, 2011 issued by the Ministry of Economic Affairs.  
Note 17: Approved with the letter Jing Shou Shang Zi No. 10401075530 dated on December 31, 2010 issued by the Ministry of Economic Affairs.  
Note 18: Approved with the letter Jin Shou Shang Zi No. 10801102490 dated on August 12, 2019 issued by the Ministry of Economic Affairs.  
Note 19: Approved with the letter Jin Shou Shang Zi No. 11001172090 dated on September 24, 2021 issued by the Ministry of Economic Affairs.  
Note 20: Approved with the letter Jin Shou Shang Zi No. 11101064710 dated on April 19, 2022 issued by the Ministry of Economic Affairs.

April 23, 2024

Type of Stock	Authorized Share Capital			Remark
	Outstanding Shares (Note 1)	Unissued Shares	Total	
Ordinary shares	66,801,000	140,199,000	207,000,000	None

Note 1: Stock of listed company.

(II) Information on the shelf registration: None.

(III) Shareholder structure

April 23, 2024

Shareholder structure QTY	Government Agencies	Financial institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individual	Total
Number of Shareholders	0	2	41	28	14,775	14,846
Shareholding	0	275,538	12,557,794	639,994	53,327,674	66,801,000
Shareholding percentage	0%	0.41%	18.80%	0.96%	79.83%	100%

(IV) Distribution Profile of Share Ownership

April 23, 2024

Shareholding Ownership	Number of Shareholders	Shareholding	Shareholding percentage
1-999	12,020	656,385	0.98%
1,000-5,000	1,955	4,010,570	6.00%
5,001-10,000	345	2,568,435	3.86%
10,001-15,000	141	1,769,123	2.65%
15,001-20,000	70	1,278,490	1.91%
20,001-30,000	78	1,936,485	2.90%
30,001-40,000	49	1,719,351	2.57%
40,001-50,000	33	1,495,818	2.24%
50,001-100,000	79	5,653,982	8.46%
100,001-200,000	32	4,738,502	7.09%
200,001-400,000	22	5,791,796	8.67%
400,001-600,000	7	3,325,124	4.98%
600,001-800,000	5	3,399,992	5.09%
800,001-1,000,000	1	900,000	1.35%
>1,000,001	9	27,556,947	41.25%
Total	14,846	66,801,000	100.00%

(V) Preferred shares: None.

(VI) List of major shareholders: List all shareholders with a stake of 5 percent or greater or shareholders who rank in the top 10 in shareholding percentage.

April 23, 2024

Shareholding	Shareholding	Shareholding percentage
Major Shareholders		
Yung-Shun Chuang	10,655,686	16%
Chia-Ming Huang	3,768,021	6%
LCL CAPITAL INC.	3,479,485	5%
Wu Shun Investment Co., Ltd.	1,881,682	3%
Hui-Ming Tsao	1,707,541	3%
Zhi Pin Industrial Co., Ltd.	1,579,616	2%
WITTY MATE CORPORATION	1,564,220	2%
PEI HSI CO., LTD.	1,545,000	2%
Bi-hui Chen	1,375,696	2%
Fu-Chieh Chuang	900,000	1%

(VII) Market Price, Net Worth, Earnings, and Dividends Per Common Share For the Last Two Years

Unit: NT\$/share

Item	Year		2022	2023	As of April 30, 2024 (Note 8)
Market Price Per Share (Note 1)	Highest		16.9	34.1	29.6
	Lowest		11.45	13.05	22.35
	Average		14.11	22.94	26.57
Net Worth Per Share (Note 2)	Before Distribution		9.53	8.87	8.63
	After Distribution		9.53	8.87	8.63
Earnings per share (EPS)	Weighted average shares (Note 9)		63,497,000	66,801,000	66,801,000
	Earnings per share (Note 3)		(1.26)	(0.73)	(0.21)
Dividends Per Share	Cash dividends		0	0	-
	Stock dividends	0	0	0	
		0	0	0	
	Accumulated Undistributed Dividend (Note 4)		0	0	
Return on investment	Price/Earnings Ratio (Note 5)		(11.2)	(31.42)	
	Price/Dividend Ratio (Note 6)		0	0	
	Cash Dividend Yield (Note 7)		0	0	

\* If stock dividends are distributed by capitalization of retained earnings or capital surplus, information on the market price and cash dividends should be disclosed based on the number of shares distributed retroactively.

Note 1: Please list the market share prices, including the highest, lowest and average for the year. Average market share price should be calculated by applying the turnover value and the total turnover volume for the year.

Note 2: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.

Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.

Note 5: Price/Earnings Ratio = average share market price / earnings per share.

Note 6: Price/Dividend Ratio = average share market price / cash dividends per share.

Note 7: Cash Dividend Yield = cash dividends per share / average share market price.

Note 8: The information on net worth per share and earnings per share should be stated according to the latest quarterly audited ("reviewed") financial statements by the CPA as of the publication date of the annual report; the other columns should be stated according to the current year as of the publication date of the annual report.

(VIII) Dividend Policy and Implementation Status:

1. Information on the Company's dividend policy set forth in the Articles of Incorporation:

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 parents or subsidiaries of the company meeting certain specific requirements.

In addition, the Company may set aside no more than 2.5% of the above-mentioned profit as director remuneration as resolved by the Board of Directors

However, if the Company still has accumulated losses, the Company shall reserve the amount to offset the losses in advance, and then set aside the employee compensation and director remuneration based on the aforementioned proportions.

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.

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.

The distributable dividends and 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. 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.

2. Implementation Status:

The Company did not distribute any dividends in fiscal 2023 due to accumulated losses.

(IX) Impact of the stock dividend distribution proposed by the shareholders' meeting on the Company's operating performance and earnings per share:

Not applicable. The shareholders' meeting did not propose a stock dividend distribution and the Company was not required to disclose financial forecast information for 2024

(X) Remuneration to employees, directors and supervisors:

1. The percentage or range of remuneration to the employees, directors and supervisors are

delineated under the Articles of Incorporation:

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 parents or subsidiaries of the company meeting certain specific requirements.

In addition, the Company may set aside no more than 2.5% of the above-mentioned profit as director remuneration as resolved by the Board of Directors

However, if the Company still has accumulated losses, the Company shall reserve the amount to offset the losses in advance, and then set aside the employee compensation and director remuneration based on the aforementioned proportions.

2. The basis for estimating the amount of employee and director remuneration, shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:

The Board of Directors resolved not to distribute remuneration to employees and directors due to the Company's accumulated losses in fiscal 2022

3. Remuneration distribution approved by the Board:

The Board of Directors resolved not to distribute remuneration to employees and directors due to the Company's accumulated losses in fiscal 2022

4. The actual distribution of employee and director/supervisor remuneration for the previous fiscal year (with an indication of the number, value and stock price of the shares distributed) shall be declared.

If there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, the discrepancy, its cause, and its status must also be listed:

As the Company has accumulated losses for both 2022 and 2023, no remuneration to employees and directors has been estimated.

(XI) Share Buyback by the Company: None.

II. Issuance of Corporate Bonds (including Overseas Corporate Bonds): None.

III. Information on convertible bonds: None.

IV. Information on exchangeable bonds: None.

V. Shelf registration for issuing bonds: None.

VI. Information on corporate bonds with warrants: None.

VII. Preferred shares: None.

VIII. Information on preferred stock with warrants:

IX. Issuance of Global Depositary Receipts: None.

X. Status of employee stock option plan: None.

XI. Issuance of New Restricted Employee Shares: None.

XII. Information on employee stock options granted to management team and to top 10 employees: None.

XIII. Information on new restricted employee shares granted to management team and to top 10 employees: None.

XIV. Basic information of the merged and the acquired company: None.

XV. Financing Plans and Implementation: The company's previous cash capital increase in 2021 has been successfully completed. The fundraising plan was fully implemented in the third quarter of 2022.

## Five. Operations Overview

### I. Business activities

#### (I) Business Scope

##### 1. Main Business Activities:

- (1) CB01010 Mechanical Equipment Manufacturing
- (2) CC01080 Electronics Components Manufacturing
- (3) E604010 Machinery Installation
- (4) E603050 Automatic Control Equipment Engineering
- (5) F113010 Wholesale of Machinery
- (6) F213080 Retail Sale of Other Machinery and Equipment
- (7) F119010 Wholesale of Electronic Materials
- (8) F219010 Retail Sale of Electronic Materials
- (9) I501010 Product Designing
- (10) E605010 Computer Equipment Installation
- (11) EZ05010 Instrument and Meters Installation Engineering
- (12) I301010 Software Design Services
- (13) E601010 Electric Appliance Construction
- (14) E603010 Cable Installation Engineering
- (15) F401010 International Trade
- (16) CC01101 Restrained Telecom Radio Frequency Equipment and Materials Manufacturing
- (17) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import
- (18) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Main Products and Business Breakdown:

Unit: NT\$ thousand

Main Products/Year	Sales Revenues in 2023	Proportion (%)
Digital Video Recorder	169,993	46.00
Camera	112,877	30.54
AV Over IP	12,523	3.39
Others	74,162	20.07
Total	369,555	100.00

##### 3. Current Products/Services:

The new products launched by the Company include:

- (1) H.265 NDAA eZ.IP Series Webcam
  - EZNU251/551 2M/5M pixel autofocus outdoor vandal-proof waterproof IP67 infrared bullet network camera
  - EHNU 251/551 2M/5M pixel autofocus outdoor vandal-proof waterproof IP67 infrared bullet network camera
- (2) MIT eZ.HD H.265 HD DVR
  - UNIGUARD Series 16/32/64/128-channel network-based universal digital video recorder
  - IRONGUARD II 8 POE 8-channel POE network-powered universal digital video recorder
- (3) NOVATEK hybrid HD vehicle digital video recorder with MIT chip
  - EMV800/1200FHD\_N 8-ch/12-ch analog high-definition hybrid ruggedized anti-vibration mobile digital video recorder
  - EMV400S ODF\_N 4-ch analog high-definition ruggedized anti-vibration SD Card mobile digital video recorder
  - EMV400S ODF\_NH 4-ch Advanced Driver Assistance System (ADAS) + 16-in-1 Mobile Digital Video Recorder (MDVR)

(4) AIoT industrial computer system for multi-purpose AI image capture and analysis with digital camera recording and surveillance system

- eIVP Series INTEL Industrial Computer Platform
- eNVP Series NVIDIA Industrial Computer Platform
- EMV Series Novatek Platform AI Intelligent Image Vehicle System
- PG Series IoT Gateway Industrial Network Protocol Gateway
- AVC Series M.2 4K HDMI Video Capture Card

#### 4. New Products and Services in the Planning

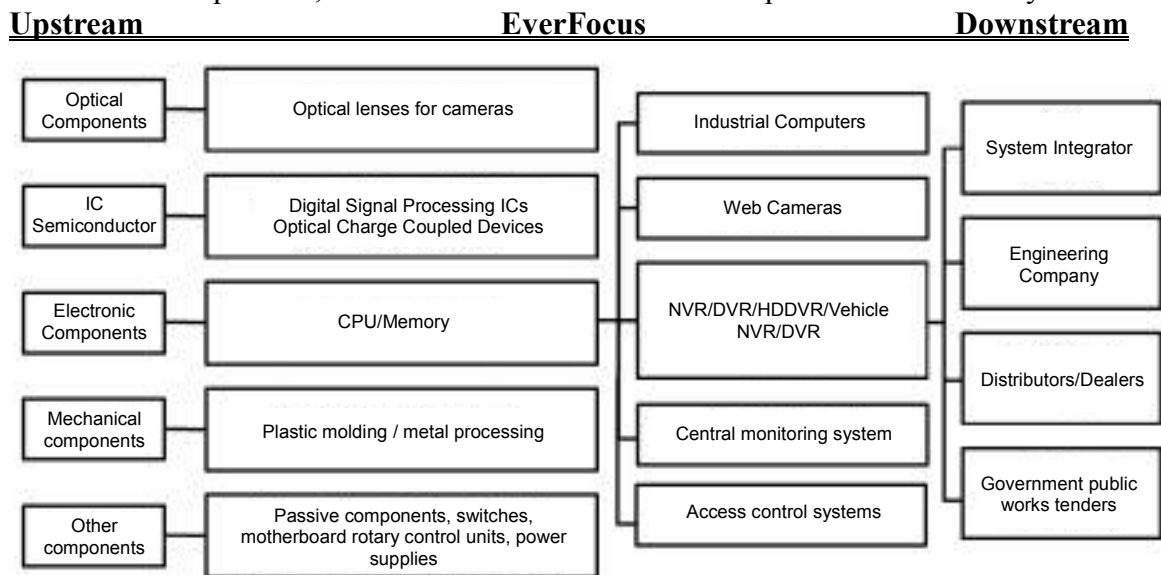
- (1) Next generation MIT video compression technology (NOVATEK) application products, including NVR, DVR, MDVR
- (2) Intelligent recognition HD camera integrated with recognition system
- (3) ADAS Integration of driving image recognition system and integration of driving recorder system
- (4) Rugged NVR software computer system integration
- (5) AIOT related AI application development
- (6) Integration of cloud platform services for driving recorders

##### (II) Industry Overview

###### 1. Current status and development of the industry

The surveillance business includes optical technology, digital processing, image processing, automatic control, and network technology. Therefore, in addition to the traditional security equipment manufacturers, as IT and digital technology develop vigorously, more and more IT companies are entering into the development and production of the surveillance industry, and the competition from Japanese, Korean, and Chinese manufacturers will make the surveillance market more innovative, more diversified, so that consumers can benefit from more diverse and higher quality surveillance products. The surveillance industry in Taiwan has an export-oriented sales structure, with cameras and digital video recorders being the mainstay among the products sold. At present, the cameras and monitors produced and sold by the manufacturers are all in color with high quality and reasonable price, which are popular all over the world, whether PC-based or Standalone. Being optimistic about the future business opportunities for DVRs, domestic manufacturers have been continuously devoting themselves to the research and development technology, quality improvement and upgrading of surveillance products, thus the overall sales of the surveillance industry in Taiwan continues to grow.

## 2. The Relevance of Upstream, Midstream and Downstream Companies in the Industry:



### 3. Product trends:

The future trend for product features and added value is towards integration, connectivity, and centralized monitoring. Products with single functionalities or limited diversification will be at a disadvantage. In addition to developing remote digital monitoring integration software, Huiyou Technology considers an integrated approach in product design and process planning, providing diversified monitoring solutions. Our product line includes networking, analog high-definition, vehicle-mounted systems, and access control systems to meet current and future market trends.

Furthermore, we collaborate with other companies to strengthen our lacking technologies, expand our production lines, integrate multiple enterprises, or act as an agent for a wider range of products. This enhances our overall competitive strength, allowing Huiyou Technology's products and services to meet the diverse needs of our customers.

### 4. Competition:

CCTV industry has developed from analog products in the early days to the digital market nowadays, so the market for manufacturers now is less profitable. Consider the cost factor and market demand, manufacturers are looking for the best strategy to create market opportunities through vertical integration, horizontal cooperation or cross-industry alliances, which will become the inevitable development trend of the industry.

The major international competitors among the manufacturers of surveillance systems are the U.S., Japan, Korea and China. Although the U.S. and Japan have advanced technologies, their manufacturing costs are relatively high and their organizations are huge, so they are unable to meet the ever-changing market demands. They usually act slowly and lack of R&D efforts as compared to the Taiwanese manufacturers. In addition, most of them use CRB or purchase the whole machine from others directly. The Company has insisted on establishing R&D team for a long time, and has started to develop its own technology, which has been acknowledged by well-known manufacturers in the world. At the same time, we have been able to make use of the overseas subsidiary team in the global market, effectively use the marketing channels, and actively expand the global market, so that we can achieve a new record in a short period of time. The Company has been certified by ISO 9001 and has strengthened its internal organization to ensure that all operating requirements for quality are carefully controlled from the source so that customers can be fully satisfied to achieve co-prosperity together.

### (III) R&D Status

#### 1. Percentage of R&D expenses to operating income

Unit: NT\$ thousands; %

Item \ Year	2022	2023	As of March 31, 2024
R&D expenses	43,558	47,898	42,746
Operating income	332,309	369,555	82,179
Percentage of operating income	13.11	12.96	52.02

#### 2. Technology or products developed successfully

- (1) NOVATEK Smart Series Analog HD Vehicle DVR with MIT chip
- (2) NOVATEK Smart Series H.265 Analog HD DVR with MIT chip
- (3) Full series of 4K /1080p analog HD cameras made in Taiwan
- (4) H.265 IP Camera made in Taiwan
- (5) HD camera with smart AI recognition and identification system
- (6) Rugged industrial computer system design integration

### (IV) Long-Term and Short-Term Business Development Plans

#### 1. Short-Term Plans

- (1) Continuously enhance the brand value to meet customers' needs in all aspects.

In addition to continuous work on quality improvement, we also make use from the existing global sales and service channels to provide comprehensive services so that our customers can not only buy high-quality products, but also receive comprehensive technical support and services from us in order to strengthen the brand recognition.

- (2) Introduce integrated solutions to improve the professional service capability for our customers.

Our comprehensive product line and total surveillance solutions have replaced the single-product, price-competitive sales model. The single product line sales model must face the tough challenge from price competition and low gross profit. We must take into account the needs and trends of the overall industry and provide a comprehensive product line and integrated system to solve customers' product compatibility problems and solution needs, as well as to increase the added value of our products and enhance our brand value to create an economic value in the blue ocean market.

- (3) By having a clear market position, our own band, together with the ODM, can operate independently and share the economy of scale.

We choose our OEM customers carefully to avoid market conflicts. We expand our economic scale and production efficiency to reduce overall production costs, and share the profits with our brands and OEM customers to create a win-win situation

- (4) Build a sales channel for high-definition surveillance products to capture the HD and digital business opportunities.

High-definition and digitalization are definitely the future trend in the surveillance industry, and will lead to a new wave of challenges and business opportunities.

The 1080p analog high definition and IP related products launched in recent years are important bases for us to deploy high definition and digital products. Our sales team not only continues to build up marketing channels, but also actively introduces our analog HD and IP systems to global SIs so that we can establish a sales system that integrates hardware and software.

- (5) Continuously expanding vertical applications with image technology as the core With image technology as its foundation, Everfocus has developed related products such as security monitoring and access control systems, establishing a strong technical expertise and industry experience in the security application field. In recent years, the company has

started to combine existing image technology with innovative applications, vertically expanding its core technology to areas such as automotive systems, smart transportation, smart education, and more. The vertical expansion of image technology not only enriches the product line but also plays a significant role in various sectors, driving industry development and promoting social progress

## 2. Long-Term Plans

### (1) Marketing strategy

"Brand with ODM strategy" is the main marketing policy. Brand and ODM revenue are the two key factors supporting the company's growth. The strategic cooperation with ODM customers enhances the quality standard in every department of the Company and strengthen the structure of the Company, so that we can continue to take on new challenges and remain competitive. The increase in scale and operational efficiency will also contribute to the growth of our brands and OEM customers, helping us to become one of the world's leading manufacturers.

### (2) R&D strategy

Everfocus is well-versed in the integration of efficient image processing hardware, application software, and cloud services, forming a three-tier architecture for image solutions. The architecture consists of the Image Source Acquisition Layer, Image Processing Layer, and Service Platform Integration Layer. The Source Acquisition Layer involves integrating cameras, sensors, and other data sources, while the Image Processing Layer handles tasks such as image compression, restoration, and recognition to ensure the integrity and reliability of image data. Finally, the Service Platform Integration Layer facilitates the transmission of image data to third-party platforms or applications, such as fleet management, remote control, and video conferencing, through Huiyou Electronics' products. Everfocus image solution enables end-to-end management from image capture to application services, providing customers with convenience, efficiency, and security. Additionally, leveraging technologies like machine learning and deep learning, computers can automatically analyze and recognize objects, behaviors, and contexts in images. This includes camera edge computing, industrial computer edge computing, and back-end server recognition and analysis systems, enabling intelligent monitoring and management of specific scenarios and environments.

### (3) Operating strategy

The Company is committed to "excellent quality, prompt service, continuous innovation, and sustainability" business concept, to create more added value products for customers, to achieve customer satisfaction as the ultimate goal, so that the long-term cooperation between the Company and customers can achieve a win-win situation. In addition, at this stage, we are gradually starting to plan and lay out global strategies in order to be globalized in strategy, regionalized in operation and localized in service..

## II. Market and sales overview

### (I) Market Analysis

#### 1. Sales Region of Main Products:

The Company offers a wide range of electronic surveillance products, including network surveillance systems, CCTV for security, electronic cameras for office and industrial use, indoor and outdoor fast dome cameras, and integrated hardware and software systems for data image processing, recording, and transmission, which are mainly used for live-stream monitoring and operating procedure recording, security, disaster prevention, and theft prevention. The products are widely used in the common security industry. In addition, Everfocus offers industrial computer platforms with AI image recognition capabilities, as well as ADAS products for intelligent vision assistance in vehicles. These solutions are widely applied in industrial automation, smart transportation, commercial fleet management, and other fields.

Unit: NT\$ thousand

Region \ Year	2022		2023	
	Net Sales	Ratio %	Net Sales	Ratio %
America	144,150	43.38	124,559	33.71
Asia	166,826	50.20	212,828	57.59
Europe	20,805	6.26	29,728	8.04
Others	528	0.16	2,440	0.66
Total	332,309	100.00	369,555	100.00

#### 2 Market share

The Company is a professional manufacturer and designer for surveillance systems in Taiwan. Over the years, we have devoted ourselves to the innovative research and development in camera and integrated development in CCTV surveillance system. We have developed many products since the establishment of the Company and have been highly recognized in the industry for the brand and product innovation and development, our own brand is also widely recognized and appreciated by the customers. Moreover, our persistence in quality improvement has been trusted by international manufacturers who have appointed us for OEM/ODM production. We believe that this has greatly contributed to the market share.

#### 3. Demand and supply conditions and growth for the market in the future

##### (1) Domestic market:

In recent years, people are paying more attention to the safety in daily life, plus the problem of ageing and care for the elderly is becoming more and more common. As the public security gets worse, the demand for personal, family, campus, community security markets and even hospital security systems is increasing, and the demand for electronic surveillance products is growing. Information and communication technology is constantly innovating, which combines various technologies such as information, computer photography, and digital technology for various applications such as burglary prevention, access control, remote surveillance, security, and video conferencing. In addition, the government provides security and surveillance systems to help neighbors to combat crime. This shows that there is still a great potential for the future development in the electronic surveillance products.

##### (1) Global market:

According to data from the Freedonia Group, Inc., demand for electronic surveillance devices is increasing in many developing countries, where economic liberalization has resulted in a growing wealth gap and higher crime rates that have driven up demand for electronic surveillance devices. In developed countries like UK, US and Canada, the crime rate has dropped significantly since the early 1990s, but the police force still cannot guarantee all public safety. Moreover, the threats arising from criminal attacks by terrorist organizations and data

theft continue to grow, so the need to increase the facilities for electronic surveillance systems is also an important issue that cannot be ignored. As a result, CCTV systems, access control systems and security services will be the most profitable. Moreover, as biometric systems become popular, they are expected to become another high growth market. The Company has been working on this field for a long time. Due to the higher crime rates in developing countries like Asia, Latin America, Eastern Europe, Africa, and the Middle East. The biggest feature of these regions is the vast and untapped private security market, plus the economic expansion, the new business development, the high foreign capital inflow, the increase in the middle and upper classes and the high degree of privatization of banks, airlines and other public utilities and other factors, driving their indefinite demands for electronic surveillance equipment.

(2) Growth:

The security market has experienced continuous growth in recent years, driven by the increasing importance people place on safety and advancements in technology. Smart security solutions offer

more comprehensive and effective security measures. According

to market research agencies, the global smart security market is expected to expand steadily in the coming years, reaching approximately \$108 billion by 2026. The main application areas include smart surveillance systems, smart door lock systems, intrusion detection systems, and fire

safety systems. Furthermore, with the application of artificial intelligence(AI) technology, the smart security market is becoming more intelligent. Technologies such as facial recognition and behavior analysis are widely used, further

driving market development. In addition, the smart automotive market is experiencing significant

growth. With the widespread adoption of autonomous driving and internet technologies, the market

is expected to continue expanding. According to reports from

market research agencies, the smart automotive market is projected to grow rapidly in the coming years, reaching a market size of over \$200 billion by 2026. Smart automotive technologies have become a key trend in the automotive industry, and the market's potential lies in safety, comfort, entertainment, and internet connectivity.

In particular, the maturing autonomous driving technology contributes to the optimistic outlook for the smart automotive market. As more automotive technologies, including ADAS, smart transportation systems, and vehicle connectivity, are applied to vehicles, the growth of the smart automotive market will accelerate.

4. Competitive Niche

- (1) To effectively leverage the capabilities within the electronic industry as a whole to capture the booming global niche market for electronic surveillance systems:

The overall electronics industry in Taiwan has built up its global competitiveness in recent years, driven by the computer, information and semiconductor industries. EverFocus has used this competitive advantage to develop new products promptly and effectively, and has used Taiwan's sophisticated electronic production system and "customer satisfaction" marketing strategy to capture the booming market for electronic surveillance products worldwide, and to rapidly accumulate profound knowledge and experience in market demand, channels, product technology, and parts supply chain.

- (2) To establish EverFocus brand awareness and marketing bases, and to provide quality after-sales service:

With the strategy of "Top Brand to Lead ODM", EverFocus is working on building a comprehensive sales and service network around the world to promote our own brands, strengthen our customer service, and expand our local sales channels. Not only can we immediately understand the changes in demand in important markets around the world and provide prompt and convenient sales and quality after-sales services to our customers, but also

achieve the highest customer satisfaction and quickly enter the mainstream in the market to increase the global market share.

(3) Strong technical development capabilities:

The Company was initially founded by a bunch of shareholders with technical backgrounds, so that we can fully control the product technology and develop all kinds of niche products. Our R&D department has developed many high-tech products with our strong analog circuit design capability and computer multimedia technology. Our core technologies include digital video processing, real-time digital video processing, and network communication technologies. In the future, we will integrate these core technologies to improve product functions, reduce costs, expand market share and increase profits. The internet infrastructure is becoming more and more sophisticated, and it is an inevitable trend for security systems to use the internet to provide services. We are using the internet technology to expand our R&D capability to develop internet security terminal equipment.

(4) Business team and corporate culture that can keep up with future trends:

The Company has successfully established its corporate culture to keep up with the fast-changing environment. As technology is changing rapidly, the internet is becoming more and more popular, electronic surveillance system products are facing the same challenges, our corporate culture of "Fast, Innovation, Service, Teamwork, Sharing, Value" is sufficient to ensure the leading position in the future. The management team has not only done an outstanding job in business ethics, management, and technology capabilities, but also actively collects information, interprets the direction of new technology, and fully grasps the future development trend to quickly lead the company into the niche market.

5. Positive and negative factors for future development, and the company's response to such factors:

(1) Positive factors for future development

1. Increased demand for security: As economic development becomes more advanced and the overall knowledge level among consumers improves, the demand for residential security or workplace security will increase.
2. Labor cost increase: The higher the economic development, the higher the wage and salary cost for security guards, the human labor is not economic, leading the industry to gradually change to advanced surveillance equipment to replace the human labor.
3. Technology enhancement: Digital technology is gradually being applied to the security industry to improve product quality.
4. Quality advantage: We have been using our own brand "EverFocus" as the main brand, and the quality of our products is outstanding, which has been highly appreciated by our customers. We have been ISO certified for product quality, which provides an additional quality assurance for our products..
5. Emphasis on research and development: Over the years, the Company has maintained a reasonable proportion of R&D expenses to sales in order to provide customers with new products.
6. Vehicle Regulation Verification: Hotech Electronics has established a long-term partnership with ARTC Vehicle Testing Center for vehicle regulation verification. Through ARTC's professional testing and certification, Hotech Electronics ensures that our products comply with relevant vehicle regulatory standards. This collaboration allows consumers to trust and use our products with confidence, while also enhancing our brand image and reputation in the market
7. Market-oriented approach: Our company's marketing strategy is designed with an international market focus. We have established subsidiary companies in regions with potential for growth worldwide, enabling us to stay close to customers' needs and provide prompt services.
8. Highly skilled team: Our company has a team of outstanding employees who are stable and highly motivated. We consider talent to be a crucial asset in our company's operations. To enhance our business performance, we not only attract high-quality talent to join our company but also actively invest in the education and training of our employees.

## (2) Negative factors for future development

1. Most of the manufacturers in the industry are small and medium-sized companies. The more companies put into production, the more competitive they are, so that some products with lower technology level are cutting prices to be competitive among the peers, resulting in decreasing the profit.

Countermeasures:

- a Actively develop new products to not only make the product line more comprehensive, but also to clearly differentiate from the price competition from small companies.
  - b Establish a complete after-sales service system to fully satisfy customer needs with high quality products and real-time services through our overseas subsidiaries in order to increase the added value of our products.
  - c We have adopted the ISO quality certification system to manage our products from specification, function design to material certification and mass production. This differentiates our products from those in our competitors.
2. The Company is facing competition from Japanese, Korean and Chinese companies in the security industry. In addition to focusing on sales and business channels, the Company must also strengthen its research and development in order to maintain its competitive position.

Countermeasures:

- a Develop the "EverFocus" brand and establish subsidiaries worldwide to strengthen existing marketing channels and increase market shares.
  - b R&D diversification and integration of new products to meet the different customer needs by combining digital, Internet and personal PC technologies to make our product functions more advanced and diversified.
  - c Actively build up product modules, so that the products can match the diverse and small order trends during mass production, and allow for quick line changes.
3. Labor shortage and higher wage costs have resulted in higher operating costs.

Countermeasures:

- a Develop automated test fixtures for mass production to reduce manual judgement, cut down labor costs and standardize product quality.
  - b Shift the production line for mature products with less technical difficulties to mainland China gradually.
  - c Integrate the competitive advantages from different outsourcing companies so that the overall production cost and capacity can be optimized.
4. Products are mainly for export, the company's revenue and profit are vulnerable to exchange rate fluctuations.

Countermeasures:

- a Take hedging financial measures to reduce the risk of exchange rate fluctuations that could significantly affect revenue and profitability.
- b We collect information on local economic market through our overseas subsidiaries, and negotiate and plan with the parent company on product prices and exchange rates.

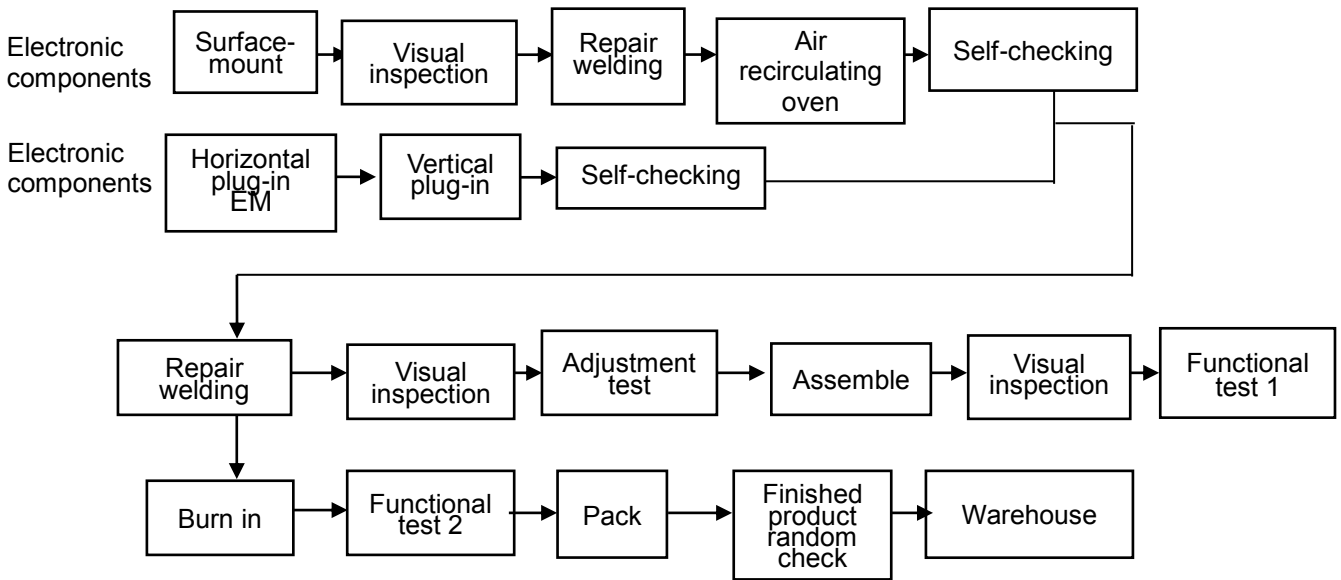
## (II) Important Applications and Manufacturing Process of Main Products

### 1. Applications of Main Products

- (1) IP Camera and Analog HD Camera: These products are mainly used in the on-site surveillance and operational procedures recording, security, disaster prevention, and theft prevention, which are widely used in the general security industry.
- (2) NVR/DVR: Digital Video Recorder: digital recording systems can handle and record the images taken by multiple cameras, including live monitoring, recording, playback, remote transmission and surveillance, etc.
- (3) High-speed dome camera: It can rotate 360 degrees horizontally, tilt 180 degrees vertically, rotate and monitor up to 360 degrees per second.

- (4) Video Processor: It is used to process the images captured by multiple cameras and can also be switched between multiple screens to be used for security industry as well.
- (5) Access Control System (e-Attendance): Combining "traditional access control" and "biometric fingerprint recognition technology", the new access control system with high security and user-friendly is mainly used in company attendance management.
- (6) Rugged computers: Rugged computers are designed for use in harsh environments and have longer durability for the new generation of surveillance products, which can be used in different fields and environments.
- (7) Other electronic equipment: Our diversified electronic equipment is widely used in all kinds of electronic industries.

2. Manufacturing Process



(III) Supply of Raw Materials

Main raw materials	Supply status
Active component (IC)	Good
PC board	Good
Passive components (resistors, capacitors, etc.)	Good
Wires	Good
Material for outer structure (shell, screws, etc.)	Good
Lens	Good
Packing materials	Good

(IV) Major suppliers and customers for the most recent two years

1. Suppliers accounting for more than 10% of annual net procurement for the most recent two years:

Unit: NT\$ thousands

Item	2022				2023				Up to the previous quarter of 2024			
	Name	Amount	As % of 2021 Total Net Procurements	Relation with the Company	Name	Amount	As % of 2022 Total Net Procurements	Relation with the Company	Name	Amount	Percentage of net procurement for the previous quarter in the current year (%)	Relation with the Company
1	Company I	70,852	28.08	None	Company I	9,813	3.33	None	Company I	6,097	10.62	None
2	Others	181,487	71.92	None	Others	284,943	96.67	None	Company M	10,378	18.08	None
3	-	-	-	-	-	-	-	-	Others	40,931	71.30	Non
	Total net procurement	252,339	100.00		Total net procurement	294,756	100.00		Total Net	57,406	100.00	

2. Customers that accounted for at Least 10% of annual net revenue for the most recent two years:

Unit: NT\$ thousands

Item	2022				2023				Up to the previous quarter of 2024			
	Name	Amount	As % of 2021 Total Net Revenues (%)	Relation with the Issuer	Name	Amount	As % of 2022 Total Net Revenues (%)	Relation with the Issuer	Name	Amount	Percentage of net sales for the previous quarter in the current year (%)	Relation with the Issuer
1	Customer K	39,524	11.89	None	Customer K	95,062	25.72	None	Customer K	10,791	13.13	None
2	Customer C	111,945	33.69	None	Customer C	86,927	23.52	None	Customer C	26,975	32.82	None
4	Others	180,840	54.42	None	Others	187,566	50.76	None	Others	44,413	54.05	None
	Net Sales	332,309	100.00		Net Sales	369,555	100.00		Net Sales	82,179	100.00	

(V) Production volume and value for the most recent 2 fiscal years

Unit: NT\$ thousands

Production volume value Main product	Year of production	2022			2023		
		Production capacity (Note 1)	Production volume (Note 2)	Product value	Production capacity (Note 1)	Production volume (Note 2)	Product value
Camera		91,836	43,280	74,235	91,836	35,149	61,085
Digital Video Recorder		152,400	11,351	98,447	152,400	12,916	91,878
AV Over IP		12,000	1,577	12,567	12,000	1,818	21,341
Others		178,000	13,336	29,723	178,000	9,555	33,426
Total		424,236	69,544	214,972	424,236	59,438	207,730

(Note 1) Production capacity refers to the production volume (excluding outsourcing) that the Company can produce under normal operation using existing production facilities after taking into account necessary shutdowns and holidays.

(Note 2) Actual production volume includes output from outsourcing.

(VI) Sales in the Most Recent Two Years

Unit: unit/NT\$ thousands

Sales Volume Value Main product	Year of Sales	2022				2023			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Camera		2,994	7,776	39,681	109,410	9,275	111,016	3,711	58,977
Digital Video Recorder		8,187	85,793	5,473	70,583	3,475	8,007	36,874	104,871
AV Over IP		1,313	1,183	-	-	647	8,452	550	4,071
Others		10,791	16,641	107,815	40,923	19,455	42,334	309,487	31,827
Total		23,285	111,393	152,969	220,916	32,851	169,810	350,623	199,745

III. Employee information (including subsidiaries) for the most recent two fiscal years and as of the publication date of annual report

Year		2022	2023	April 30, 2023 As of April 30, 2024
Number of employees	Direct labor	17	19	21
	Indirect labor	97	94	109
	Total	114	113	130
Average age		45.21	45.2	44.4
Average year of services		9.55	9.64	7.52
Educational background	Ph.D	0.91	0	0
	Master	10.91	7.1	8.46
	Bachelor	68.18	69	70
	Senior High School	11.82	16.8	16.15
	Below Senior High School	8.18	7.1	5.39

IV. Disbursements for environmental protection

The Company did not suffer any losses and penalties due to environmental pollution in 2022 and up to the publication date of the annual report. Furthermore, in order to improve the environmental management performance and to implement the environmental conservation, the Company appointed a professional consulting company at the end of October 2008 to assist in the adoption of ISO14001 environmental management system. In August 2009, the Company was certified to meet the requirements of international standards through the efforts made by our staff to improve the system, in the hope of establishing a foundation for corporate sustainability and protecting the interests of consumers. The latest certificate is valid from 2024/05/07 to 2027/05/07.

## V. Labor relations

### (I) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements:

The Company has always believed that "employees" are the foundation of the Company and are the most important resource for the Company's development.

Therefore, the Company's Articles of Incorporation have stipulated the employee bonus benefits; at the same time, it also enhances the motivation of the employees and enables them to work together with the Company so that the overall objectives for customer satisfaction can be accomplished by both the Company and the employees.

#### 1. Employee benefit plans:

On December 14, 1998, the Company established the "Employee Welfare Committee". The welfare plan includes: wedding and funeral subsidies, childbirth subsidies, injury and illness assistance, disaster relief, birthday bonuses, meal subsidies, field trip grants, and festival gifts.

#### 2. Further education and training of employees:

- (1) In order to help new employees understand the company's business and the functions in related departments as soon as possible, the human resources department is responsible for organizing training for new employees so that they can understand the company's environment, business, organization, rules and regulations and products.
- (2) For the long-term development of the Company, employees may receive internal and external professional training courses, including professional skills, work performance management, etc., depending on their job requirements; through systematic training development, all education and training can be effective to strengthen employees' functions, improve work efficiency, increase professional knowledge and skills, and enhance business performance and competitiveness.
- (3) The Company's personnel related to financial information transparency and their attained licenses: None.

#### 3. Retirement plan and implementation status

The Company has adopted an employee retirement plan in accordance with the Labor Standards Act. All regular employees of the Company are eligible to participate in this retirement plan. "The Labor Pension Act" became effective on July 1, 2005. Employees may choose the retirement mechanism prescribed in the Labor Standards Act, or to apply the pension plan under the Labor Pension Act and to retain the years of service prior to the adoption of the Act.

The Company's retirement plan under the Labor Pension Act is a defined benefit pension plan. Starting from July 1, 2005, For employees covered by the pension plan under the Labor Pension Act, the Company shall make monthly contributions of 6% of their wages to the employees' individual pension accounts. The pension fund for employees with old pension system is calculated according to the Company's original pension plan.

#### Retirement plan:

- (1) A worker may apply for voluntary retirement under any of the following conditions:
  - A. Where the worker attains the age of fifty-five and has worked for fifteen years.
  - B. Where the worker has worked for more than twenty-five years.
- (2) The Company shall force a worker to retire if any of the following situations has occurred:
  - A. Where the worker attains the age of sixty.
  - B. Where the worker is unable to perform his/ her duties due to disability.
- (3) The criteria for payment of worker pensions shall be as follows:

Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The length of service is calculated as half year when it is less than

six months and as one year when it is more than six months. The employee's pension is calculated based on the length of service and the average salary (base) of the six months before retirement.

(4) Pension fund:

- A. The Supervisory Committee of the Labor Retirement Reserve Fund was established on December 29, 1997 by Letter No. 489694 (86), approved by the Labor Affairs Bureau of the Taipei City Government, and is responsible for the management and application of the retirement reserve fund and making monthly contributions of 2% of total salaries and wages to a special account in the Bank of Taiwan.
- B. The Company has engaged an actuary to calculate the pension fund since 1998 and has accrued the amount as required.

4. Regulations on employee behavior or code of ethics

(1) For employee behavior and code of ethics, the Company has established relevant operating rules and regulations to be followed, which are listed below:

- A. Corporate Charter: Clearly regulate the company and employee perspectives, hierarchical responsibilities and departmental responsibilities.
- B. Regulations for approval authority: To provide a clear division of authority and responsibility between different operating hierarchies in the Company's organization, and to enhance management and work efficiency.
- C. Regulations for Employee Rewards and Punishments: To provide employees with a basis for rewards and punishments at work.
- D. Regulations for internal communication: To establish proper communication procedures within the company and to ensure the effectiveness of the quality/environmental management system.
- E. Regulations for management and certified personnel management: To ensure that the competence and qualifications of personnel related to product quality and environmental management meet the job requirements.
- F. Education and training practices: Through a systematic training and development system, we can improve the work efficiency and professional knowledge and skills for our employees to achieve our business objectives.
- G. Regulations for job substitution: When the employee is on leave or taking business trip, the business he/she undertakes can be operated normally.
- H. Employee attendance management: To improve work performance so that employees can be on-time and follow attendance management rules.
- I. Internal Procedures for Handling Significant Information: To regulate the procedures for information confidentiality and the handling of abnormal situations.
- J. Code of Ethical Conduct: To make the company's stakeholders more aware of the company's ethical standards.

(2) In order to provide employees with real-time information on the Code of Conduct and Ethical Best Practice Principles, in addition to the information listed above, the Company also has other related rules and regulations that are available in the Company's public information system for employees to review at any time.

5. Work environment and personal safety protection measures

- (1) In order to ensure the safety of work environment and employees, the company's business premises and factory are insured with public accident liability insurance. There is also a fire prevention manager assigned in accordance with the relevant regulations of the Fire

Department of the Ministry of the Interior, who receives training at least once every two years and conducts fire drills twice a year regularly; there is also a supervisor and an administrator for the management of labor safety and health, who are responsible for implementing various promotional training for work environment improvement and safety maintenance, conducting annual safety and health education and training courses for all employees, and providing clinical health services by arranging weekly visits from medical personnel, so that the Company and its employees can implement the occupational safety and health management system and jointly maintain a healthy workplace.

- (2) The Company provides group insurance and other measures to enhance the well-being and protection of employees, in addition to providing employees with labor and national health insurance and contributing 6% of their monthly salaries to the pension accounts. Active employees are also entitled to free general health check-ups once a year.
- (3) To comply with the "Gender Equality Act" implemented by the government, to prevent sexual harassment in the workplace, and to protect gender equality and human dignity, the Company formulated the Regulations for Establishing Measures of Prevention, Complaint and Punishment of Sexual Harassment at Workplace in March 2002. HR Department is responsible for receiving complaints and ensuring that complaints are handled confidentially. Any employee who engages in sexual harassment will be severely punished; those who are involved in serious incidents will be terminated.
- (4) In compliance with the national legislation to ban smoking in the workplace and to protect the health of all employees from second-hand smoke, the Company established the "Regulations for the Tobacco Pollution in the Factory" in May 2008 according to the Tobacco Hazards Prevention Act. Apart from the explicit anti-smoking regulations, the disciplinary actions for violators are also linked to personal performance; if external suppliers come to the Company for business that violate the rules and fail to comply with the instructions, the violations will be included in the evaluation of the suppliers.

#### 6. Agreements between the Company and employees

The Company has not established a labor union, but has established a labor welfare committee to coordinate and promote various employee welfare measures and to maintain a smooth communication channel between employees and the Company. Up to date, labor relations between the Company and employees remain harmonious and no dispute has occurred.

- (II) The Company maintained good labor relations with its employees in 2023 and up to the date of publication of the annual report, and no losses were incurred due to labor disputes.

#### VI. Cyber security management

- (I) List the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

##### 1. Cyber security risk management framework:

- (1) In order to strengthen the cyber security management and ensure the security of data, system and network, the Company has designated the Resource Service Division in the Information Department to be responsible for coordinating and promoting information security management activities. To raise employees' awareness of cyber security, we send emails from time to time to promote information security knowledge in order to reduce the damage caused by cyber security incidents.
- (2) The information unit is responsible for the research, establishment and evaluation of information security policies, plans and technical specifications, as well as the research, use control and protection of information and the security requirements for information systems.

##### 2. Information Security Policy: Everyone is responsible for information security.

##### 3. Concrete actions:

- (1) Computer system security management: Users install anti-virus software from legitimate sources and keep the virus code updated regularly to ensure that the operating system is well protected.

- (2) Network security management: In addition to changing passwords regularly and using multiple protection measures, it is important to stay alert to information security at all times.
  - (3) System access control: From time to time check the access authority, user password, and data storage.
  - (4) System development and maintenance security management: Regularly update hardware equipment that is easy to wear out, backup important data, and install uninterrupted power supply system to prevent data loss caused by power failure.
  - (5) Personnel management and information security education and training: System management, maintenance, design and operation personnel should be appropriately divided, authority and responsibility should be divided, and a backup labor support team should be established.
  - (6) The Company performs information security audits from time to time to review the implementation status for the access privilege and information security management system to ensure that the information system and business continue to operate normally. In the future, depending on the business scale and needs, the Company will continue to strengthen information security and train quality IT personnel to establish a secure and reliable electronic operating environment to protect information security.
4. Resources put into IT security management: Resource Service Department, Information Division.
- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.
- VII. Important contracts: Important contracts as of the publication date of the Company's annual report for fiscal year 2023: None.

## Six. Financial Information

### I. Condensed Balance Sheets and Comprehensive Income Statements in the Most Recent Five Years

#### 1. Condensed consolidated balance sheet and comprehensive income statement:

(1) Condensed Consolidated Balance Sheet - In accordance with the IFRS

Unit: NT\$ thousands

Item	Year	Financial information in the most recent five years					As of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current assets		351,417	377,805	396,699	493,163	524,188	522,689
Property, plant and equipment		133,809	132,694	144,104	132,899	10,085	17,390
Intangible assets		0	0	0	0	0	0
Other assets		258,459	240,914	238,990	258,126	376,484	372,084
Total assets		743,685	751,413	779,793	884,188	910,757	912,163
Current liabilities	Before Distribution	138,971	192,849	241,919	237,836	298,937	318,352
	After Distribution	138,971	192,849	241,919	237,836	298,937	318,352
Non-current liabilities		5,998	3,284	9,056	9,420	19,077	17,011
Total liabilities	Before Distribution	144,969	196,133	250,975	247,256	318,014	335,363
	After Distribution	144,969	196,133	250,975	247,256	318,014	335,363
Equity attributable to owners of the Company		698,008	555,280	528,818	636,932	592,743	576,800
Capital stock		681,151	681,151	534,010	668,010	668,010	668,010
Capital surplus		0	0	55,312	55,312	55,312	55,312
Retained earnings	Before Distribution	(99,705)	(147,150)	(32,961)	(110,651)	(158,023)	(172,261)
	After Distribution	(99,705)	(147,150)	(32,961)	(110,651)	(158,023)	(172,261)
Other equity items		17,270	21,279	27,769	24,261	27,444	25,739
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Equity Total	Before Distribution	598,716	555,280	528,818	636,932	592,743	576,800
	After Distribution	598,716	555,280	528,818	636,932	592,743	576,800

Note 1: The amounts as of March 31, 2024 have been reviewed by the CPAs.

## (2) Condensed standalone balance sheet - in accordance with IFRS

Unit: NT\$ thousands

Item	Year	Financial information in the most recent five years					As of March 31, 2024
		2019	2020	2021	2022	2023	
Current assets		376,667	411,352	368,241	473,046	567,686	Not Applicable (NA)
Property, plant and equipment		133,191	132,301	143,727	132,462	9,668	
Intangible assets		—	—	—	—	—	
Other assets		244,852	242,351	248,215	265,161	380,238	
Total assets		754,710	786,004	760,183	870,669	957,592	
Current liabilities	Before Distribution	69,378	130,570	133,767	117,291	228,623	
	After Distribution	69,378	130,570	133,767	117,291	228,623	
Non-current liabilities		86,616	100,154	97,598	116,446	136,226	
Total liabilities	Before Distribution	155,994	230,724	231,365	233,737	364,849	
	After Distribution	155,994	230,724	231,365	233,737	364,849	
Equity attributable to owners of the Company		—	—	—	—	—	
Capital stock		681,151	681,151	534,010	668,010	668,010	
Capital surplus		—	—	—	55,312	55,312	
Retained earnings	Before Distribution	(99,705)	(147,150)	(32,961)	(110,651)	(158,023)	
	After Distribution	(99,705)	(147,150)	(32,961)	(110,651)	(158,023)	
Other equity items		17,270	21,279	27,769	24,261	27,444	
Treasury stock		—	—	—	—	—	
Non-controlling interests		—	—	—	—	—	
Equity Total	Before Distribution	598,716	555,280	528,818	636,932	592,743	
	After Distribution	598,716	555,280	528,818	636,932	592,743	

## (3) Condensed consolidated comprehensive income statement - in accordance with IFRS

Unit: NT\$ thousands

Year Item	Financial information in the most recent five years					As of March 31, 2024 (Note 1)
	2019	2020	2021	2022	2023	
Operating Income	285,642	310,453	450,145	332,309	369,555	82,179
Operating gross profit	48,097	59,516	96,904	94,728	79,854	27,644
Operating profit (loss)	(129,323)	(82,971)	(36,031)	(50,718)	(71,149)	(40,394)
Non-operating income and expenses	11,275	42,538	4,501	(31,116)	39,925	29,298
Net profit (loss) before tax	(118,048)	(40,433)	(31,530)	(81,834)	(31,224)	(11,096)
Net income from continuing operations	(101,270)	(48,080)	(33,577)	(79,939)	(48,977)	(14,238)
Loss of discontinuing operations	0	0	0	0	0	0
Net income (loss) for the period	(101,270)	(48,080)	(33,577)	(79,939)	(48,977)	(14,238)
Other comprehensive income (net after tax) for the period	1,978	4,644	7,115	(1,259)	4,788	(1,705)
Total comprehensive income (loss) for the period	(99,292)	(43,436)	(26,462)	(81,198)	(44,189)	(15,943)
Net income (loss) attributable to owners of the parent company	(101,270)	(48,080)	(33,577)	(79,939)	(48,977)	(14,238)
Net income (loss) attributable to noncontrolling interests	0	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	(99,292)	(43,436)	(26,462)	(81,198)	(44,189)	(15,943)
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings (losses) per share	(1.49)	(0.9)	(0.63)	(1.26)	(0.73)	(0.21)

Note 1: The amounts as of March 31, 2024 have been reviewed by the CPAs.

## (4) Condensed standalone comprehensive income statement - in accordance with IFRS

Unit: NT\$ thousands

Year Item	Financial information in the most recent five years					As of March 31, 2024
	2019	2020	2021	2022	2023	
Operating Income	232,063	267,351	416,893	294,081	338,161	<b>Not Applicable (NA)</b>
Operating gross profit	13,856	30,829	55,449	68,434	64,063	
Operating profit (loss)	(96,806)	(67,872)	(43,471)	(37,889)	(54,851)	
Non-operating income and expenses	(23,566)	20,350	8,806	(43,945)	23,627	
Net profit (loss) before tax	(120,372)	(47,522)	(34,665)	(81,834)	(31,224)	
Net income from continuing operations	(101,270)	(48,080)	(33,577)	(79,939)	(48,977)	
Loss of discontinuing operations	0	0	0	0	0	
Net income (loss) for the period	(101,270)	(48,080)	(33,577)	(79,939)	(48,977)	
Other comprehensive income (net after tax) for the period	1,978	4,644	7,115	(1,259)	4,788	
Total comprehensive income (loss) for the period	(99,292)	(43,436)	(26,462)	(81,198)	(44,189)	
Net income (loss) attributable to owners of the parent company	-	-	-	-	-	
Net income (loss) attributable to noncontrolling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	-	-	-	-	-	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings (losses) per share	(1.49)	(0.9)	(0.63)	(1.26)	(0.73)	

2. The Names of CPAs and Their Opinions in the Most Recent Five Years.

Year	Name of Accounting Firm	Name of CPA	Audit Opinions
2019	Deloitte & Touche Taiwan	Ming-Chong Hsieh and Kuo-Tien Hung	Unqualified opinion
2020	Deloitte & Touche Taiwan	Ming-Chong Hsieh and Kuo-Tien Hung	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Mavis Chang and Shih-Jung Weng	Unqualified opinion
2022	PricewaterhouseCoopers Taiwan	Mavis Chang and Shih-Jung Weng	Unqualified opinion
2023	PricewaterhouseCoopers Taiwan	Mavis Chang and Shih-Jung Weng	Unqualified opinion

II. Financial analyses for the past 5 fiscal years

(1) Consolidated Financial Analysis - in accordance with IFRS

Year Item		Financial analyses for the past 5 fiscal years					As of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio	19.49	26.1	32.18	27.96	34.92	36.77
	Ratio of long-term capital to property, plant and equipment	451.92	420.94	373.25	486.35	6,066.63	3,414.67
Solvency%	Current ratio	252.87	195.91	163.98	207.35	175.35	164.19
	Quick ratio	195.7	136.85	125.94	139.15	127.9	118.15
	Times interest earned	-	-	-	-	-	-
Operating capabilities	Accounts receivable turnover ratio (times)	6.47	7.17	10.6	5.81	4.98	5.41
	Average collection days	56.4	50.91	34.43	62.82	73.29	67.47
	Inventory turnover (times)	2.67	2.69	3.62	2.03	2.15	1.75
	Accounts payable turnover ratio (times)	6.77	5.12	6.86	5.57	4.99	3.29
	Average sales days	136.6	135.69	100.83	179.8	169.77	208.57
	Property, plant and equipment turnover (times)	1.47	2.33	3.25	2.4	5.17	23.93
	Total asset turnover ratio (times)	0.23	0.42	0.59	0.4	0.41	0.36
Profitability	Return on assets (%)	(12.52)	(6.35)	(4.15)	(9.27)	(4.97)	(5.88)
	Return on equity (%)	(15.62)	(8.33)	(6.19)	(13.71)	(7.97)	(9.74)
	Ratio of pre-tax income to paid-in capital (%)	(17.33)	(5.94)	(5.9)	(12.25)	(4.67)	(6.64)
	Profit margin (%)	(35.45)	(15.49)	(7.46)	(24.06)	(13.25)	(17.33)
	Earnings per share (NT\$) (Note 2)	(1.49)	(0.9)	(0.63)	(1.26)	(0.73)	(0.21)
Cash flow	Cash flow ratio (%)	(61.42)	(46.16)	(16.84)	(58.14)	8.39	(11.12)
	Cash flow adequacy ratio (%)	(700.11)	(323.19)	(592.72)	(368.96)	(246.42)	(191.03)
	Cash reinvestment ratio (%)	(13.97)	(17.76)	(9.74)	(26.57)	4.30	(6.21)
Leverage	Operating leverage	-	-	-	-	-	-
	Financial leverage	0.99	0.99	0.94	0.94	0.93	0.97

Please state the reasons for changes in financial ratios over the past 2 fiscal years: (Analysis is waived if the change is less than 20%)

1. The debt-to-assets ratio increased in fiscal year 2023 primarily due to increases in accounts payable, other payables, and lease liabilities .
2. The long-term capital-to-property, plant, and equipment ratio increased in fiscal year 2023 primarily due to a decrease in property, plant, and equipment.
3. The turnover rate of property, plant, and equipment increased in fiscal year 2023 mainly due to a decrease in property, plant, and equipment.
4. The return on assets, return on equity, net profit margin, and earnings per share growth in fiscal year 2023 were primarily due to a reduction in net losses for the period.
5. The ratio of pre-tax net income to paid-in capital increased in fiscal year 2023 mainly due to a decrease in pre-tax net losses.
6. The cash flow ratio and cash reinvestment ratio increased in fiscal year 2023 primarily due to an increase in net cash inflows from operating activities.
7. The cash flow adequacy ratio grew in fiscal year 2023 mainly due to an increase in net cash inflows from operating activities.

Note 1: The amounts as of March 31, 2024 were reviewed by the CPAs.

Note 2: Earnings per share has been adjusted retroactively

(2) Standalone Financial Analysis - in accordance with IFRS

Year		Financial analyses for the past 5 fiscal years (Note1)					As of March 31, 2024
		2019	2020	2021	2022	2023	
Item							
Financial structure (%)	Debt to assets ratio	20.67	29.35	30.44	26.85	38.1	Not Applicable (NA)
	Ratio of long-term capital to property, plant and equipment	514.55	495.41	435.84	568.75	7,540.02	
Solvency %	Current ratio	542.92	315.04	275.29	403.31	248.31	
	Quick ratio	451.71	228.35	212.92	279.69	189.66	
	Times interest earned	—	—	—	—	—	
Operating capabilities	Accounts receivable turnover ratio (times)	4.7	6.26	9.79	4.55	3.97	
	Average collection days	77.68	58.3	37.28	80.22	91.94	
	Inventory turnover (times)	3.39	2.76	3.83	2.11	2.17	
	Accounts payable turnover ratio (times)	5.98	4.46	6.66	5.71	4.70	
	Average sales days	107.72	132.24	95.3	172.99	168.2	
	Property, plant and equipment turnover (times)	1.29	2.01	3.02	2.13	4.76	
	Total asset turnover ratio (times)	0.29	0.35	0.54	0.36	0.37	
Profitability	Return on assets (%)	(12.69)	(6.24)	(4.25)	(9.75)	(5.26)	
	Return on equity (%)	(15.62)	(8.33)	(6.19)	(13.71)	(7.97)	
	Ratio of pre-tax income to paid-in capital (%)	(17.67)	(6.98)	(6.49)	(12.25)	(4.67)	
	Profit margin (%)	(43.64)	(17.98)	(8.05)	(27.18)	(14.48)	
	Earnings per share (NT\$)( Note 1)	(1.49)	(0.9)	(0.63)	(1.26)	(0.73)	
Cash flow	Cash flow ratio (%)	(77.99)	(71.74)	(26.64)	(119.15)	20.68	
	Cash flow adequacy ratio (%)	(141.82)	(232.64)	(492.17)	(358.95)	(202.91)	
	Cash reinvestment ratio (%)	(8.76)	(15.83)	(7.18)	(23.07)	6.76	
Leverage	Operating leverage	0.18	(0.43)	(2.58)	(1.06)	(1.12)	
	Financial leverage	1	1	0.98	0.99	0.98	

Please state the reasons for changes in financial ratios over the past 2 fiscal years: (Analysis is waived if the change is less than 20%)

1. The debt-to-assets ratio increased in 2023 primarily due to increases in short-term borrowings, accounts payable, other payables, and lease liabilities.
2. The long-term capital-to-property, plant, and equipment ratio increased in 2023 primarily due to a decrease in property, plant, and equipment.
3. The current ratio and quick ratio decreased in 2023 primarily due to increases in accounts payable, other payables, and lease liabilities.
4. The turnover rate of property, plant, and equipment increased in 2023 mainly due to a decrease in property, plant, and equipment.
5. The return on assets, return on equity, net profit margin, and earnings per share growth in 2023 were primarily due to a reduction in net losses for the period.
6. The ratio of pre-tax net income to paid-in capital increased in 2023 mainly due to a decrease in pre-tax net losses.
7. The cash flow ratio and cash reinvestment ratio increased in 2023 primarily due to an increase in net cash inflows from operating activities.
8. The cash flow adequacy ratio grew in 2023 mainly due to an increase in net cash inflows from operating activities.

Note 1: Earnings per share have been adjusted retroactively.

The calculation is as follows:

1. Financial structure
  - (1) Ratio of liabilities to assets = Total liabilities / Total assets.
  - (2) Ratio of long-term funds to property, plant, and equipment = (Net equity + Non-current liabilities) / Net property, plant and equipment.
2. Solvency
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets - Inventory - Prepayment) / Current liabilities.
  - (3) Times interest earned = Net profit before income tax and interest expenses / Interest expenses for the period.
3. Operating capabilities
  - (1) Receivables (including accounts receivable and notes receivable from operation) turnover ratio = Net sales / Average of accounts receivable (including accounts receivable and notes receivable from operation) balance.
  - (2) Average collection days = 365 / Accounts receivable turnover ratio.
  - (3) Inventory turnover = Cost of sales / Average inventory.
  - (4) Payables (including accounts payable and notes payable from operation) turnover ratio = Cost of sales / Average of accounts payable (including accounts payable and notes payable from operation) balance.
  - (5) Average sales days = 365 / Inventory turnover.
  - (6) Property, plant and equipment turnover ratio = Net sales / Average net property, plant and equipment.
  - (7) Total assets turnover ratio = Net sales / Average total assets.
4. Profitability
  - (1) Return on assets = [Profit and loss after tax + Interest expense × (1 - Tax rate)] / Average total assets.
  - (2) Return on equity = Profit and loss after tax / Average total equity.
  - (3) Net profit margin = Profit and loss after tax / Net sales.
  - (4) EPS = (Profit and loss attributable to owners of parent company - Dividends from preferred shares) / Weighted average number of outstanding shares.
5. Cash flow
  - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
  - (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (Capital expenditure + Increase in inventory + cash dividends) in the most recent five years.
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross of property, plant and equipment + Long-term investment + Other non-current assets + Operating funds).
6. Leverage
  - (1) Operating leverage = (Net operating revenue - Variable costs and expenses of operations) / Operating profit
  - (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).

III. Audit committee's report for the most recent year's financial statement

## **Audit Committee's Review Report**

Please approve:

The Board of Directors has prepared the Company's 2023 Financial Statements (including the Consolidated Financial statements). The CPAs Mavis Chang and Shih-Rung Wang of PricewaterhouseCoopers Taiwan were retained to audit the Company's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and Loss for Make-up Statement have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and the Article 219 of the Company Act, we hereby submit this report.

To

EVERFOCUS ELECTRONICS CORP.

2024 Annual General Shareholders' Meeting

EVERFOCUS ELECTRONICS CORP.

Convener of the Audit Committee, Hsu-Nan Huang



March 12, 2024

- IV. Please refer to pages 105-210 for annual financial statements in the most recent year.
- V. Please refer to pages 211-285 for audited consolidated financial reports of the parent and subsidiaries in the most recent year.
- VI. The Company and its affiliates did not encounter any financial difficulties in the most recent year or as of the publication date of the annual report, and therefore had no effect on the financial position.
- VII. Impairment of Assets:  
The treatment of asset impairment by the company follows the disclosure requirements of IAS 36, 'Impairment of Assets'.

VIII. Assessment basis and foundation for asset and liability recognition

1. Estimated impairment loss on accounts receivable

Lifetime ECL is recognized as an allowance for loss for all accounts receivable. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If credit risk has not increased significantly since initial recognition, a 12 month ECL is recognized as an allowance for loss, and if it has increased significantly, a lifetime ECL is recognized as an allowance for loss.

Expected credit loss is a weighted average credit loss weighted with the probability of default as the weight. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

2. Inventory impairment

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on current market conditions and historical sales experience for similar products. It is possible that changes in market conditions could materially affect the results of these estimates.

## Seven. Review and analysis of financial status and financial performance and risk management

### I. Analysis of Financial Status

Unit: NT\$ thousands

Item	Year		Difference	
	2023	2022	Amount	%
Current assets	524,188	493,163	31,025	6.29
Non-current assets	386,569	391,025	(4,456)	(1.14)
Total assets	910,757	884,188	26,569	3.00
Current liabilities	298,937	237,836	61,101	25.69
Non-current liabilities	19,077	9,420	9,657	102.52
Total liabilities	318,014	247,256	70,758	28.62
Capital stock	668,010	668,010	-	-
Capital surplus	55,312	55,312	-	-
Retained earnings	(158,023)	(110,651)	(47,372)	(42.81)
Other equity items	27,444	24,261	3,183	13.12
Treasury stock	-	-	-	-
Total equity attributable to owners of the Company	592,743	636,932	(44,189)	(6.94)
Non-controlling interests	-	-	-	-
Total equity	592,743	636,932	(44,189)	(6.94)

Explanation:

- The increase in current liabilities in 2023 was primarily due to increases in short-term borrowings, accounts payable, other payables, and lease liabilities.
- The increase in non-current liabilities in 2023 was mainly due to an increase in lease liabilities.
- The decrease in retained earnings in 2023 was due to the loss incurred during 2023.

### II. Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year		2022		Amount increased (decreased)	Change in proportion (%)
	2023	2022	Subtotal	Total		
Sales revenues	369,555		332,309		37,246	11.21
Total operating incomes		369,555		332,309	37,246	11.21
Total operating costs		289,701		237,581	52,120	21.94
Cost of goods sold	289,701		237,581		52,120	21.94
Operating gross profit		79,854		94,728	(14,874)	(15.70)
Operating expense		151,003		145,446	5,557	3.82
Operating loss		(71,149)		(50,718)	(20,431)	40.28
Non-operating income and expenses		39,925		(31,116)	71,041	(228.31)
Other income	21,181		12,434		8,747	70.35
Other gains and losses	21,633		(35,049)		56,682	(161.72)
Finance costs	(5,495)		(3,494)		(2,001)	57.27
Expected credit loss	2,048		(5,007)		7,055	(140.90)
Loss before income tax		(31,224)		(81,834)	50,610	(61.84)
Income tax expenses		(17,753)		1,895	(19,648)	(1,036.83)
Net loss for the period		(48,977)		(79,939)	30,962	(38.73)
Other comprehensive income (loss)		4,788		(1,259)	6,047	(480.30)
Total comprehensive income (loss) for the period		(44,189)		(81,198)	37,009	(45.58)

Changes in the ratios of the analysis:

1. The increase in operating costs in 2023 was due to increased inventory write-downs and scrap losses.
2. The increase in non-operating income and expenses in 2023 was primarily due to increased net gains on financial assets measured at fair value through profit or loss.
3. The increase in income tax expense in 2023 was due to a decrease in deferred tax assets

### III. Cash flow (consolidated)

#### Liquidity Analysis in 2023 and 2022

Item	Year		Increase (decrease) in proportion (%)
	2023	2022	
Cash flow ratio (%)	8.39	(58.14)	114.43
Net cash flow adequacy ratio (%)	(246.42)	(368.96)	33.21
Cash flow coverage ratio (%)	4.30	(26.57)	116.18
Changes in the ratios of the analysis:			
1. The cash flow ratio and cash reinvestment ratio increased in 2023 primarily due to an increase in net cash inflows from operating activities.			
2. The cash flow adequacy ratio grew in 2023 mainly due to an increase in net cash inflows from operating activities.			

#### Cash flow analysis of the year ahead

Unit: NT\$ in thousands

Cash balance at beginning	Projected net cash flow from operating activities in current period	Projected cash outflow in current period	Projected amount of cash surplus (deficit)	Remedy for cash deficit	
				Investment plan	Financing plan
A	B	C	A+B+C		
111,254	(12,000)	50,000	149,254	0	0

#### Liquidity analysis for the coming year:

Operating activities: It is mainly the cash generated from operations.

Investing activities: Cash outflow is mainly attributable to the acquisition of operating assets.

Financing activities: The main factor was the inflow of short-term bank borrowings.

- IV. The recent major capital expenditures have had an impact on the financial operations : Not applicable.

V. The investment Strategy in the most recent year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

Unit: NT\$ thousand

Description Item	Original investing Amount (Note)	Carrying amount as of December 31, 2021	Policy	Main reason for profit or loss	Improvement plan	Other investment plan in the future
EverFocus Electronics Corp. USA	93,941	(70,971)	Sell the Company's products and provide customer service	The business scale is not large enough.	Transformation and development of AI industrial control market	None
EverFocus Electronics (Shenzhen) Co., Ltd.	64,748	8,456	Develop, manufacture and sell commercial surveillance equipment	Insufficient competitiveness in access control/surveillance products in China, the business scale is not large enough.	Transformation and development of AI industrial control market	None

Note: Investment amount exceeding 5% of paid-in capital

VI. Risk management and assessment:

- (I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Effect on the Company's profits (losses):

Item	2023 (NT\$ thousands)
Interest income	4,420
Foreign exchange loss	88

1. In terms of interest rate:

The Company does not expect to have long-term financial liabilities in the near future, although it has bank loans in 2023; therefore, the impact of interest rate fluctuations on the Company is not significant.

2. In terms of exchange rate:

Some of the Company's revenues and payables are quoted in U.S. dollars. By offsetting foreign-currency assets and liabilities, the Company significantly reduces its exchange rate risk thereby resulting in a natural hedge.

3. In terms of inflation:

The products of the Company and its subsidiaries are not directly sold to general consumers, so inflation has no direct and immediate impact on the Company and its subsidiaries, and there has been no significant impact of inflation on profit or loss in the most recent year and as of the printing date of the annual report.

- (II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. High-risk and high-leverage investments:

The Company is mainly engaged in R&D, manufacturing and sales, and does not engage in high-risk, high-leverage investments.

2. Loans to other parties, endorsements and guarantees:

Follow the "Procedures for Lending of Funds and Endorsement and Guarantee" stipulated by the Company. As of the publication date of the annual report, the external endorsements and guarantees provided by the Company were to its 100%-owned subsidiaries, EVERFOCUS JAPAN CORP. and EVER FOCUS ELECTRONICS CORP. in the amounts of JPY\$250 million and US\$1.5 million, respectively. The Company also provided certificates of deposit equivalent to JPY 212 million and real estate with a carrying value of NT\$64,886 thousand, to pledge these endorsements and guarantees.

As of the publication date of the annual report, the Company did not lend any funds to

others.

3. Derivatives transactions:

The Company did not engage in derivative transactions in 2023.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

As a professional surveillance manufacturer, we have developed a wide range of integrated products to provide the functions and added value to our future products, which will be integrated, networked and under centralized control.

We have combined digitalization, internet and personal PC technologies to make our products more advanced and diversified to meet the needs from different customers.

The projected research and development expenses for 2024 are approximately NT\$84,000 thousand.

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company is always attentive to significant domestic and foreign policy and legal changes. At present, there is no significant impact on the Company's financial operations from these changes.

The Company hires domestic and foreign legal advisors, project insurance agents and professionals from related departments to understand and respond to various policies and legal changes promptly so that the Company's financial and business impact can be minimized.

(V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

There is no financial impact on the Company under current technological and industry changes.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Company has always been operating with professionalism and integrity, and has attached great importance to corporate image and risk management. There is no recent change in corporate image that has affected corporate crisis management.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

The Company is in a sound operating position and has no plans for mergers and acquisitions for the most recent year and up to the publication date of the annual report.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

In order to meet business needs and expand production capacity, the primary objective is to improve the efficiency of factory and warehouse management; the Company has no plans to purchase new factories for now.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The Company produces and sells a variety of products. In 2023, two customers accounted for more than 10% of the global consolidated sales volume. Please refer to page 80 of the annual report for the sales amount and ratio. While supporting the growth of the Company, the Company continues to actively develop new customers in order to diversify the risks associated with the concentration of sales. Furthermore, we have at least two suppliers for each raw material required.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company

has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

The Company's directors and major shareholders holding more than 10% of the shares have good relations with the Company and fully support the implementation of the policies, and there has been no significant transfer or change of ownership.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken:

The Company's operations have been sound and stable for the most recent year and up to the publication date of the annual report, and the Company is committed to improving the operating performance and maximizing shareholders' benefits, which should have a positive impact on the Company's operations.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

1. Any litigation, non-litigious proceeding, or administrative dispute involving the company that remained pending during the current fiscal year up to the date of publication of the annual report: None.
2. If there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during 2023 or during the current fiscal year up to the publication date of the annual report:

There is no litigation, non-litigious proceeding, or administrative dispute involving a company director, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during 2023 or during the current fiscal year up to the publication date of the annual report.

VII. Other important matters: None.

## Eight. Special Disclosure

### I. Information on Affiliates

#### (I) Affiliates Chart

##### 1. Organization chart for affiliates

100%	100%	100%	Liquidation in progress	Liquidation in progress
EVER FOCUS ELECTRONICS CORP. Located in U.S.A.	EVERFOCUS JAPAN CORP. Located in Japan	EverFocus Electronics (Shenzhen) Co., Ltd. Located in China	EVERHIGHLIGHT TECHNOLOGY CORP.Located in Taiwan	EVERFOCUS ELECTRONICS LIMITED. Located in U.K.

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

3. Affiliation report: None.

## (II) Profiles of the subsidiaries as of December 31, 2023

Unit: Foreign Currency (dollar)/NT\$

Name of enterprise	Date of Incorporation	Address	Paid-in Capital	Main business activities or products
EVER FOCUS ELECTRONICS CORP.	1996.05	324 W.Blueridge Ave. Orange, CA92865, USA	USD2,117,800	Selling products and providing customer service for the Company
EverFocus Electronics (Shenzhen) Co., Ltd.	1998.04	2nd Floor, Building A, Area A, Longquan Technology Park, Tongfuyu Phase II, Henglang Community, Dalang Street, Longhua District, Shenzhen City	USD2,050,000	Develop, manufacture and sell commercial surveillance equipment
EVERFOCUS JAPAN CORP.	2002.04	1-1 Nichinichi Kan, 7-6-4 Takashimadaira, Itabashi-ku, Tokyo, Japan	JPY10,000,000	Selling products and providing customer service for the Company
EVERHIGHLIGHT TECHNOLOGY CORP.	2003.07	2F, No. 8, Lane 270, Sec. 3, Beishen Road, Shenkeng District, New Taipei City	NTD5,000,000	Manufacture and sale of optical electronic devices
EVERFOCUS ELECTRONICS LIMITED.	2010.08	Unit12 Spitfive Business Parks Hawker Road, Croydon Surrey, CRO4WD, UK	GBP961,415	Selling products and providing customer service for the Company

(III) Entities concluded as the existence of the controlling and subordinate relation: Not Applicable.

(IV) The industries covered by the business operated by the affiliates overall.

The industries covered by the business operated by the affiliates overall include:

Main business: Design, manufacture, assembly and sales of various optoelectronic equipment, electronic circuits, electronic automation equipment, import and export business and customer service for all kinds of products.

(V) The names of the directors, supervisors, and general manager of each affiliate:

Unit: NT\$ thousands; shares; %

Name of enterprise	Title	Representative	Shares held	
			Number of shares	Shareholding percentage
EVER FOCUS ELECTRONICS CORP.	Director	Yung-Shun Chuang	0	0
	President	Francis Kao	0	0
EVERFOCUS JAPAN CORP.	Director	Yung-Shun Chuang	0	0
	Director	Hui-Ming Tsao	0	0
	Director	Yun-Hua Chiang	0	0
	Supervisor	Chien-Liang Chen	0	0
EverFocus Electronics (Shenzhen) Co., Ltd.	Legal representative	Yung-Shun Chuang	0	0
EVERHIGHLIGHT TECHNOLOGY CORP.	Chairman	Hui-Ming Tsao	0	0
EVERFOCUS ELECTRONICS LIMITED.	Director	Ren-Ming Weng	0	0
	Director	J Singh	0	0

(VI) Operating highlights of the affiliates

Unit: NT\$ thousands/foreign currency (dollar)

Name of enterprise	Share capital		Total assets	Total liabilities	Net value	Operating Income	Operating revenues	Profit or loss for the period (after tax)	Earnings per share (NT\$) (after tax)
EverFocus Electronics Corp.	USD	2,117,800	14,092	84,563	(70,471)	25,310	(16,311)	(14,157)	Not applicable
EverFocus Electronics (Shenzhen) Co., Ltd.	USD	2,050,000	20,487	9,832	10,656	44,051	(4,048)	(1,881)	Not applicable
EVERFOCUS JAPAN CORP.	JPY	10,000,000	2,587	48,786	(46,200)	3,458	(774)	(1,532)	Not applicable
EVERHIGHLIGHT TECHNOLOGY CORP.	NTD	5,000	EVERHIGHLIGHT TECHNOLOGY CORP. filed for dissolution and liquidation with the local court on December 27 2023. (Note 2)						Not applicable

Note 1: The exchange rates of foreign companies' assets and liabilities at the reporting date were:

NTD : USD=27.685 : 1,NTD : JPY=0.2404 : 1,NTD : RMB=4.3430 : 1

Note 2: EVERHIGHLIGHT TECHNOLOGY CORP. filed for dissolution and liquidation with the local court on December 27 2023, , therefore this company no longer recognizes investment (losses) in that company from that date onwards.

- II. Any private placement of securities in the recent years up to the publication of this annual report: None.
- III. The shares in the Financial Holding Company held or disposed of by subsidiaries in the recent years up to the publication of this annual report: None.
- IV. Other important supplementary information: None.

**Nine. Events occurred which significantly affect shareholders' equity or price of shares pursuant to subparagraph 2, paragraph 3, article 36 of the Securities and Exchange Act:**

Events occurred in the previous year or up to the publication of this annual report, which significantly affect shareholders' equity or price of shares pursuant to subparagraph 2, paragraph 3, article 36 of the Securities and Exchange Act: None

## 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:



Manager:



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:



Manager:



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:



Manager:



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 consolidated financial statements.

Chairman:



Manager:



Accounting Officer:



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



Unit: NTS 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 consolidated financial statements.

Chairman:



Manager:



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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 16 regarding “Lease Liability in a sale and	January 1, 2024

leaseback”	
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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 regarding “Sale or contribution of Assets Between an Investor and its Associate or Joint Venture”	To be determined by International Accounting Standards Board
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

The above standards and interpretations have no significant impact to the 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-subsidaries 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.

	2023/12/31	2022/12/31
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

Item	2023/12/31	2022/12/31
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		
	Cost	Allowance for decline in value	Carrying amount
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		
	Cost	Allowance for decline in value	Carrying amount
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:

	2023	2022
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	(\$ 674 )	\$ -
Accumulated losses transferred to retained earnings	<u>(\$ 674 )</u>	<u>\$ -</u>

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:

	2023	2022
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	-	-
	(\$ 18,093 )	(\$ 13,908 )

### 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:

	<u>2022</u>	<u>2021</u>
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

	2023/12/31	2022/12/31
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

Type of borrowings	2023/12/31	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 86,000	2.20%~2.21%	Land, buildings and construction (recognized as investment property)
	<u>                    </u>		
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)
	<u>                    </u>		

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

	<u>2023/12/31</u>	<u>2022/12/31</u>
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	Fair value of plan assets	Net defined benefit liability

	obligations		
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:

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

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 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 Volatility	Expected option life	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase with employee subscription rights reserved	2022.02.07	\$ 16.6	\$ 14	22.64%	0.09Year	0.34%	\$ 2.6061

- 3.

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

2023	2022

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

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

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

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

2. On December 9, 2021, the Board of Directors resolved to issue 13,400 thousand shares of common stock at NT\$14 per share for a total offering of \$187,600,000. 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>	Sales revenue - surveillance products	Service revenue	Total
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

<u>2022</u>	Sales revenue -	Service	Total
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	<u>surveillance products</u>	<u>revenue</u>	
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	<u>\$ 286,219</u>	<u>\$ 7,862</u>	<u>\$ 294,081</u>

## 2.Contract liability

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

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

(II) Recognized income of contract liabilities at January 1

<u>2023</u>	<u>2022</u>
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Beginning  
balance of  
contract liabilities  
Recognized  
income-electronic  
monitoring  
products

\$	5,279	\$	8,666
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(XX) Other income

	2023	2022
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	\$ 569	\$ 563

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	25,160	5,708
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	Recognized in profit or loss	Recognized in other comprehensive 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 1	Recognized in profit or loss	Recognized in other comprehensive income	At December 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	<u>103,300</u>	<u>103,300</u>	<u>-</u>	<u>2033</u>	



	tax	number of shares outstanding (in thousands)	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 period	( 179 )	-
Current period cash payments	<u>\$ 8,655</u>	<u>\$ 1,251</u>

(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	<u>\$ 86,000</u>	<u>\$ 22,028</u>	<u>\$ 108,028</u>

	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	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>

## VII. Related Party Transactions

### (I) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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.

(II) 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	\$ 25,343	\$ 26,930

LIMITED.		
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:

	2023/12/31	2022/12/31
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)

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

11. Operating expense

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

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.

(III) Key management compensation

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

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	\$ 68,827	\$ 65,727	Performance bonds for tenders, customs

assets at amortized cost)			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
	\$ 280,432	\$ 282,649	

IX. Significant contingent liabilities and unrecognized commitments

(XXIX) Contingencies

None.

(XXX) 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 assets)	3,171	2,141
overdue receivables (Listed as	-	20,422

other non-current assets)				
		<u>\$</u>	450,618	<u>\$</u>
				<u>378,417</u>
 <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
	<u>\$</u>	212,737	<u>\$</u>	105,535
Lease liabilities	<u>\$</u>	22,028	<u>\$</u>	-

## 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	Exchange	Carrying

	currency (in thousand dollars)	rate	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			
	duration of existence			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at	\$ 68,840	\$ -	\$ -	\$ 68,840

amortized cost	2022/12/31			Total
	duration of existence			
	12 months	Significant	Impairment of	
		increase in credit	credit	
	risk			
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
<b>Total</b>	<b>\$ 91,526</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ 95,526</b>

2022/12/31	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair</u>				

value

measurements

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
	<u>Equity instruments</u>	<u>Equity instruments</u>
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	<u>\$ 4,000</u>	<u>\$ 12,800</u>

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

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 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	\$ 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: NTS in thousands  
(Unless Specified Otherwise)

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

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

(1). Fill in 0 for the issuer.

(2). Investee companies are numbered in sequence in each company type starting from Arabic numeral 1.

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

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

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

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

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

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

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

Note 8: If a public company submits its lending to the board of directors' meeting for resolution one by one in accordance with paragraph 1, Article 14 of the Regulations Governing Lending Funds to Others and Making of Endorsements Guarantees by Public Companies, the amount of the resolution of the board of directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out;

If the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks.

If the board of directors' meeting of a public company authorizes the chairman of the board to extend loans in several 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 Endorsement / 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 endorsers 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 currentnon 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			
				Account name	Amount	Terms of transaction	Percentage of the total consolidated revenue or total assets (Note 3)
0	EVERFOCUS ELECTRONICS CORP.	EVER FOCUS ELECTRONICS CORP.	1	Accounts receivable	\$ 6,225	Credit on180 days	0.68%
"	"	"	"	Sales	8,659	"	2.34%
"	"	"	"	Accounts payable	2,904	Credit on 60 days	0.32%
"	"	"	"	Purchases	2,752	"	0.74%
"	"	"	"	Other receivables- related parties	57,553	Lending funds	6.32%
"	"	"	"	Service fees	4,911	Credit on 60 days	1.33%
"	"	EverFocus Electronics (Shenzhen) Co., Ltd.	"	Accounts receivable	4,317	Credit on180 days	0.47%
"	"	"	"	Sales	6,568	"	1.78%
"	"	"	"	Accounts payable	1,356	Credit on 60 days	0.15%
"	"	"	"	Purchases	18,247	"	4.94%
"	"	"	"	Service fees	1,176	"	0.32%
"	"	EVERFOCUS JAPAN CORP.	"	Accounts receivable	1,665	Credit on180 days	0.19%
"	"	"	"	Sales	2,074	"	0.56%
1	EverFocus Electronics (Shenzhen) Co., Ltd.	EVER FOCUS ELECTRONICS CORP.	3	Sales	1,557	"	0.42%

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

- (1). 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 b

**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 v	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 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
		<u>\$ 100,364</u>

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 Semiconductor Manufacturing Co., Ltd.	Stocks	52,000	10	520	19,635	372	19,344	-	"
TOP UNION ELECTRONIC S CORP..	Stocks	25,000	10	250	11,824	593	14,825	-	"
ONENESS BIOTECH CO. LTD. Castles Technology Co., Ltd.	Stocks	320,000	10	3,200	11,399	32.60	10,432	-	"
	Stocks	60,000	10	600	9,422	194.5	11,670	-	"
	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					Provision of collateral or pledge situation	Note
	Number of Shares	Book Value	Fair value	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Book Value	Fair value		
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	"
		( 95,903 )		\$ 24,083		( \$ 19,212 )			( 91,032 )		( \$ 99,493 )	
Add: Transferred credit balance of long-term investments to liabilities		107,682							107,372			
		\$ 11,779							\$ 26,340			

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.

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

Schedule VII

Unit: NT\$ in thousands

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		<u>4,411</u>	
		<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

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Remark</u>
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		<u>9,299</u>	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

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

Item	Summary	Amount	Remark
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>	

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES  
Representation Letter

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

Very truly yours,

EVERFOCUS ELECTRONICS CORP.



Yung-Shun Chuang, Chairman



March 12, 2024

## Independent Auditors' Report

(2024) Financial Audit Report No. 23004901

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

### Opinion

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

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

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

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

#### Existence for incorporating the revenues

##### Description

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

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

matters..

#### Audit procedures for the key audit matter

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

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

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

##### Description

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

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

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

#### Audit procedures for the key audit matter

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

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

#### **Other Matters - The mention of other independent auditors**

The portion of the financial statements of investee companies accounted for using the equity method in the consolidated financial statements of the Group is audited by other auditors rather than our auditor. Therefore, the amounts included in the financial statements of these companies in our auditor's opinion are based on the audit reports of other auditors. As of December 31, 2023, the investment amount accounted for using the

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

### **Other Matters - Separate Financial reports**

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

## **Responsibilities of Management and Those Charged with Governance for Financial Statements**

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

PricewaterhouseCoopers Taiwan

Mavis Chang

CPA

Shih-Jung Weng

Former Financial Supervisory Commission, Executive Yan

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

No.0990042602

Securities and Futures Commission, Ministry of Finance

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

March 12, 2024



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

Unit: NT\$ thousands

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

(Continued)

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

Chairman:




Manager:



Accounting Officer:



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

Unit: NT\$ thousands  
December 31, 2022

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

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

Chairman:



Manager:



Accounting Officer:



  
EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For January 1 to December 31, 2023 and 2021

Unit: NT\$ thousands

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

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

Chairman:



Manager:



Accounting Officer:



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

For January 1 to December 31, 2023 and 2022

Unit: NT\$ thousands

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

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

Chairman:



Manager:



Accounting Officer:



  
**EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For January 1 to December 31, 2023 and 2022

Unit: NTS thousands

	Note	For January 1 to December 31, 2023	For January 1 to December 31, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss before income tax		( \$ 31,224 )	( \$ 81,834 )
Adjustments for:			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(10)	(23) 8,501	5,862
Amortization expense	6(23)	1,783	1,495
Expected credit impairment(gain) losses	7and 12(2)	( 2,063 )	5,635
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)(21)	( 22,297 )	32,289
Finance costs	6(9)(12)(22)	5,495	3,494
Interest income		( 4,420 )	( 1,023 )
Dividend income	6(20)	( 1,610 )	( 2,378 )
The share of profits and losses from associates and joint ventures accounted for using the equity method	6(7)	( 558 )	-
Stock-based compensation cost	6(15)	-	2,312
Loss on disposal of property, plant, and equipment	6(21)	-	3
Unrealized loss on financial assets measured at amortized cost		32	1,070
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss, mandatorily measured at fair value		30,318	( 3,334 )
Notes receivable		( 871 )	( 2,884 )
Accounts receivable		39,282	( 47,212 )
Accounts receivable- related parties		( 13,737 )	381
Other receivables		( 618 )	( 759 )
Other receivables- related parties		( 42,539 )	-
Inventories		27,961	( 62,727 )
Other current assets		( 8,589 )	( 7,126 )
Other non-current assets		426	( 1,595 )
Changes in operating liabilities			
Contract liabilities		( 1,074 )	( 3,462 )
Notes payable		89	11
Accounts payable		4,069	20,598
Accounts payable- related parties		6,194	( 245 )
Other payables		( 1,979 )	875
Other payables- related parties		39,916	-
Provisions		( 5,117 )	( 1,085 )
Other current liabilities		( 2,970 )	3,139
Other non-current liabilities		-	99
Cash flows used in operations		24,400	( 138,401 )
Interest received		4,420	1,023
Dividends received		1,756	2,598
Interest paid		( 5,495 )	( 3,494 )
Net cash flows used in operating activities		25,081	( 138,274 )
<b>Cash flows from investing activities</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)	( 8,674 )	( 1,341 )
Disposal of property, plant and equipment		-	28
Disposal of subsidiary	4(3) and 7	22,470	-
Acquisition of intangible assets		( 1,211 )	( 1,646 )
Refundable deposits (paid) refunded		( 1,100 )	615
Net cash flows used in investing activities		1,940	( 37,928 )
<b>Cash flows from financing activities</b>			

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

Chairman:



Manager:



Accounting Officer:



Increase in short-term borrowings	6(28)	11,741	(	30,043	)
Guarantee deposits received		16		97	
Payment of lease liabilities	6(28)	( 3,510 )	(	1,131	)
Cash Capital Increase	6(16)	-		187,000	
Net cash generated by financing activities		<u>8,247</u>		<u>155,923</u>	
Effect of exchange rate change		<u>428</u>	(	<u>1,719</u>	)
Increase (decrease) in cash and cash equivalents		<u>35,696</u>	(	<u>21,998</u>	)
Cash and cash equivalents at beginning of period		<u>75,558</u>		<u>97,556</u>	
Cash and cash equivalents at end of period		<u>\$ 111,254</u>		<u>\$ 75,558</u>	

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

Chairman:



Manager:



Accounting Officer:



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

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

I. Company History

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

II. Date and Procedures for the Authorization of Financial Reports

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

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

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

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

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

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

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 16 regarding "Lease Liability in a sale and leaseback"	January 1, 2024
Amendments to IAS 1 regarding "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 regarding "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 regarding "Supplier Finance	January 1, 2024

Arrangements”

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 regarding “Sale or contribution of Assets Between an Investor and its Associate or Joint Venture”	To be determined by International Accounting Standards Board
IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17, “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

IV. Summary Of Significant Accounting Policies

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

(I) Statement of compliance

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

(II) Basis of preparation

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

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

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements:

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

2. Subsidiaries included in the consolidated financial statements:

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

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

### 3. Subsidiaries not included in the consolidated financial statements:

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

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

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

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

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

5. Significant restrictions: None.

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

#### (IV) Foreign currency translation

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

##### 1. Foreign currency transactions and balances

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

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

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

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

##### 2. Translation of foreign operations:

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

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

(V) Classification of current and non-current items

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

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

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

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

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

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

(VI) Cash equivalents

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

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

- 1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.
4. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

1. This refers to an irrevocable election made at initial recognition to present the fair value changes of equity instruments classified as non-trading investments in other comprehensive income
2. The Group adopts the settlement date accounting for financial assets measured at fair value through other comprehensive income in accordance with trading conventions.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs, and subsequently measures them at fair value:
4. For equity instruments, changes in fair value are recognized in other comprehensive income and are not reclassified to profit or loss upon derecognition, but transferred to retained earnings. Dividends are recognized in profit or loss when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(IX) Financial assets at amortized cost

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

(X) Accounts and notes receivable

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

(XI) Financial assets impairment

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

(XII) Derecognition of financial assets

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

(XIII) Operating leases (lessor)

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

(XIV) Inventories

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

(XV) Equity method investments- Affiliates

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

Unrealized losses are also eliminated unless evidence indicates impairment of the transferred assets. The accounting policies of affiliates have been adjusted as necessary to align with the policies adopted by the Group.

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

(XVI) Property, plant and equipment

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

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

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

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

commencement date, discounted using the incremental borrowing interest rate. Lease payments include the fixed payments, less any lease incentives receivable.

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

3. At the commencement date, the right-of-use asset is stated at cost comprising:
  - (1) the amount of the initial measurement of lease liability; and
  - (2) Any initial direct costs incurred.

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

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

(XVIII) Investment property

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

(XIX) Intangible assets

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

(XX) Impairment of non-financial assets

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

(XXI) Borrowings

These are short-term loans from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any

difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XXII) Notes and accounts payable

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

(XXIII) Derecognition of financial liabilities

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

(XXIV) Provisions

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

(XXV) Employee benefits

1. Short-term employee benefits

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

2. Pensions

(1) Defined contribution plan

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

(2) Defined benefit plan

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is

the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- B. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- C. Past service costs are recognized immediately in profit or loss.

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

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

#### (XXVI) Share-based payment for employees

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

#### (XXVII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

3. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

(XXVIII) Share capital

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

(XXIX) Dividends

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

(XXX) Revenue recognition

1. Sales of goods

- (1) The Group manufactures and sells Industrial computer, digital video recorders, vehicle video recorders and security surveillance related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (2) Sales revenue from industrial computers, digital video recorders, vehicle-mounted video recorders, and related security surveillance products is recognized at the net

amount after deducting estimated quantity discounts and sales allowances from the contract price. As the time interval between the transfer of goods or services committed for sale and the customer's payment does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- (3) The Group provides standard warranty on the products sold, and has the refund obligation for product defects. The provisions are recognized when the goods are sold.
- (4) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 2. Services revenue

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

### (XXXI) Government subsidies

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

### (XXXII) Operating segments

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

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

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

### Critical accounting estimates and assumptions

## 1. Investment property

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

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

## 2. Realization of Deferred Income Tax Assets

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

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

## VI. Explanation of Significant Accounts

### (I) Cash and cash equivalents

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

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

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

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

Item	2023/12/31	2022/12/31
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:

	2023	2022
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Equity Instruments	\$ 22,297	(\$ 32,289)

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

(III) Financial assets at amortized cost

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

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

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

(IV) Notes and accounts receivable

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

Less: Unrealized interest income - long-term installment receivables	(	<u>266</u>	)	(	<u>474</u>	)
	\$	12,114		\$	16,135	

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

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

The above ageing analysis was based on past due date.

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

(V) Inventories

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

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

The cost of inventories recognized as expense for the year:

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

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

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

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

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

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

(VII) Investments accounted for using the equity method.

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

At December 31,2022:None.

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

At December 31,2022:None.

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

(VIII) Property, plant and equipment

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

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

(IX) Leasing arrangements-lessee

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

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

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

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

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

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

(X) Investment property

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

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

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

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

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

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

	2023	2022
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

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

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

(XII) Short-term borrowings

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

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

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

(XIII) Other payables

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

In March 2023 and 2022, the Company was approved by the Labor Affairs

Department, New Taipei City Government to suspend the contribution to the labor retirement reserve for 2023 and 2022, respectively.

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

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

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

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

	<u>2022</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1	( \$ 10,030 )	\$ 27,070	\$ 17,040
Current service cost	( 30 )	-	( 30 )
Interest expense (income)	( 63 )	169	106
	<u>( 10,123 )</u>	<u>27,239</u>	<u>17,116</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,121	2,121
Change in financial assumptions	411	-	411
Experience adjustments	<u>280</u>	<u>-</u>	<u>280</u>

	<u>691</u>	<u>2,121</u>	<u>2,812</u>
Pay retirement pension	915	( 915 )	-
Balance at December 31	<u>( \$ 8,517 )</u>	<u>\$ 28,445</u>	<u>\$ 19,928</u>

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

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

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

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

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
December 31, 2023				
Effect on present value of defined benefit obligation	( \$ 136 )	\$ 141	\$ 137	( \$ 133 )
December 31, 2022				
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 9.1years.
2. (1) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) EverFocus Electronics (ShenZhen)CO., Ltd. contributes monthly to the old-age insurance fund at a certain rate based on the total salary of local employees in accordance with the PRC's defined pension insurance system. Each employee's pension is managed and arranged by the PRC government and EverFocus Shenzhen has no further obligation other than making monthly contributions.
- (3) EverFocus America and EverFocus Japan make pension contributions in accordance with local laws and regulations.
- (4) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2023 and 2022 were \$4,443 and \$4,399, respectively.

(XV) Share-based payments

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

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

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

There is no such situation for the year 2023.

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

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

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

	<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. The issuance was effective on January 18, 2022 upon filing with the competent authorities, with necessary costs deducted at \$600, resulting in a net fundraising of \$187,000. The aforementioned cash capital increase was completed and registered on April 19th, 2022.

(XVII) Capital surplus

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

(XVIII) Deficit to be offset

1. According to Article of Incorporation, if the Company has earnings surplus as evidenced by the year-end accounting settlement, it shall pay taxes and make up for losses in accordance

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

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

2. Dividends are distributed on the basis that maintaining a sound financial structure and matching future business growth of the Company. In accordance with the Company Act, the Board of Directors prepares a proposal for the distribution of earnings each year after the approval of the shareholders' meeting, taking into account the Company's profitability and future operating needs and to protect the interests of investors. The Company adopts the following three methods to distribute dividends: capitalization of earnings, capitalization of capital surplus and cash dividends. If there is an appropriate investment plan that can increase the Company's profitability, the capitalization of earnings or capitalization of capital surplus will be used. When the capital increase affects the dividend level, cash dividends will be paid. Stock dividends will account for 0% to 90% while cash dividends will account for 10% to 100% of the total amount of dividends paid. The actual amount of dividends paid will be determined by the amount approved at the shareholders' meeting.
3. The proposals for offsetting losses for 2022 and 2021 were approved by the shareholders' meeting on June 14, 2023 and June 15, 2022, respectively, and information on the Board of Directors' approval and the offsetting losses resolved at the shareholders' meeting is available on the "Market Observation Post System (MOPS)" of the TWSE.
4. As of December 31, 2023 and 2022, the Company had no earnings available for appropriation.

(XIX) Operating income

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

1. Disaggregation of revenue from contracts with customers

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

2023	Sales revenue	Service revenue	Total
Revenue from contracts	\$ 365,144	\$ 4,411	\$ 369,555
Time of income recognition			
Income recognized at a point in time	\$ 365,144	\$ -	\$ 365,144
Revenue recognized over time	-	4,411	4,411
Total	\$ 365,144	\$ 4,411	\$ 369,555
2022	Sales revenue	Service revenue	Total
Revenue from contracts	\$ 324,447	\$ 7,862	\$ 332,309
Time of income recognition			
Income recognized at a point in time	\$ 324,447	\$ -	\$ 324,447
Revenue recognized over time	-	7,862	7,862
Total	\$ 324,447	\$ 7,862	\$ 332,309

## 2. Contract liability

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

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

(II) Recognized income of contract liabilities at January 1

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

(XX) Other income

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

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

(XXI) Other gains and losses

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

(XXII) Finance costs

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

(XXIII) Costs and Expenses by nature

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

(XXIV) Employee benefit expenses

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

1. According to the Articles of Incorporation of the Company, the Company accrued

employees' compensation at rates of 3%~10.5% and remuneration of directors and supervisors at rates of no higher than 2.5%, of the remaining profit after deducting accumulated losses.

2. The Company did not estimate the compensation to employees, directors and supervisors for the years ended December 31, 2023 and 2022 due to the Company had net loss before tax.
3. Information on remuneration of employees, directors and supervisors approved by the board of directors is disclosed on the MOPS.

(XXV) Income tax

1. Income tax expense

(1) Components of income tax expense:

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

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

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

2. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

2023/12/31				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2015	\$ 56,076	\$ 28,696	\$ 28,696	2025
2017	49,598	49,598	49,598	2027
2018	89,436	89,436	89,436	2028
2019	94,256	94,256	94,256	2029
2020	69,562	69,562	39,784	2030
2021	51,809	51,809	-	2031
2022	59,023	59,023	-	2032
2023	103,300	103,300	-	2033
	<u>\$ 573,600</u>	<u>\$ 545,680</u>	<u>\$ 301,770</u>	

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

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

(XXVI) Losses per share

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

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

(XXVII) Supplementary Cash Flow Information

Partial Cash Payment for Investment Activities:

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

(XXVIII) Changes in liabilities arising from financing activities

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

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

## VII. Related Party Transactions

### (I) Names of related parties and relationship

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

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

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

Note 3: On July 5, 2023, the Company participated in Acrosser Technology Co.,LTD.'s cash

capital increase and subsequently recognized it as an investee accounted for using the equity method. Therefore, Acrosser Technology Co.,LTD. has been considered an associated enterprise of the Company since its participation in the cash capital increase.

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

(II) Significant transactions and balances with related parties

1. Operating income

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

(3) 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.

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

2. Purchases

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

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

3. Accounts receivable

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

4. Other Receivables

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

5. Accounts payable

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

6. Other Payables

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

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

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

(4) 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.

(5) 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).

(6) The Company assessed in 2023 that the receivables from EVERFOCUS ELECTRONICS INDIA PRIVATE LIMITED were irrecoverable, and therefore, wrote off the entire amount in 2023.

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

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

9. Operating expense

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

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

(III) Key management compensation

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

VIII. Pledged Assets

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

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

IX. Significant contingent liabilities and unrecognized commitments

(I) Contingencies

None.

(II) Commitments

- As of December 31, 2023 and 2022, the Company has issued a promissory note of NT\$470,450 and NT\$452,755 required for the application a comprehensive credit line and the provision of performance bonds as required by customer contracts, respectively.
- 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.
- As of December 31, 2023, and 2022, the Company has signed contracts for real estate, factory, and equipment payments that have not yet occurred, amounting to \$3,104 and \$0, respectively.

X. Significant Disaster Loss

None

XI. Significant events after the reporting period

None.

XII. Others

(I) Capital risk management

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

(II) Financial instruments

1. Financial instruments by category

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

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

## 2. Financial risk management policies

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

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

### (1) Interest rate risk:

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

### (2) Foreign exchange risk:

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

### (3) Credit risk:

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

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

## 4. Market risk

### Foreign exchange risk

A. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and CNY. Exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

B. The Group's management formulated policies to manage exchange rate risks relative to the functional currency of the Group and its subsidiaries. The finance department is responsible for hedging the overall exchange rate risk. Exchange rate risk is measured through highly probable forecast transactions that involves expenditures denominated in USD. Accordingly, the Group uses foreign currency forward contracts to mitigate the impact of exchange rate fluctuations on the costs of purchasing inventories.

C. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and some subsidiaries is New Taiwan

Dollars). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				2023/12/31		
				Foreign currency (in thousand dollars)	Exchange rate	Carrying amount (NTD)
<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>Financial liabilities</u>						
<u>Monetary items</u>						
	USD: NTD	\$	543	30.725	\$	16,684
	USD:CNY		140	7.096		4,302

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

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

2023

					Sensitivity analysis		
					Extent of change	Effect on income	Effect on other comprehensive income
<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>Financial liabilities</u>							
<u>Monetary items</u>							
USD: NTD	1%	\$	167	\$	-		
USD:CNY	1%		43		-		

					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		-		
USD:CNY	1%		31		-		
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	1%	\$	161	\$	-		
USD:CNY	1%		113		-		

### Price risk

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

- B. The Group mainly invests in equity instruments and open-end funds issued by domestic companies, of which the price of equity instruments will be affected by uncertainty of future value of the investment target. As of 2023 and 2022, assuming that all other factors remain unchanged, if the price of equity instruments rises or falls by 1%, the net profit after tax from gains or losses of equity instruments measured at fair value through profit or loss will increase or decrease by NT\$915 and NT\$995, respectively, due to gains or losses from equity instruments measured at fair value through profit or loss. The other comprehensive income would increase or decrease by \$40 and \$128, respectively, due to gains or losses from equity investments classified as fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

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

#### (2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.
- B. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Group is responsible for managing and analyzing the credit risk for its new clients before standard payment and delivery terms and conditions are offered. To control internal risk, the Group assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Group adopts the assumptions under IFRS 9. The Group determines that the default occurs when the contract payments were past due over 90 days based on the terms.
- D. The Group adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

- (1) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (2) The disappearance of an active market for that financial asset because of financial difficulties;
- (3) Default or delinquency in interest or principal repayments;
- F. The customers' accounts receivables are segmented based on customer type. A simplified loss rate approach is used for ECL measurement based on the provision matrix.
- G. The Group has written off the recoverable amount of financial assets that could not reasonably be estimated after recourse, but will continue to pursue recourse to preserve its rights. As of December 31, 2023 and 2022, the Group had no recourse claims that had been written off.
- H.(1) The expected loss rate of customers who have better credit ratings was 0.03%, and the total carrying value of accounts and notes receivable (including current, non-current and related parties) was \$35,470 and \$25,091 as of December 31, 2023 and 2022, respectively.
- (2) The Group considers the world economic outlook and future prospects when adjusting the loss rate that is set up based on historical and current loss period information, in order to estimate the loss of notes receivables and allowance for doubtful accounts of customers with general credit quality. The provision matrix as of December 31, 2023 and 2022 is as follows:

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

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

Notes and accounts receivable (including  
related parties)

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	2023	2022
January 1	\$ 5,292	\$ 8,768
Provision(Reversal )of impairment loss	( 15 )	628
Amounts written off due to irrecoverability	( 4,163 )	( 3,871 )
Effect of exchange rate change	( 14 )	( 233 )
December 31	<u>\$ 1,100</u>	<u>\$ 5,292</u>

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

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

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

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

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

### (3) Liquidity risk

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

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

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

(III) Fair value information

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

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

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

Level 3: Unobservable inputs for assets or liabilities, including all non-listed stocks invested by the Group.

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

3. Financial instruments not measured at fair value

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

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

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

2023/12/31	Level 1	Level 2	Level 3	Total
<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	<u>\$ 91,526</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 95,526</u>

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	<u>\$ 99,547</u>	<u>\$ -</u>	<u>\$ 12,800</u>	<u>\$ 112,347</u>

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

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

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

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

C. The output of the valuation models represents estimated approximations, and the valuation techniques may not capture all relevant factors related to the financial and non-financial instruments held by the Group. Therefore, the estimated values from the valuation models are appropriately adjusted based on additional parameters, such as model risk or liquidity risk. In accordance with the Group's fair value measurement policies and related control procedures, management believes that these valuation adjustments are necessary and appropriate to fairly represent the fair value of financial and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the valuation process are carefully evaluated and adjusted as deemed appropriate considering the current market conditions.

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

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

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

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

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

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

	2023/12/31 Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)	Relationship between input and fair value
Non-derivative equity instruments					
Unlisted and non-OTC stocks	\$ 4,000	Discounted Cash Flow method	Note 1	Not applicable	Note 2
	2022/12/31 Fair value	Valuation techniques	Significant u nobservable inputs	Range (weighted average)	Relationship between input and fair value
Non-derivative equity instruments					
Unlisted and non-OTC stocks	\$ 12,800	Discounted Cash Flow method	Note 1	Not applicable	Note 2

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

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

### XIII. SUPPLEMENTARY DISCLOSURES

#### (I) Significant transactions information

1. Lending funds to others: Please refer to table 1.
2. Provision of endorsements and guarantees to others: Please refer to table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to relate parties reaching NT\$100 million or 20% of the Company's paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Information for significant inter-company transactions during the reporting periods: Please refer to table 4.

#### (II) Information on investees

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

#### (III) Information on investments in Mainland China

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

#### (IV) Major shareholders information

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

#### XIV. Segment Information

##### (I) General information

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

##### (II) Measurement of segment information

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

(III) Segment Information

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

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

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

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

(IV) Reconciliation for segment income (loss)

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

(V) Information on products and services

Please refer to Note 6, (19).

(VI) Geographical information

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

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

(VII) Major customer information

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

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

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Lending funds to others

January 1 to December 31, 2023

Table 1

Unit: NT\$ in thousands

(Unless Specified Otherwise)

Serial No. (Note 1)	Lending company	Loan recipient	Transaction item	Related party or not	Maximum amount of the current period (Note 3)		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 trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the board of directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the board of directors' meeting shall still be used as the balance for the public announcement and declaration.

EVERFOCUS ELECTRONICS CORP. AND SUBSIDIARIES

Endorsements for others

January 1 to December 31, 2023

Table 2

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

Serial No. (Note 1)	Name of Endorsement / 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)	Parent company endorsement / guarantees to others on behalf of subsidiary (Note 7)	Subsidiary endorsement / guarantees to others on behalf of parent 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 parent and the subsidiary exceeds 50% of the investee company.
- (4). Parent company that directly holds or indirectly holds through its subsidiaries more than 50% of the total common stock.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry for the purpose of contracting the project.
- (6). A company that has been endorsed / guaranteed by the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.

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

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

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

- (2) The total amount of external 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 parent company providing endorsement guarantees to its subsidiary, for the subsidiary providing endorsement guarantees to the parent company, and for endorsers from mainland China, please indicate "Y" in the respective columns.

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

Table 3

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

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

Table 4

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

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

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

(1).Fillin0fortheparentcompany.

(2).SubsidiariesarenumberedinsequenceineachcompanytypestartingfromArabicnumeral1.

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

If a subsidiary has disclosed a transaction with another subsidiary, the other one does not need to disclose it repeatedly):

- (1.) Represents parent company to subsidiary transactions.
- (2.) Represents subsidiary to parent transactions.
- (3.) Represents transactions between subsidiaries.

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

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

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

Table 5

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

Name of Investor	Name of investee	Location	Main business items	Initial investment amount		Holding at the end of the period			Current income (loss) of the	Investment Income (loss)	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) GMBH	Germany	Selling products and providing customer service for the Company	-	111,610	-	-	-	-	-	Subsidiary of the Company and Note 3
"	EVERFOCUS ELECTRONICS LIMITED.	UK	Selling products and providing customer service for the Company	45,212	47,743	-	-	-	-	-	Subsidiary of the Company and Note 4
"	Acrosser Technology Co.,LTD.	Taiwan	Selling or rental of computer products, peripherals, and information-related products from domestic and international manufacturers	18,000	8,800	1,800,000	15.25	17,884	5,890	558	The Company's investees accounted for using the equity method

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

Note 2: Since 2015, the company has lost control over the major operational activities of Everfocus Electronics (India) Company and consequently, no longer includes it in the consolidated financial statements. It has been accounted for as an investment using the equity method since that year, and related receivables have been derecognized. Additionally, in 2023, the investment accounted for using the equity method was derecognized.

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

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

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

Table 6

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

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

Note 1: Invested in Mainland China by other remittances.

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

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

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

2. The limit for investing in Mainland China

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

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

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

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

Table 7

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

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

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

**EVERFOCUS ELECTRONICS CORP.**



**Chairman : Yung-Shun Chuang**

**President: Chih -Hung Kao**



