

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Opinion

We have audited the accompanying parent company only balance sheets of CastleNet Technology Inc. (the “Company”) as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended 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 Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Company's 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Existence of sales revenue

Description

Refer to Note 4(27) for accounting policies on revenue recognition.

The Company is primarily engaged in the research, development, manufacturing and sales of consumer electronics products such as broadband communications and digital home entertainment. The main sales areas include Europe, America and Asia, and most of the customers are regional companies. Thus, the existence and occurrence of sales revenue are the main focus when performing our audit. Given that the sales revenue is material to the financial statements, we considered the existence of sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Performed tests of controls on credit investigation of new customers during the year, performed tests of controls on sales revenue for relevant assertions related to existence and occurrence of sales transactions to increase assurance level, and verified the consistency of accounting records, supporting documents and collection records.
2. Performed confirmation procedures on sales counterparties for accounts receivable balances, tracked replies, and verified the consistency of confirmation response, accounting records, and customers' information.

3. Sampled and tested sales transactions, by verifying and agreeing the related sales orders and delivery notes to accounting records.

Allowance for valuation of inventory loss

Description

Refer to Note 4(10) for the accounting policies on valuation of inventories, Note 5 for uncertainty of accounting estimates and assumptions on inventory valuation and Note 6(4) for the details of the inventories. As of December 31, 2023, the inventories and allowance for valuation loss amounted to NT\$749,015 thousand and NT\$40,292 thousand, respectively.

The Company is entrusted to manufacture consumer electronics products such as broadband communications and digital home entertainment according to customers' needs. As these types of electronics products and related inventories are especially susceptible to technological changes, product specification changes and other market factors, there is a higher risk of inventories losing value or becoming obsolete. The Company measures inventories at the lower of cost and net realisable value; Given that the amount of inventory is material, inventory items are voluminous, and determination of net realisable value of inventories that are individually identified as obsolete or damaged rely on management's subjective judgement, we considered the estimation of allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the allowance for valuation loss on inventories that are over a certain age and individually identified as obsolete or damaged:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses in the reporting period and assessed the reasonableness of these policies.

2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified by management as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation and agreed it to management's assessment.

Financial assets at fair value through profit or loss

Description

Refer to Note 4(6) for the accounting policies on financial assets at fair value through profit or loss and Note 6(2) for the details of financial assets at fair value through profit or loss. As of December 31, 2023, the balance of current financial assets at fair value through profit or loss amounted to NT\$1,550,470 thousand, constituting 55% of the parent company only total assets. As the current financial assets at fair value through profit or loss accounted for a significant portion of the parent company only financial statements, and the risk of fair value measurement of such financial assets is likely to increase due to the market competition and economic climate, the Company used expert appraisal reports to estimate the fair value based on market prices after taking into account the above factors.

Given that most of the above estimates rely on the management's subjective judgement, which may result in inappropriate accounting estimates, we considered the valuation of financial assets at fair value through profit or loss obtained during the year a key audit matter.

How our audit addressed the matter

We used the appraiser's work in assessing the measurement method used by management and the reasonableness of assumptions on the above key audit matter, and we performed the following procedures:

1. Obtained an understanding and assessed the related policies and valuation procedures on the fair value measurement and disclosure of financial assets at fair value through profit or loss to determine whether the measurement method used is commonly adopted in the industry and environment and considered appropriate.
2. Examined the parameters and the formula of valuation model, and reviewed information and documents in respect of the relevance and the reliability of data source.
3. Performed confirmation procedures with the issuance company to verify the number of units at year end, rights and obligations and other specific terms and conditions of the investment target.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Standards on Auditing of 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 parent company only financial statements.

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

- A. Identify and assess the risks of material misstatement of the parent 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.
- B. 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 Company's internal control.

- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 parent 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.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

March 11, 2024

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 297,870	11	\$ 217,151	8
1110	Current financial assets at fair value	6(2)				
	through profit or loss		1,550,470	55	-	-
1170	Accounts receivable, net	6(3) and 7	99,659	3	269,286	10
1200	Other receivables	7	8,083	-	113,542	4
130X	Inventory	6(4)	708,723	25	555,233	20
1479	Other current assets	8	63,444	2	40,301	1
11XX	Total current assets		2,728,249	96	1,195,513	43
Non-current assets						
1510	Non-current financial assets at fair	6(2)				
	value through profit or loss		-	-	1,468,178	53
1550	Investments accounted for under	6(5)				
	equity method		40,914	2	40,294	2
1600	Property, plant and equipment	6(6)	16,189	1	23,766	1
1755	Right-of-use assets	6(7)	9,460	-	5,073	-
1780	Intangible assets		903	-	2,307	-
1840	Deferred income tax assets	6(20)	22,005	1	5,547	-
1920	Guarantee deposits paid		1,479	-	818	-
1990	Other non-current assets	6(11)	10,703	-	12,414	1
15XX	Total non-current assets		101,653	4	1,558,397	57
1XXX	Total assets		\$ 2,829,902	100	\$ 2,753,910	100

(Continued)

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			Notes	December 31, 2023		December 31, 2022		
				AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(8)	\$	430,000	15	\$	255,000	9
2110	Short-term notes and bills payable	6(9)		100,000	4		-	-
2130	Current contract liabilities	6(16)		4,191	-		11,289	1
2170	Accounts payable			96,056	3		140,894	5
2180	Accounts payable - related parties	7		44,087	2		403,476	15
2200	Other payables	6(10)		62,121	2		51,936	2
2220	Other payables - related parties	7		142,778	5		8,280	-
2280	Current lease liabilities			7,472	-		2,816	-
2399	Other current liabilities			4,079	-		1,023	-
21XX	Total current liabilities			890,784	31		874,714	32
Non-current liabilities								
2570	Deferred income tax liabilities	6(20)		22,005	1		5,547	-
2580	Non-current lease liabilities			2,120	-		2,510	-
2600	Other non-current liabilities			2,271	-		2,989	-
25XX	Total non-current liabilities			26,396	1		11,046	-
2XXX	Total liabilities			917,180	32		885,760	32
Equity								
Share capital		6(13)						
3110	Common stock			1,908,905	68		1,886,180	69
3140	Advance receipts for share capital			7,445	-		-	-
Capital surplus		6(14)						
3200	Capital surplus			145,763	5		136,511	5
Retained earnings		6(15)						
3310	Legal reserve			18,969	1		18,969	1
3350	Accumulated deficit		(123,980)	(4)	(129,665)	(5)
Other equity interest								
3400	Other equity interest		(44,380)	(2)	(43,845)	(2)
3XXX	Total equity			1,912,722	68		1,868,150	68
Significant events after the balance sheet date		11						
3X2X	Total liabilities and equity		\$	2,829,902	100	\$	2,753,910	100

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

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16)		\$ 556,439	100	\$ 1,145,661	100
5000 Operating costs	6(4) and 7		(445,385)	(80)	(973,535)	(85)
5900 Operating margin			<u>111,054</u>	<u>20</u>	<u>172,126</u>	<u>15</u>
Operating expenses	6(18) and 7					
6100 Selling expenses			(20,651)	(4)	(19,295)	(2)
6200 General and administrative expenses			(59,161)	(10)	(57,919)	(5)
6300 Research and development expenses			(131,875)	(24)	(117,989)	(10)
6000 Total operating expenses			(211,687)	(38)	(195,203)	(17)
6900 Operating loss			(100,633)	(18)	(23,077)	(2)
Non-operating income and expenses						
7100 Interest income			3,943	1	991	-
7010 Other income			2,408	-	2,918	-
7020 Other gains and losses	6(17)		109,044	20	38,528	4
7050 Finance costs	6(7)(8)(9)		(9,192)	(2)	(2,596)	-
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method, net			<u>1,155</u>	<u>-</u>	<u>(458)</u>	<u>-</u>
7000 Total non-operating income and expenses			<u>107,358</u>	<u>19</u>	<u>39,383</u>	<u>4</u>
7900 Profit before income tax			<u>6,725</u>	<u>1</u>	<u>16,306</u>	<u>2</u>
7950 Income tax expense	6(20)		-	-	-	-
8200 Profit for the year			<u>\$ 6,725</u>	<u>1</u>	<u>\$ 16,306</u>	<u>2</u>
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial (losses) gains on defined benefit plan	6(11)		(\$ 1,040)	-	\$ 2,428	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation			(535)	-	1,225	-
8300 Other comprehensive (loss) income for the year, net of tax			(\$ 1,575)	-	\$ 3,653	-
8500 Total comprehensive income for the year			<u>\$ 5,150</u>	<u>1</u>	<u>\$ 19,959</u>	<u>2</u>
Earnings per share (in dollars)						
9750 Basic earnings per share	6(21)		<u>\$ 0.04</u>		<u>\$ 0.09</u>	
9850 Diluted earnings per share			<u>\$ 0.03</u>		<u>\$ 0.09</u>	

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

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Capital			Retained Earnings		Other Equity Interest	
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Accumulated deficit	Financial statements translation differences of foreign operations	Total equity
<u>Year ended December 31, 2022</u>								
Balance at January 1, 2022		\$ 1,886,180	\$ -	\$ 130,696	\$ 18,969	(\$ 148,399)	(\$ 45,070)	\$ 1,842,376
Profit for the year		-	-	-	-	16,306	-	16,306
Other comprehensive income		-	-	-	-	2,428	1,225	3,653
Total comprehensive income		-	-	-	-	18,734	1,225	19,959
Share-based payments	6(12)(14)	-	-	5,684	-	-	-	5,684
Overdue dividends unclaimed by shareholders	6(14)	-	-	131	-	-	-	131
Balance at December 31, 2022		<u>\$ 1,886,180</u>	<u>\$ -</u>	<u>\$ 136,511</u>	<u>\$ 18,969</u>	<u>(\$ 129,665)</u>	<u>(\$ 43,845)</u>	<u>\$ 1,868,150</u>
<u>Year ended December 31, 2023</u>								
Balance at January 1, 2023		\$ 1,886,180	\$ -	\$ 136,511	\$ 18,969	(\$ 129,665)	(\$ 43,845)	\$ 1,868,150
Profit for the year		-	-	-	-	6,725	-	6,725
Other comprehensive loss		-	-	-	-	(1,040)	(535)	(1,575)
Total comprehensive income (loss)		-	-	-	-	5,685	(535)	5,150
Share-based payments	6(12)(14)	-	-	2,188	-	-	-	2,188
Exercise of employee share options	6(13)(14)	22,725	7,445	7,089	-	-	-	37,259
Overdue dividends reclaimed by shareholders	6(14)	-	-	(25)	-	-	-	(25)
Balance at December 31, 2023		\$ 1,908,905	\$ 7,445	\$ 145,763	\$ 18,969	(\$ 123,980)	(\$ 44,380)	\$ 1,912,722

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

CASTLENET TECHNOLOGY INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 6,725	\$ 16,306
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(18)	14,601	16,018
Amortization	6(18)	1,777	1,069
Gain on expected credit impairment	12(2)	(183)	(85)
Employee share options	6(12)	2,188	5,684
Interest income		(3,943)	(991)
Interest expense		9,192	2,596
Share of (profit) loss of subsidiaries accounted for under equity method		(1,155)	458
Gain on financial assets at fair value through profit or loss	6(17)	(108,387)	(39,093)
Loss on disposal of property, plant and equipment		6	-
Cost of provisions		2,271	3,353
Liabilities transferred to income		-	(2,751)
Gain on insurance compensation	6(6)	(17,880)	-
Impairment loss for replacement assets	6(6)	12,904	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		169,810	439,545
Other receivables		105,768	(180)
Inventory		(153,490)	(295,620)
Other current assets		(23,143)	(5,210)
Other non-current assets		671	(797)
Changes in operating liabilities			
Current contract liabilities		(7,098)	(8,913)
Accounts payable		(44,838)	116,781
Accounts payable - related parties		(359,389)	(291,103)
Other payables (including related parties)		144,844	5,212
Other current liabilities		67	(59)
Other non-current liabilities		-	(5,581)
Cash outflow generated from operations		(248,682)	(43,361)
Interest paid		(8,829)	(2,246)
Income taxes received		9	12
Income taxes paid		(390)	(77)
Net cash flows used in operating activities		(257,892)	(45,672)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in receivables from raw material purchases on behalf of others		-	(64,793)
Acquisition of property, plant and equipment	6(22)	(15,509)	(9,115)
Acquisition of property, plant and equipment's insurance compensation	6(6)	17,880	-
Disposal of property, plant and equipment		42	-
Acquisition of intangible assets		(373)	(2,930)
(Increase) decrease in guarantee deposits paid		(661)	13,946
Interest received		30,110	27,213
Net cash flows from (used in) investing activities		31,489	(35,679)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		881,737	450,000
Repayments of short-term borrowings		(706,737)	(261,000)
Increase in short-term notes and bills payable		200,000	-
Repayments of short-term notes and bills payable		(100,000)	-
Repayment of lease principal		(5,112)	(3,105)
Overdue dividends unclaimed by shareholders	6(14)	-	131
Overdue dividends reclaimed by shareholders	6(14)	(25)	-
Exercise of employee share options	6(13)	37,259	-
Net cash flows from financing activities		307,122	186,026
Net increase in cash and cash equivalents		80,719	104,675
Cash and cash equivalents at beginning of year		217,151	112,476
Cash and cash equivalents at end of year	6(1)	\$ 297,870	\$ 217,151

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

CASTLENET TECHNOLOGY INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

CastleNet Technology Inc. (the “Company”) was incorporated as a company limited by shares on June 26, 1998 and obtained Business Registration Certificate on August 26, 1998. In addition, the Company’s stocks were listed on the Taipei Exchange in March 2010. The Company is primarily engaged in manufacturing and selling consumer electronics products such as broadband communications and digital home entertainment.

2. The Date of Authorisation for Issuance of the Parent Company Only Financial Statements and Procedures for Authorisation

The parent company only financial statements were authorised for issuance by the Board of Directors on March 11, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS®”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘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.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, '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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – 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.

4. Summary of Material Accounting Policies

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Rules Governing the Preparation of Financial Statements by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) 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 a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollar, which is the Company’s functional and the Company’s presentation currency.

A. Foreign currency transactions and balances

- (a) 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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) 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 recognised 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 recognised in other comprehensive income. However, non-monetary 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.
- (d) 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’.

B. Translation of foreign operations

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

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

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) 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.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) 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.

(5) 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 that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through

profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income 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.

(7) Accounts and notes receivable

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

(8) Impairment of financial assets

At each reporting date, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) Inventories

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

(11) Investments accounted for using equity method – subsidiaries

- A. 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.

- B. Unrealised gains and losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Company continues to recognise losses in proportion to its ownership.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- E. When the Company loses control of a subsidiary, the Company 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 recognised in profit or loss. All amounts previously recognised 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 Company loses control of a subsidiary, all gains or losses previously recognised 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.
- F. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) and other comprehensive income of the current period in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the parent company only financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. 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.
- D. 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:

Testing equipment	2 ~ 8	years
Molding	2	years
Implements equipment	3 ~ 6	years
Other equipment	2 ~ 6	years

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

- A. Leases are recognised 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 Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. 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 are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
- 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 recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 3 years.

(15) 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 recognised 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 recognising 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 amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

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

(17) Notes and accounts payable

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

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(21) Provisions

Provisions (including warranties.) are recognised 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 recognised as interest expense. Provisions are not recognised for future operating losses.

(22) Employee benefits

A. 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. 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 recognised in the balance sheet in respect of defined benefit pension plan 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised 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 paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. 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.

- C. Deferred tax is recognised, 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 or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, 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 realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) 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.

(27) Revenue recognition

- A. The Company sells a range of consumer electronics products such as broadband communications and digital home entertainments. Sales are recognised 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.
- B. A receivable is recognised 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.
- C. The Company's obligation to provide a repair for some faulty products under the standard warranty terms is recognised as a provision.

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

The preparation of the parent 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:

(1) Critical judgements in applying the Company's accounting policies

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Company controls the good or service before it is provided to a customer include the following:

- (a) The Company is primarily responsible for the provision of goods or services;
- (b) The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(2) Critical accounting estimates and assumptions

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, 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 realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

Refer to Note 6(4) for the carrying amounts of inventories as of December 31, 2023.

B. Financial assets—fair value measurement of unlisted stocks without active market

The fair value of financial assets at fair value through profit or loss held by the Company is determined considering market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these financial assets. Please refer to Note 12(3) for the financial instruments fair value information.

Refer to Note 6(2) for the carrying amounts of current financial assets at fair value through profit or loss as of December 31, 2023 .

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 185	\$ 181
Checking accounts and demand deposits	262,685	30,238
Time deposits	-	186,732
Repo bonds	35,000	-
	<u>\$ 297,870</u>	<u>\$ 217,151</u>

A. 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.

B. The Company's demand deposits pledged to others as collateral had been transferred to "other current asset". Refer to Note 8 for details.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ 1,334,996	\$ -
Valuation adjustment	215,474	-
	<u>\$ 1,550,470</u>	<u>\$ -</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Convertible bonds	\$ -	\$ 1,361,091
Valuation adjustment	-	107,087
	<u>\$ -</u>	<u>\$ 1,468,178</u>

A. The Company has no financial assets at fair value through profit or loss pledged to others.

B. The Company entered into contracts relating to derivative financial assets which were not

accounted for under hedge accounting. The information is listed below:

December 31, 2023			
Financial instruments	Contract amount (notional principal)		Contract period
Current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26
December 31, 2022			
Financial instruments	Contract amount (notional principal)		Contract period
Non-current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26

- C. On December 27, 2019, the Company acquired convertible bonds issued by SPI for KRW 54,990,000 thousand. In accordance with the contract, both parties may, in the event of any serious occurrence, decide whether to re-negotiate the coupon rate and other contract terms and conditions on a semi-annual basis, and interest will be charged annually at the agreed coupon rate. In addition, the Company has the right to convert the bonds into ordinary shares of SPI at KRW 1,000 per share at expiration date. As of December 31, 2023, the relevant financial assets transferred to financial assets at fair value through profit or loss - current that the maturity date is less than one year.
- D. The interest received during the years ended December 31, 2023 and 2022 at the agreed coupon rate was \$26,095 and \$26,297, respectively.
- E. The movements of the Company's financial assets measured at fair value through profit or loss is provided in Note 12(3).

(3) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ -	\$ 1,027
Accounts receivable	99,746	268,529
Less: Allowance for uncollectible accounts	(87)	(270)
	<u>\$ 99,659</u>	<u>\$ 269,286</u>

- A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023	December 31, 2022
Not past due	\$ 78,230	\$ 208,283
Up to 90 days	21,516	61,273
	<u>\$ 99,746</u>	<u>\$ 269,556</u>

The above ageing analysis was based on past due date.

B. Accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables (including notes receivable) from contracts with customers amounted to \$709,101.

C. The Company has no notes and accounts receivable pledged to others.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

December 31, 2023			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 717,300	(\$ 38,110)	\$ 679,190
Work in progress	722	(722)	-
Finished goods	30,993	(1,460)	29,533
	<u>\$ 749,015</u>	<u>(\$ 40,292)</u>	<u>\$ 708,723</u>

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 378,002	(\$ 4,918)	\$ 373,084
Work in progress	722	(722)	-
Finished goods	187,824	(5,675)	182,149
	<u>\$ 566,548</u>	<u>(\$ 11,315)</u>	<u>\$ 555,233</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31, 2023	Year ended December 31, 2022
Cost of goods sold	\$ 416,409	\$ 972,050
Valuation loss	28,976	1,485
	<u>\$ 445,385</u>	<u>\$ 973,535</u>

(5) Investments accounted for under the equity method

	December 31, 2023	December 31, 2022
Subsidiaries:		
Castlenet Technology (BVI) Inc.	<u>\$ 40,914</u>	<u>\$ 40,294</u>

A. Refer to Note 4(3) in the consolidated financial statements for the years ended December 31, 2023 for the information on the Company's subsidiaries.

B. Refer to Note 13 for the information on the Company's subsidiaries in Mainland China.

C. The Board of Directors of the Company during its meeting on March 9, 2022 resolved the liquidation of the Company's subsidiaries, Castlenet Technology (BVI) Inc. and CastleNet Technology Inc. – Kunshan.

(6) Property, plant and equipment

	Test equipment	Molding equipment	Implements equipment	Other equipment	Total
<u>At January 1, 2023</u>					
Cost	\$ 24,798	\$ 11,459	\$ 6,707	\$ 6,047	\$ 49,011
Accumulated depreciation and impairment	(12,179)	(8,490)	(1,808)	(2,768)	(25,245)
	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>
<u>2023</u>					
Opening net book amount as at January 1	\$ 12,619	\$ 2,969	\$ 4,899	\$ 3,279	\$ 23,766
Additions	14,258	-	2	725	14,985
Disposals	-	-	-	(48)	(48)
Impairment loss from disaster replacement	(12,904)	-	-	-	(12,904)
Depreciation charge	(3,800)	(2,849)	(1,604)	(1,357)	(9,610)
Closing net book amount as at December 31	<u>\$ 10,173</u>	<u>\$ 120</u>	<u>\$ 3,297</u>	<u>\$ 2,599</u>	<u>\$ 16,189</u>
<u>At December 31, 2023</u>					
Cost	\$ 36,606	\$ 827	\$ 6,708	\$ 6,251	\$ 50,392
Accumulated depreciation and impairment	(26,433)	(707)	(3,411)	(3,652)	(34,203)
	<u>\$ 10,173</u>	<u>\$ 120</u>	<u>\$ 3,297</u>	<u>\$ 2,599</u>	<u>\$ 16,189</u>
	Test equipment	Molding equipment	Implements equipment	Other equipment	Total
<u>At January 1, 2022</u>					
Cost	\$ 38,862	\$ 11,398	\$ 5,227	\$ 6,486	\$ 61,973
Accumulated depreciation and impairment	(26,458)	(3,383)	(463)	(2,301)	(32,605)
	<u>\$ 12,404</u>	<u>\$ 8,015</u>	<u>\$ 4,764</u>	<u>\$ 4,185</u>	<u>\$ 29,368</u>
<u>2022</u>					
Opening net book amount as at January 1	\$ 12,404	\$ 8,015	\$ 4,764	\$ 4,185	\$ 29,368
Additions	7,945	869	1,620	838	11,272
Disposals	(3,495)	-	(19)	(319)	(3,833)
Depreciation charge	(4,235)	(5,915)	(1,466)	(1,425)	(13,041)
Closing net book amount as at December 31	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>
<u>At December 31, 2022</u>					
Cost	\$ 24,798	\$ 11,459	\$ 6,707	\$ 6,047	\$ 49,011
Accumulated depreciation and impairment	(12,179)	(8,490)	(1,808)	(2,768)	(25,245)
	<u>\$ 12,619</u>	<u>\$ 2,969</u>	<u>\$ 4,899</u>	<u>\$ 3,279</u>	<u>\$ 23,766</u>

- A. The Company has no property, plant and equipment pledged to others as collateral for borrowings.
- B. In second half of 2022, the Company experienced a laboratory fire accident that led to the destruction of certain property, plant and equipment. In 2023, insurance compensation totaling \$17,880 was received for the affected property, plant and equipment. The replacements were assessed based on their recoverable amount, resulting in the recognition of an impairment loss of \$12,904 for replacement assets related to equipment.

(7) Leasing arrangements — lessee

- A. The Company leases various assets including test equipment, buildings, office and warehouse. Rental contracts are typically made for periods of 2-5 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.
- B. Short-term leases with a lease term of 12 months or less comprise part of office. Low-value assets comprise parking space and other office equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings, office and warehouse	\$ 5,735	\$ 5,073
Test equipment	3,725	-
	<u>\$ 9,460</u>	<u>\$ 5,073</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings, office and warehouse	\$ 4,652	\$ 2,977
Test equipment	339	-
	<u>\$ 4,991</u>	<u>\$ 2,977</u>

- D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$9,378 and \$0, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 145	\$ 136
Expense on short-term lease contracts	4,802	1,674
Expense on leases of low-value assets	144	546

- F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$ 10,203 and \$5,461, respectively.

(8) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Borrowing period</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 86,000	2023/2/10~2024/2/9	2.25%	None
"	50,000	2023/10/20~2024/4/17	2.19%	"
"	50,000	2023/11/3~2024/1/3	2.68%	"
"	44,000	2023/5/31~2024/5/31	2.25%	"
"	40,000	2023/1/13~2024/1/12	2.18%	"
"	40,000	2023/11/17~2024/2/16	2.41%	"
"	35,000	2023/12/26~2024/12/26	2.10%	"
"	30,000	2023/11/17~2024/5/15	2.19%	"
"	25,000	2023/2/10~2024/2/9	2.22%	"
"	20,000	2023/8/30~2024/2/26	2.48%	"
"	10,000	2023/11/3~2024/2/2	2.41%	"
	<u>\$ 430,000</u>			
<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Borrowing period</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 66,000	2022/7/14~2023/1/14	2.00%	None
"	64,000	2022/10/14~2023/4/14	2.00%	"
"	50,000	2022/12/9~2023/1/9	2.35%	"
"	50,000	2022/10/26~2023/4/24	1.87%	"
"	25,000	2022/10/11~2023/4/9	2.10%	"
	<u>\$ 255,000</u>			

Interest expense recognised in profit or loss amounted to \$ \$8,268 and \$2,453 for the years ended December 31, 2023 and 2022, respectively.

(9) Short-term notes and bills payable

<u>Type</u>	<u>December 31, 2023</u>	<u>Period</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial paper	\$ 50,000	2023/10/13~2024/1/11	2.22%	None
"	50,000	2023/12/6~2024/3/5	2.22%	"
	<u>\$ 100,000</u>			

A. As of December 31, 2022, Company has no short-term notes and bills payable.

B. Interest expense recognised in profit or loss amounted to \$764 for the years ended December 31, 2023.

(10) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and bonuses payable	\$ 32,009	\$ 29,048
Payable on service fees	4,228	4,299
Payable on certification fees	3,988	174
Payable on machinery and equipment	3,942	4,466
Payable on spare parts	3,768	831
Others	14,186	13,118
	<u>\$ 62,121</u>	<u>\$ 51,936</u>

(11) Pensions

A. Defined benefit plans

- (a) 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 Law. Under the defined benefit pension 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 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 the end of 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 for the deficit by next March.
- (b) The amounts recognised in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 9,737	\$ 9,227
Fair value of plan assets	(20,440)	(20,808)
Net defined benefit liability		
(shown as other non-current assets, others)	(\$ 10,703)	(\$ 11,581)

- (c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2023</u>			
At January 1	\$ 9,228	\$ 20,809	(\$ 11,581)
Interest expense (income)	128	290	(162)
	<u>9,356</u>	<u>21,099</u>	<u>(11,743)</u>
Remeasurements:			
Return on plan assets			
(excluding amounts included in interest income or expense)	-	164	(164)
Change in financial assumptions	95	-	95
Experience adjustments	<u>1,109</u>	<u>-</u>	<u>1,109</u>
	<u>1,204</u>	<u>164</u>	<u>1,040</u>
Pension fund contribution	(823)	(823)	-
At December 31	<u>\$ 9,737</u>	<u>\$ 20,440</u>	<u>(\$ 10,703)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
<u>2022</u>			
At January 1	\$ 12,062	\$ 21,146	(\$ 9,084)
Interest expense (income)	90	159	(69)
	<u>12,152</u>	<u>21,305</u>	<u>(9,153)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,629	(1,629)
Change in financial assumptions	(590)	-	(590)
Experience adjustments	(209)	-	(209)
	<u>(799)</u>	<u>1,629</u>	<u>(2,428)</u>
Pension fund contribution	(2,125)	(2,125)	-
At December 31	<u>\$ 9,228</u>	<u>\$ 20,809</u>	<u>(\$ 11,581)</u>

(d) 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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 securitisation products, etc.). With regard to the utilisation 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 is less than aforementioned rates, government shall make payment for the deficit after being authorised 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 IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2023	Year ended December 31, 2022
Discount rate	1.30%	1.40%
Future salary increases	4.50%	4.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	\$ 241	(\$ 249)	(\$ 237)	\$ 230
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	\$ 231	(\$ 239)	(\$ 226)	\$ 220

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 analysing 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.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$0.
- (g) As of December 31, 2023, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,273
1-5 year(s)		2,018
5-10 years		2,111
Over 10 years		1,740
	\$	<u>7,142</u>

B. Defined contribution plans

- (a) 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.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$ 4,829 and \$4,273, respectively.

(12) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2019.8.30	8,508	7 years	Note
Employee stock options	2020.12.25	1,663	7 years	Note
Employee stock options	2021.11.24	1,337	7 years	Note

Note: Employee stock options are 50% vested after 2 years of service, 75% vested after 3 years of service and 100% vested after 4 years of service.

B. Details of the share-based payment arrangements are as follows:

	2023		2022	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	8,615	\$ 12.13	9,075	\$ 12.13
Options exercised	(3,017)	12.35	-	-
Options forfeited	(1,143)	-	(460)	-
Options outstanding at December 31	<u>4,455</u>	<u>\$ 12.10</u>	<u>8,615</u>	<u>\$ 12.13</u>
Options exercisable at December 31	<u>3,720</u>	<u>\$ 12.30</u>	<u>5,136</u>	<u>\$ 12.43</u>

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2023		December 31, 2022	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2019.08.30	2026.08.29	2,918	\$ 12.60	5,819	\$ 12.60
2020.12.25	2027.12.24	847	11.45	1,544	11.45
2021.11.24	2028.11.23	690	10.80	1,252	10.80

D. The fair value of stock options granted on August 30, 2019, December 25, 2020 and November 24, 2021 are measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (Year)	Expected dividends (%)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2019.8.30	\$13.60	\$12.60	39.979~ 41.061%	3.25~ 4.375	- 0.543%	0.522 ~	\$ 4.01~ 4.52
Employee stock options	2020.12.25	11.45	11.45	43.540~ 46.311%	3.25~ 4.375	- 0.197%	0.177 ~	3.73~ 4.05
Employee stock options	2021.11.24	10.80	10.80	41.68%	4.875	-	0.46%	3.81~ 4.08

E. For the years ended December 31, 2023 and 2022, the compensation cost arising from employee stock options amounted to \$2,310 and \$7,064, of which \$482 and \$1,380, respectively, pertain to share-based payments paid to the employees of the parent company, and \$1,828 and \$5,684, respectively, pertain to the compensation costs paid to the employees of the Company.

F. On June 8, 2023, the Company's parent company transferred treasury shares to employees of its subordinate companies, and the number of shares granted to the employees of the Company was 154 thousand shares at an exercise price of \$11.71 (in dollars) per share. For the year ended December 31, 2023, the Company's compensation costs arising from the aforementioned share-based payment agreement amounted to \$360.

(13) Share capital

A. As of December 31, 2023, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock and the paid-in capital was \$1,916,350 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares (include advance receipts for share capital) outstanding are as follows:

	2023 No. of shares (in thousands)	2022 No. of shares (in thousands)
January 1, 2023	188,618	188,618
Employee stock options exercised	3,017	-
December 31, 2023	191,635	188,618

B. For the year ended December 31, 2023, the employees of the Company exercised 3,017 thousand shares of employee share options and paid \$37,259 to the Company. As of December 31, 2023, a total of 745 thousand shares amounting to \$7,445 have not yet been registered, shown as "Advance receipts for share capital".

C. To meet the Company's long-term business development needs, replenish working capital and invest in projects that are beneficial to the Company's business development, the stockholders at their stockholders' meeting on November 13, 2019 adopted a resolution to raise additional cash through private placement. On the same date, the Board of Directors resolved to set the effective date of private placement capital increase on November 27, 2019 at the subscription price of \$13.44 (in dollars) per share. The amount of capital raised through the private placement was \$1,377,600, which had been registered. The ordinary shares raised through the private placement must follow the Securities and Exchange Act that they will be able to issue and offer publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(14) Capital surplus

- A. Pursuant to the R.O.C. Company Act, 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 capitalised 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.
- B. The overdue dividends unclaimed by shareholders shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.
- C. Movements in the capital surplus are as follows:

2023				
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,028	\$ 31,557	\$ 2,926	\$ 136,511
Share-based payments	(482)	2,670	-	2,188
Employee stock options forfeited	2,652	(2,652)	-	-
Employee stock options exercised	19,582	(12,493)		7,089
Overdue dividends reclaimed by shareholders	-	-	(25)	(25)
At December 31	<u>\$ 123,780</u>	<u>\$ 19,082</u>	<u>\$ 2,901</u>	<u>\$ 145,763</u>
2022				
	Share premium	Employee stock options	Others	Total
At January 1	\$ 102,340	\$ 25,561	\$ 2,795	\$ 130,696
Share-based payments	(1,380)	7,064	-	5,684
Employee stock options forfeited	1,068	(1,068)	-	-
Overdue dividends unclaimed by shareholders	-	-	131	131
At December 31	<u>\$ 102,028</u>	<u>\$ 31,557</u>	<u>\$ 2,926</u>	<u>\$ 136,511</u>

(15) Retained earnings (accumulated deficit)

- A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with the unappropriated earnings of prior years and current adjustments on unappropriated earnings shall be proposed by the Board of Directors based on actual needs. While, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares.
- B. If the Company distributed all or partial of appropriated dividends and bonus, capital surplus or the legal reserve in the form of cash, they should be resolved by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of the directors, and be reported to the shareholders. Abovementioned dividends distribution should consider factors of finance, business and operations to appropriate distributable earnings for the period. Cash dividends shall account for at least 10% of the total of cash and stock dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. On May 10, 2023, the shareholders at their annual meeting approved the proposal not to distribute earnings for the year of 2022, since the Company had an accumulated deficit. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 8, 2023.
- F. On March 11, 2024, the Board of Directors resolved not to distribute earnings for the year of 2023, since the Company had an accumulated deficit.

Information on the appropriation of the Company's deficit compensation as resolved by the shareholders and the Board of Directors are posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(16) Operating revenue

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 556,439	\$ 1,145,661

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

	Year ended December 31,	
	2023	2022
Revenue from external customer contracts		
America	\$ 341,505	\$ 369,572
Asia	209,965	751,296
Europe	4,969	24,785
Oceania	-	8
	\$ 556,439	\$ 1,145,661

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract liabilities:

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities:			
Contract liability – unearned revenue	\$ 4,191	\$ 11,289	\$ 20,202

C. Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31,	
	2023	2022
Revenue from contracts with customers	\$ 7,098	\$ 10,331

(17) Other gains and losses

	Year ended December 31,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ 108,387	\$ 39,093
Foreign exchange gains (losses)	1,032 (565)
Others	(375)	-
	\$ 109,044	\$ 38,528

(18) Expenses by nature

	Year ended December 31,	
	2023	2022
Employee benefit expense	\$ 139,094	\$ 130,588
Depreciation charges (Note)	14,601	16,018
Amortisation charges on intangible assets	1,777	1,069
	<u>\$ 155,472</u>	<u>\$ 147,675</u>

Note: Including depreciation charges on property, plant and equipment and right-of-use assets.

(19) Employee benefit expense

	Year ended December 31,	
	2023	2022
Wages and salaries	\$ 122,267	\$ 115,399
Labour and health insurance fees	9,140	7,859
Pension costs	4,667	4,205
Other personnel expenses	3,020	3,125
	<u>\$ 139,094</u>	<u>\$ 130,588</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and not be higher than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, earnings should first be reserved to cover accumulated deficit.
- B. Due to the accumulated deficit, no employees' compensation and directors' and supervisors' remuneration was accrued for the years ended December 31, 2023 and 2022.
- C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2023	2022
Current tax:		
Prior year income tax estimation	\$ -	\$ -
Total current tax	<u>\$ -</u>	<u>\$ -</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ -	\$ -
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2023	2022
Tax calculated based on (loss) profit		
before tax and statutory tax rate	\$ 1,345	\$ 3,261
Expenses disallowed by tax regulation	(250)	92
Temporary differences not recognised as deferred tax assets	5,663	(1,382)
Taxable loss not recognised as deferred tax assets	9,700	588
Change in assessment of realisation of deferred tax assets	(16,458)	(2,559)
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

C. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ -	2027
2018 Assessed	75,299	75,299	61,525	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Assessed	129,909	129,909	129,909	2031
2023 Estimated	49,686	49,686	49,686	2033
	<u>\$ 421,059</u>	<u>\$ 396,032</u>	<u>\$ 286,005</u>	

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017 Assessed	\$ 121,280	\$ 96,253	\$ 68,518	2027
2018 Assessed	75,299	75,299	75,299	2028
2020 Assessed	44,885	44,885	44,885	2030
2021 Assessed	129,909	129,909	129,909	2031
	<u>\$ 371,373</u>	<u>\$ 346,346</u>	<u>\$ 318,611</u>	

D. As of December 31, 2023 and 2022, deferred tax liabilities as a result of temporary differences - unrealised exchange gain and deferred tax assets as a result of tax losses are amounted to \$22,005 and \$5,547, respectively.

E. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 41,379	\$ 13,063

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

(21) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,725	189,650	\$ 0.04
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,725	189,650	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	3,651	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 6,725	\$ 193,301	\$ 0.03
Year ended December 31, 2022			
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,306	188,618	\$ 0.09

(22) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 14,985	\$ 11,272
Add: Opening balance of payable on equipment	4,466	2,309
Less: Ending balance of payable on equipment	(3,942)	(4,466)
Cash paid during the year	\$ 15,509	\$ 9,115

(23) Changes in liabilities from financing activities

For the year ended 2023 and 2022, liabilities from financing activities include, short-term borrowings, short-term notes and bills payable and lease liabilities. Please refer to the changes of consolidated statements of cash flows.

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company is controlled by Kinpo Electronics Inc. (KPO), which owns 67.82% of the Company's shares.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Kinpo Electronics, Inc.	Parent company
Cal-Comp Electronics & Communications Co., Ltd.	Sister company
Cal-Comp Electronics (Thailand) Public Company Limited	Sister company
SaveCom International Inc.	Other related company
Compal Electronics, Inc. and its subsidiaries	Other related company

(3) Significant related party transactions

A. Purchases

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 273,955	\$ 961,574
Other related company	3,589	-
	<u>\$ 277,544</u>	<u>\$ 961,574</u>

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, the Company makes purchases from the aforementioned related parties at the prevailing market price. The payment terms are 1-4 months to third parties and 3-4 months to related parties.

B. Operating expense

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Human support service fee:		
Sister company		
-Cal-Comp Electronics &		
Communications Co., Ltd.	<u>\$ 4,215</u>	<u>\$ 4,742</u>

C. Other receivables

	December 31, 2023	December 31, 2022
Receivables from raw material purchases on behalf of others:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 1,358	\$ 109,365

Other receivables arise mainly from raw materials purchases on behalf of others and are due 45 days after the date of delivery. The receivables are non-interest bearing.

D. Payables to related parties

	December 31, 2023	December 31, 2022
Accounts payable:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 44,087	\$ 403,476
Other payables — receipts under custody:		
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	\$ 140,801	\$ -
Other payables — other:		
Parent company	80	3
Sister company		
-Cal-Comp Electronics (Thailand)		
Public Company Limited	1,123	7,491
-Others	774	786
	<u>142,778</u>	<u>8,280</u>
	<u>\$ 186,865</u>	<u>\$ 411,756</u>

(a) Accounts payable arise mainly from purchase transactions and are due 90 to 120 days after the date of purchase. The payables are non-interest bearing.

(b) For the years ended December 31, 2023 and 2022, receivables and payables arising from purchases on behalf of related parties amounted to \$3,723,765 and \$5,135,814, respectively, and only the net amount is reported as it meets the criteria for derecognition and offsetting of financial assets and financial liabilities. As of December 31, 2023, the Company received payment of purchasing agent and not yet paid to sister company amounted to \$140,801 (listed in other payables - related parties).

E. Leasing arrangements — lessee

(a) The Company leases test equipment from parent company. Rental contracts are typically made for periods 2 years. Rents are paid at the end of every months.

(b) Acquisition of right-of-use assets

	December 31, 2023	December 31, 2022
Parent company	\$ 4,940	\$ -

(c) Lease liabilities

i. Outstanding balance:

	December 31, 2023	December 31, 2022
Parent company	\$ 4,572	\$ -

ii. Interest expense

	December 31, 2023	December 31, 2022
Parent company	\$ 14	\$ -

(4) Key management compensation

	Year ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 21,445	\$ 21,512
Post-employment benefits	216	216
	<u>\$ 21,661</u>	<u>\$ 21,728</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Pledged demand deposits (shown as other current assets)	\$ 12,033	\$ 5,006	Collateral for bank borrowings

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies:

None.

(2) Commitments:

None.

10. Significant Disaster Loss:

None.

11. Significant Events after the Balance Sheet Date

Due to the Company's procurement requirements, a promissory note guarantee contract was signed with an amount of US\$1,200,000 on February 2024, listed in guarantee notes deposited and guarantee notes payable.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maximize shareholders' equity by maintaining an optimal capital structure.

The Company's key management examines the capital structure which comprise the cost of capital and related risk. In order to maintain the capital structure, the Company may pay dividends, issue new shares, repurchase stock and increase or repay debt.

(2) Financial instruments

A. Financial instruments by category

For information and amounts related to the Company's financial assets, which comprise financial assets at amortised cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), other current assets, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable (including related parties), other payables (including related parties)), financial assets at fair value through profit or loss and lease liabilities, refer to the parent company only balance sheets and Note 8.

B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Company financial position and financial performance.

Risk management is carried out by the Company's treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

- i. 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. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2023					
	Foreign currency (In thousands)	rate	Book (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$	10,726	30.74	\$ 329,717	1% \$ 3,297
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$	9,609	30.74	\$ 295,381	1% \$ 2,954
December 31, 2022					
	Foreign currency (In thousands)	rate	Book (NTD)	Sensitivity analysis	
				Extent of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$	15,645	30.71	\$ 480,458	1% \$ 4,805
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	\$	18,293	30.71	\$ 561,778	1% \$ 5,618

- iii. The total exchange loss arising from significant foreign exchange variation on the monetary items held by the Company amounted to \$1,032 of profits and \$565 of losses, for the years ended December 31, 2023 and 2022, respectively.

(b) Price risk

The Company's investments in equity securities comprise hybrid instrument issued by the foreign enterprise. The prices of hybrid instrument would change due to the change of the future value of investee companies. If the prices of these hybrid instrument had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$15,505 and \$14,682, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(c) Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no effect on the profit after tax during 2023 and 2022.

(d) Credit risk

- i. 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.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only banks with good credit and financial institutions with sufficient investment grades or above are deemed acceptable for investing. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control 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 utilisation of credit limits is regularly monitored.
- iii. The Company assesses expected credit loss on individual significant defaulted accounts receivable, and classifies remaining customers' accounts receivable in accordance with characteristics of customer types. The Company applies different loss rate methodology or provision matrix as basis to estimate expected credit loss on different groups.
- iv. The Company uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. According to abovementioned consideration and information, the Company does not expect any significant default possibility of accounts receivable.
- v. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2023 and 2022, the provision matrix and loss rate methodology is as follows:

	Not past due	Up to 90 days	Total
<u>At December 31, 2023</u>			
Expected loss rate	0.0872%	0.0872%	
Total book value	\$ 78,230	\$ 21,516	\$ 99,746
Loss allowance	(\$ 68)	(\$ 19)	(\$ 87)

	<u>Not past due</u>	<u>Up to 90 days</u>	<u>Total</u>
<u>At December 31, 2022</u>			
Expected loss rate	0.10%	0.10%	
Total book value	\$ 208,283	\$ 61,273	\$ 269,556
Loss allowance	(\$ 209)	(\$ 61)	(\$ 270)

vi. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2023</u>	<u>2022</u>
At January 1	\$ 270	\$ 355
Reversal of impairment loss	(183)	(85)
At December 31	<u>\$ 87</u>	<u>\$ 270</u>

(e) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions. As of March 31, 2024, the Company's unused credit lines amounted to \$129,000.
- ii. 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.

As of December 31, 2023 and 2022, the Company's non-derivative financial liabilities (including short-term borrowings, accounts payable (including related parties) and other payables (including related parties) and other payables) will expire within 1 year.

<u>December 31, 2023</u>	<u>Less 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	<u>\$ 7,584</u>	<u>\$ 2,136</u>	<u>\$ 9,720</u>
<u>December 31, 2022</u>	<u>Less 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Lease liability	<u>\$ 2,893</u>	<u>\$ 2,533</u>	<u>\$ 5,426</u>

(3) Fair value information

A. 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.

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. The fair value of the Group's investment in financial assets at fair value through profit or loss is included in Level 3.

B. The carrying amounts of the Company's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable (including related parties) and other payables (including related parties) are approximate to their fair values.

C. 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 at December 31, 2023 and 2022 is as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,550,470</u>	<u>\$ 1,550,470</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,468,178</u>	<u>\$ 1,468,178</u>

- (b) The fair values of convertible bonds as of December 31, 2023 and 2022 were measured using the binomial model (one of the lattice models) and lattice model, respectively. The main assumptions used were as follows:

	Fair value at December 31, 2023	Expected duration	Risk-free rate of interest	Expected price volatility (%)
Convertible bonds	\$ 1,550,470	0.99 years	3.36%	41.67%
	Fair value at December 31, 2022	Expected duration	Risk-free rate of interest	Expected price volatility (%)
Convertible bonds	\$ 1,468,178	1.99 years	3.79%	43.26%

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

E. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023	2022
	Hybrid instrument	Hybrid instrument
At January 1	\$ 1,468,178	\$ 1,455,382
Gains recognised in profit or loss	108,387	39,093
Interest received	(26,095)	(26,297)
At December 31	\$ 1,550,470	\$ 1,468,178

F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

G. The Company's fair value measurements categorised within Level 3 is valued through outsourced appraisal performed by the external valuer.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bonds	\$ 1,550,470	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	13.74% 20.00%	- The higher the long-term income before taxes, the higher the fair value; The higher weighted average cost of capital, the lower the fair value. The higher the lack of marketability discount, the lower the fair value.

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument: Convertible bonds	\$ 1,468,178	Binomial Model (one of the lattice models)	Long-term income before taxes Weighted average cost of capital Lack of marketability discount	13.62% 20%	- The higher the long-term income before taxes, the higher the fair value; The higher weighted average cost of capital, the lower the fair value. The higher the lack of marketability discount, the lower the fair value.

I. The Group has carefully assessed the valuation models and assumptions used by external valuer to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2023		
		Recognised in profit or loss		
		Favourable	Unfavourable	
	Input	Change	change	change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 15,505	(\$ 15,505)
		December 31, 2022		
		Recognised in profit or loss		
		Favourable	Unfavourable	
	Input	Change	change	change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	\$ 14,682	(\$ 14,682)

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.

- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to table 6(2).
- J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Refer to table 5.

14. Segment Information

None.

Castlenet Technology Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Castlenet Technology Inc.	SPI. Convertible Bond	None	Current financial assets at fair value through profit or loss	-	\$ 1,550,470	-	\$ 1,550,470	

Castlenet Technology Inc.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2023

Table 2 Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote (Note)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
			Purchases	\$							
CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Subsidiary of the Company's parent, Kinpo Electronics Inc.	Purchases	\$ 273,955	40%	90-120 days after monthly billings	Available to third parties	90-120 days after monthly billings	(\$ 44,087)	31%	Note

Note: The abovementioned accounts payable to related parties mainly pertain to accounts payable for purchases of finished goods from sister companies.

Castlenet Technology Inc.
Information on investees
For the year ended December 31, 2023

Table 3

Table 3

											Expressed in thousands of NTD (Except as otherwise indicated)
Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss)	Investment profit (loss)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value	of the investee	recognised by the Company	
									for the year ended December 31, 2023	for the year ended December 31, 2023	
CastleNet Technology Inc.	Castlenet Technology (BVI) Inc.	British Virgin Islands	Investment holdings	\$ 302,692	\$ 302,692	8,708	100	\$ 40,914	\$ 1,155	\$ 1,155	

Castlenet Technology Inc.
Information on investments in Mainland China
For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income (loss) of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment profit (loss) recognised by the Company for the year ended December 31, 2023 (Note 3)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023
CastleNet Technology Inc. - Kunshan	Manufacture and design broadband communication products such as modem and sell selfproduced products	\$ 230,513 USD 7,500	2	\$ 230,513 USD 7,500	\$ -	\$ -	\$ 230,513 USD 7,500	\$ 975	100	\$ 975	\$ 33,575	\$ -
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA									
CastleNet Technology Inc. - Kunshan	\$ 230,513	\$ 230,513	\$ 1,147,633									

Note 1: The numbers in this table are expressed in New Taiwan Dollars. For the amounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rate used in financial statements.

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through establishing Castlent Technology (BVI) Inc. in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 3: The investment income (loss) was recognised based on the financial statements audited by independent auditors for the year ended December 31, 2023.

Castlenet Technology Inc.
Major shareholders information
December 31, 2023

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Kinpo Electronics, Inc.	129,959	67.82%

CASTLENET TECHNOLOGY INC.
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Summary 1

Item	Description	Amount
Cash on hand and revolving funds		\$ 185
Cash in banks		
Checking accounts and demand deposits		29,428
Foreign deposits		
	USD 7,585 In thousands, Exchange rate 30.74	233,121
	EUR 4 In thousands, Exchange rate 34.03	136
Cash equivalents		
Repo bonds	Maturity date 2024/1/10 Interest rate 1.02%	35,000
		<u>\$ 297,870</u>

CASTLENET TECHNOLOGY INC.

INVENTORIES

DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Summary 2

Item	Description	Amount		Note
		Cost	Net Realizable Value	
Raw materials		\$ 717,300	\$ 708,952	Use net realisable value as market price
Work in process		722	-	"
Finished goods		<u>30,993</u>	<u>30,525</u>	"
		749,015	<u>\$ 739,477</u>	
Less: Allowance for inventory valuation loss		(<u>40,292</u>)		
		<u>\$ 708,723</u>		

CASTLENET TECHNOLOGY INC.
OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Summary 3

<u>Item</u>	<u>Quantities (in thousand)</u>	<u>Amount</u>	<u>Note</u>
Sales of finished goods and raw materials	1,629	\$ 538,853	
Sales of services		17,586	
		<u>\$ 556,439</u>	

CASTLENET TECHNOLOGY INC.
OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Summary 4

Item	Amount
Beginning raw materials	\$ 378,002
Add: Raw materials purchased	497,599
Less: Sale of materials	(156,279)
Ending raw materials	(717,300)
Raw materials used	2,022
Manufacturing overhead	25,957
Manufacturing costs	27,979
Add: Beginning work in process	722
Less: Ending work in process	(722)
Cost of finished goods	27,979
Add: Beginning finished goods	187,824
Finished goods purchased	231,599
Less: Ending finished goods	(30,993)
Cost of goods sold	416,409
Loss on inventory valuation	28,976
Operating cost	\$ 445,385

CASTLENET TECHNOLOGY INC.
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Summary 5

Item	Selling expenses	General and administrative expenses	Research and development expenses	Total
Wages and salaries	\$ 5,168	\$ 25,985	\$ 54,709	\$ 85,862
Bonuses	1,828	8,504	18,990	29,322
Annual membership fee	72	765	17,699	18,536
Services fee	298	12,339	2,246	14,883
Depreciation	360	1,254	9,495	11,109
Insurance fee	602	3,114	5,229	8,945
Certification fee	-	-	6,650	6,650
Travel expense	4,149	550	1,011	5,710
Rent	2,316	217	1,581	4,114
Export fee	1,977	2	158	2,137
Commission expense	2,590	-	-	2,590
Others (Note)	1,291	6,431	14,107	21,829
	<u>\$ 20,651</u>	<u>\$ 59,161</u>	<u>\$ 131,875</u>	<u>\$ 211,687</u>

Note: Balance of each item is under 5% of this account.

CASTLENET TECHNOLOGY INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Summary 6

	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 7,083	\$ 114,604	\$ 121,687	\$ 7,233	\$ 107,221	\$ 114,454
Labour and health insurance	610	8,530	9,140	596	7,263	7,859
Pension costs	309	4,358	4,667	304	3,901	4,205
Directors' remuneration	-	580	580	-	945	945
Other personnel expenses	226	2,794	3,020	231	2,894	3,125
	<u>\$ 8,228</u>	<u>\$ 130,866</u>	<u>\$ 139,094</u>	<u>\$ 8,364</u>	<u>\$ 122,224</u>	<u>\$ 130,588</u>
Depreciation charges	<u>\$ 3,492</u>	<u>\$ 11,109</u>	<u>\$ 14,601</u>	<u>\$ 6,770</u>	<u>\$ 9,248</u>	<u>\$ 16,018</u>
Amortisation charges	<u>\$ -</u>	<u>\$ 1,777</u>	<u>\$ 1,777</u>	<u>\$ -</u>	<u>\$ 1,069</u>	<u>\$ 1,069</u>

Note:

1. As at December 31, 2023 and 2022, the Company had 102 and 93 employees, including 9 and 8 non-employee directors, respectively.
2. The Company's average employee benefit expense for 2023 and 2022 were \$1,489 and \$1,525, respectively.
3. The Company's average employees salaries for 2023 and 2022 were \$1,308 and \$1,347, respectively.
Adjustment of average employees salaries was (2.9)%.
4. The Company has established an audit committee on June 24, 2019. Therefore, there was no supervisor's remuneration for 2023 and 2022.

CASTLENET TECHNOLOGY INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
(Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

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5. The Company's salary and compensation policy is as follows:

- A. Unless otherwise stipulated by the laws and regulations, the Company's compensation policy is governed by the "Regulations Governing Wages and Salaries" and "Regulations Governing Remuneration to Directors and Managers". Compensation includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures.
- B. The Company periodically adjusts wages and salaries based on market surveys, and by reference to consumer price index, salary level in the same industry, operational performance, operational position, job position and categories and performance evaluation to design a compensation system and policy which ensures internal equity and external competitiveness.