

Top Union Electronics Corp.

Parent Company Only Financial
Statements and Independent
Auditors' Report
December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Top Union Electronics Corp.

Opinion

We have audited the accompanying parent company only financial statements of Top Union Electronics Corp. (hereinafter referred to as the "Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only 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 the 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 parent company only financial statements for the year ended December 31, 2023. 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, and we do not provide a separate opinion on these matters.

Key audit matter for the Company's parent company only financial statements for the year ended December 31, 2023 is stated as follows:

Revenue Recognition

The net operating revenue of the Company for the year ended December 31, 2023 is in the amount of NT\$3,461,767 thousand, the revenue of which majorly depends on the business of PCB Assembly and Manufacturing, etc., bringing the significant effect on the parent company only financial statements. Please refer to Notes 4 and 19 to the parent company only financial statements for the relevant accounting policies and information on revenue recognition.

The Company's sales businesses are concentrated on the major customers. As there is risk in the authenticity of revenue recognition for the sales revenue from customers with specific growth compared with the revenue in 2022, revenue recognition has been listed as the key audit matter of the year.

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

1. Understand and examine the major internal control design on the process related to sales revenue and the execution effectiveness thereof.
2. Sample from the sales revenue list, check over the original orders, the signed delivery receipt or export declaration and Taiwan uniform invoice or commercial invoice, and verify the correspondence between the remittance proof slip reflecting to the actual amount received and the amount recognized on the revenue; for those whose accounts payable have not been received, check whether the relevant documents of the accounts are within the credit period.

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 (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 maintain professional skepticism throughout the audit. We also:

1. 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the 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.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and 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 group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Shin-Tong Lin and Ming-Hui Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China
February 29, 2024

Financial-Supervisory-Securities-Auditing-1110348898

Taiwan-Finance-Securities-VI-0930128050

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code	ASSETS	December 31, 2023		December 31, 2022		Code	LIABILITIES AND EQUITY	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
	CURRENT ASSETS						CURRENT LIABILITIES				
1100	Cash and cash equivalents (Notes 4, 6 and 25)	\$ 929,335	28	\$ 509,134	16	2100	Short-term loans (Notes 4, 15, 25 and 27)	100,000	3	\$ 58,000	2
1136	Current financial assets at amortized cost (Notes 4, 7 and 25)	84,746	3	84,760	3	2130	Current contract liabilities (Notes 4 and 19)	149,124	5	167,343	5
1170	Accounts receivable, net (Notes 4, 5, 8, 19 and 25)	288,813	9	293,788	9	2170	Accounts payable (Note 25)	372,208	11	473,507	15
1180	Receivables from related parties (Notes 4, 5, 25 and 26)	34,317	1	6,562	-	2180	Payables to related parties (Notes 25 and 26)	18,227	1	43,775	1
130X	Inventories (Notes 4, 5 and 9)	719,534	22	1,111,639	35	2206	Accrued profit sharing bonus to employees and compensation to directors (Note 20)	35,378	1	36,788	1
1470	Other current assets (Note 14)	70,267	2	29,697	1	2230	Current income tax liabilities (Notes 4 and 21)	44,924	1	49,538	2
11XX	Total current assets	<u>2,127,012</u>	<u>65</u>	<u>2,035,580</u>	<u>64</u>	2280	Current lease liabilities (Notes 4, 12 and 25)	6,774	-	5,850	-
	NON-CURRENT ASSETS					2399	Other payables and other current liabilities (Notes 16 and 25)	<u>142,646</u>	<u>4</u>	<u>103,020</u>	<u>3</u>
1550	Investments accounted for using equity method (Notes 4 and 10)	613,942	18	649,034	21	21XX	Total current liabilities	<u>869,281</u>	<u>26</u>	<u>937,821</u>	<u>29</u>
1600	Property, plant and equipment (Notes 4, 11 and 27)	520,060	16	450,565	14		NON-CURRENT LIABILITIES				
1755	Right-of-use assets (Notes 4 and 12)	23,616	1	26,234	1	2570	Deferred income tax liabilities (Notes 4 and 21)	17,050	1	16,278	1
1780	Intangible assets (Notes 4 and 13)	2,995	-	4,599	-	2580	Non-current lease liabilities (Notes 4, 12 and 25)	17,073	1	20,469	1
1840	Deferred income tax assets (Notes 4 and 21)	7,730	-	7,716	-	2640	Net defined benefit liability (Notes 4 and 17)	8,808	-	13,521	-
1915	Prepayments for business facilities	-	-	956	-	2645	Guarantee deposits (Note 25)	<u>81,422</u>	<u>2</u>	<u>31,454</u>	<u>1</u>
1920	Refundable deposits (Notes 4 and 25)	<u>1,063</u>	<u>-</u>	<u>900</u>	<u>-</u>	25XX	Total non-current liabilities	<u>124,353</u>	<u>4</u>	<u>81,722</u>	<u>3</u>
15XX	Total non-current assets	<u>1,169,406</u>	<u>35</u>	<u>1,140,004</u>	<u>36</u>	2XXX	Total liabilities	<u>993,634</u>	<u>30</u>	<u>1,019,543</u>	<u>32</u>
							EQUITY (Notes 4, 18 and 23)				
							Share capital				
						3110	Common stock	<u>1,382,333</u>	<u>42</u>	<u>1,234,226</u>	<u>39</u>
						3200	Capital surplus	<u>257,983</u>	<u>8</u>	<u>257,983</u>	<u>8</u>
							Retained earnings				
						3310	Appropriated as legal capital reserve	231,475	7	198,419	6
						3350	Unappropriated earnings	<u>404,635</u>	<u>12</u>	<u>427,810</u>	<u>14</u>
						3300	Total retained earnings	<u>636,110</u>	<u>19</u>	<u>626,229</u>	<u>20</u>
						3400	Other equity interest	<u>26,358</u>	<u>1</u>	<u>37,603</u>	<u>1</u>
						3XXX	Total equity	<u>2,302,784</u>	<u>70</u>	<u>2,156,041</u>	<u>68</u>
1XXX	Total assets	<u>\$ 3,296,418</u>	<u>100</u>	<u>\$ 3,175,584</u>	<u>100</u>		Total liabilities and equity	<u>\$ 3,296,418</u>	<u>100</u>	<u>\$ 3,175,584</u>	<u>100</u>

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

Chairman: Vincent Tsuei

Managerial Officer: James Wang

Accounting Officer: Vicky Chou

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Code		Years Ended December 31			
		2023		2022	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 4, 19 and 26)	\$ 3,461,767	100	\$ 3,059,992	100
5000	OPERATING COSTS (Notes 4, 9, 17, 20 and 26)	<u>2,942,847</u>	<u>85</u>	<u>2,571,140</u>	<u>84</u>
5900	GROSS PROFIT	518,920	15	488,852	16
5910	REALIZED (UNREALIZED) GAIN (LOSS) FROM AFFILIATE ACCOUNTS	<u>856</u>	<u>-</u>	<u>(1,548)</u>	<u>-</u>
5950	REALIZED GROSS PROFIT	<u>519,776</u>	<u>15</u>	<u>487,304</u>	<u>16</u>
	OPERATING EXPENSES (Notes 4, 8, 17 and 20)				
6100	Sales and marketing	31,232	1	27,791	1
6200	General and administrative	96,646	3	93,660	3
6300	Research and development	22,469	-	21,276	1
6450	Gains on reversal of expected credit impairment losses	<u>(4,582)</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>145,765</u>	<u>4</u>	<u>142,727</u>	<u>5</u>
6900	INCOME FROM OPERATIONS	<u>374,011</u>	<u>11</u>	<u>344,577</u>	<u>11</u>
	NON-OPERATING INCOME AND EXPENSES (Note 20)				
7100	Interest income	21,956	1	1,708	-
7010	Other income	1,142	-	1,140	-
7020	Other gains and losses	8,519	-	9,955	-
7050	Finance costs	<u>(1,540)</u>	<u>-</u>	<u>(5,131)</u>	<u>-</u>
7070	Share of profit (loss) of subsidiaries accounted for using equity method	<u>(24,703)</u>	<u>(1)</u>	<u>54,195</u>	<u>2</u>
7000	Total non-operating income and expenses	<u>5,374</u>	<u>-</u>	<u>61,867</u>	<u>2</u>

(Continued)

(Continued)

Code		Years Ended December 31			
		2023		2022	
		Amount	%	Amount	%
7900	INCOME BEFORE INCOME TAX	\$ 379,385	11	\$ 406,444	13
7950	INCOME TAX EXPENSE (Notes 4 and 21)	<u>82,646</u>	<u>2</u>	<u>77,018</u>	<u>2</u>
8200	NET INCOME	<u>296,739</u>	<u>9</u>	<u>329,426</u>	<u>11</u>
	OTHER COMPREHENSIVE INCOME (Notes 4, 17 and 18)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	9,356	-	1,129	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences arising on translation of foreign operations	(<u>11,245</u>)	<u>-</u>	<u>8,137</u>	<u>-</u>
8300	Other comprehensive income, net of income tax	(<u>1,889</u>)	<u>-</u>	<u>9,266</u>	<u>-</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 294,850</u>	<u>9</u>	<u>\$ 338,692</u>	<u>11</u>
	EARNINGS PER SHARE (NT\$, Note 22)				
9750	Basic earnings per share	<u>\$ 2.15</u>		<u>\$ 2.38</u>	
9850	Diluted earnings per share	<u>\$ 2.13</u>		<u>\$ 2.36</u>	

(Concluded)

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

Chairman: Vincent Tsuei Managerial Officer: James Wang Accounting Officer: Vicky Chou

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code		Share Capital – Common Stock		Capital Surplus	Retained Earnings		Other Equity Interest	Total Equity
		Shares (In Thousands)	Amount		Legal Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	
A1	BALANCE, JANUARY 1, 2022	102,360	\$ 1,023,598	\$ 138,283	\$ 182,652	\$ 254,278	\$ 29,466	\$ 1,628,277
	Appropriations of 2021 retained earnings							
B1	Legal capital reserve	-	-	-	15,767	(15,767)	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(70,628)	-	(70,628)
B9	Stock dividends to the Company's shareholders	7,063	70,628	-	-	(70,628)	-	-
D1	Net income in 2022	-	-	-	-	329,426	-	329,426
D3	Other comprehensive income in 2022, net of income tax	-	-	-	-	1,129	8,137	9,266
D5	Total comprehensive income in 2022	-	-	-	-	330,555	8,137	338,692
N1	Share-based compensation	-	-	7,700	-	-	-	7,700
E1	Seasoned equity offerings	14,000	140,000	112,000	-	-	-	252,000
Z1	BALANCE, DECEMBER 31, 2022	123,423	1,234,226	257,983	198,419	427,810	37,603	2,156,041
	Appropriations of 2022 retained earnings							
B1	Legal capital reserve	-	-	-	33,056	(33,056)	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	(148,107)	-	(148,107)
B9	Stock dividends to the Company's shareholders	14,810	148,107	-	-	(148,107)	-	-
D1	Net income in 2023	-	-	-	-	296,739	-	296,739
D3	Other comprehensive income in 2023, net of income tax	-	-	-	-	9,356	(11,245)	(1,889)
D5	Total comprehensive income in 2023	-	-	-	-	306,095	(11,245)	294,850
Z1	BALANCE, DECEMBER 31, 2023	138,233	\$ 1,382,333	\$ 257,983	\$ 231,475	\$ 404,635	\$ 26,358	\$ 2,302,784

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

Chairman: Vincent Tsuei

Managerial Officer: James Wang

Accounting Officer: Vicky Chou

TOP UNION ELECTRONICS CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 379,385	\$ 406,444
A20000	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	84,115	77,395
A20200	Amortization expense	2,303	3,086
A20300	Gains on reversal of expected credit impairment losses	(4,582)	-
A20900	Finance costs	1,540	5,131
A21200	Interest income	(21,956)	(1,708)
A21900	Share-based compensation	-	7,700
A22400	Share of loss (gain) of subsidiaries accounted for using equity method	24,703	(54,195)
A20400	Gains on financial assets at fair value through profit or loss	-	(908)
A22500	Loss (gain) on disposal of property, plant and equipment, net	(4,608)	103
A23700	Loss for market price decline and obsolete and slow-moving inventories (reversal gain)	(6,028)	8,218
A23900	Unrealized (realized) gain from inter-affiliate accounts	(856)	1,548
A24100	Loss (gain) on foreign exchange, net	24,469	(14,387)
A30000	Changes in operating assets and liabilities		
A31150	Accounts receivable	1,535	141,900
A31160	Receivables from related parties	(27,755)	(4,568)
A31200	Inventories	398,133	60,445
A31240	Other current assets	(39,683)	19,757
A32125	Contract liabilities	(18,219)	64,888
A32150	Accounts payable	(97,739)	(99,871)
A32160	Payables to related parties	(25,548)	(1,094)
A32180	Accrued profit sharing bonus to employees and compensation to directors	(1,410)	18,613
A32230	Accrued expenses and other current liabilities	39,509	6,960
A32240	Net defined benefit liability	<u>4,643</u>	<u>(14,706)</u>
A33000	Cash generated from operations	711,951	630,751
A33100	Interest received	\$ 21,069	\$ 1,152
A33300	Interest paid	(1,514)	(5,231)
A33500	Income tax paid	<u>(86,502)</u>	<u>(35,374)</u>
AAAA	Net cash generated by operating activities	<u>645,004</u>	<u>591,298</u>

(Continued)

(Continued)

Code		2023	2022
	CASH FLOWS FROM INVESTING		
	ACTIVITIES		
B00040	Acquisition of financial assets at amortized cost	(84,746)	-
B00050	Disposal of financial assets at amortized cost	80,013	-
B00100	Acquisition of financial assets at fair value through profit or loss	-	(10,000)
B00200	Sale of financial assets at fair value through profit or loss	-	10,908
B02700	Acquisition of property, plant and equipment	(146,243)	(22,573)
B02800	Proceeds from disposal of property, plant and equipment	4,969	-
B03800	Refundable deposits refunded	(163)	(884)
B04500	Acquisition of intangible assets	(699)	(6,264)
BBBB	Net cash used in investing activities	(<u>146,869</u>)	(<u>28,813</u>)
	CASH FLOWS FROM FINANCING		
	ACTIVITIES		
C00100	Increase in short-term loans	255,000	1,048,000
C00200	Decrease in short-term loans	(213,000)	(1,390,000)
C03000	Increase in guarantee deposits received	49,968	22,186
C04020	Repayment of the principal portion of lease liabilities	(6,535)	(2,093)
C04500	Cash dividends paid	(148,107)	(70,628)
C04600	Seasoned equity offerings	<u>-</u>	<u>252,000</u>
CCCC	Net cash generated by (used in) financing activities	(<u>62,674</u>)	(<u>140,535</u>)
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(<u>15,260</u>)	<u>333</u>
EEEE	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	420,201	422,283
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>509,134</u>	<u>86,851</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 929,335</u>	<u>\$ 509,134</u>

(Concluded)

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

Chairman: Vincent Tsuei Managerial Officer: James Wang Accounting Officer: Vicky Chou

Top Union Electronics Corp.
Notes to Parent Company Only Financial Statements
Years Ended December 31, 2023 and 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Top Union Electronics Corp. (hereinafter referred to as the “Company”), a Taiwan-based company, was established on February 15, 1990, starting business operation in August of the same year. TUEC is principally engaged in the design, manufacture and technical support of electronic products and communication equipment, as well as providing surface mount technology (SMT) services, processing and international trade business. TUEC’s stocks have been traded on the over-the-counter (OTC) market on the Taipei Exchange since April 2004.

The accompanying parent company only financial statements are expressed in the Company’s functional currency, New Taiwan Dollars.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were authorized for issuance by the Board of Directors on February 29, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of the Company.

(2) The IFRSs endorsed by the FSC with effective date starting 2024

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024 (Note 2)
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 (Note 3)

Note 1: Unless stated otherwise, the above new, amended, or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16

Note 3: Part of the disclosure regulations is exempt at first-time adoption of the modification.

As of the date the accompanying parent company only financial statements were authorized for issuance, the above standards and interpretations have no significant impact on the Company's financial position and financial performance based on the Company's assessment.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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 IASB
Amendments to IFRS 17 "Insurance Contract"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments 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 (Note 2)

Note 1: Unless stated otherwise, the above new, amended or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendments apply to annual reporting periods beginning on or after 1 January 2025. The Company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the Company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

As of the date the accompanying parent company only financial statements were authorized for issuance, the Company continues evaluating the impact on its financial position and financial performance from the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value, and net defined benefit liabilities, which are measured from present value of a defined benefit obligation less plan assets recognized at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable for the asset or liability.

When preparing the parent company only financial statements, the Company accounts for subsidiaries by using the equity method. In order to agree with the amount of net income from the current year, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted from the items related to equity under the headings of “investments accounted for using equity method” and “share of subsidiaries accounted for using equity method” in the parent company only financial statements.

(3) Standard in determining whether the assets or liabilities are current or non-current

Current assets include:

- a. Assets held mainly for transaction purposes;
- b. Assets to be realized within 12 months after the balance sheet date; and
- c. Cash and cash equivalents (unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date).

Current liabilities include:

- a. Liabilities held mainly for transaction purposes;
- b. Liabilities to be settled when due within 12 months after the balance sheet date; and
- c. Liabilities for which the settlement date cannot be extended unconditionally to at least 12 months after the balance sheet date.

Assets or liabilities not meeting the above criteria are classified as non-current assets or non-current liabilities.

(4) Foreign Currencies

When preparing financial statements, the Company prepares records in a currency other than the functional currency of the Company (i.e. foreign currencies) and converts them to the functional currency based on the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are translated at the closing rate on each balance sheet date. Exchange differences arising from the settlement of

monetary items or the translation of monetary items are recognized in profit or loss in the year in which they occur.

Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate on the date the fair value was determined. The resulting exchange differences are recognized in profit or loss, except for those recognized in other comprehensive income when fair value changes are recognized in other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rate prevailing on the transaction date and are not retranslated.

(5) Inventories

Inventories consist of raw materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for inventories of the same type. Net realizable value is the selling price estimated under normal circumstances less estimated costs to complete the process and estimated costs to complete the sale. The cost of inventories is calculated by using the weighted-average method.

(6) Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity over which the Company has control.

Under the equity method, the original investment is recognized at cost, and the carrying amount of the investment after acquisition is increased or decreased by the Company's share of the profit or loss of the subsidiary and other comprehensive income (loss) and profit distribution. In addition, changes in the Company's share of other equity in a subsidiary are recognized in proportion to the Company's ownership.

The Company assesses impairment by comparing the recoverable amount of a cash-generating unit with its carrying amount using the financial statements as a whole. If the recoverable amount of an asset subsequently increases, a reversal of the impairment loss is recognized as a gain, provided that the carrying amount of the asset, after the reversal of the impairment loss does not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset, net of amortization.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Gains or losses arising from counter-current and side-stream transactions with subsidiaries are recognized in the parent company only financial statements only to the extent that they are not related to the Company's interest in the subsidiary.

(7) Property, Plant and Equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated separately over their useful lives on a straight-line basis for each significant component. The Company reviews the estimated useful lives, residual values and depreciation methods at least at the end of each fiscal year, and applies the effects on changes in accounting estimates prospectively.

When property, plant and equipment are derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss.

(8) Intangible Assets

a. Separately Acquired

Intangible assets acquired separately with finite useful lives are measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives, and the Company reviews the estimated useful lives, residual values and amortization methods at least at the end of each fiscal year, and applies the effects on changes in accounting estimates prospectively.

b. Derecognition

When an intangible asset is derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in profit or loss in the year in which it occurs.

(9) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. Where the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and its value in use. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount (net of amortization or depreciation) that had been determined but had no impairment loss be recognized for the asset or cash-generating unit in prior years. Reversals of impairment losses are recognized in profit or loss.

(10) Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instrument.

When the financial assets and financial liabilities are recognized initially, financial assets or financial liabilities, which are not measured at fair value through profit or loss, are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial Assets

Regular transactions of financial assets are recognized and derecognized by using trade date accounting.

a-1. Type of Measurement

The type of financial assets held by the Company is financial assets measured at amortized cost.

The Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

a-1-1. They are held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

a-1-2. The contractual terms give rise to cash flows on a specific date that are solely payments of principal and interest on the principal amount circulated outside.

Financial assets measured at amortized cost (including cash and cash equivalents, restricted deposit, accounts receivable measured at amortized cost (including related parties) and guarantee deposits paid) are measured at their total carrying amount determined by using the effective interest rate method less amortized cost of any impairment loss, and any foreign currency exchange gain or loss is recognized in profit or loss after initial recognition.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial asset.

Cash equivalents include time deposits that are highly liquid, readily convertible into fixed amounts of cash and subject to a low risk of change in value within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

a-2. Impairment of Financial Assets

The Company assesses impairment losses on financial assets at amortized cost (including accounts receivable) at each balance sheet date based on expected credit losses.

Accounts receivables are recognized as an allowance for expected credit losses over the period of continuation.

Expected credit losses are the weighted-average credit losses weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from possible defaults of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss arising from all possible defaults of the financial instrument during the expected life of the financial instrument.

All impairment losses on financial assets are reversed by reducing the carrying amount through an allowance account.

a-3. Derecognition of Financial Assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed, or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

b. Equity Instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the acquisition price less direct issuance costs.

If the Company reacquires its own equity instruments, those instruments are recognized and deducted from equity. Purchase, sale, issuance or cancellation of the Company's own equity instruments is not recognized in profit or loss.

c. Financial Liabilities

c-1. Subsequent Measurement

Financial liabilities of the Company are measured at amortized cost by using the effective interest rate method.

c-2. Derecognition of Financial Liabilities

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(11) Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation on the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. A provision is the carrying amount measured at the present value of the cash flows estimated to settle the obligation.

(12) Revenue Recognition

After the Company has identified performance obligations in customer contracts, the transaction price is apportioned to each performance obligation, and revenue is recognized when each performance obligation is satisfied.

a. Merchandise Sales Revenue

Merchandise sales revenue is generated from the sales of electronic products. The Company recognizes the revenue and accounts receivable based on the point of time, at which merchandise arrives at/departs from the designated places bound from the different conditions and terms shown on the customer contracts; at the same point of time, customers have rights to determine the prices and rights of use of the merchandise, as well as bearing the main responsibility for reselling the merchandise and the risk of the merchandise turning into obsolescence. Advance receipts for merchandise are recognized as contract liabilities prior to arrival time of the shipped merchandise.

During the machining process to remove the materials from the parts, the control of the ownership of such work in process is not transferred yet, which is not recognized in the revenue.

b. Service Revenue

Service revenue is recognized when the performance obligation is satisfied.

(13) Leases

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

When the Company is as lessee, leases are recognized as right-of-use assets and lease liabilities at the lease commencement date, except for leases of low-value subject assets and short-term leases to which recognition exemptions apply, for which lease payments are recognized as expenses on a straight-line basis over the lease term.

The right-of-use assets are measured initially at cost (including the original measurement of the lease liabilities) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, adjusted for the remeasurement of the lease liabilities. The right-of-use assets are presented separately in the parent company only balance sheet.

The right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

The lease liabilities are measured initially at the present value of the lease payments (including fixed payment). If the interest rate implied by the lease is readily determinable, the lease payments are discounted by using that rate. If the interest rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liabilities are measured on an amortized cost basis using the effective interest rate method and the interest expense is allocated over the lease term. The Company remeasures the lease liabilities and adjusts the right-of-use assets accordingly, except that if the carrying amount of the right-of-use assets is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. The lease liabilities are presented separately in the parent company only balance sheet.

(14) Borrowing Costs

All borrowing costs are recognized in profit and loss in the year in which they occur.

(15) Employee Benefits

a. Short-term Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

b. Retirement Benefits

Payments to the defined contribution retirement benefit plans are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined retirement benefit plans are determined by using the Projected Unit Credit Method. Current service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement (comprising actuarial gains and losses and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur, as well as being reflected immediately in retained earnings, which afterwards will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined retirement benefit plans.

(16) Share-based Payment Arrangements - Employee Share Options

Employee share options are recognized in the expense on a straight-line basis over the vesting period, based on the fair value at the grant date of equity instrument and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in capital surplus - employee share options, among which if those are immediately vested on the grant date, they are recognized in the expense on the date. The Company conducts seasoned equity offerings reserved for employees to subscribe, and the date of approval by the board of directors is the grant date.

On each balance sheet date, the Company revises its estimate of the number of employee share options that are expected to vest. The impact from such revision is recognized in profit or loss so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

(17) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current Tax

Income tax on unappropriated earnings, which is calculated in accordance with the Income Tax Act of Taiwan, is recognized in the year in which the shareholders' meeting resolves.

Adjustments to the prior years' income tax payable are included in the current tax.

b. Deferred Tax

Deferred tax is from calculating temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future, which can be recognized as the deferred tax assets.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed on each balance sheet date and their carrying amounts are increased to the extent that it is probable that taxable profits will be generated to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, on the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

c. Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In adopting accounting policies, the Company's management is required to make judgments, estimation and assumptions that are based on historical experience and other relevant factors where relevant information is not readily available from other sources. Actual results may differ from those estimates.

The Company's management will continue to review the estimates and underlying assumptions. Revisions will be made to the recognition listed in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and also future years if the revision affects both current and future years.

Key Sources of Estimation and Uncertainty

a. Estimated Impairment of Financial Assets

The provision for estimated impairment of accounts receivables is based on the Company's assumptions about risk of default and loss rates of default. The Company uses judgement in making these assumptions and in selecting the inputs to the estimated impairment calculation, based on the Company's historical experience. Please refer to Note 8 for the adoption of the important assumptions and the inputs. Where the actual future cash flows are less than the Company's expectation, a significant impairment loss may arise.

b. Impairment of Inventories

Net realizable value of inventories is, under the normal operation process, the estimated selling price of inventories less all estimated costs of completion and estimated costs necessary to make the sale, the estimation of which is based on the current market status and the historical sales experience judged for the similar products. Changes of market status may significantly affect the result from that estimation.

6. CASH AND CASH EQUIUTVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on Hand and Working Capital	\$ 30	\$ 30
Bank Checks and Demand Deposits	260,845	509,104
Cash Equivalents		
Bank Time Deposits	<u>668,460</u>	<u>-</u>
	<u>\$929,335</u>	<u>\$509,134</u>

Interest rate ranges for bank deposits on the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank Deposits	0.001%~4.800%	0.001%~1.050%

7. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Restricted Bank Deposits (Note)	<u>\$ 84,746</u>	<u>\$ 84,760</u>

Note The Company followed the regulations named "Regulations on Industries Investment from Repatriated Offshore Funds" and obtained approval from National Taxation Bureau, Ministry of Finance, which allowed the Company to repatriate funds 3,000,000 U.S. Dollars from overseas; and also, an investment plan is required to be submitted to the Ministry of Economic Affairs, R.O.C. Based on the regulations, the repatriated funds shall only be used to invest according to the approved plan without withdrawing the funds for other purposes outside the approved plan. As of December 31, 2023 and 2022, the interest rate ranges from 4.60%~5.00% and 2.65%, respectively.

8. ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts Receivable</u>		
At Amortized Cost		
Gross Carrying Amount	\$290,813	\$300,370
Less: Loss Allowance	(<u>2,000</u>)	(<u>6,582</u>)
	<u>\$288,813</u>	<u>\$293,788</u>

The average credit period for the Company's merchandise sales ranges from 30 to 60 days, and accounts receivables are not interest-bearing. The policy of conducting transactions adopted by the Company is to trade with the counterparties who have certain good level ratings. Credit rating information is to use publicly available financial information and trading history records to rate major customers. The credit exposure and the credit ratings of the counterparties are continuously monitored by the Company, and the aggregate value of transactions disperses to different customers with the qualified credit ratings. Moreover, credit exposure is controlled by the counterparties' credit ratings that are periodically reviewed and approved by the Company.

The Company recognizes loss allowance of accounts receivables at an amount equal to lifetime expected credit losses (ECLs). The lifetime ECLs uses the provision matrix computation with reference to past default records and current financial position of customers, general economic conditions of the industry, as well as consideration to industrial prospects. Because the Company's historical credit losses experience indicates that the loss pattern amongst different customer segments does not show outstanding differences, the customer segments are not to be further differentiated by the provision matrix, but only the ratio of ECLs are determined by overdue days of accounts receivables. The following table details the loss allowance of accounts receivables based on the provision matrix:

December 31, 2023

	Not Past Due	Due in 1~60 Days	Due in 61~90 Days	Due in 91~120 Days	Due in More than 121 Days	Total
Gross Carrying						
Amount	\$ 284,976	\$ 5,837	\$ -	\$ -	\$ -	\$ 290,813
Loss Allowance						
(Lifetime ECLs)	(<u>1,021</u>)	(<u>979</u>)	-	-	-	(<u>2,000</u>)
Amortized Cost	<u>\$ 283,955</u>	<u>\$ 4,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,813</u>

December 31, 2022

	Not Past Due	Due in 1~60 Days	Due in 61~90 Days	Due in 91~120 Days	Due in More than 121 Days	Total
Gross Carrying						
Amount	\$ 295,515	\$ 4,855	\$ -	\$ -	\$ -	\$ 300,370
Loss Allowance						
(Lifetime ECLs)	(<u>1,727</u>)	(<u>4,855</u>)	-	-	-	(<u>6,582</u>)
Amortized Cost	<u>\$ 293,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,788</u>

Information on the changes in loss allowance for accounts receivables is as follows:

	Years Ended December 31	
	2023	2022
Balance at the Beginning of Year	\$ 6,582	\$ 6,582
Less: Reversal of Impairment		
Losses for the Year	(4,582)	-
Balance at the End of Year	<u>\$ 2,000</u>	<u>\$ 6,582</u>

9. INVENTORIES

	December 31, 2023	December 31, 2022
Finished Goods	\$ 26,743	\$ 27,651
Work in Process	71,855	131,551
Raw Materials	620,936	952,437
	<u>\$ 719,534</u>	<u>\$ 1,111,639</u>

Cost of sales related to inventories for 2023 and 2022 is \$2,942,847 thousand and \$2,571,140 thousand, respectively. Cost of sales included allowance for inventory valuation and obsolescence loss (reversal gain) of \$(6,028) thousand and \$8,218 thousand.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2023	December 31, 2022
Investment in subsidiaries		
ALLIED ORIENTAL		
INTERNATIONAL LTD.		
(ORIENTAL)	<u>\$613,942</u>	<u>\$649,034</u>
	<u>Percentage of Shareholding and Voting Right</u>	<u>Percentage of Shareholding and Voting Right</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
ORIENTAL	100%	100%

The profit or loss and other comprehensive income for the years ended December 31, 2023 and 2022 of the subsidiaries using equity method were recognized according to their financial statements audited by auditors during the same period.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Structures	Machinery and Equipment	Transport Equipment	Wealth Generating Equipment	Other Equipment	Total
<u>Cost</u>							
January1,2023- Balance	\$ 80,113	\$ 399,056	\$ 459,819	\$ 18,700	\$ 19,353	\$ 23,657	\$ 1,000,698
Additions	-	55,466	87,874	1,481	1,674	704	147,199
Disposals	-	-	(34,759)	(4,848)	(273)	(771)	(40,651)
December31,2023- Balance	<u>\$ 80,113</u>	<u>\$ 454,522</u>	<u>\$ 512,934</u>	<u>\$ 15,333</u>	<u>\$ 20,754</u>	<u>\$ 23,590</u>	<u>\$ 1,107,246</u>
<u>Accumulated Depreciation</u>							
January1,2023- Balance	\$ -	\$ 182,342	\$ 323,118	\$ 11,530	\$ 15,970	\$ 17,173	\$ 550,133
Depreciation expenses	-	13,887	57,363	2,190	1,643	2,260	77,343
Disposals	-	-	(34,677)	(4,848)	(261)	(504)	(40,290)
December31,2023- Balance	<u>\$ -</u>	<u>\$ 196,229</u>	<u>\$ 345,804</u>	<u>\$ 8,872</u>	<u>\$ 17,352</u>	<u>\$ 18,929</u>	<u>\$ 587,186</u>
December31,2023- Net	<u>\$ 80,113</u>	<u>\$ 258,293</u>	<u>\$ 167,130</u>	<u>\$ 6,461</u>	<u>\$ 3,402</u>	<u>\$ 4,661</u>	<u>\$ 520,060</u>
<u>Cost</u>							
January1,2022- Balance	\$ 80,113	\$ 399,056	\$ 456,917	\$ 13,838	\$ 18,577	\$ 23,927	\$ 992,428
Additions	-	-	3,402	4,862	952	-	9,216
Disposals	-	-	(500)	-	(176)	(270)	(946)
December31,2022- Balance	<u>\$ 80,113</u>	<u>\$ 399,056</u>	<u>\$ 459,819</u>	<u>\$ 18,700</u>	<u>\$ 19,353</u>	<u>\$ 23,657</u>	<u>\$ 1,000,698</u>
<u>Accumulated Depreciation</u>							
January1,2022- Balance	\$ -	\$ 166,678	\$ 271,098	\$ 9,849	\$ 13,526	\$ 14,939	\$ 476,090
Depreciation expenses	-	15,664	52,520	1,681	2,618	2,403	74,886
Disposals	-	-	(500)	-	(174)	(169)	(843)
December31,2022- Balance	<u>\$ -</u>	<u>\$ 182,342</u>	<u>\$ 323,118</u>	<u>\$ 11,530</u>	<u>\$ 15,970</u>	<u>\$ 17,173</u>	<u>\$ 550,133</u>

December 31, 2022 - Net \$ 80,113 \$ 216,714 \$ 136,701 \$ 7,170 \$ 3,383 \$ 6,484 \$ 450,565

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	10 – 35 Years
Machinery and Equipment	6 Years
Transport Equipment	6 Years
Wealth Generating Equipment	4 – 6 Years
Other Equipment	6 Years

The Company's property, plant and equipment are all for self-use. For the amount of property, plant and equipment pledged by the Company for loan facilities, please refer to Note 27.

12. LEASE ARRANGEMENTS

(1) Right-of-use Assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying Amounts		
Buildings	\$ 21,996	\$ 23,847
Wealth Generating Equipment	<u>1,620</u>	<u>2,387</u>
	<u>\$ 23,616</u>	<u>\$ 26,234</u>
	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Additions to Right-of-use Assets	<u>\$ 4,154</u>	<u>\$ 25,582</u>
Depreciation of Right-of-use Assets		
Buildings	\$ 6,005	\$ 1,735
Wealth Generating Equipment	<u>767</u>	<u>774</u>
	<u>\$ 6,772</u>	<u>\$ 2,509</u>

Except for the above expenses recognized to the items of additions and depreciation, there were no significant sublease and impairment happening to the Company's right-of-use assets for the years ended December 31, 2023 and 2022.

(2) Lease Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying Amounts		
Current Portion	<u>\$ 6,774</u>	<u>\$ 5,850</u>
Non-current Portion	<u>\$ 17,073</u>	<u>\$ 20,469</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.43%~1.90%	1.43%~1.65%
Wealth Generating Equipment	0.99%~1.16%	0.99%~1.16%

(3) Significant Leasing Activities and Terms

The Company leased houses and dormitories from individuals in the form of operating lease, and the lease period is 4~5 years. When the contractual lease period is terminated, the Company has no preferential purchase rights for the houses and dormitories previously leased.

(4) Other Lease Information

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Expenses Relating to		
Short-term Leases	<u>\$ 21</u>	<u>\$ 39</u>
Total Cash Outflow for Leases	<u>\$ 6,962</u>	<u>\$ 2,286</u>

The Company leases the wealth generating equipment that is classified as a short-term lease, applicable for using recognition exemption, the lease of which is not to be recognized as the relevant right-of-use assets and lease liabilities.

13. INTANGIBLE ASSETS

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Cost</u>		
Balance at the beginning of year	\$ 25,622	\$ 19,358
Acquisition	<u>699</u>	<u>6,264</u>
Balance at the end of year	<u>26,321</u>	<u>25,622</u>
<u>Accumulated amortization</u>		
Balance at the beginning of year	21,023	17,937
Amortization expenses	<u>2,303</u>	<u>3,086</u>
Balance at the end of year	<u>23,326</u>	<u>21,023</u>
Net amount	<u>\$ 2,995</u>	<u>\$ 4,599</u>

Amortization expenses are calculated on a straight-line basis over the item with its estimated useful life as follows:

Software	3 Years
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14. OTHER CURRENT ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Offset Against Business Tax Payable	\$ 28,371	\$ -
Business Tax Receivable Refund	19,959	7,913
Temporary Debits	5,609	9,638
Prepayments to Suppliers	3,020	615
Others	<u>13,308</u>	<u>11,531</u>
	<u>\$ 70,267</u>	<u>\$ 29,697</u>

15. SHORT-TERM BORROWINGS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unsecured Borrowings</u>		
Bank Loans	<u>\$100,000</u>	<u>\$ 58,000</u>

The interest rates on revolving bank loans were 1.65%~2.11% and 1.835%~1.950% as of December 31, 2023 and 2022, respectively.

16. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payable for salaries or bonuses	\$ 59,805	\$ 56,729
Temporary credits and Receipts under custody	42,599	5,860
Others	<u>40,242</u>	<u>40,431</u>
	<u>\$142,646</u>	<u>\$103,020</u>

17. RETIREMENT BENEFIT PLANS

(1) Defined Contribution Plans

The Company adopted the pension plan under the “Labor Pension Act (LPA)”, which is a government-managing defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension account at 6% of monthly salaries and wages.

(2) Defined Benefit Plans

The Company handles the pension plan based on the R.O.C. “Labor Standards Law”, which is a government-managing defined retirement benefit plan. Pension amounts paid to retired employees is calculated based on years of service and average monthly salary for the 6 months prior to the approved retirement date. The Company contributes a pension for an employee by 3.5% of his/her total monthly salary as the labor pension reserve funds, which shall be deposited in the pension fund account of Bank of Taiwan, set up in the name of the labor pension reserve supervision committee of the business entity. When the balance in the pension fund account, checked prior to the year end, is insufficient to pay the pensions to the labors who will be expected to reach their retirement requirements before the next year end, the difference contributed to the account shall be fully made up at a time before the end of next March. The aforesaid pension fund account is entrusted to the Bureau of Labor Funds, Ministry of Labor with management, in which the Company has no rights to influence the investment policies and strategies.

The amounts of the defined benefit plans are recognized in the parent company only balance sheets as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 57,869	\$ 61,883
Fair value of plan assets	(49,061)	(48,362)
Net defined benefit liabilities	<u>\$ 8,808</u>	<u>\$ 13,521</u>

Movements in net defined benefit liability are as follows:

	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2023	<u>\$ 61,883</u>	<u>(\$ 48,362)</u>	<u>\$ 13,521</u>
Service cost			
Current service cost	281	-	281
Past service cost	5,778	-	5,778
Interest expense (income)	851	(672)	179
Recognized in profit or loss	<u>6,910</u>	<u>(672)</u>	<u>6,238</u>
Remeasurements			
Actuarial gain arising from changes in financial assumptions	200	-	200
Actuarial gain arising from experience adjustments	(9,228)	(328)	(9,556)
Recognized in other comprehensive income	<u>(9,028)</u>	<u>(328)</u>	<u>(9,356)</u>
Contributions from employer	-	(1,595)	(1,595)
Benefits paid	(1,896)	1,896	-
December 31, 2023	<u>\$ 57,869</u>	<u>(\$ 49,061)</u>	<u>\$ 8,808</u>
	Present value of the defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2022	<u>\$ 64,176</u>	<u>(\$ 34,820)</u>	<u>\$ 29,356</u>
Service cost			
Current service cost	368	-	368
Interest expense (income)	401	(251)	150
Recognized in profit or loss	<u>769</u>	<u>(251)</u>	<u>518</u>
Remeasurements			
Actuarial gain arising from changes in financial assumptions	(114)	-	(114)
Actuarial loss (gain) arising from experience adjustments	2,323	(3,338)	(1,015)
Recognized in other comprehensive income	<u>2,209</u>	<u>(3,338)</u>	<u>(1,129)</u>
Contributions from employer	-	(15,224)	(15,224)
Benefits paid	(5,271)	5,271	-
December 31, 2022	<u>\$ 61,883</u>	<u>(\$ 48,362)</u>	<u>\$ 13,521</u>

The amounts of the defined benefit plans recognized in profit or loss are classified according to their function by the following categories:

	Years Ended December 31	
	2023	2022
Operating cost	\$ 353	\$ 395
Marketing expenses	27	28
General and administrative expenses	5,834	65
Research and development expenses	24	30
	<u>\$ 6,238</u>	<u>\$ 518</u>

Through the defined benefit plans under the R.O.C. "Labor Standards Law", the Company is exposed to the following risks:

- a. Investment risk: The pension funds are invested in domestic/foreign equity and debt securities, bank deposits, etc. by the methods of its own discretion and commissioned operations of the Bureau of Labor Funds, Ministry of Labor. However, the earnings appropriated from the plan assets of the Company shall not be less than the average interest rate on a two-year time deposit published by the local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation, but the return on the debt investments of the plan assets will also increase accordingly, which brings the effect of partially offsetting the net defined benefit liabilities.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the Company's present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the measurement date were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.34%	1.38%
Forecasted salary increase rate	2.75%	2.75%

When the possible changes in the principal assumptions of the actuarial valuations reasonably happen respectively, based on the circumstances of all other assumptions kept the same, the increased (decreased) amounts in the present value of the defined benefit obligation will be as follows:

	December 31, 2023	December 31, 2022
Discount rate		
Increase 0.50%	(\$ 2,746)	(\$ 2,658)
Decrease 0.50%	\$ 2,983	\$ 2,847
Forecasted salary increase rate		
Increase 0.50%	\$ 2,889	\$ 2,754
Decrease 0.50%	(\$ 2,688)	(\$ 2,599)

Since assumptions of actuarial valuations are possibly correlated with one another, the possibility of changes in only one assumption is small. Therefore, the above sensitivity analyses are possibly unable to reflect the actual status of the changes in the present value of the defined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Forecasted amount contributed within one year	<u>\$ 1,808</u>	<u>\$ 1,031</u>
Average due-period of defined benefit obligation	16.5 Years	8.9 Years

18. EQUITY

(1) Capital Stock

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	<u>180,000</u>	<u>180,000</u>
Authorized capital	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Issued shares which are fully paid (in thousands)	<u>138,233</u>	<u>123,423</u>
Issued capital	<u>\$ 1,382,333</u>	<u>\$ 1,234,226</u>

A holder of issued common shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

The authorized shares include 3,800 thousand shares allocated for the exercise of employee stock options.

On May 19, 2023 and May 20, 2022, the stock dividends were distributed by the Company in a total of NT\$148,107 thousand and NT\$70,628 thousand respectively according to the resolution of the shareholders' meeting, and took effect through the corresponding registration approved by Financial Supervision Commission Securities and Futures Bureau; then the dates of June 26, 2023 and June 26, 2022 were determined respectively to be the reference date of ex-rights in accordance with the resolution of the board of directors.

On August 4, 2022, the Company issued the stocks in a total of 14,000 thousand shares, with a par value of NT\$10 per share at premium by NT\$18 per share issuance, as the seasoned equity offerings resolved by the board of directors. After the capital increased, the actual paid-in share capital was NT\$1,234,226 thousand. The project of the aforementioned seasoned equity offerings took effect through the registration approved by Financial Supervision Commission Securities and Futures Bureau on October 17, 2022 and the date of November 11, 2022 was determined to be the reference date of increased-capital by the authorized chairman in accordance with the resolution of the board of directors.

(2) Capital Surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>May be used to compensate a deficit, distributed as cash dividends, or transferred to share capital (Note a.)</u>		
Additional paid-in capital	\$235,826	\$235,826
Employee share options	7,700	7,700
Treasury shares transaction	<u>14,457</u>	<u>14,457</u>
	<u>\$257,983</u>	<u>\$257,983</u>

Note a. Such capital surplus may be used to compensate a deficit; in addition, when the business entity has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital; in terms of transfer to share capital, it is limited to a certain percentage of the actual paid-in share capital each year.

(3) Retained Earnings and Dividend Policy

The Company's earnings distribution policy in the Articles of Incorporation provides that, when a profit is made in a fiscal year, the Company shall first compensate its losses (including the amount of adjustment in undistributed retained earnings) and set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the Company's total paid-in capital, and then set aside or reverse a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any balance of earnings still left over, together with the undistributed retained earnings from the beginning of period (including the amount of adjustment in undistributed retained earnings), shall be used by the board of directors as the basis for their proposing a surplus distribution proposal to obtain the resolution in the shareholders' meeting for distribution of dividends and bonuses to shareholders; when distribution of earnings is by the way in cash, it shall be handled according to the resolution of the board of directors and reported in the shareholders' meeting. See Note 20(7) Profit Sharing Bonus to Employees and Compensation to Directors for the Company's distribution policy of profit sharing bonus to employees and compensation to directors in the Articles of Incorporation.

In addition, according to the Company's dividend policy in the Articles of Incorporation, based on the principle of profit sharing, 50% or more of the distributable surplus for the year shall be used for distribution of dividends and bonuses to shareholders, among which the dividends distributed by the way in stocks shall be less than 50%, and the rest dividends shall be in cash.

Appropriation of earnings to the legal capital reserve shall be made until the accumulated legal capital reserve equals the company's total paid-in capital. The legal capital reserve may be used to compensate deficit. If the company has no deficit, the legal capital reserve exceeds 25% of the company's total paid-in capital may be appropriated for capital stocks but also distributed in cash.

The appropriations of the Company's earnings for the years ended December 31, 2022 and 2021 are as follows:

	Appropriations of Earnings		Dividends per share(NT\$)	
	Years Ended December 31		Years Ended December 31	
	2022	2021	2022	2021
Legal Capital Reserve	\$ 33,056	\$ 15,767		
Cash Dividends	148,107	70,628	\$ 1.2	\$ 0.69
Stock Dividends	148,107	70,628	1.2	0.69

The appropriations of the above cash dividends were resolved by the board of directors on February 22, 2023 and February 24, 2022, respectively; the appropriations of the remainder were also resolved in the shareholders' general meetings held on May 19, 2023 and May 20, 2022, respectively.

The appropriations of the Company's earnings for the year ended December 31, 2023 were resolved by the board of directors on February 29, 2024 are as follows:

	Appropriations of Earnings	Dividends per share(NT\$)
Legal Capital Reserve	\$ 30,609	
Cash Dividends	203,203	\$ 1.47
Stock Dividends	67,734	0.49

The appropriations of the above cash dividends have been resolved by the board of directors, and the remainder is subject to resolution in the shareholders meeting expected to be held on May 24, 2024.

(4) Others

Foreign Currency Translation Reserve

	Years Ended December 31	
	2023	2022
Balance, beginning of year	\$ 37,603	\$ 29,466
Occur in the current year		
Exchange differences arising on translation of foreign operations	(11,245)	8,137
Balance, end of year	<u>\$ 26,358</u>	<u>\$ 37,603</u>

19. REVENUE

	Years Ended December 31	
	2023	2022
Revenue from contracts with customers		
Sales	\$ 2,649,232	\$ 2,174,567
Processing	812,535	885,425
	<u>\$ 3,461,767</u>	<u>\$ 3,059,992</u>

(1) Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 8)	<u>\$ 288,813</u>	<u>\$ 293,788</u>	<u>\$ 434,138</u>
Current contract liabilities			
Merchandise sales	<u>\$ 149,124</u>	<u>\$ 167,343</u>	<u>\$ 102,455</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

(2) Disaggregation of revenue from contracts with customers

	Years Ended December 31	
	2023	2022
<u>Main geographic markets</u>		
America	\$ 1,871,185	\$ 1,494,719
Taiwan	542,675	752,947
Others	1,047,907	812,326
	<u>\$ 3,461,767</u>	<u>\$ 3,059,992</u>

20. PROFIT BEFORE TAX

(1) Interest Income

	Years Ended December 31	
	2023	2022
Bank deposits	<u>\$ 21,956</u>	<u>\$ 1,708</u>

(2) Other Income

	Years Ended December 31	
	2023	2022
Rent income	<u>\$ 1,142</u>	<u>\$ 1,140</u>

(3) Other gains and losses

	Years Ended December 31	
	2023	2022
Net foreign currency exchange gain	\$ 3,822	\$ 9,205
Gain (loss) on disposal of property, plant and equipment	4,608	(103)
Gains on financial assets		

	Years Ended December 31	
	2023	2022
Financial assets at fair value through profit or loss	-	908
Others	<u>89</u>	<u>(55)</u>
	<u>\$ 8,519</u>	<u>\$ 9,955</u>

(4) Finance Costs

	Years Ended December 31	
	2023	2022
Interest of bank loans	\$ 1,134	\$ 4,977
Interest of lease liabilities	<u>406</u>	<u>154</u>
	<u>\$ 1,540</u>	<u>\$ 5,131</u>

(5) Depreciation and Amortization

	Years Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 78,142	\$ 70,527
Operating expenses	<u>5,973</u>	<u>6,868</u>
	<u>\$ 84,115</u>	<u>\$ 77,395</u>

An analysis of amortization by function		
Operating costs	\$ 426	\$ 1,264
Operating expenses	<u>1,877</u>	<u>1,822</u>
	<u>\$ 2,303</u>	<u>\$ 3,086</u>

(6) Employee benefits expense

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$394,911	\$357,540
Post-employment benefits (Note 17)		
Defined contribution plans	10,322	10,264
Defined benefit plans	6,238	518
Share-based payment		
Equity-settled	-	7,700
Employee benefits expense-total	<u>\$411,471</u>	<u>\$376,022</u>
An analysis of employee benefits expense by function		
Operating costs	\$296,772	\$269,399
Operating expenses	<u>114,699</u>	<u>106,623</u>
	<u>\$411,471</u>	<u>\$376,022</u>

(7) Profit Sharing Bonus to Employees and Compensation to Directors

In accordance with the Company's Articles of Incorporation, the appropriations of 6% and no more than 2.3% of the pre-tax benefit in the current year shall be made for profit sharing bonus and compensation distributed to employees and directors, respectively. The Profit Sharing Bonus to Employees and Compensation to Directors for the years ended December 31, 2023 and 2022 were resolved by the board of directors on February 29, 2024 and February 22, 2023 respectively as follows:

Accrual Rate

	Years Ended December 31	
	2023	2022
Profit sharing bonus to employees	6%	6%
Compensation to directors	2.3%	2.3%

Amount

	Years Ended December 31			
	2023		2022	
	Cash	Stock	Cash	Stock
Profit sharing bonus to employees	<u>\$ 24,823</u>	<u>\$ -</u>	<u>\$ 26,594</u>	<u>\$ -</u>
Compensation to directors	<u>\$ 9,516</u>	<u>\$ -</u>	<u>\$ 10,194</u>	<u>\$ -</u>

If there is a change in the amount after the annually parent company only financial statements is authorized for issuance, the difference shall be handled as the changes in accounting estimates to adjust its recognition in the next year.

There was no difference between the actual distribution amount of the profit sharing bonus to employees and compensation to directors and the amount recognized in the parent company only financial statements for the years ended December 31, 2022 and 2021.

For information on the Company's profit sharing bonus to employees and compensation to directors resolved by the board of directors, please visit the website of Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(8) Foreign Exchange Gains and Losses

	Years Ended December 31	
	2023	2022
Total amount of gains on foreign exchange	\$ 73,857	\$ 86,806
Total amount of losses on foreign exchange	(70,035)	(77,601)
Net gains	<u>\$ 3,822</u>	<u>\$ 9,205</u>

21. INCOME TAX

(1) Income Tax Expense Consisted of the Following Recognized in Profit or Loss

	Years Ended December 31	
	2023	2022
Current income tax expense		
Current tax expense recognized in the current year	\$ 81,751	\$ 67,825
Income tax adjustments on prior years	137	(2,828)
Deferred income tax		
Deferred income tax recognized in the current year	<u>758</u>	<u>12,021</u>
Income tax expense recognized in profit or loss	<u>\$ 82,646</u>	<u>\$ 77,018</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2023	2022
Profit from continuing operations before tax	<u>\$ 379,385</u>	<u>\$ 406,444</u>
Income tax expense at the statutory rate	\$ 75,877	\$ 81,289
Nondeductible items in determining taxable income	868	622
The deductible temporary differences not recognized	5,764	(2,065)
Adjustments to current income tax expense in respect of prior years	<u>137</u>	<u>(2,828)</u>
Income tax expense recognized in profit or loss	<u>\$ 82,646</u>	<u>\$ 77,018</u>

(2) Income Tax Liabilities in the Current Year

	December 31, 2023	December 31, 2022
Income tax liabilities		
Income taxes payable	<u>\$ 44,924</u>	<u>\$ 49,538</u>

(3) Deferred Income Tax Assets and Liabilities

The changes in deferred income tax assets and liabilities were as follows:

Year ended December 31, 2023

<u>Deferred Income Tax Assets</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Inventory valuation loss	\$ 9,690	(\$ 1,205)	\$ 8,485
Unrealized exchange gains	(2,437)	1,078	(1,359)
Provisions	<u>463</u>	<u>141</u>	<u>604</u>
	<u>\$ 7,716</u>	<u>\$ 14</u>	<u>\$ 7,730</u>

<u>Deferred Income Tax Liabilities</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Unappropriated earnings of subsidiaries	<u>\$ 16,278</u>	<u>\$ 772</u>	<u>\$ 17,050</u>

Year ended December 31, 2022

<u>Deferred Income Tax Assets</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Inventory valuation loss	\$ 8,047	\$ 1,643	\$ 9,690
Unrealized exchange losses	374	(2,811)	(2,437)
Provisions	<u>243</u>	<u>220</u>	<u>463</u>
	<u>\$ 8,664</u>	<u>(\$ 948)</u>	<u>\$ 7,716</u>

<u>Deferred Income Tax Liabilities</u>	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Balance, End of Year</u>
Temporary differences			
Unappropriated earnings of subsidiaries	<u>\$ 5,205</u>	<u>\$ 11,073</u>	<u>\$ 16,278</u>

(4) Income Tax Examination

The tax authorities have examined income tax returns of the Company through to the year ended December 31, 2021.

22. EARNINGS PER SHARE (EPS)

	Unit: NT\$ per share	
	Years Ended December 31	
	<u>2023</u>	<u>2022</u>
Basic EPS	<u>\$ 2.15</u>	<u>\$ 2.38</u>
Diluted EPS	<u>\$ 2.13</u>	<u>\$ 2.36</u>

The earnings per share was calculated after the retrospective adjustment as a result of outstanding shares distribution; the reference date of the shares outstanding distribution was determined to be June 26, 2023. Due to making the retrospective adjustment, the changes in basic and diluted EPS for the year ended December 31, 2022 were as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic EPS	<u>\$ 3.00</u>	<u>\$ 2.38</u>
Diluted EPS	<u>\$ 2.97</u>	<u>\$ 2.36</u>

Net income for the year and weighted average number of common shares outstanding used in the computation of EPS are as follows:

Net Income

	Years Ended December 31	
	2023	2022
For computation of basic and diluted EPS	<u>\$ 296,739</u>	<u>\$ 329,426</u>

Number of Common Shares Outstanding

	Unit: Thousand Shares Years Ended December 31	
	2023	2022
Weighted average number of common shares outstanding used in the computation of basic EPS	138,233	138,233
Effects of all dilutive potential common shares:		
Profit sharing bonus to employees	<u>881</u>	<u>1,189</u>
Weighted average number of common shares outstanding used in the computation of diluted EPS	<u>139,114</u>	<u>139,422</u>

If the Company has the option to pay profit sharing bonus to employees in shares or cash, the calculation of diluted earnings per share assumes that compensation of employees will be paid in shares and is included in the weighted average number of shares when the potential common shares have a dilutive effect. The number of shares outstanding is included in the weighted average number of shares for the purpose of calculating dilutive earnings per share. The dilutive effect of these potential common shares will also continue to be taken into account when dilutive earnings per share calculated prior to the number of shares resolved in shareholders' meetings for distribution of profit sharing bonus to employees in the following year.

23. SHARE-BASED PAYMENT ARRANGEMENTS

Seasoned Equity Offerings Reserved for Employee Share Options

On August 4, 2022, the Company conducted seasoned equity offerings, resolved by the board of directors, and according to the regulations of Company Act reserved the number of shares, i.e. 1,400 thousand shares, which was 10% of the total number of the issued shares for employee share options. The grant date was October 27, 2022 with the fair value by using the Black-Scholes evaluation model, the parameters of which were adopted as follows:

	<u>October 27, 2022</u>
Stock price at grant date (NT\$/Share)	\$ 23.4
Exercise Price (NT\$/Share)	18
Share option at fair value (NT\$/Share)	5.5
Expected price volatility	43.12%
Risk-free interest rate	1.04%
Expected option life	0.14 Years

The compensation cost recognized for the year ended December 31, 2022 was NT\$7,700 thousand.

24. CAPITAL RISK MANAGEMENT

The Company manages its capital on the premise that it is ensured each entity in the group will be able to continue its business operations, from which the return to stakeholders can be maximized through the optimization in the debts and equity balances. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital expenditures, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

25. FINANCIAL INSTRUMENTS

(1) Fair Value Information - Financial instruments not measured at fair value.

The Company's management believed that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values.

(2) Categories of Financial Instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at amortized cost		
Cash and cash equivalents	\$929,335	\$509,134
Financial assets measured at amortized cost	84,746	84,760
Accounts receivable, net	288,813	293,788
Accounts receivable due from related parties	34,317	6,562
Guarantee deposits paid	1,063	900
<u>Financial liabilities</u>		
Measured at amortized cost		
Short-term borrowings	100,000	58,000
Accounts payable	372,208	473,507
Accounts payable to related parties	18,227	43,775
Other payables and other current liabilities	142,646	103,020
Guarantee deposits received	81,422	31,454

(3) Financial Risk Management Objectives and Policies

The Company's major financial instruments include receivables, payables and bank borrowings. The Company's financial management department provides services to each business unit, organizes and coordinates business operations for entering domestic and international financial markets, as well as supervising and managing financial risks related to the Company's operations through referring to degree of risks and internal risk reports made with wide analyses of risk exposure; those risks contain market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

a. Market Risk

The Company's operation activities expose the Company primarily to the financial risks of changes in foreign currency exchange rates (see (a-1) shown as below) and changes in interest rates (see (a-2) shown as below).

The Company's financial instruments are exposed in market risk, and the methods used by the Company to manage and measure that risk exposure have no change.

(a-1) Foreign Exchange Risk

The Company uses foreign currency to conduct transactions of sales and procurement, which expose the Company to be engaged in risk of changes in foreign currency exchange rates.

For the carrying amounts of the Company's monetary assets and monetary liabilities denominated in non-functional currency on the parent company only balance sheets date, the Company is primarily affected by fluctuations in the exchange rates of the U.S. dollar, see Note 28.

Sensitivity analysis

The Company is primarily affected by fluctuations in the exchange rates of the U.S. dollar.

Sensitivity analysis of foreign exchange risk mainly provides that, as of the end of the reporting period, foreign currency monetary items are calculated; when the exchange rate of New Taiwan Dollar comparing with foreign currency has a hypothetically adverse fluctuation up to 10%, the Company would have increased the profit by NT\$49,283 thousand and NT\$25,796 thousand, respectively for the years ended December 31, 2023 and 2022.

(a-2) Interest Rate Risk

Interest rate risk arises because individuals in the Company borrow funds at floating rates.

The carrying amounts of the Company's financial assets and financial liabilities with risk exposure to interest rates on the parent company only balance sheets date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With fair value interest rate risk		
Financial assets	\$753,206	\$ 84,760
Financial liabilities	23,847	26,319
With cash flows interest rate risk		
Financial assets	260,823	509,067
Financial liabilities	100,000	58,000

b. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Company. As of the parent company only balance sheets date, the Company's maximum credit risk (regardless of collateral or other credit enhancement tools, also the amount with maximum exposure unable to be withdrawn) exposure to a counterparty, who will possibly default on its obligations resulting in financial losses to the Company, comes from the carrying amounts of financial assets recognized in the parent company only balance sheets.

Except for A company, the Company's largest customer, the Company does not have any significant credit exposure to any single counterparty or any group of counterparties with similar characteristics. When the counterparty is an associated enterprise, the Company defines it as the counterparty with similar characteristics. In 2023 and 2022, the percentages of total accounts receivable from the aforementioned customers were 60% and 35%, respectively.

c. Liquidity Risk

The Company manages and maintains sufficient cash to support the operations and mitigate the impact of cash flows fluctuations. The Company's management monitors the use of the bank's financing facilities and ensures compliance with the terms of the loan agreements.

A bank loan is a significant source of liquidity for the Company. As of the years ended December 31, 2023 and 2022, the bank's short-term financing facilities unused by the Company were described in the following section "(c-2) Financing Facilities".

(c-1) Liquidity and Interest Rate Risk Tables of Non-derivative Financial Liabilities

The analysis of the remaining contractual maturities of non-derivative financial liabilities is prepared based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities according to the earliest possible date on which the Company may be required to make repayment.

December 31, 2023

	On Demand or Within 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing liabilities					
liabilities	\$ 158,974	\$ 266,763	\$ 47,539	\$ -	\$ -
Lease liabilities	591	1,182	5,317	17,416	-
Variable interest rate instruments					
	<u>80,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 239,565</u>	<u>\$ 287,945</u>	<u>\$ 52,856</u>	<u>\$ 17,416</u>	<u>\$ -</u>

The further information on the aforementioned financial liabilities is as follows:

	Within 1 year	1~5 Years	5~10 Years	10~15 Years	15~20 Years	Over20 Years
Lease liabilities	\$ 7,090	\$ 17,416	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments						
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 107,090</u>	<u>\$ 17,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Within 1 Month	1-3 Month	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>					
Non-interest-bearing liabilities					
liabilities	\$ 56,670	\$ 311,529	\$ 195,374	\$ -	\$ -
Lease liabilities	517	1,034	4,645	21,014	-
Variable interest rate instruments					
	<u>28,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 85,187</u>	<u>\$ 342,563</u>	<u>\$ 200,019</u>	<u>\$ 21,014</u>	<u>\$ -</u>

The further information on the aforementioned financial liabilities is as follows:

	Within 1 year	1~5 Years	5~10 Years	10~15 Years	15~20 Years	Over20 Years
Lease liabilities	\$ 6,196	\$ 21,014	\$ -	\$ -	\$ -	\$ -
Variable interest rate instruments						
	<u>58,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 64,196</u>	<u>\$ 21,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(c-2) Financing Facilities

	December 31, 2023	December 31, 2022
Unsecured bank loan amount		
Amount used	\$ 106,000	\$ 61,000
Amount unused	<u>494,000</u>	<u>569,000</u>
	<u>\$ 600,000</u>	<u>\$ 630,000</u>
Guaranteed bank loan amount		
Amount used	\$ -	\$ -
Amount unused	<u>400,000</u>	<u>400,000</u>
	<u>\$ 400,000</u>	<u>\$ 400,000</u>

26. RELATED PARTY TRANSACTIONS

Except for other notes disclosed, the transactions between the Company and the related parties are as follows:

(1) Name of Related Party and Its Relation with the Company

<u>Names of Related Parties</u>	<u>Relation with the Company</u>
ALLIED ORIENTAL INTERNATIONAL LTD.(ORIENTAL)	Subsidiary
TOP UNION ELECTRONICS (SHANGHAI) CORP. (TOP UNION SHANGHAI)	Subsidiary
TOP UNION ELECTRONICS (SUZHOU) CORP. (TOP UNION SUZHOU)	Subsidiary

(2) Operating Revenue

<u>Related Party Category</u>	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$296,561</u>	<u>\$342,945</u>

The Company's terms and conditions of sales and prices offered to the related parties are referred to the costs and market conditions; and the payment term offered to the related parties is Account Open 90 days based on agreement between mutual parties.

(3) Processing Expenses

<u>Related Party Category</u>	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	<u>\$ 68,661</u>	<u>\$148,883</u>

There are no comparable transactions available to be made comparison with the prices of the related parties entrusted by the Company to do processing.

(4) Accounts receivable due from related parties

<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 34,317</u>	<u>\$ 6,562</u>

The accounts receivable due from the related parties did not be addressed doubtful debts for the years ended December 31, 2023 and 2022.

(5) Accounts payable to related parties

<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 18,227</u>	<u>\$ 43,775</u>

The outstanding balance of accounts payable to the related parties did not be guaranteed.

(6) Compensation to Key Management Personnel

The compensation to directors and other key management personnel was as follows:

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 27,618</u>	<u>\$ 28,145</u>
Post-employment benefits	<u>154</u>	<u>140</u>
	<u>\$ 27,772</u>	<u>\$ 28,285</u>

The compensation to directors and other key management personnel is determined by the Compensation Committee of the Company in accordance with the individual performance and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets of the Company were provided as collateral security for short-term loan amount, tariff guarantee for imported raw materials, Performance Letter of Guarantee and Letter of Credit:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment – net	<u>\$338,406</u>	<u>\$296,827</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was summarized according to the foreign currency other than functional currency of the Company. The exchange rates disclosed were used to translate the currency into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

<u>December 31, 2023</u>	Unit: Each Foreign Currency in Thousands		
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Assets denominated in foreign currencies			
<u>Monetary items</u>			
USD	\$ 28,903	30.705	<u>\$ 887,467</u>
Liabilities denominated in foreign currencies			
<u>Monetary items</u>			
USD	12,853	30.705	<u>\$ 394,641</u>

<u>December 31, 2022</u>	Unit: Each Foreign Currency in Thousands		
	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Assets denominated in foreign currencies			
<u>Monetary items</u>			
USD	\$ 24,339	30.710	<u>\$ 747,443</u>
Liabilities denominated in foreign currencies			
<u>Monetary items</u>			
USD	15,939	30.710	<u>\$ 489,486</u>

The significant unrealized foreign exchange gains (losses) were as follows:

	<u>Year Ended December 31, 2023</u>		<u>Year Ended December 31, 2022</u>	
Foreign currencies	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gains (Losses)</u>
USD	30.705(USD:NTD)	<u>\$ 6,795</u>	30.710(USD:NTD)	<u>\$ 12,185</u>

29. ADDITIONAL DISCLOSURES

Except for the items (1) – (4), there are no other significant transactions information, information on investees, information on investment in mainland China and important transactions that should be disclosed.

- (1) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Company of Purchase / Sales	Related Party	Nature of Relationships	Transactions				Conditions and Reasons for Special Business Terms		Notes, Accounts Receivable (Payable)		Remark
			Purchase / Sales	Amount	% of Total Purchase / Sales	Credit Period	Unit Price	Credit Period	Balance	% of Total Notes, Accounts Receivable (Payable)	
The Company	Top Union Suzhou	The subsidiary indirectly held by the company with 100% equity	Sales	\$296,561	8.10%	O/A 90 Days	\$ -	—	\$ 34,317	8.74%	—

- (2) Names, locations, and related information of investees over which the Company exercises significant influence:

Unit: Amounts in Thousands of NT\$, Unless Specified Otherwise

Investor Company Name	Investee Company Name	Location	Business Items	Original Investment Amount		Holding, End of Period			Investee Profit or Loss at Current Period	Gains (Losses) on investment recognized in current period (Note)
				End of Current Period	Last Year End	Shares (in Thousands)	%	Carrying Amount		
The Company	ORIENTAL company	British Virgin Islands	Investment and Sales	\$ 401,974	\$ 401,974	12,200	100	\$ 613,942	(\$ 24,703)	(\$ 24,703)

Note: It was recognized by investee's financial statements audited by auditors for the same period.

- (3) Information on investment in mainland China:

- a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: (See the following table for the details.)

Unit: Amounts in Thousands of NT\$, Unless Specified Otherwise

China Investee Company Name	Business Items	Paid-in Capital	Investment method	Beginning of Period, Remit Cumulated Investment Funds out from Taiwan	Current Period, Outward Remit / Repatriate Investment Funds		End of Period, Remit Cumulated Investment Funds out from Taiwan	Investee Profit or Loss at Current Period	The Company Holding % of Shares from Direct or Indirect Investment	Current Period, Investment Amount Recognized in Profit or Loss (Note 2)	Investment at End of Period, Carrying Amount	As of End of Current Period, Income of Repatriated Investment Funds
					Outward Remittance	Repatriation						
Top Union Shanghai	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	\$ 212,851 US\$ 6,651 (In Thousand)	(Note 1)	Cash \$83,720 Price of Machinery&Equipment 129,138	\$ -	\$ -	Cash \$83,720 Price of Machinery&Equipment 129,138	(\$ 26,934)	100%	(\$ 26,934)	\$ 164,612	\$ 105,908
Top Union Suzhou	Manufacture of Electronic Products and Communication Equipment, Technical Support and SMT Processing, etc.	278,841 US\$ 8,501 (In Thousand)	(Note1)	Cash \$230,262 Price of Machinery&Equipment 48,582	-	-	Cash \$230,262 Price of Machinery&Equipment 48,582	1,601	100%	1,601	426,378	88,440

End of Current Period, Remit Cumulated Investment Funds out from Taiwan for Investment in China	Investment Amount approved by MOEAIC	Investment Limits for Areas in China, Based on MOEAIC's Regulations
Cash \$313,982 Price of Machinery&Equipment \$177,720	\$491,702 US\$15,159 (In Thousand)	\$1,381,670

Note 1: Invest China companies after establishing ORIENTAL company located at British Virgin Islands.

Note 2: It was recognized and disclosed by Top Union Shanghai and Top Union Suzhou's financial statements audited by auditors for the same period.

- b. Direct or indirect through the third area significant transactions and the prices, terms of payment and unrealized gain or loss with investees in the mainland China listed below: See Note 26.
- (4) Information of major shareholders: List of all shareholders with ownership of 5% or greater showing the names and percentage of ownership held by each shareholder: None.

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Top Union Electronics Corp.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 1

Item	Description	Amount
Bank deposits		
Foreign currency demand deposits	Including US\$4,930 thousand (Exchange rate US\$1:NT\$30.705)	\$151,385
Foreign currency time deposits	Including US\$12,000 thousand (Exchange rate US\$1:NT\$30.705)	368,460
Demand deposits		109,438
Time deposits		300,000
Checking accounts		<u>22</u>
		929,305
Petty cash		<u>30</u>
Total		<u>\$929,335</u>

Top Union Electronics Corp.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Statement 2

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>
Customer A	Payment for Goods	\$173,292
Customer B	Payment for Goods	34,106
Customer C	Payment for Goods	26,759
Customer D	Payment for Goods	22,484
Customer E	Payment for Goods	18,521
Others (Note)	Payment for Goods	<u>15,651</u>
Subtotal		290,813
Less: Allowance for doubtful accounts		(<u>2,000</u>)
Total		<u>\$288,813</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

Top Union Electronics Corp.
STATEMENT OF INVENTORIES

DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Statement 3

Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 620,936	\$ 629,326
Work in process	71,855	177,877
Finished goods	26,743	40,438
	\$ 719,534	\$ 847,641

Top Union Electronics Corp.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 4

Investees	Balance, January 1, 2022		Dividends Distributed Amount	Investment Income Accounted for Using Equity Method	Translation Adjustment	Unrealized Profit	Balance, December 31, 2022			Net Assets Value
	Shares	Amount					Shares	%	Amount	
Private Company ORIENTAL (Note)	12,200 thousand	<u>\$ 649,034</u>	<u>\$ -</u>	<u>(\$ 24,703)</u>	<u>(\$ 11,245)</u>	<u>\$ 856</u>	12,200 thousand	100	<u>\$ 613,942</u>	<u>\$ 613,086</u>

Note: It was based on calculation from the financial statements of the investee audited by auditors during the same period.

Top Union Electronics Corp.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 5

Item	Buildings	Wealth Generating Equipment	Total
Cost			
Balance at January 1, 2023	\$ 25,582	\$ 5,529	\$ 31,111
Additions	<u>4,154</u>	<u>-</u>	<u>4,154</u>
Balance at December 31, 2023	<u>29,736</u>	<u>5,529</u>	<u>35,265</u>
Accumulated depreciation			
Balance at January 1, 2023	1,735	3,142	4,877
Depreciation	<u>6,005</u>	<u>767</u>	<u>6,772</u>
Balance at December 31, 2023	<u>7,740</u>	<u>3,909</u>	<u>11,649</u>
Net amounts at December 31, 2023	<u>\$ 21,996</u>	<u>\$ 1,620</u>	<u>\$ 23,616</u>

Top Union Electronics Corp.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Statement 6

<u>Bank Name</u>	<u>Balance, End of the Year</u>	<u>Contracted Period</u>	<u>Interest (%)</u>	<u>Financing Amount</u>	<u>Collateral Status</u>
First Bank	\$ 20,000	2023/12/19~2024/01/18	1.95	NTD200,000 thousand	—
First Bank	10,000	2023/12/14~2024/03/13	2.05	NTD200,000 thousand	—
Mega Bank	25,000	2023/10/31~2024/01/29	1.65	NTD600,000 thousand	Land and buildings
Mega Bank	15,000	2023/12/19~2024/01/18	1.75	NTD600,000 thousand	Land and buildings
CHB	10,000	2023/12/19~2024/01/18	2.11	NTD150,000 thousand	—
CHB	10,000	2023/10/19~2024/01/19	2.11	NTD150,000 thousand	—
SCSB	<u>10,000</u>	2023/02/18~2024/02/18	1.96	NTD 50,000 thousand	—
Total	<u>\$ 100,000</u>				

Top Union Electronics Corp.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars)

Statement 7

<u>Supplier Name</u>	<u>Description</u>	<u>Amount</u>
Non-related Parties		
Supplier A	Payment for Goods	\$ 71,575
Supplier B	Payment for Goods	52,841
Supplier C	Payment for Goods	52,090
Supplier D	Payment for Goods	33,147
OTHERS (Note)	Payment for Goods	<u>162,555</u>
		<u>\$372,208</u>

Note: The amount of individual supplier included in others does not exceed 5% of the account balance.

Top Union Electronics Corp.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 8

Item	Quantity	Amount
Sales Revenue	155,665 thousand PCS	\$ 2,649,232
Processing Revenue		<u>817,312</u>
		3,466,544
Less : Sales Returns and Discounts		(<u>4,777</u>)
		<u>\$ 3,461,767</u>

Top Union Electronics Corp.
STATEMENT OF OPERATING COST
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Statement 9

Item	Amount
Direct raw materials	
Balance, beginning of the year	\$ 952,437
Raw material purchased	2,037,313
Raw materials, end of the year	(620,936)
Cost for raw materials sold	(328,149)
Raw material surplus	(559)
Raw material scrap	<u>249</u>
Material consumption	2,040,355
Direct labor	208,458
Manufacturing expenses	<u>355,001</u>
Manufacturing cost	2,603,814
Add: Work in process, beginning of the year	131,551
Add: Others	5,018
Work in process, end of the year	(<u>71,855</u>)
Cost of finished goods	2,668,528
Finished goods, beginning of the year	27,651
Finished goods, end of the year	(26,743)
Less: Others	(<u>57,721</u>)
Sales cost	2,611,715
Sale of raw materials	328,149
Inventory surplus	559
Loss on idle capacity	3,917
Income from sale of scraps	(<u>1,493</u>)
Operating cost	<u>\$ 2,942,847</u>

Top Union Electronics Corp.
STATEMENT OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023
(Amounts in Thousands of New Taiwan Dollars)

Statement 10

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses
Payroll expense	\$ 15,123	\$ 66,750	\$ 14,962
Pension	779	7,132	413
Import/export expense	3,375	-	-
Amortization	1,847	30	-
Depreciation	2,117	2,220	1,636
Insurance expense	1,637	2,936	1,628
Services expense	149	4,944	156
Others (Note)	<u>6,205</u>	<u>12,634</u>	<u>3,674</u>
Total	<u>\$ 31,232</u>	<u>\$ 96,646</u>	<u>\$ 22,469</u>

Note: The amount of each item does not exceed 5% of its account amount.

Top Union Electronics Corp.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION

YEARS ENDED DECEMBER 31, 2023 and 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Statement 11

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	\$243,064	\$ 95,531	\$338,595	\$220,761	\$ 84,926	\$305,687
Labor and health insurance	28,611	6,201	34,812	24,374	5,347	29,721
Pension	8,236	8,324	16,560	8,532	2,250	10,782
Board compensation	-	1,304	1,304	-	11,114	11,114
Others	<u>16,861</u>	<u>3,339</u>	<u>20,200</u>	<u>15,732</u>	<u>2,986</u>	<u>18,718</u>
	<u>\$296,772</u>	<u>\$114,699</u>	<u>\$411,471</u>	<u>\$269,399</u>	<u>\$106,623</u>	<u>\$376,022</u>
Depreciation	<u>\$ 78,142</u>	<u>\$ 5,973</u>	<u>\$ 84,115</u>	<u>\$ 70,527</u>	<u>\$ 6,868</u>	<u>\$ 77,395</u>
Amortization	<u>\$ 426</u>	<u>\$ 1,877</u>	<u>\$ 2,303</u>	<u>\$ 1,264</u>	<u>\$ 1,822</u>	<u>\$ 3,086</u>

Note 1. As of December 31, 2023 and 2022, the Company had 533 and 468 employees, respectively; the numbers of directors not serving as employees are 9 in both years.

Note 2. Companies whose stocks are listed on the stock exchange or traded on the OTC trading center shall additionally disclose the following information:

- (1)
 - a. Average labor cost for the year ended December 31, 2023 was NT\$783 thousand, the amount of which was calculated from “(Total labor cost for the year – Total board compensation) / (Employee number for the year – Non-employee directors).”
 - b. Average labor cost for the year ended December 31, 2022 was NT\$795 thousand, the amount of which was calculated from “(Total labor cost for the year – Total board compensation) / (Employee number for the year – Non-employee directors).”
- (2)
 - a. Average salary and bonus for the year ended December 31, 2023 was NT\$646 thousand, the amount of which was calculated from “Total salary and bonus for the year / (Employee number for the year – Non-employee directors).”
 - b. Average salary and bonus for the year ended December 31, 2022 was NT\$666 thousand, the amount of which was calculated from “Total salary and bonus for the year / (Employee number for the year – Non-employee directors).”
- (3) The average salary and bonus increased by (3.00)% year 2023 over year 2022, the percentage of which was calculated from “(Average salary and bonus for the year ended December 31, 2023 – Average salary and bonus for the year ended December 31, 2022) / Average salary and bonus for the year ended December 31, 2022.”
- (4) The Company has set up the Audit Committee; the compensation to the independent directors was disclosed in the statement of the compensation to directors.

(Continued)

(Concluded)

- (5) In accordance with the Company's policy of the Compensation to Directors in the Articles of Incorporation, when the Company makes profit in a fiscal year, i.e. the earnings before pre-tax benefit less profit sharing bonus and compensation distributed to employees and directors, the appropriations of 6% and no more than 2.3% shall be as profit sharing bonus to employees and compensation to directors, respectively. However, the Company shall first retain amounts from the earnings for compensation to its accumulated losses (including the amount of adjustment in undistributed retained earnings). The aforesaid profit sharing bonus to employees shall be distributed by the way in stocks or cash in accordance with the requirements to only including the approved employees under the Company resolved by the board of directors, also the aforesaid compensation to directors shall only be distributed in cash; the aforementioned distribution to both employees and directors shall be operated according to a resolution of the board of directors and reported in shareholders' meetings. Distribution methods for compensation to general managers and vice general managers shall be handled in accordance with the Company's payment standard of salaries and bonuses.