

**RUBY TECH CORPORATION
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2023 AND 2022

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

STATEMENT OF CONSOLIDATED FINANCIAL REPORTS FOR AFFILIATED ENTERPRISES

For 2023 (from January 1, 2023 to December 31, 2023), the companies that shall be included in the preparation of the consolidated financial reports of affiliated enterprises in accordance with the "Principles for the Preparation of Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies that shall be included in the preparation of the parent-subsidiary consolidated financial reports in accordance with International Accounting Standard No. 10 are the same. Furthermore, all relevant information that should be disclosed in the consolidated financial reports of affiliated enterprises has already been disclosed in the aforementioned parent-subsidiary consolidated financial reports. Therefore, no separate consolidated financial reports of affiliated enterprises will be prepared.

Hereby declare

Company Name: Ruby Tech Corp.

Person in Charge: Lin, Kuan-Ming

February 27, 2024

INDEPENDENT AUDITORS' REPORT

Ruby Tech Corp.

Audit Opinion

We have audited the consolidated balance sheets of Ruby Tech Corp. and its subsidiaries as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statement of changes in equity, consolidated statements of cash flows for the years then ended January 1, 2023 to December 31, 2023 and January 1, 2022 to December 31, 2022, as well as the notes to the consolidated financial statements and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ruby Tech Corp. and its subsidiaries as of December 31, 2023 and 2022, and their consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretative Announcements as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conduct the audit work in accordance with the Regulations Governing the Certification of Financial Statements by Certified Public Accountants and auditing standards. The accountant's responsibilities under those standards will be further described in the auditor's responsibilities for the audit of the consolidated financial statements section. The personnel of the firm to which the accountant belongs have remained independent from Ruby Tech Corp. and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants, and have fulfilled other responsibilities stipulated in the said Code. The accountant believes that sufficient and appropriate audit evidence has been obtained to form a basis for the audit opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Ruby Tech Corp. and its subsidiaries for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters relating to the consolidated financial statements of Ruby Tech Corp. and its subsidiaries for the year ended December 31, 2023 are stated as follows:

Revenue Recognition from Specific Customers

Management is under pressure to achieve forecasted financial targets, and therefore auditing standards presume the risk of fraud in revenue recognition. Ruby Tech Corp.'s sales of goods from specific customers for the year ended December 31, 2023 amounted to \$1,108,706 thousand representing approximately 62% of their total operating revenue. We believe that there is a significant risk in the authenticity of sales revenue from specific customers, and therefore lists it as a key audit matter. For the accounting policies on revenue recognition, please refer to Note 4(12) of the consolidated financial statements.

The primary audit procedures performed were as follows:

1. Understand and evaluate the design and implementation effectiveness of key internal controls over the revenue recognition process.
2. Select samples from the sales details of specific customers, cross-check them against external sources such as customer orders and customs declarations, and review the payment status to verify the authenticity of the sales transactions.

Other Matters

Ruby Tech Corp. has prepared its parent company only financial statements for the years 2023 and 2022, and this CPA has issued an unqualified audit report on file for reference. We have also audited the parent company only financial statements of Ruby Tech Corp. as of and for the years ended December 31, 2023 and 2022 on which we have issued an unqualified opinion.

The Responsibilities of the Management and the Governance Entity for the Consolidated Financial Statements

The responsibility of management is to prepare consolidated financial statements that present fairly in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and to maintain such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether resulting from fraud or error.

The management, in preparing the consolidated financial statements, is responsible for assessing the ability of Ruby Tech Corp. and its subsidiaries. to continue as a going concern, disclosing matters related to going concern and adopting the going concern basis of accounting unless the management either intends to liquidate Ruby Tech Corp. and its subsidiaries or to cease its operations, or has no practical alternative other than liquidation or suspension of business.

Ruby Tech Corp. and its subsidiaries, the governance entities are responsible for overseeing the financial reporting process.

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

The audit of the consolidated financial statements by the CPA was intended to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement resulting from fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance but does not guarantee that a properly planned and performed audit will always detect any material misstatement that might exist. Misstatements can arise from fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

The independent auditor applies professional judgment and maintains professional skepticism throughout the audit in accordance with auditing standards. The auditor also performs the following tasks:

1. Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform appropriate responses to those risks; obtain sufficient and appropriate audit evidence 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ruby Tech Corp. and its subsidiaries internal control.
3. Evaluate the appropriateness of accounting policies adopted by the management, and the reasonableness of accounting estimates and related disclosures made.
4. The auditors are required to 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 Ruby Tech Corp. and its subsidiaries' ability to continue as a going concern. If the auditors conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. The auditors' conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause Ruby Tech Corp. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, (including the related notes), and whether the consolidated 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 Ruby Tech Corp. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit engagement as well as forming the audit opinion on Ruby Tech Corp. and its subsidiaries.

The matters communicated with those charged with governance included the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide the governance unit with a statement affirming that personnel at the accountant's firm have adhered to the independence requirements set forth in the professional code of ethics for accountants. Additionally, the accountant communicated with the governance unit regarding all relationships and other factors that could potentially impact the accountant's independence, including the implementation of relevant safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of Ruby Tech Corp. and its subsidiaries for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditor's 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 Lin, Shu-Ju and Chang, Chun-I.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 12, 2024

Notice to Reader

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RUBY TECH CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

December 31, 2023 and December 31, 2022

Unit: NT\$ thousand

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Current Assets					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 286,331	17	\$ 290,288	21
1110	Current financial assets measured at fair value through profit or loss (Notes 4 and 7)	33,621	2	34,962	2
1120	Current financial assets measured at fair value through other comprehensive income (Notes 4 and 8)	75,796	5	67,063	5
1136	Current financial assets measured at amortized cost (Notes 4, 9 and 30)	247,831	15	187,420	13
1150	Notes receivable (Notes 4 and 10)	3,547	-	331	-
1170	Accounts receivable (Notes 4, 10 and 23)	351,534	21	96,763	7
1200	Other receivables (Notes 4, 10 and 28)	33,392	2	138,850	10
130X	Inventories (Notes 4, 5 and 11)	339,180	20	303,355	22
1470	Other current assets (Note 16)	6,544	1	3,185	-
11XX	Total current assets	1,377,776	83	1,122,217	80
Non-Current Assets					
1600	Property, plant and equipment (Notes 4 and 13)	257,100	16	255,519	18
1755	Right-of-use assets (Notes 4 and 14)	6,351	-	1,788	-
1780	Other intangible assets (Notes 4 and 15)	5,041	-	6,162	1
1840	Deferred income tax assets (Notes 4 and 25)	16,664	1	9,211	1
1990	Other non-current assets (Note 16)	3,814	-	3,396	-
15XX	Total non-current assets	288,970	17	276,076	20
1XXX	Total Assets	\$ 1,666,746	100	\$ 1,398,293	100
 Code					
Liabilities and Equity					
Current Liabilities					
2130	Contract liabilities - current (Notes 4 and 23)	21,182	1	26,121	2
2150	Notes payable (Note 17)	96,003	6	67,754	5
2170	Accounts payable (Note 17)	120,198	7	100,212	7
2219	Other payables (Note 18)	122,944	8	84,531	6
2230	Income tax payable for the current period (Notes 4 and 25)	74,369	5	30,524	2
2250	Liability provisions - current (Notes 4 and 19)	1,582	-	1,133	-
2280	Current lease liabilities (Notes 4 and 14)	4,717	-	1,270	-
2399	Other current liabilities (Note 18)	3,710	-	2,582	1
21XX	Total current liabilities	444,705	27	314,127	23
Non-Current Liabilities					
2570	Deferred income tax liabilities (Notes 4 and 25)	905	-	419	-
2580	Lease liabilities - non-current (Notes 4 and 14)	1,649	-	520	-
2640	Net defined benefit liability - non-current (Notes 4 and 20)	12,450	1	14,338	1
2670	Other non-current liabilities (Note 18)	199	-	208	-
25XX	Total Non-Current Liabilities	15,203	1	15,485	1
2XXX	Total Liabilities	459,908	28	329,612	24
 Equity attributable to owners of the Company (Note 21)					
3110	Capital – common stock	561,030	34	544,712	39
3200	Capital surplus	38,969	2	38,969	3
	Retained earnings				
3310	Legal reserve	185,474	11	165,827	11
3350	Undistributed earnings	405,749	24	306,276	22
3300	Total retained earnings	591,223	35	472,103	33
3400	Other equity interest	17,957	1	15,238	1
3500	Treasury shares (Note 22)	(2,341)	-	(2,341)	-
3XXX	Total Equity	1,206,838	72	1,068,681	76
Total Liabilities and Equity					
		\$ 1,666,746	100	\$ 1,398,293	100

The accompanying Notes are an integral part of these consolidated financial statements.

Chairman: Lin, Kuan-Ming

Manager: Young, Yu-Che

Head of Accounting: Chen, Yun-Chen

RUBY TECH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand Except Earnings Per Share (NTD dollars)

Code		2023		2022	
		Amount	%	Amount	%
	Operating Revenue (Notes 4 and 23)				
4100	Sales revenue	\$ 1,747,234	98	\$ 1,016,216	94
4800	Other operating revenue	<u>44,212</u>	<u>2</u>	<u>68,083</u>	<u>6</u>
4000	Total operating revenue	<u>1,791,446</u>	<u>100</u>	<u>1,084,299</u>	<u>100</u>
	Operating Costs (Notes 4, 11, 20 and 24)				
5110	Cost of goods sold	1,239,848	69	694,695	64
5800	Other operating costs	<u>40,721</u>	<u>2</u>	<u>63,590</u>	<u>6</u>
5000	Total operating costs	<u>1,280,569</u>	<u>71</u>	<u>758,285</u>	<u>70</u>
5900	Gross Profit	<u>510,877</u>	<u>29</u>	<u>326,014</u>	<u>30</u>
	Operating Expenses (Notes 20 and 24)				
6100	Marketing expenses	88,650	5	60,567	6
6200	Administrative expenses	46,015	3	38,754	3
6300	Research and development expense	95,812	5	84,127	8
6450	Expected credit impairment losses (Note 10)	<u>1,933</u>	<u>-</u>	<u>29</u>	<u>-</u>
6000	Total operating expenses	<u>232,410</u>	<u>13</u>	<u>183,477</u>	<u>17</u>
6900	Operating Net Profit	<u>278,467</u>	<u>16</u>	<u>142,537</u>	<u>13</u>
	Non-Operating Revenue and Expenses (Note 24)				
7010	Other income	4,789	-	6,048	1
7020	Other gain and losses	11,904	1	2,474	-
7050	Finance costs	(46)	-	(24)	-
7100	Interest income	<u>10,824</u>	<u>-</u>	<u>4,435</u>	<u>-</u>
7000	Total Non-Operating Income and Expenses	<u>27,471</u>	<u>1</u>	<u>12,933</u>	<u>1</u>
7900	Net Profit Before Tax	305,938	17	155,470	14
7950	Income Tax Expense (Notes 4 and 25)	<u>60,713</u>	<u>4</u>	<u>23,242</u>	<u>2</u>
8200	Net Profit for the Current Year	245,225	13	132,228	12
	Other Comprehensive Income (Loss) (Notes 20 and 21)				
8310	Items that may not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plan.	892	-	5,910	-
8316	Unrealized gains (losses) from investment in equity instrument measured at fair value through other comprehensive income	12,332	1	(68,479)	(6)
8349	Income tax related to items that may not be reclassified (Note 4 and 25)	(178)	-	(1,182)	-
		<u>13,046</u>	<u>1</u>	<u>(63,751)</u>	<u>(6)</u>
8360	Items that may be subsequently reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(561)	-	547	-
8399	Income tax related to items that may be reclassified (Notes 4 and 25)	<u>112</u>	<u>-</u>	<u>(110)</u>	<u>-</u>
		<u>(449)</u>	<u>-</u>	<u>437</u>	<u>-</u>
8300	Other comprehensive income (after tax) for the year	12,597	1	(63,314)	(6)
8500	The Consolidated Total Comprehensive Income for the Year	\$ 257,822	14	\$ 68,914	6
8610	Net Profit Attributable to the Owner of the Company	<u>\$ 245,225</u>	<u>13</u>	<u>\$ 132,228</u>	<u>12</u>
8710	The Total Comprehensive Profit and Loss Attributable to the Owner of the Company	<u>\$ 257,822</u>	<u>14</u>	<u>\$ 68,914</u>	<u>6</u>
	Earnings per Share (Note 26)				
9750	Basic	<u>\$ 4.38</u>		<u>\$ 2.36</u>	
9850	Dilution	<u>\$ 4.33</u>		<u>\$ 2.33</u>	

The accompanying Notes are an integral part of these consolidated financial statements.

Chairman: Lin, Kuan-Ming

Manager: Young, Yu-Che

Head of Accounting: Chen, Yun-Chen

RUBY TECH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Code	Description	Capital Surplus						Retained Earnings		Other Equity Interest		
		Capital – Common Stock	Share Premium	Received Gift(s)	Treasury Share Transactions	Legal Reserve	Undistributed Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) from Financial Assets	Measured at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
		\$ 544,712	\$ 26,756	\$ 173	\$ 12,040	\$ 149,942	\$ 245,352	(\$ 2,486)	\$ 145,284	(\$ 2,341)	\$ 1,119,432	
A1	Balance as of January 1, 2022											
	Appropriation and distribution of earnings for 2021											
B1	Legal reserve	-	-	-	-	15,885	(15,885)	-	-	-	-	-
B5	Shareholders' cash dividends	-	-	-	-	-	(119,665)	-	-	-	-	(119,665)
D1	Net profit for 2022	-	-	-	-	-	132,228	-	-	-	-	132,228
D3	Other comprehensive income (loss) after tax for 2022	-	-	-	-	-	4,728	437	(68,479)	-	-	(63,314)
D5	Total comprehensive income for 2022	-	-	-	-	-	136,956	437	(68,479)	-	-	68,914
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income.	-	-	-	-	-	59,518	-	(59,518)	-	-	-
Z1	Balance as of December 31, 2022	544,712	26,756	173	12,040	165,827	306,276	(2,049)	17,287	(2,341)	-	1,068,681
	Appropriation and distribution of earnings for 2022											
B1	Legal reserve	-	-	-	-	19,647	(19,647)	-	-	-	-	-
B5	Shareholders' cash dividends	-	-	-	-	-	(119,665)	-	-	-	-	(119,665)
B9	Shareholders' share dividends	16,318	-	-	-	-	(16,318)	-	-	-	-	-
D1	Net Profit for 2023	-	-	-	-	-	245,225	-	-	-	-	245,225
D3	Other comprehensive income (loss) after tax for 2023	-	-	-	-	-	714	(449)	12,332	-	-	12,597
D5	Total comprehensive income for 2023	-	-	-	-	-	245,939	(449)	12,332	-	-	257,822
Q1	Disposal of investments in equity instruments at fair value through other comprehensive income.	-	-	-	-	-	9,164	-	(9,164)	-	-	-
Z1	Balance as of December 31, 2023	\$ 561,030	\$ 26,756	\$ 173	\$ 12,040	\$ 185,474	\$ 405,749	(\$ 2,498)	\$ 20,455	(\$ 2,341)	-	\$ 1,206,838

The accompanying Notes are an integral part of these consolidated financial statements.

Chairman: Lin, Kuan-Ming

Manager: Young, Yu-Che

Head of Accounting: Chen, Yun-Chen

RUBY TECH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

January 1 to December 31, 2023 and 2022

Unit: NT\$ thousand

Code		2023	2022
Cash Flows from Operating Activities			
A10000	Net profit before tax for the year	\$ 305,938	\$ 155,470
A20010	Income and expense items:		
A20100	Depreciation expense	14,761	13,468
A20200	Amortization expenses	1,877	2,417
A20300	Expected credit impairment losses	1,933	29
A20400	Net (gains) losses on financial assets at fair value through profit or loss	(6,827)	20,595
A20900	Finance costs	46	24
A21200	Interest income	(10,824)	(4,435)
A21300	Dividend revenue	(2,918)	(4,505)
A23700	Loss for inventory depreciation and slow-moving inventories	25,375	7,022
A24100	Unrealized foreign exchange net losses	12,360	1,697
A29900	Net pension costs unprovided	(996)	(962)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(3,216)	(328)
A31150	Accounts receivable	(269,488)	(35,538)
A31180	Other receivables	104,039	(32,859)
A31200	Inventories	(61,200)	(63,831)
A31240	Other current assets	(3,214)	448
A32125	Contract liabilities - current	(4,939)	(7,456)
A32130	Notes payable	28,249	(8,873)
A32150	Accounts payable	24,323	25,021
A32180	Other payables	38,577	(526)
A32200	Provisions for liabilities - current	449	189
A32230	Other Current Liabilities	1,144	327
A33000	Operating cash flows	195,449	67,394
A33100	Interest income	11,178	3,883
A33300	Interest paid	(46)	(24)
A33500	Income tax paid	(23,901)	(26,147)
AAAA	Net cash inflows from operating activities	<u>182,680</u>	<u>45,106</u>
Cash Flows from Investing Activities			
B00010	Gain on financial assets at fair value through other comprehensive income	(29,967)	(5,577)
B00020	Disposal of financial assets at fair value through other comprehensive income	33,566	76,888
B00040	Obtain financial assets measured at amortized cost	(61,592)	(166)
B00050	Disposal of financial assets measured at amortized cost	-	16,267
B00100	Obtain financial assets at fair value through profit or loss	(766)	(15,415)
B00200	Disposal of financial assets measured at fair value through profit or loss	8,934	9,140
B02700	Procurement of property, plant, and equipment	(12,582)	(9,315)
B03700	Increase in refundable deposits	(420)	(1,550)
B04500	Procurement of intangible assets	(756)	(3,928)
B07600	Receipt other dividends	2,918	4,505
BBBB	Net cash flows (used in) from investing activities	<u>(60,665)</u>	<u>70,849</u>
Cash Flows from Financing Activities			
C03100	Deposit refunded	(5)	(25)
C04020	Repayment of the principal portion of lease liabilities	(4,177)	(3,345)
C04500	Distribution of cash dividends	<u>(119,665)</u>	<u>(119,665)</u>
CCCC	Cash outflows from financing activities.	<u>(123,847)</u>	<u>(123,035)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(2,125)</u>	<u>(1,004)</u>
EEEE	Net decrease in cash and cash equivalents	<u>(3,957)</u>	<u>(8,084)</u>
E00100	Cash and cash equivalent balances at the beginning of the year	<u>290,288</u>	<u>298,372</u>
E00200	Cash and cash equivalent balances at the end of the year	<u>\$ 286,331</u>	<u>\$ 290,288</u>

The accompanying Notes are an integral part of these consolidated financial statements.

Chairman: Lin, Kuan-Ming

Manager: Young, Yu-Che

Head of Accounting: Chen, Yun-Chen

RUBY TECH CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the period from January 1 to December 31, 2023 and 2022.

(Unless otherwise noted, amounts are in thousands of New Taiwan dollars)

1. Company History

Ruby Tech Corp. (hereinafter referred to as the “Company”) was established in Taipei in July 1981, and commenced operations in the same month, with its principal business being the research, manufacturing, and trading of optical fiber network equipment for central offices and customer premises, network management switches, and outdoor wireless networking equipment.

The company’s shares have been traded on the TPEx since September 8, 2009.

The consolidated financial statements are expressed in New Taiwan dollars, the functional currency of the Company.

2. Date and Procedures for Approving Financial Reports

The consolidated financial report was approved by the Board of Directors on February 27, 2024.

3. New Standards, Amendments and Interpretations Adoptions

(1) First-time adoption of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations (IFRIC), and Standing Interpretations Committee (SIC) (hereinafter referred to as “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as “FSC”).

The revised IFRSs accounting standards endorsed and issued by the FSC and effective for the merged company will not result in significant changes to the accounting policies of the merged company.

(2) IFRSs approved by the FSC applicable in 2024:

New/Amendment/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendment to IAS 1 “Non-Current Liabilities with Covenants”	January 1, 2024
Amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the newly issued/amended/revised standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: The seller-lessee should retrospectively apply the amendments to IFRS 16 to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The disclosure requirements are partially exempted when this amendment is applied for the first time.

1. Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”

The amendment clarifies that for a sale and leaseback transaction, if the transfer of an asset satisfies the requirements in IFRS 15 “Revenue from Contracts with Customers” to be accounted for as a sale of the asset, the liability arising from the leaseback for the seller-lessee shall be accounted for in accordance with the lease liability requirements under IFRS 16. However, if the lease payments involve payments that are not based on an index or rate, the seller-lessee shall measure the liability in a manner that does not recognize any gain or loss relating to the right of use retained. Subsequently, the difference between the lease payments included in the calculation of the lease liability and the actual payments shall be recognized in profit or loss.

2. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (2020 amendments) and “Non-current Liabilities with Covenants” (2022 amendments)

The amended text in 2020 clarifies that when determining whether a liability shall be classified as non-current, an entity shall assess whether it has the right to defer settlement of the liability for at least twelve months after the reporting period. If the entity has such a right at the end of the reporting period, the liability is classified as non-current, regardless of whether the entity expects to exercise that right.

The amendments in 2020 further stipulates that if the merged company must comply with specific conditions in order to have the right to defer debt settlement, the merged company must have complied with the specific conditions at the end of the reporting period, even if the lender tests whether the merged company complies with these conditions at a later date. The 2022 amendment further clarifies that only the contractual terms that must be complied with before the end of the reporting period will affect the classification of liabilities. While the contractual terms that must be complied with within 12 months after the reporting period do not affect the classification of liabilities, relevant information must be disclosed to enable financial statement users to understand the risk that the company may not comply with the contractual terms and have to repay within 12 months after the reporting period.

The 2020 amendment stipulates that, for the purpose of liability classification, the aforementioned settlement refers to the transfer of cash, other economic resources, or the Company’s equity instruments to the counterparty, resulting in the extinguishment of the liability. However, if the terms of the liability could result in its settlement by the transfer of equity instruments of the consolidating company at the option of the counterparty, and if that option meets the criteria for separate

recognition in equity under IAS 32 “Financial Instruments: Presentation,” then such a term does not affect the classification of the liability.

3. Amendment to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

The characteristics of a supplier finance arrangement are that one or more finance providers undertake to pay amounts owed by an entity to its suppliers, and the entity undertakes to pay the finance providers on the dates that the suppliers are paid, or at a later date, in accordance with the terms and conditions of the arrangement. The amendment requires that a consolidated entity discloses information that enables users of financial statements to evaluate the effect of supplier finance arrangements on the consolidated entity’s liabilities, cash flows and liquidity risk exposure.

In addition to the aforementioned effects, as of the issue date of these consolidated financial statements, the Group assessed that the amendments to other standards and interpretations will not have a material impact on its financial position and financial performance.

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

New/Amendment/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 confirmed
IFRS 17 “Insurance Contracts”	January 1, 2023
IFRS 17 “Amendments”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendment to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the newly issued/amended/revised standards or interpretations are effective for annual reporting periods beginning on or after the respective dates.

Note 2: Applicable to annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendment, the cumulative effect will be recognized in retained earnings at the date of initial application. When the consolidated entity has a presentation currency other than its functional currency, the cumulative effect will be recognized as part of the foreign currency translation reserve within equity.

1. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

If the merged company sells or contributes assets to an associate (or joint venture), or if the merged company loses control over a subsidiary but retains significant influence (or joint control) over that subsidiary, and if the aforementioned assets or former subsidiary meet the definition of a “business” under IFRS 3 “Business Combinations,” the merged company shall fully recognize the gains or losses arising from such transactions.

Furthermore, if the merged company sells or contributes assets to an associate (or a joint venture), or if the merged company loses control of a subsidiary in a transaction with an associate (or a joint venture) while retaining significant influence (or joint control) over the subsidiary, and if the aforementioned assets or the former subsidiary do not meet the definition of a “business” under IFRS 3, the merged company shall recognize the resulting gain or loss only to the extent of the unrelated investors’ interests in that associate (or joint venture), i.e., the portion of the gain or loss attributable to the interest of the merged company shall be eliminated.

2. Amendment to IAS 21 “Lack of Exchangeability”

The amendment specifies that when an enterprise can enter into an exchange transaction with an executable right and obligation through the market or exchange mechanism within the normal management delay period to exchange one currency for another, the currency is considered convertible. If a currency is not convertible on the measurement date, the consolidated entity shall estimate the spot exchange rate to reflect the rate that market participants would use in an orderly transaction under the economic conditions at the measurement date. In this case, the consolidated entity shall also disclose information that enables financial statement users to evaluate how the lack of convertibility of the currency affects or is expected to affect its operating results, financial position, and cash flows.

In addition to the aforementioned effects, as of the date of issuance of the consolidated financial statements, the Group is still evaluating the impact of other amendments to standards and interpretations on its financial position and financial performance. The relevant impacts will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

This consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS) endorsed and issued into effect by the Financial Supervisory Commission.

(2) Basis of Preparation

Except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets, these consolidated financial statements have been prepared on the historical cost basis.

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

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
2. 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. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs refers to an unobservable input for an asset or liability.

(3) The Criteria for Classification of Assets and Liabilities as Current or Non-Current

Current assets including:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within twelve months after the balance sheet date; and
3. Cash and cash equivalents (excluding those restricted for exchange or settlement of liabilities due after more than 12 months from the balance sheet date).

Current liabilities including:

1. Liabilities held primarily for trading purposes.
2. Liabilities due for settlement within 12 months after the balance sheet date, and
3. Liabilities that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

Assets or liabilities that are not classified as current assets or current liabilities are classified as non-current assets or non-current liabilities.

(4) Merger Basis

This consolidated financial statement includes the financial statements of the Company and entities controlled by the Company (subsidiaries). The financial statements of the subsidiaries have been adjusted to align their accounting policies with those of the merged company. In preparing the consolidated financial statements, all intra-group transactions, account balances, revenues, and expenses have been fully eliminated.

When the change in the ownership interest of a subsidiary does not result in a loss of control for the parent company, it is accounted for as an equity transaction. The carrying amounts of the parent's equity and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

Details of subsidiaries, shareholding ratios, and business operations are provided in Note 12 and Appendix 3.

(5) Foreign Currency

At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate; non-monetary items that are measured in terms of historical cost shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value shall be translated using the exchange rates at the date when the fair value was measured.

At the end of each reporting period, foreign currency monetary items are translated at the closing rate of exchange. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the translation of such items are recognized in profit or loss for the period, except for exchange differences arising on the translation of items whose fair value changes are recognized in other comprehensive income, in which case such exchange differences are recognized in other comprehensive income.

At the cost of historical measurement, foreign currency non-monetary items are translated at the exchange rates prevailing on the transaction dates and are not restated.

When preparing consolidated financial statements, the assets and liabilities of the Company and its foreign operations are translated into New Taiwan Dollars at the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, and the resulting exchange differences are recognized in other comprehensive income.

(6) Inventories

Inventories consist of merchandise, finished goods, work in progress, and raw materials. Inventories are measured at the lower of cost and net realizable value. The comparison between cost and net realizable value is conducted on an item-by-item basis, except for items within the same category of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted-average method.

(7) Property, Plant and Equipment

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

Except for self-owned land, which is not depreciated, depreciation of property, plant and equipment is provided on a straight-line basis over the estimated useful lives of each major component. The consolidated entities review the estimated useful lives, residual

values and depreciation methods at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the period.

(8) Intangible Assets

1. Acquired Separately

Intangible assets with finite useful lives acquired separately are initially measured 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 estimated useful lives, and the merged company reviews the estimated useful lives, residual values, and amortization methods at the end of each year, and prospectively applies the effects of changes in accounting estimates. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

2. Derecognition

When an intangible asset is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the current period.

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

The merged 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 be impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of an individual asset, the merged company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For intangible assets with indefinite useful lives, impairment tests are conducted at least annually and whenever there is an indication of impairment.

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

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit

in prior years, net of amortization or depreciation. A reversal of an impairment loss is recognized in profit or loss.

(10) Financial Instruments

The financial assets and financial liabilities are recognized on the consolidated balance sheet when the merged company becomes a party to the contractual provisions of the instrument.

When originally recognizing financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus directly attributable transaction costs incurred in acquiring or issuing the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

The conventional trading of financial assets adopts trade date accounting for recognition and derecognition.

(1) Types of Measurement

The types of financial assets held by the merged company are financial assets at fair value through profit or loss, financial assets measured at amortized cost, and equity instrument investments at fair value through other comprehensive income.

A. Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss. Financial assets mandatorily measured at fair value through profit or loss include investments in equity instruments not designated as at fair value through other comprehensive income.

Through profit or loss, financial assets at fair value are measured at fair value, with dividends and interest recognized as other income and interest income, respectively, while remeasurement gains or losses are recognized as other gains and losses. For the determination of fair value, please refer to Note 28.

B. Financial Assets at Amortized Cost

The following sentence is classified as financial assets measured at amortized cost. If the merged company's investments in financial assets meet the following two conditions simultaneously:

- a. are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable and other receivables) are measured at amortized cost less any impairment loss after initial recognition, with any foreign exchange gain or loss recognized in profit or loss, using the effective interest method to determine the total carrying amount.

Except for the following two situations, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.
- b. For financial assets that were not purchased or originated as credit-impaired, but subsequently became credit-impaired, interest revenue should be calculated by applying the effective interest rate to the amortized cost of the financial assets from the reporting period after the credit impairment occurred.

Cash equivalents include time deposits and securities sold under repurchase agreements that are highly liquid and can be converted into fixed amounts of cash at any time with minimal risk of value changes within three months from the date of acquisition, and are used to meet short-term cash commitments.

C. Equity Investments Measured at Fair Value Through Other Comprehensive Income

An acquirer may, at initial recognition, irrevocably designate an equity investment that is not held for trading and is contingent consideration in a business combination, to be measured at fair value through other comprehensive income.

The investments in equity instruments at fair value through other comprehensive income are measured at fair value, with subsequent fair value changes presented in other comprehensive income and accumulated in other equity. Upon disposal of the investments, the accumulated gains or

losses are directly transferred to retained earnings, not reclassified to profit or loss.

The dividend from investment in equity instruments measured at fair value through other comprehensive income is recognized in profit or loss when the merged company's right to receive payment is established, unless the dividend clearly represents a recovery of part of the investment cost.

(2) Impairment of Financial Assets

The merged company assess impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date.

Accounts receivable are recognized with an allowance for expected credit losses over the remaining period. For other financial assets, an assessment is made at each reporting date as to whether the credit risk has increased significantly since initial recognition. If credit risk has not increased significantly, an allowance for 12-month expected credit losses is recognized.

The expected credit loss is a weighted average credit loss with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss arising from possible default events within 12 months after the reporting date of the financial instrument, while the lifetime expected credit loss represents the expected credit losses arising from all possible default events over the expected life of the financial instrument.

For internal credit risk management purposes, the merged company determines that the following situations represent a default of a financial asset without taking into account any collateral held:

- A. There is internal or external information indicating that it is no longer probable that the debtor will be able to pay its credit obligations in full.
- B. Over 180 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

With respect to impairment of financial assets, impairment losses on all financial assets are deducted through an allowance account from their carrying amounts, except for investments in equity instruments measured at fair value through other comprehensive income, for which the impairment loss is recognized in other comprehensive income and does not reduce the carrying amount.

(3) Derecognition of Financial Assets

The entity derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another enterprise.

When a financial asset measured at amortized cost is derecognized in its entirety, the difference between its carrying amount and the consideration received is recognized in profit or loss. Upon derecognition of an investment in an equity instrument measured at fair value through other comprehensive income in its entirety, the cumulative gain or loss is directly transferred to retained earnings without reclassification to profit or loss.

2. Financial Liabilities

(1) Subsequent Measurement

All financial liabilities are measured at amortized cost using the effective interest method.

(2) Derecognition of Financial Liabilities

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

(11) Provisions for Liabilities

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

The obligation for product warranty to ensure that products comply with agreed-upon specifications is recognized as revenue for the related goods is recognized, based on management's best estimate of the expenditure required to settle the merged company's obligation.

(12) Recognition of Revenue

After identifying the performance obligations in customer contracts, the merged company will allocate the transaction price to the various performance obligations and recognize revenue as each performance obligation is satisfied.

1. Sales of Goods Revenue

Revenue from the sale of goods is derived from the sale of optical fiber network equipment. Since after fulfilling the transaction terms for optical fiber network equipment products, customers have determined pricing and usage rights for the goods and bear the primary responsibility for resale, as well as the risk of obsolescence, the merged company recognizes revenue and accounts receivable at that point. Advance receipts from product sales are recognized as contract liabilities prior to satisfying the performance obligations under the transaction terms.

During toll processing, the control of ownership over the processed products does not transfer, so revenue is not recognized at the time of toll processing.

2. Provision of Services

The services revenue is derived from commodity inspection services revenue, which is recognized when the services are rendered.

(13)Leases

The merged Company assesses whether a contract is or contains a lease on the date of establishment of the contract..

1. The Combined Company as the Lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under operating leases, lease payments, net of lease incentives received, are recognized as income on a straight-line basis over the respective lease terms.

2. The Merged Company as the Lessee

Except for low-value asset leases and short-term leases to which recognition exemptions apply, and for which lease payments are recognized as an expense on a straight-line basis over the lease term, right-of-use assets and lease liabilities are recognized for all other leases at the commencement date of the lease.

The right-of-use assets are initially measured at cost (including the initial measurement amount of the lease liabilities, lease payments made before the lease commencement date less any lease incentives received, initial direct costs, and estimated costs for restoring the underlying asset), and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with adjustments for any remeasurement of the lease liabilities. Right-of-use assets are presented separately in the consolidated balance sheets.

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

Subsequently, the lease liabilities are measured at amortized cost using the effective interest method, and interest expenses are allocated over the lease term. The lease liability is presented separately on the consolidated balance sheet.

(14) Employee Benefits

1. Short-Term Employee Benefits

The short-term employee benefits related liabilities are measured at the undiscounted amount of the consideration expected to be paid in exchange for that service rendered by employees.

2. Retirement Benefits

The retirement benefits under the defined contribution pension plan are recognized as expenses when employees have rendered services entitling them to the contributions.

The defined benefit costs (including service cost, net interest, and remeasurements) of the defined benefit retirement plan are actuarially calculated using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense when incurred. Remeasurements (including actuarial gains and losses and return on plan assets excluding interest) are recognized in other comprehensive income and included in retained earnings when incurred, and will not be reclassified to profit or loss subsequently.

The net defined benefit liability (asset) is the deficit (surplus) of the defined benefit retirement plan. The net defined benefit asset may not exceed the present value of any available future refund or reduction in contributions to the plan.

(15) Income Tax

The income tax expense is the sum of current income tax and deferred income tax.

1. Current Income tax

The merged company determine the current income based on the regulations established in each income tax filing jurisdiction, and calculate the income tax payable accordingly.

According to the Income Tax Act of the Republic of China, the undistributed earnings additional tax is recognized in the year of shareholders' resolution.

The adjustment of prior years' income tax payable is included in the current income tax.

2. Deferred Tax

Deferred income tax is calculated based on the temporary differences between the carrying amounts of assets and liabilities and their respective tax bases used in the computation of taxable income.

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the merged 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. Deferred tax assets relating to such investments are recognized 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets that were previously unrecognized are also reviewed at each balance sheet date, and the carrying amount is increased to the extent that it has become probable that future taxable profit will allow the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted as of 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 merged company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and Deferred Income Taxes

The current and deferred income taxes shall be recognized in profit or loss, except for those related to items recognized in other comprehensive income or directly in equity, which shall be respectively recognized in other comprehensive income or directly in equity.

5. Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

In applying accounting policies, management of the merged company is required to make judgments, estimates and assumptions about matters that are inherently uncertain due to a lack of available information from other sources, based on historical experience and other relevant factors. Actual results may differ from these estimates.

The management will continually review the estimates and basic assumptions. If the modification of estimates affects only the current period, it is recognized in the period of modification; if the modification of accounting estimates affects both the current period and future periods, it is recognized in the period of modification and future periods.

Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

Impairment of Inventories

The net realizable value of inventories is estimated based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale, which is estimated based on current market conditions and historical sales experience of similar products. Changes in market conditions may materially impact these estimates.

6. Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on Hand and Working Capital	\$ 368	\$ 373
Checks and demand deposits	21,426	17,405
Cash equivalents		
Bank time deposits with an original maturity within 3 months	149,000	156,672
Securities sold under repurchase agreements	<u>115,537</u>	<u>115,838</u>
	<u><u>\$ 286,331</u></u>	<u><u>\$ 290,288</u></u>

The market interest rate ranges for bank deposits and securities sold under repurchase agreements on the balance sheet date are as follows:

	December 31, 2023	December 31, 2022
Cash in Banks	0.005%-1.45%	0.005%-5.20%
Securities sold under repurchase agreements	0.71%-5.50%	0.54%-3.50%

7. Current Financial Assets Measured at Fair Value Through Profit or Loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Domestic Investment</u>		
Domestic listed (OTC) and emerging shares	\$ 4,911	\$ 15,430
Domestic unlisted shares	<u>28,710</u>	<u>19,532</u>
	<u><u>\$ 33,621</u></u>	<u><u>\$ 34,962</u></u>

The merged company recognized dividend income of \$1,042 thousand and \$1,042 thousand for the years 2023 and 2022, respectively, which were entirely related to those still held as of December 31, 2023 and 2022.

8. Current Financial Assets Measured at Fair Value Through Other Comprehensive Income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Domestic Investment</u>		
Domestic listed (OTC) and emerging shares	\$ 27,086	\$ 47,531
Domestic unlisted shares	<u>48,710</u>	<u>19,532</u>
	<u><u>\$ 75,796</u></u>	<u><u>\$ 67,063</u></u>

The merged company invests for medium- and long-term strategic purposes and expects to make profits through long-term investment. The management of the merged company believes that recognizing short-term fair value fluctuations in profit or loss would be inconsistent with the aforementioned long-term investment plans. Therefore, they choose to designate these investments as measured at fair value through other comprehensive income.

The merged Company recognized dividend income of \$1,876 thousand and \$3,463 thousand for the years ended December 31, 2023 and 2022, respectively. Of the dividend income recognized in 2022, \$2,050 thousand was related to investments that have been fully disposed of, while the remaining amounts were related to investments still held as of December 31, 2023 and 2022, respectively.

9. Financial Assets at Amortized Cost - Current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits with original maturities over 3 months (1)	\$231,831	\$171,420
Pledged time deposit certificates (2)	<u>16,000</u>	<u>16,000</u>
	<u><u>\$247,831</u></u>	<u><u>\$187,420</u></u>

- (1) As of December 31, 2023 and December 31, 2022, the range of interest rates on time deposits with original maturities over 3 months was 1.30% to 5.62% and 1.195% to 1.55% per annum, respectively.
- (2) As of December 31, 2023 and 2022, the interest rate ranges for pledged time deposits were 1.16% to 1.565% and 1.035% to 1.44% per annum, respectively. For information on pledged financial assets measured at amortized cost, refer to Note 30.

10. Notes Receivable, Accounts Receivable and Other Receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes Receivable</u>		
Arising from operations.	\$ 3,547	\$ 331
<u>Accounts Receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 353,706	\$ 96,857
Less: Allowance for loss	(2,172)	(94)
	<u>\$ 351,534</u>	<u>\$ 96,763</u>
<u>Other Receivables</u>		
Other receivables - Hua Nan Commercial Bank	\$ 28,415	\$ 132,087
Receivable tax refund - business tax	4,665	6,143
Others	<u>312</u>	<u>620</u>
	33,392	138,850
Less: Allowance for loss	-	-
	<u>\$ 33,392</u>	<u>\$ 138,850</u>

Accounts Receivable

The merged company's average credit period for sales of goods and finished products ranges from 30 to 60 days. The policy adopted by the merged company is to rate major customers using available financial information and historical transaction records.

To mitigate credit risk, the management of the merged company assigned a dedicated unit to determine credit limits, approve credit, and implement other monitoring procedures to ensure appropriate actions were taken to recover overdue receivables. Additionally, the merged company reviews the recoverable amount of receivables on the balance sheet date to ensure that appropriate impairment losses are provided for uncollectible receivables. When necessary, the company also purchases factoring contracts or credit insurance to reduce the risk of financial losses arising from defaults. Consequently, the management of the merged company believes that its credit risk has been significantly reduced.

The merged company adopts the simplified approach under IFRS 9 to recognize the allowance for expected credit losses on accounts receivable over the duration. Expected credit losses over the duration are calculated using a provision matrix that considers the customer's past default records, current financial position, industry economic situation, and also takes into account GDP forecasts and industry prospects. As the merged company's credit loss experience shows no significant difference in the loss pattern across different customer groups, the provision matrix is not further differentiated by customer groups, but is determined by the number of days past due of accounts receivable.

If there is evidence that the counterparty is in severe financial difficulty and the merged company cannot reasonably expect to recover the amount, for example, if the counterparty is

undergoing liquidation or the debt is overdue for more than 180 days, the merged company recognizes a 100% allowance for credit losses. However, collection activities will continue, and any amount recovered from the collection will be recognized in profit or loss.

The merged company measures the allowance for doubtful accounts receivable as follows:

December 31, 2023

	Not Overdue	1 to 30 Days Overdue	31 to 60 Days Overdue	61 to 90 Days Overdue	91 to 180 Days Overdue	Overdue for More Than 181 Days	Total
Expected credit losses	0.03%	0.13%	1.16%	3.30%	21.16%	100%	
Total carrying amount	\$ 291,979	\$ 58,853	\$ 307	\$ 589	\$ -	\$ 1,978	\$ 353,706
Allowance for losses (expected credit losses during the duration)	(91)	(80)	(3)	(20)	(-)	(1,978)	(2,172)
Amortized cost	<u>\$ 291,888</u>	<u>\$ 58,773</u>	<u>\$ 304</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,534</u>

December 31, 2022

	Not Overdue	1 to 30 Days Overdue	31 to 60 Days Overdue	61 to 90 Days Overdue	91 to 180 Days Overdue	Overdue for More Than 181 Days	Total
Expected credit losses	0.03%	0.13%	1.16%	3.30%	13.39%	100%	
Total carrying amount	\$ 66,295	\$ 27,585	\$ 2,975	\$ -	\$ -	\$ 2	\$ 96,857
Allowance for losses (expected credit losses during the duration)	(21)	(36)	(35)	(-)	(-)	(2)	(94)
Amortized cost	<u>\$ 66,274</u>	<u>\$ 27,549</u>	<u>\$ 2,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,763</u>

The changes in allowance for doubtful accounts are as follows:

	2023	2022
Year-begin balance	\$ 94	\$ 65
Add: Provision for impairment losses in the current year	<u>2,078</u>	<u>29</u>
Year-end balances	<u>\$ 2,172</u>	<u>\$ 94</u>

Compared to the beginning balance, the total carrying amount of accounts receivable increased by \$256,849 thousand and \$33,762 thousand as of December 31, 2023 and 2022, respectively, and the allowance for losses increased by \$2,078 thousand and \$29 thousand, respectively.

Other Receivables

The other receivables of the merged company as of December 31, 2023 and 2022 mainly consisted of receivables from discounted bills and tax refunds receivable. Except for tax refunds receivable, the remaining receivables were mostly within 90 days (based on the entry date).

The merged company measures the allowance for doubtful accounts for other receivables based on the probability of collection. After evaluating the probability of collection, it is unlikely that the accounts will be uncollectible, so no allowance for doubtful accounts is required.

The merged company shall refer to Note 28 (5) Financial Asset Transfer Information for the amount of accounts receivable sold and related information.

11. Inventories

	December 31, 2023	December 31, 2022
Merchandise	\$ 718	\$ 851
Finished good	116,551	22,280
Work in progress	31,097	33,703
Raw materials	<u>190,814</u>	<u>246,521</u>
	<u><u>\$ 339,180</u></u>	<u><u>\$ 303,355</u></u>

The nature of cost of goods sold is as follows:

	2023	2022
Cost of goods sold	\$ 1,214,473	\$ 687,673
Loss for inventory depreciation and slow-moving inventories	<u>25,375</u>	<u>7,022</u>
	<u><u>\$ 1,239,848</u></u>	<u><u>\$ 694,695</u></u>

The net realizable value of inventories decreased in 2023 and 2022 due to the recognition of inventory valuation losses resulting from an increase in the age of inventories.

12. Subsidiaries

Subsidiaries Included in the Consolidated Financial Statements

The entities that shall be included in the consolidated financial statements are as follows:

Name of Investee	Name of Subsidiaries	Business Nature	Percentage of Shareholding	
			December 31, 2023	December 31, 2022
Ruby Tech Corp.	GRAND IMPACT TECHNOLOGY LIMITED	Investment in related businesses	100%	100%
GRAND IMPACT TECHNOLOGY LIMITED	Ruby Tech (Beijing) Co., Ltd.	Computer peripheral equipment trading business.	100%	100%

13. Property, Plant and Equipment

	Self-Owned Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Lease Improvements	Other Equipment	Equipment Awaiting Inspection (Work in Progress)	Total
<u>Cost</u>									
Balance as of January 1, 2023	\$ 185,892	\$ 87,080	\$ 37,287	\$ 5,274	\$ 11,954	\$ 974	\$ 29,894	\$ -	\$358,355
Addition	-	-	2,530	-	245	-	9,807	-	12,582
Disposal	-	-	(163)	-	(109)	-	(821)	-	(1,093)
Net exchange differences	—	(747)	—	—	(21)	—	—	—	(768)
Balance as of December 31, 2023	<u>\$185,892</u>	<u>\$ 86,333</u>	<u>\$ 39,654</u>	<u>\$ 5,274</u>	<u>\$ 12,069</u>	<u>\$ 974</u>	<u>\$ 38,880</u>	<u>\$ -</u>	<u>\$369,076</u>
<u>Accumulated Depreciation</u>									
Balance as of January 1, 2023	\$ -	\$ 39,231	\$ 25,887	\$ 4,262	\$ 8,792	\$ 840	\$ 23,824	\$ -	\$102,836
Depreciation expense	-	2,845	3,155	270	828	134	3,339	-	10,571
Disposal	-	-	(163)	-	(109)	-	(821)	-	(1,093)
Net exchange differences	—	(319)	—	—	(19)	—	—	—	(338)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 41,757</u>	<u>\$ 28,879</u>	<u>\$ 4,532</u>	<u>\$ 9,492</u>	<u>\$ 974</u>	<u>\$ 26,342</u>	<u>\$ -</u>	<u>\$111,976</u>
Net amount as of December 31, 2023	<u>\$185,892</u>	<u>\$ 44,576</u>	<u>\$ 10,775</u>	<u>\$ 742</u>	<u>\$ 2,577</u>	<u>\$ -</u>	<u>\$ 12,538</u>	<u>\$ -</u>	<u>\$257,100</u>
<u>Cost</u>									
Balance as of January 1, 2022	\$ 185,892	\$ 78,132	\$ 33,755	\$ 5,274	\$ 10,550	\$ 974	\$ 33,553	\$ 7,566	\$355,696
Addition	-	3,712	4,060	-	661	-	732	150	9,315
Reclassification	-	4,553	-	-	1,135	-	2,028	(7,716)	-
Disposal	-	-	(528)	-	(411)	-	(6,419)	-	(7,358)
Net exchange differences	—	683	—	—	19	—	—	—	702
Balance as of December 31, 2022	<u>\$185,892</u>	<u>\$ 87,080</u>	<u>\$ 37,287</u>	<u>\$ 5,274</u>	<u>\$ 11,954</u>	<u>\$ 974</u>	<u>\$ 29,894</u>	<u>\$ -</u>	<u>\$358,355</u>
<u>Accumulated Depreciation</u>									
Balance as of January 1, 2022	\$ -	\$ 36,053	\$ 23,563	\$ 3,992	\$ 8,413	\$ 620	\$ 27,152	\$ -	\$ 99,793
Depreciation expense	-	2,919	2,852	270	772	220	3,091	-	10,124
Disposal	-	-	(528)	-	(411)	-	(6,419)	-	(7,358)
Net exchange differences	—	259	—	—	18	—	—	—	277
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 39,231</u>	<u>\$ 25,887</u>	<u>\$ 4,262</u>	<u>\$ 8,792</u>	<u>\$ 840</u>	<u>\$ 23,824</u>	<u>\$ -</u>	<u>\$102,836</u>
Net amount as of December 31, 2022	<u>\$185,892</u>	<u>\$ 47,849</u>	<u>\$ 11,400</u>	<u>\$ 1,012</u>	<u>\$ 3,162</u>	<u>\$ 134</u>	<u>\$ 6,070</u>	<u>\$ -</u>	<u>\$255,519</u>

In 2023 and 2022, as there were no indications of impairment, the merged company did not perform an impairment assessment.

The depreciation expenses are provided on a straight-line basis over the following estimated useful lives:

Buildings	
Plant main buildings	21 - 50 years
Electromechanical Power Equipment	5 - 8 years
Engineering systems	3 - 5 years
Parking Lot	18 years
Machinery and equipment	3 - 5 years
Transportation equipment	5 years
Office Equipment	3 - 8 years
Lease improvements	Over the shorter of the useful life or lease term
Other Equipment	3 years

14. Lease Agreements

(1) Right-Of-Use Assets

	December 31, 2023	December 31, 2022
Carrying amount of right-of-use asset		
Buildings	\$ 5,833	\$ 935
Transportation equipment	<u>518</u>	<u>853</u>
	<u><u>\$ 6,351</u></u>	<u><u>\$ 1,788</u></u>
	 2023	 2022
Additions to right-of-use assets	<u><u>\$ 8,753</u></u>	<u><u>\$ 1,007</u></u>
Depreciation expense of right-of-use assets		
Buildings	\$ 3,855	\$ 2,673
Transportation equipment	<u>335</u>	<u>671</u>
	<u><u>\$ 4,190</u></u>	<u><u>\$ 3,344</u></u>

In addition to the increases and recognition of depreciation expenses as listed above, the merged company did not experience any significant subleases or impairment of its right-of-use assets in 2023 and 2022.

(2) Lease Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 4,717</u>	<u>\$ 1,270</u>
Non-current	<u>\$ 1,649</u>	<u>\$ 520</u>

The discount rate range for lease liabilities is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.00%	0.125% ~ 0.25%
Transportation equipment	0.75%	0.75%

The merged company leased several buildings for use as factories, with a lease term of 2 years. At the end of the lease term, the merged company does not have the preferential right to purchase the leased buildings, and it is agreed that without the consent of the lessor, the merged company shall not sublease, transfer, assign or use the leased property in whole or in part by others in any other way.

The merged company also leases transportation equipment for use as official vehicles, with a lease term of 3 years.

(3) Other Lease Information

	<u>2023</u>	<u>2022</u>
Short-term lease expense	<u>\$ 239</u>	<u>\$ -</u>
Low-value asset lease expenses	<u>\$ 73</u>	<u>\$ 98</u>
Total cash outflow from leases	<u>\$ 4,535</u>	<u>\$ 3,451</u>

The merged company chose to apply the recognition exemption for leases of low-value assets and certain office equipment that qualify as short-term leases, without recognizing the related right-of-use assets and lease liabilities for those leases.

15. Other Intangible Assets

	Trademarks	Patents	Computer Software Cost	Golf Club Membership Certificate	Total
<u>Cost</u>					
Balance as of January 1, 2023	\$ 500	\$ 1,705	\$ 27,614	\$ 2,900	\$ 32,719
Acquired separately	-	-	756	-	756
Disposal	<u>-</u>	<u>-</u>	(<u>871</u>)	<u>-</u>	(<u>871</u>)
Balance as of December 31, 2023	<u>\$ 500</u>	<u>\$ 1,705</u>	<u>\$ 27,499</u>	<u>\$ 2,900</u>	<u>\$ 32,604</u>
<u>Accumulated Amortization and Impairment</u>					
Balance as of January 1, 2023	\$ 500	\$ 423	\$ 25,634	\$ -	\$ 26,557
Amortization expenses	-	94	1,783	-	1,877
Disposal	<u>-</u>	<u>-</u>	(<u>871</u>)	<u>-</u>	(<u>871</u>)
Balance as of December 31, 2023	<u>\$ 500</u>	<u>\$ 517</u>	<u>\$ 26,546</u>	<u>\$ -</u>	<u>\$ 27,563</u>
Net amount as of December 31, 2023	<u>\$ -</u>	<u>\$ 1,188</u>	<u>\$ 953</u>	<u>\$ 2,900</u>	<u>\$ 5,041</u>
<u>Cost</u>					
Balance as of January 1, 2022	\$ 500	\$ 1,705	\$ 27,111	\$ -	\$ 29,316
Acquired separately	-	-	1,028	2,900	3,928
Disposal	<u>-</u>	<u>-</u>	(<u>525</u>)	<u>-</u>	(<u>525</u>)
Balance as of December 31, 2022	<u>\$ 500</u>	<u>\$ 1,705</u>	<u>\$ 27,614</u>	<u>\$ 2,900</u>	<u>\$ 32,719</u>
<u>Accumulated Amortization and Impairment</u>					
Balance as of January 1, 2022	\$ 500	\$ 329	\$ 23,836	\$ -	\$ 24,665
Amortization expenses	-	94	2,323	-	2,417
Disposal	<u>-</u>	<u>-</u>	(<u>525</u>)	<u>-</u>	(<u>525</u>)
Balance as of December 31, 2022	<u>\$ 500</u>	<u>\$ 423</u>	<u>\$ 25,634</u>	<u>\$ -</u>	<u>\$ 26,557</u>
Net amount as of December 31, 2022	<u>\$ -</u>	<u>\$ 1,282</u>	<u>\$ 1,980</u>	<u>\$ 2,900</u>	<u>\$ 6,162</u>

The management of the merged company believes that the company has the intention and ability to continuously extend the useful life, and thus it is an indefinite-lived intangible asset. Regardless of whether there are any impairment indications, an impairment test is performed annually. The entrance fees of \$2,200 thousand for the golf club memberships are recorded as refundable deposits.

The amortization expense is provided on a straight-line basis over the following estimated useful lives:

Trademarks	10 years
Patents	10 - 18.58 years
Computer software costs	1 - 5 years

Summarized amortization expenses by function:

	2023	2022
Operating costs	\$ 77	\$ 43
Marketing expenses	92	45
Administrative expenses	482	391
Research and development expense	<u>1,226</u>	<u>1,938</u>
	<u><u>\$ 1,877</u></u>	<u><u>\$ 2,417</u></u>

16. Other Assets

	December 31, 2023	December 31, 2022
<u>Current</u>		
Prepayments	\$ 5,948	\$ 2,808
Provisional payments	154	-
Others	<u>442</u>	<u>377</u>
	<u><u>\$ 6,544</u></u>	<u><u>\$ 3,185</u></u>
<u>Non-Current</u>		
Refundable deposits	\$ 3,814	\$ 3,396
Overdue receivables	5,675	5,675
Less: Allowance for loss	(5,675)	(5,675)
	<u><u>\$ 3,814</u></u>	<u><u>\$ 3,396</u></u>

Overdue receivables are collected by the merged company in accordance with legal procedures, and adequate allowances for losses are provided.

17. Notes Payable and Accounts Payable

	December 31, 2023	December 31, 2022
<u>Notes Payable</u>		
Arising from operations.	<u>\$ 96,003</u>	<u>\$ 67,754</u>
<u>Accounts Payable</u>		
Arising from operations.	<u>\$ 120,198</u>	<u>\$ 100,212</u>

The average payment terms for accounts payable of the merged company range from 30 to 90 days. The merged company have established financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

18. Other Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Other payables		
Salaries and bonus payable	\$ 45,711	\$ 35,520
Employee compensation payable	36,767	21,391
Directors' remuneration payable	6,953	3,534
Leave payment payable	4,481	4,748
Others	<u>29,032</u>	<u>19,338</u>
	<u><u>\$ 122,944</u></u>	<u><u>\$ 84,531</u></u>
Other Liabilities		
Receivables under custody	\$ 2,483	\$ 2,011
Others	<u>1,227</u>	<u>571</u>
	<u><u>\$ 3,710</u></u>	<u><u>\$ 2,582</u></u>
<u>Non-Current</u>		
Guarantee deposits received	<u><u>\$ 199</u></u>	<u><u>\$ 208</u></u>

19. Provisions for Liabilities - Current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
	<u>Year-Begin Balance</u>	<u>Provision for the Year</u>	<u>Year-End Balances</u>
<u>2023</u>			
Product warranty provision	\$ 1,133	\$ 449	\$ 1,582
<u>2022</u>			
Product warranty provision	944	189	1,133

The warranty liability reserve is the present value of the merged company's management's best estimate of future economic benefits outflows arising from warranty obligations, based on the terms of the sales contract. This estimate is based on historical warranty experience and adjusted for new materials, process changes, or other events affecting product quality.

20. Retirement Benefit Plans

(1) Defined Contribution Plans

The pension system applied by the Company under the “Labor Pension Act” is a defined contribution retirement plan administered by the government. The Company contributes 6% of employees’ monthly salaries to individual accounts at the Bureau of Labor Insurance. Employees of the merged company’s subsidiaries in China are members of a retirement benefit plan operated by the Chinese government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the plan. The merged company’s obligation for this government-operated retirement benefit plan is limited to contributing a specified amount.

(2) Defined Benefit Plan

The plan is a type of retirement plan in which an employer promises a specific monthly payment to employees upon retirement, with the amount based on factors such as the employee’s salary history and tenure with the company. The Company’s pension plan under the Labor Standards Law of Taiwan is a defined benefit pension plan administered by the government. Employee retirement benefits are calculated based on years of service and the average monthly salaries for the six months before the approved retirement date. The Company contributes an amount equal to 3% of each employee’s monthly salary to a pension fund deposited with the Bank of Taiwan in the name of the Pension Fund Supervisory Committee. Before the end of each year, if the estimated balance in the pension fund is insufficient to pay pensioners during the next , the Company will make a lump-sum payment by the end of March of the following year to cover the shortfall. The pension fund is managed by the Labor Pension Fund Supervisory Committee, and the Company has no right to influence the investment policy and strategy.

The amount included in the consolidated statement of financial position arising from the entity’s obligation in respect of defined benefit plans is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 46,545	\$ 47,223
Plan asset fair value	(34,095)	(32,885)
Net defined benefit liability	<u>\$ 12,450</u>	<u>\$ 14,338</u>

Changes in Net defined benefit liability are as follows:

	Present Value of Defined Benefit Obligation	Plan Asset Fair Value	Net Defined Benefit Liability
January 1, 2022	\$ 50,448	(\$ 29,238)	\$ 21,210
Service cost			
Service cost for the current period	176	-	176
Interest expenses (revenue)	<u>359</u>	(<u>208</u>)	<u>151</u>
Recognized in profit or loss	<u>535</u>	(<u>208</u>)	<u>327</u>
Remeasurement Amount:			
Actuarial losses - changes in financial assumptions	(3,190)	-	(3,190)
Actuarial losses - experience adjustments	(<u>570</u>)	(<u>2,150</u>)	(<u>2,720</u>)
Recognized in other comprehensive income	(<u>3,760</u>)	(<u>2,150</u>)	(<u>5,910</u>)
Contributions by employer	<u>-</u>	(<u>1,289</u>)	(<u>1,289</u>)
December 31, 2022	<u>47,223</u>	(<u>32,885</u>)	<u>14,338</u>
Service cost			
Service cost for the current period	155	-	155
Interest expenses (revenue)	<u>614</u>	(<u>428</u>)	<u>186</u>
Recognized in profit or loss	<u>769</u>	(<u>428</u>)	<u>341</u>
Remeasurement Amount:			
Actuarial losses - changes in financial assumptions	(\$ 1,805)	\$ -	(\$ 1,805)
Actuarial gains - experience adjustments	<u>1,034</u>	(<u>121</u>)	<u>913</u>
Recognized in other comprehensive income	(<u>771</u>)	(<u>121</u>)	(<u>892</u>)
Contributions by employer	<u>-</u>	(<u>1,337</u>)	(<u>1,337</u>)
Benefits payment	(<u>676</u>)	<u>676</u>	<u>-</u>
December 31, 2023	<u>\$ 46,545</u>	(<u>\$ 34,095</u>)	<u>\$ 12,450</u>

The amounts recognized in profit or loss for defined benefit plans are aggregated by function as follows:

	2023	2022
Operating costs	\$ 94	\$ 90
Marketing expenses	51	52
Administrative expenses	46	44
Research and development expense	<u>150</u>	<u>141</u>
	<u>\$ 341</u>	<u>\$ 327</u>

The merged company is exposed to the following risks due to the retirement pension system under the “Labor Standards Act”:

1. Investment Risks: The Bureau of Labor Funds, Ministry of Labor, invests labor retirement funds through self-operation and commissioned operation in domestic and foreign equity securities, debt securities, bank deposits, and other investment targets. However, the allocable amount of the merged Company's plan assets is calculated based on the returns derived from the local banks' two-year time deposit interest rates or higher.
2. "Interest Rate Risk: A decrease in government bond interest rates will increase the present value of the defined benefit obligation; however, the investment returns on debt investments of plan assets will also increase, resulting in a partial offsetting effect on the net defined benefit liability.
3. Salary Risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. Therefore, an increase in the salaries of the plan participants will lead to an increase in the present value of the defined benefit obligation.

The present value of the defined benefit obligation of the merged company is actuarially determined by a qualified actuary. The significant assumptions used for measurement are shown below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.20%	1.30%
The expected rate of return on plan assets.	1.20%	1.30%
Expected Salary Increase Rate	1.50%	2%

If significant actuarial assumptions change reasonably and favorably (unfavorably), while holding all other assumptions constant, the present value of the defined benefit obligations would increase (decrease) by the following amounts:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.5%	(\$ 1,393)	(\$ 2,189)
Decreased by 0.5%	<u>\$ 2,329</u>	<u>\$ 2,682</u>
Expected Salary Increase Rate		
Increase by 0.5%	<u>\$ 2,309</u>	<u>\$ 2,649</u>
Decreased by 0.5%	(\$ 1,396)	(\$ 2,186)

Since the actuarial assumptions may be correlated, the possibility of a single assumption varying is remote; therefore, the aforementioned sensitivity analysis may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Expected amount to be allocated within one year	<u>\$ 1,337</u>	<u>\$ 1,396</u>
Determining the average maturity period of the defined benefit obligation.	8 years	10 years

21. Equity

(1) Capital – Common Stock

	December 31, 2023	December 31, 2022
Authorized shares (in thousands)	<u>70,000</u>	<u>70,000</u>
Authorized capital.	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Number of shares issued and fully paid (in thousands)	<u>56,103</u>	<u>54,471</u>
Issued capital	<u>\$ 561,030</u>	<u>\$ 544,712</u>

The par value of each issued ordinary share is \$10, with one voting right and the entitlement to receive dividends per share.

The registered share capital reserved for the issuance of employee share option certificates is 2,000 thousand shares.

The Company, after obtaining approval from the shareholders' meeting on June 9, 2023, and the resolution of the Board of Directors on the same date authorizing the Chairman to proceed, conducted a capital increase by issuing 1,632 thousand new shares for free distribution. The record date for the capital increase was July 12, 2023, and the paid-in capital of the Company after the capital increase amounted to \$561,030 thousand.

(2) Capital Surplus

The capital surplus arising from paid-in capital in excess of par value of issuance of shares (including the issuance of ordinary shares or treasury share transactions, etc.) and the portion from donated assets may be used to offset deficits; or if the Company has no deficit, the capital surplus may be distributed as cash dividends or capitalized, provided that a certain ratio of paid-in capital shall be set aside as capital reserve each year.

The capital reserve arising from investments accounted for using the equity method, employee share options, and share warrants shall not be used for any purpose.

(3) Retained Earnings and Dividend Policy

According to the Company's Articles of Incorporation regarding the profit distribution policy, if there is profit after the annual final accounting, taxes shall be paid, accumulated losses shall be covered, and 10% shall be appropriated as legal reserve except when the accumulated legal reserve has reached the Company's paid-in capital. After appropriating or reversing special reserve as required by laws or the competent authority, the Board of Directors shall propose a profit distribution proposal for the undistributed profits at the beginning of the period and submit it to the shareholders' meeting for resolution. For the policy on the distribution of employee and director remuneration as stipulated in the Articles of Incorporation, please refer to Note 24 (7) Employee and Director Remuneration.

The Company is engaged in the high-tech industry and is currently in the growth stage of its corporate life cycle. In order to maintain a sound financial structure, meet capital expenditure requirements for sustainable development, and protect the interests of investors, the distribution of surplus is comprehensively determined by considering factors such as retained earnings, capital surplus, financial structure, and operating conditions. The company's dividends are distributed in the form of share dividends and cash dividends, with the distribution ratio determined by the company's capital, financial structure, and future funding requirements for its plans. Cash dividends shall account for no less than 10%, but the distribution method and ratio may be adjusted by resolution of the general shareholders' meeting.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the company's paid-in capital. The legal reserve may be used to offset deficits. When the company has no deficit, the portion of legal reserve exceeding 25% of paid-in capital may be distributed in cash or capitalized.

In accordance with Order No. 1090150022 issued by the Financial Supervisory Commission, Order No. 10901500221 issued by the Financial Supervisory Commission, and the "Q&A on the Appropriation and Reversal of Special Reserves after the Adoption of International Financial Reporting Standards (IFRSs)," the Company has appropriated and reversed special reserves.

The Company convened the Annual General Shareholders' Meetings on June 9, 2023 and June 14, 2022, respectively, at which the proposals for distribution of surplus earnings for the years 2022 and 2021 were approved as follows:

	2022	2021
Legal reserve	<u>\$ 19,647</u>	<u>\$ 15,885</u>
Cash dividend	<u>\$ 119,665</u>	<u>\$ 119,665</u>
Share dividends	<u>\$ 16,318</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	\$ 2.2	\$ 2.2
Share dividend per share (NT\$)	\$ 0.3	\$ -

The Company's Board of Directors on February 27, 2024 has proposed the following profit distribution for 2023:

	Proposed Surplus Distribution.	Dividend per Share (NT\$)
Legal reserve	\$ 25,510	
Cash dividend	168,075	\$ 3.0
Share dividends	16,808	0.3

With respect to the earnings distribution for 2023, it is still subject to the resolution to be adopted at the Annual General Shareholders' Meeting scheduled for June 19, 2024.

(4) Other Equity Items

1. Exchange differences on translation of foreign financial statements:

	2023	2022
Year-begin balance	(\$ 2,049)	(\$ 2,486)
Arising in the year		
Exchange differences arising from the translation of the financial statements of foreign operations	(449)	437
Other comprehensive income for the year	(449)	437
Year-end balances	<u>(\$ 2,498)</u>	<u>(\$ 2,049)</u>

2. Unrealized valuation gains and losses on financial assets measured at fair value through other comprehensive income:

	2023	2022
Year-begin balance	\$ 17,287	\$ 145,284
Arising in the year		
Unrealized gains (losses) on equity instruments	<u>12,332</u>	(68,479)
Other comprehensive income for the year	<u>12,332</u>	(68,479)
Cumulative gains or losses on disposal of equity instruments transferred to retained earnings	(9,164)	(59,518)
Year-end balances	<u>\$ 20,455</u>	<u>\$ 17,287</u>

22. Treasury Shares

(1) The reasons for share buyback and the changes in the number of shares are as follows (in thousands of shares):

Reasons for Buyback	Number of Shares at the Beginning of the Year	Increase for the Year	Decrease for the Year	Number of Shares at the End of the Year
<u>2023</u>				
Transfer of shares to employees	78	-	-	78
<u>2022</u>				
Transfer of shares to employees	78	-	-	78

(2) The Company's Board of Directors resolved on March 23, 2020 to repurchase 800 thousand shares from March 24, 2020 to May 22, 2020 at a price ranging from \$25 to \$32 per share, and if the market price fell below the lower limit of the originally determined price range, the repurchase would continue. By the end of the execution period, a total of 78 thousand shares had been repurchased at a total cost of \$2,341 thousand.

(3) The Securities and Exchange Act prescribes that the number of shares repurchased by a company shall not exceed 10% of the total number of issued shares, and the total amount of repurchased shares shall not exceed the sum of retained earnings, share premium, and realized capital surplus. As of the date of the Board's resolution, the Company is in compliance with the provisions of the Securities and Exchange Act.

(4) The Company's treasury shares, in accordance with securities trading laws and regulations, shall not be pledged, nor shall they entitle the Company to the distribution of dividends or voting rights.

23. Revenue

(1) Contract Balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (Note 10)	\$ 351,534	\$ 96,763	\$ 63,030
Contract liabilities - current			
Sales of goods	\$ 21,182	\$ 26,121	\$ 33,577

(2) Unfinished Customer Contracts

The unfulfilled performance obligations of the merged companies, the expected duration of their customer contracts does not exceed one year.

24. Net Income from Continuing Operations

(1) Interest Income

	2023	2022
Bank deposits and others	<u>\$ 10,824</u>	<u>\$ 4,435</u>

(2) Other Revenue

	2023	2022
Dividend revenue	\$ 2,918	\$ 4,505
Miscellaneous income	<u>1,871</u>	<u>1,543</u>
	<u><u>\$ 4,789</u></u>	<u><u>\$ 6,048</u></u>

(3) Other Gain and Losses

	2023	2022
Gain (loss) on financial assets		
Financial assets designated as fair value through profit or loss	\$ 6,827	(\$ 20,595)
Net foreign exchange gains	<u>5,077</u>	<u>23,069</u>
	<u><u>\$ 11,904</u></u>	<u><u>\$ 2,474</u></u>

(4) Financial Costs

	2023	2022
Interest on lease liabilities	\$ 46	\$ 8
Others	<u>-</u>	<u>16</u>
	<u><u>\$ 46</u></u>	<u><u>\$ 24</u></u>

(5) Depreciation and Amortization

	2023	2022
Depreciation expenses summarized by function		
Operating costs	\$ 7,674	\$ 6,198
Operating expenses	<u>7,087</u>	<u>7,270</u>
	<u><u>\$ 14,761</u></u>	<u><u>\$ 13,468</u></u>
Amortization expenses summarized by function		
Operating costs	\$ 77	\$ 43
Operating expenses	<u>1,800</u>	<u>2,374</u>
	<u><u>\$ 1,877</u></u>	<u><u>\$ 2,417</u></u>

(6) Employee Benefit Expenses

	2023	2022
Retirement benefits (Note 20)		
Defined contribution plans	\$ 5,246	\$ 5,078
Defined benefit plan	<u>341</u>	<u>327</u>
	<u><u>5,587</u></u>	<u><u>5,405</u></u>
Other Employee Benefits		
Salaries and wages	173,333	140,575
Labor and health insurance expenses	11,396	10,610
Other Employee Benefits	<u>8,563</u>	<u>5,401</u>
	<u><u>193,292</u></u>	<u><u>156,586</u></u>
Total employee benefit expenses	<u><u>\$ 198,879</u></u>	<u><u>\$ 161,991</u></u>
Summarized by function		
Operating costs	\$ 35,539	\$ 31,580
Operating expenses	<u>163,340</u>	<u>130,411</u>
	<u><u>\$ 198,879</u></u>	<u><u>\$ 161,991</u></u>

(7) Employee and Directors' Remuneration

In accordance with the Articles of Incorporation, this Company shall appropriate employee compensation at the rate of 7% to 10% and director compensation at a maximum rate of 2% from the pre-tax net income of the current year before deduction of the compensation for employees and directors.

The estimated employee and director compensation for 2023 and 2022 were approved by the Board of Directors on February 27, 2024 and March 10, 2023, respectively, as follows:

Estimated Ratio

	2023	2022
Employee' Remuneration	10%	10%
Directors' Remuneration	2%	2%

Amount

	2023	2022
Employee' Remuneration	\$ 34,766	\$ 17,667
Directors' Remuneration	6,953	3,534

The consolidated financial statements for the year are subject to change after their issuance date, and any changes will be treated as changes in accounting estimates and adjustments will be made in the following year.

The actual amount of employee and director compensation distributed in 2022 and 2021 is consistent with the recognized amount in the 2022 and 2021 consolidated financial statements.

Information regarding employee and director compensation as resolved by the company's board of directors can be found on the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(8) Foreign Currency Translation (Gain) Loss

	2023	2022
Total foreign exchange gain	\$ 38,565	\$ 34,558
Total foreign exchange loss	(33,488)	(11,489)
Net gain	<u>\$ 5,077</u>	<u>\$ 23,069</u>

25. Income Tax

(1) Income Taxes Recognized in Profit or Loss

The main components of income tax expense are as follows:

	2023	2022
Current income tax.		
Arising in the year	\$ 66,511	\$ 29,347
Undistributed earnings surtax	2,042	1,165
Adjustment of previous years	(807)	(5,779)
	<u>67,746</u>	<u>24,733</u>
Deferred tax		
Arising in the year	(7,033)	(1,491)
Income tax expense recognized in profit or loss	<u>\$ 60,713</u>	<u>\$ 23,242</u>

The reconciliation of accounting income and income tax expense is as follows:

	2023	2022
Net profit before tax	<u>\$ 305,938</u>	<u>\$ 155,470</u>
Income tax expense calculated based on statutory tax rate on net profit before tax (20%)	\$ 61,188	\$ 31,094
Tax-exempt income	1,793	(561)
Undistributed earnings surtax	2,042	1,165
Deductible temporary differences not recognized	(3,503)	(2,677)
Adjustments of current income tax for prior periods in the current year	(807)	(5,779)
Income tax expense recognized in profit or loss	<u>\$ 60,713</u>	<u>\$ 23,242</u>

(2) Income Tax Recognized in Other Comprehensive Income

	2023	2022
<u>Deferred Tax</u>		
Arising in the year		
Translation of the financial statements of foreign operations	\$ 112	(\$ 110)
Remeasurements of defined benefit plan.	(178)	(1,182)
Income tax recognized in other comprehensive income.	(\$ 66)	(\$ 1,292)

(3) Current Tax Liabilities

	December 31, 2023	December 31, 2022
Current tax liabilities		
Income tax payable	\$ 74,369	\$ 30,524

(4) Deferred Income Tax Assets

The changes in deferred income tax assets are as follows:

2023

Deferred Income Tax Assets	Year-Begin Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Year-End Balances
Temporary difference				
Foreign operations currency translation differences	\$ 512	\$ -	\$ 112	\$ 624
Remeasurements of defined benefit plan.	1,303	- (178)	1,125
Defined benefit retirement plan	1,564	(199)	-	1,365
Leave payment payable	950	(54)	-	896
Provision for inventory devaluation and obsolescence loss	3,892	5,075	-	8,967
Unrealized exchange loss	759	2,608	-	3,367
Unrealized gross profit on sales of goods	4	-	-	4
Provisions for unrealized product warranties	227	89	-	316
	<u>\$ 9,211</u>	<u>\$ 7,519</u>	<u>(\$ 66)</u>	<u>\$ 16,664</u>

2022

Deferred Income Tax Assets	Year-Begin Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Year-End Balances
Temporary difference				
Foreign operations currency translation differences	\$ 622	\$ - (\$ 110)	\$ 512
Remeasurements of defined benefit plan.	2,485	- (1,182)	1,303
Defined benefit retirement plan	1,757	(193)	-	1,564
Leave payment payable	926	24	-	950
Provision for inventory devaluation and obsolescence loss	2,488	1,404	-	3,892
Unrealized exchange loss	457	302	-	759
Unrealized gross profit on sales of goods	4	-	-	4
Provisions for unrealized product warranties	189	38	-	227
Others	(335)	335	-	-
	<u>\$ 8,593</u>	<u>\$ 1,910</u>	<u>(\$ 1,292)</u>	<u>\$ 9,211</u>

(5) Deferred Income Tax Liabilities

The changes in deferred income tax liabilities are as follows:

2023

Deferred Income Tax Liabilities	Year-Begin Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Year-End Balances
Temporary difference				
Unrealized exchange gain	<u>\$ 419</u>	<u>\$ 486</u>	<u>\$ -</u>	<u>\$ 905</u>

2022

Deferred Income Tax Liabilities	Year-Begin Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Year-End Balances
Temporary difference				
Unrealized exchange gain	<u>\$ -</u>	<u>\$ 419</u>	<u>\$ -</u>	<u>\$ 419</u>

(6) Income Tax Assessments Status

The Income Tax returns of the Company's profit-seeking enterprise through 2021 have been examined and assessed by the Tax Authorities. The discrepancies between the assessed amount and filed amount have been properly adjusted in the respective year.

26. Earnings per Share

Units: NT\$ per share

	2023	2022
Basic earnings per share	<u>\$ 4.38</u>	<u>\$ 2.36</u>
Diluted earnings per share	<u>\$ 4.33</u>	<u>\$ 2.33</u>

When calculating earnings per share, the effect of the share dividends has been retrospectively adjusted, with the ex-rights date being July 12, 2023. Due to the retroactive adjustment, the basic and diluted earnings per share for 2022 were changed as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 2.43</u>	<u>\$ 2.36</u>
Diluted earnings per share	<u>\$ 2.40</u>	<u>\$ 2.33</u>

The following presents profit and weighted average numbers of ordinary shares outstanding for calculation of earnings per share:

Net Profit for the Current Year

	2023	2022
Net income used to calculate basic and diluted earnings per share	<u>\$ 245,225</u>	<u>\$ 132,228</u>

Number of Shares

	Unit of shares: Thousands of shares	
	2023	2022
The weighted average number of ordinary shares used to calculate basic earnings per share.	56,025	56,025
Effect of potential dilutive ordinary shares		
Employee' remuneration	<u>603</u>	<u>666</u>
The weighted average number of common shares used to calculate diluted earnings per share	<u>56,628</u>	<u>56,691</u>

If a merged company has the option to issue employee compensation in the form of shares or cash, when calculating diluted earnings per share, it is assumed that employee compensation will be paid in the form of shares, and the potential ordinary shares will be included in the weighted average number of outstanding shares when they have a dilutive effect to calculate the diluted earnings per share. Such dilutive effect of the potential shares should continue to be considered until approval of number of shares to be distributed to employees as compensation in the following year.

27. Capital Risk Management

The group undertakes capital management to ensure that all entities in the group can continue as a going concern while maximizing returns to stakeholders through the optimal balance of debt and equity.

The capital structure of the merged company consists of its net debt and equity (i.e., share capital, capital surplus, retained earnings, and other equity items).

Companies that have merged are not required to comply with other external capital requirements.

28. Financial Instruments

(1) Fair Value Information - Financial Instruments not Measured at Fair Value

The merged company's management believes that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be reliably measured.

(2) Fair Value Information - Financial Instruments Measured at Fair Value on a Recurring Basis

1. Fair Value Measurement Hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial Assets Measured at Fair Value Through Profit or Loss</u>				
Domestic listed (OTC) and emerging shares	\$ 4,911	\$ -	\$ -	\$ 4,911
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>28,710</u>	<u>28,710</u>
	<u>\$ 4,911</u>	<u>\$ -</u>	<u>\$ 28,710</u>	<u>\$ 33,621</u>
	Level 1	Level 2	Level 3	Total
<u>Financial Assets Measured at Fair Value Through Other Comprehensive Income</u>				
Equity instrument investment				
Domestic listed (OTC) and emerging shares	\$ 27,086	\$ -	\$ -	\$ 27,086
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>48,710</u>	<u>48,710</u>
	<u>\$ 27,086</u>	<u>\$ -</u>	<u>\$ 48,710</u>	<u>\$ 75,796</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial Assets Measured at Fair Value Through Profit or Loss</u>				
Domestic listed (OTC) and emerging shares	\$ 15,430	\$ -	\$ -	\$ 15,430
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>19,532</u>	<u>19,532</u>
	<u>\$ 15,430</u>	<u>\$ -</u>	<u>\$ 19,532</u>	<u>\$ 34,962</u>
<u>Financial Assets Measured at Fair Value Through Other Comprehensive Income</u>				
Equity instrument investment				
Domestic listed (OTC) and emerging shares	\$ 47,531	\$ -	\$ -	\$ 47,531
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>19,532</u>	<u>19,532</u>
	<u>\$ 47,531</u>	<u>\$ -</u>	<u>\$ 19,532</u>	<u>\$ 67,063</u>

There were no transfers between Level 1 and Level 3 fair value measurements in 2023 and 2022.

2. Valuation Techniques and Inputs for Level 3 Fair Value Measurements

Class of financial instruments	Valuation techniques and inputs
Domestic unlisted shares	<ol style="list-style-type: none"> 1. The market approach using comparable companies listed on the Taiwan Stock Exchange or Over-the-Counter market is based on the transaction prices of comparable targets, taking into account the differences between the subject company and the comparable companies, and estimating the value of the subject company using appropriate valuation multiples. 2. The market approach using comparable transactions involves referencing the transaction prices of similar or identical assets, considering the implied valuation multiples and relevant transaction information from these prices, to determine the value of the subject company.

(3) Types of Financial Instruments

	December 31, 2023	December 31, 2022
<u>Financial Asset</u>		
Through profit or loss at fair value through profit or loss financial assets - designated as at fair value through profit or loss.	\$ 33,621	\$ 34,962
Financial assets at amortized cost (Note 1)	917,970	707,509
Through other comprehensive income at fair value through other comprehensive income - investment in equity instruments	75,796	67,063
<u>Financial Liabilities</u>		
Measured at amortized cost (Note 2)	245,233	187,304

Note1: The balance includes cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable and a portion of other receivables that are financial assets measured at amortized cost.

Note2: The balances include notes payable, accounts payable and a portion of other payables that are financial liabilities measured at amortized cost.

(4) Financial Risk Management Objectives and Policies

The merged company's main financial instruments include equity investments, accounts receivable, accounts payable, and lease liabilities. The merged company's finance department provides services to the business units, coordinates access to domestic and international financial markets, and supervises and manages the financial risks related to the merged company's operations through analyzing internal risk reports covering exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The merged company has formulated “Procedures for Acquisition or Disposal of Assets” in accordance with the regulations of the competent authority, describing the control procedures for the acquisition, management, and disposal of various assets. If there is a risk assessment and the use of derivative financial instruments is adopted to hedge the exposure in order to mitigate the impact of such risks, the use of derivative financial instruments is governed by policies approved by the board of directors of the merged company, which are written principles for foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of remaining liquidity. The internal auditors continuously review compliance with policies and exposure limits. The merged company did not engage in derivative financial instrument transactions in 2023 and 2022.

1. Market Risk

The main financial risks undertaken by the merged company due to its operating activities are:

(1) Foreign Exchange Risk

The Company engages mainly in sales and purchases transactions denominated in U.S. dollars, which naturally hedge foreign currency positions and mitigate the effect of exchange rate fluctuations.

The cash-generating unit or group of cash-generating units to which the goodwill relates cannot be identified consistently with the previous estimate of the recoverable amount of the cash-generating unit (group of cash-generating units), and the reassignment of goodwill shall be disclosed.

With respect to the sensitivity analysis of foreign currency risk, it primarily addresses the adverse effects arising from changes in exchange rates on foreign currency monetary items as of the end of the reporting period. If the foreign currency fluctuates by 1% against the New Taiwan dollar, the Company’s net income after tax for 2023 and 2022 will decrease by \$2,892 thousand and \$2,491 thousand, respectively.

(2) Risk of Interest Rate Fluctuations

The merged company mainly uses its own funds to finance its operating activities, and its exposure to interest rate risk is minimal.

The merged company’s exposures to market risk of financial instruments and the manner in which it manages and measures such exposures have not changed.

2. Credit Risk

Credit risk refers to the risk of financial loss to the merged company caused by the counterparty's failure to fulfill contractual obligations. As of the balance sheet date, the maximum credit risk exposure that could cause financial loss to the merged company due to the counterparty's failure to perform its obligations is primarily derived from the carrying amount of financial assets recognized in the consolidated balance sheet.

The merged company does not have significant credit exposure to any single counterparty or any group of counterparties with similar characteristics. The concentration of credit risk from counterparties for the merged company did not exceed 10% of total monetary assets in 2023 and 2022.

The credit risk of the merged company is mainly concentrated on its customers in the Americas and Europe. As of December 31, 2023, European customers accounted for approximately 66.53% of total accounts receivable, while American customers accounted for approximately 18.67% and 81.71% of total accounts receivable as of December 31, 2023 and 2022, respectively.

3. Liquidity Risk

The merged company manages and maintains adequate cash and cash equivalents to support operations and mitigate the effects of fluctuations in cash flows. The merged company's working capital is sufficient to support operations, and therefore there is no liquidity risk due to the inability to raise funds to fulfill contractual obligations.

December 31, 2023

	1 - 3 Months	3 Months to 1 Year	1-3 Years
<u>Non-Derivative Financial Liabilities</u>			
Non-interest bearing liabilities	\$ 288,592	\$ 50,553	\$ -
Lease liabilities	<u>1,175</u>	<u>3,542</u>	<u>1,649</u>
	<u><u>\$ 289,767</u></u>	<u><u>\$ 54,095</u></u>	<u><u>\$ 1,649</u></u>

Further information on the maturity analysis of lease liabilities is as follows:

	Less Than 1 Year	1-3 Years
Lease liabilities	<u>\$ 4,756</u>	<u>\$ 1,654</u>

December 31, 2022

	1 - 3 Months	3 Months to 1 Year	1-3 Years
<u>Non-Derivative Financial Liabilities</u>			
Non-interest bearing liabilities	\$ 220,018	\$ 32,479	\$ -
Lease liabilities	<u>599</u>	<u>671</u>	<u>520</u>
	<u><u>\$ 220,617</u></u>	<u><u>\$ 33,150</u></u>	<u><u>\$ 520</u></u>

Further information on the maturity analysis of lease liabilities is as follows:

	Less Than 1 Year	1-3 Years
Lease liabilities	<u>\$ 1,276</u>	<u>\$ 523</u>

(5) Information on Transfer of Financial Assets

The relevant information for the sale of the company's outstanding accounts receivable before the end of the year after the merger is as follows:

December 31, 2023

Counterparty	Offered Amount	Transferred to Other Receivables	Available Advance Amount	Advanced Amount	Annual Interest Rate for the Advanced Amount (%)
Hua Nan Commercial Bank	<u>\$ 28,415</u>	<u>\$ 28,415</u>	<u>\$ 28,415</u>	<u>\$ -</u>	0.85%-0.90%

December 31, 2022

Counterparty	Offered Amount	Transferred to Other Receivables	Available Advance Amount	Advanced Amount	Annual Interest Rate for the Advanced Amount (%)
Hua Nan Commercial Bank	<u>\$ 132,087</u>	<u>\$ 132,087</u>	<u>\$ 132,087</u>	<u>\$ -</u>	0.85%-0.95%

According to the terms of the sale agreement, losses arising from commercial disputes shall be borne by the merged company, while losses arising from credit risks shall be borne by the respective banks.

29. Related Party Transactions

The transactions, account balances, revenues, and expenses between the Company and its subsidiaries (entities related to the Company) are fully eliminated upon consolidation; therefore, they are not disclosed in these notes. The merged company has no transactions with other related parties.

Compensation of Key Management Personnel

	2023	2022
Short-term employee benefits	<u>\$ 22,888</u>	<u>\$ 19,889</u>

The remuneration of directors and other key management personnel is determined by the Remuneration Committee based on individual performance and market trends.

30. Pledged Assets

The following assets of the merged company have been pledged as collateral for the customs duty-deferral arrangement:

	December 31, 2023	December 31, 2022
Pledged time deposits (accounted for as financial assets measured at amortized cost - current)	<u>\$ 16,000</u>	<u>\$ 16,000</u>

31. Other matters: None.

32. Significant subsequent events: None.

33. Information on Foreign Currency Assets and Liabilities with Significant Impact

The following information is summarized in currencies other than the functional currencies of the consolidated entities, with the disclosed exchange rates being the rates at which those currencies are translated into the functional currencies. Information on foreign currency assets and liabilities with significant influence:

Unit: Each Foreign Currency /NT\$ thousand

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Financial Assets			
<u>Monetary Items</u>			
US dollars	\$ 15,407	30.725	\$ 473,390
Financial Liabilities			
<u>Monetary Items</u>			
US dollars	3,642	30.725	111,903

December 31, 2022

	Foreign Currency		Exchange Rate		Carrying Amount
Financial Assets					
<u>Monetary Items</u>					
US dollars	\$ 13,013		30.72		\$ 399,757
Financial Liabilities					
<u>Monetary Items</u>					
US dollars	2,876		30.72		88,350

Foreign currency translation gain (loss) for the merged companies is as follows:

	2023	2022
Realized	\$ 17,412	\$ 24,716
Unrealized	(12,336)	(1,672)
	<u>\$ 5,076</u>	<u>\$ 23,044</u>

34. Notes on Disclosures

(1) Major Transaction Matters and

(2) Information Related to Reinvested Enterprises

1. Funds loaned to others: None.
2. Endorsements/guarantees for others: None.
3. The end-of-period securities holding status (excluding investments in subsidiaries, associates, and joint ventures equity): Appendix 1.
4. The cumulative amount of buying or selling the same securities has reached \$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate with amount reaching \$300 million or 20% of paid-in capital: None.
6. Disposal of real estate with an amount reaching \$300 million or 20% of the paid-in capital: None.
7. The amount of purchases or sales with related parties exceeding \$100 million or 20% of the paid-in capital: None.
8. Accounts receivable from related parties reaching \$100 million or 20% of the paid-in capital: None.
9. Engaging in derivative product transactions: None.

10. Others: Business relationships and important transactions and amounts between the parent company and its subsidiaries and between each subsidiaries: Appendix 2.

11. Information on reinvested businesses: Appendix 3.

(3) Information on Investments in China

1. The name of the invested company in China, its main business items, paid-in capital, investment methods, remittance of funds in and out, shareholding ratio, investment gains and losses, carrying amount of investments at the end of the period, repatriated investment gains and losses, and the investment limit in China: Appendix 4.

2. The significant transactions with investee companies in China, either directly or indirectly through a third area, their prices, payment terms, and unrealized gains or losses: None.

(1) The amount and percentage of purchases and the ending balances and percentages of related accounts payable.

(2) The amount and percentage of sales revenue, and the ending balance and percentage of related accounts receivable.

(3) The amount of property transactions and the amount of profits or losses arising therefrom.

(4) The outstanding balance of endorsed or guaranteed notes receivable or provision of collaterals as of the balance sheet date and the purpose thereof.

(5) The highest balance, ending balance, range of interest rates, and total interest amount for the period of financing facilities.

(6) Other transactions that have a material impact on the current profit or loss or financial position, such as the provision or receipt of services.

(4) Information on Major Shareholders: Names, Shareholding Amounts and Proportions of Shareholders with a Shareholding Ratio of More Than 5%: Appendix 5.

35. Segment Information

Information provided to the chief operating decision maker for the purpose of resource allocation and assessment of department performance focuses on types of products and services delivered or provided. The reportable segments of the merged company are as follows:

Computer and its peripheral equipment: Department 1.

Computer and its peripheral equipment: Department 2.

(1) Department Revenue and Operating Results

	2023		
	Department 1	Department 2	Total
Segment revenue	\$ 1,791,446	\$ -	\$ 1,791,446
Adjustments and layoffs	-	-	-
Operating revenue	<u>\$ 1,791,446</u>	<u>\$ -</u>	<u>\$ 1,791,446</u>
Net profit (loss) from operations	\$ 280,692	(\$ 2,225)	\$ 278,467
Other income	3,285	1,504	4,789
Other gain and losses	11,244	-	11,244
Finance costs	(46)	-	(46)
Interest income	<u>10,763</u>	<u>61</u>	<u>10,824</u>
Segment profit (loss)	305,938	(660)	305,278
Adjustments and layoffs	<u>660</u>	<u>-</u>	<u>660</u>
Net profit (loss) before tax	<u>\$ 306,598</u>	<u>(\$ 660)</u>	<u>\$ 305,938</u>
	2022		
	Department 1	Department 2	Total
Segment revenue	\$ 1,084,299	\$ -	\$ 1,084,299
Adjustments and layoffs	-	-	-
Operating revenue	<u>\$ 1,084,299</u>	<u>\$ -</u>	<u>\$ 1,084,299</u>
Net profit (loss) from operations	\$ 144,864	(\$ 2,327)	\$ 142,537
Other income	5,096	952	6,048
Other gain and losses	1,161	-	1,161
Finance costs	(24)	-	(24)
Interest income	<u>4,373</u>	<u>62</u>	<u>4,435</u>
Segment profit (loss)	155,470	(1,313)	154,157
Adjustments and layoffs	<u>1,313</u>	<u>-</u>	<u>1,313</u>
Net profit (loss) before tax	<u>\$ 156,783</u>	<u>(\$ 1,313)</u>	<u>\$ 155,470</u>

Interests of departments refer to the profits earned by each department.

(2) Total Assets and Liabilities of the Segment

	Assets of Segment	
	December 31, 2023	December 31, 2022
Assets of Department 1	\$ 1,665,558	\$ 1,397,658
Assets of Department 2	29,021	29,689
Adjustments and layoffs	(27,833)	(29,054)
Total Assets	<u>\$ 1,666,746</u>	<u>\$ 1,398,293</u>

	Liabilities of Segment	
	December 31, 2023	December 31, 2022
Liabilities of Department 1	\$ 458,720	\$ 328,977
Liabilities of Department 2	1,209	656
Adjustments and layoffs	(21)	(21)
Total Liabilities	<u>\$ 459,908</u>	<u>\$ 329,612</u>

All assets and liabilities are directly attributable to each department, and there are no shared assets or liabilities to be allocated.

(3) Information by Region

The merged company operates primarily in four regions - the Americas, Asia, Europe, and others.

The information about the revenue from external customers from continuing operations of the merged company, categorized by geographical location, is presented as follows:

Region	2023	2022
Europe	\$ 787,195	\$ 317,028
Americas	649,062	524,497
Asia	345,026	242,671
Others	<u>10,163</u>	<u>103</u>
	<u>\$ 1,791,446</u>	<u>\$ 1,084,299</u>

(4) Main Customer Information

Revenues from a single customer constituting 10% or more of the consolidated total revenues are as follows:

	2023	2022
Customer B	\$ 527,321	\$ 206,393
Customer E	251,381	283,824
Customer G	240,392	111,885
Others (Note 1)	<u>772,352</u>	<u>482,197</u>
	<u>\$ 1,791,446</u>	<u>\$ 1,084,299</u>

Note 1: The amount of revenue did not reach 10% of the total revenue of the merged company.

RUBY TECH CORP. AND SUBSIDIARIES
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD

December 31, 2023

Appendix 1

Unit: Unless otherwise stated, amounts are in NT\$ thousand

Holding Company	Type and Name of Marketable Securities	The Relationship Between the Issuer of Marketable Securities and the Company	Accounts	End of Period				Remarks
				Number of Shares/Units	Carrying Amount	Shareholding Ratio	Fair Value (Note 2)	
Ruby Tech Corp.	<u>Equity Securities</u>	—	Current financial assets measured at fair value through profit or loss.	212,000	\$ -	0.05	\$ -	Notes 2 and 4
			Current financial assets measured at fair value through profit or loss.	1,041,707	28,710	0.08	28,710	Note 2
			Current financial assets measured at fair value through profit or loss.	284,720	4,911	0.71	4,911	Notes 2 and 3
			Current financial assets measured at fair value through other comprehensive income	1,041,707	28,710	0.08	28,710	Note 2
			Current financial assets measured at fair value through other comprehensive income	262,825	16,558	0.37	16,558	Notes 2 and 3
			Current financial assets measured at fair value through other comprehensive income	271,000	10,528	0.05	10,528	Notes 2 and 3
			Current financial assets measured at fair value through other comprehensive income	500,000	20,000	4.50	20,000	Note 2

Note 1: The term “securities” as used in this statement refers to shares, bonds, beneficial interest certificates, and securities derived from the aforementioned items that fall within the scope of IFRS 9 “Financial Instruments.

Note 2: For those measured at fair value, the carrying amounts are presented as the balances after fair value adjustments; for those not measured at fair value, the carrying amounts are presented as the amortized cost (net of allowance for losses).

Note 3: Calculated based on the closing prices as of the end of December 2023.

Note 4: Green Energy Technology Inc. has announced the termination of its listing, and the merged company has assessed that the investment has no fair value.

RUBY TECH CORP. AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS AND AMOUNTS BETWEEN THE PARENT COMPANY
AND ITS SUBSIDIARIES AND BETWEEN EACH SUBSIDIARIES**

2023

Appendix 2

Unit: NT\$ thousand

Number (Note 1)	Trade Name	Trading Counterparty	Relationship with Counterparties (Note 2)	Transactions			
				Subject	Amount	Conditions of Transaction	The Ratio of the Combined Revenue or Total Assets (Note 3)
0	Ruby Tech Corp.	Ruby Tech (Beijing) Co., Ltd.	1	Unrealized gross profit on sales of goods	\$ 21	Around 75%-80% of regular prices	-

Note 1: The transaction information between the parent company and its subsidiaries shall be separately noted in the number column. The numbering method is as follows:

- (1) Parent company fills in 0.
- (2) Subsidiaries are numbered sequentially starting from Arabic numeral 1 according to the company.

Note 2: There are three types of relationships between traders, and filling in the type is acceptable (if the transaction between the parent company and subsidiaries is the same as that between subsidiaries, it is not necessary to disclose again. For example: For the parent company's transaction with a subsidiary, if it has been disclosed by the parent company, it is not required to be disclosed again by the subsidiary; For a subsidiary's transaction with the parent company, if it has been disclosed by one of the subsidiaries, it is not required to be disclosed again by the parent company).

- (1) The parent company to the subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Notes 3: The ratio of transaction amount to consolidated total revenue or total assets shall be calculated as the ratio of ending balance to consolidated total assets for those belongs to balance sheet item. If it is a profit or loss item, it shall be calculated in a way of period-end cumulative amount to consolidated total revenue.

RUBY TECH CORP. AND SUBSIDIARIES
NAMES OF INVESTED COMPANIES, LOCATIONS, AND OTHER RELEVANT INFORMATION

2023

Appendix 3

Unit: Unless otherwise stated, amounts are in NT\$ thousand

Name of Investee	Name of Investee	Place of Operation	Major Business Activity	Original Investment Amount		Held at the End of the Period			Gain (Loss) Income of the Invested Company for the Current Period	Investment (Gains) Losses Recognized for the Period (Note 1)	Remarks
				At the End of the Current Period	At the End of the Last Period	Number of Shares	Percentage (%)	Carrying Amount			
Ruby Tech Corp.	GRAND IMPACT TECHNOLOGY LIMITED	British Virgin Islands	Investment in related businesses	\$ 58,581	\$ 58,581	1,800,000	100	\$ 27,812	(\$ 660)	(\$ 660)	Invested companies evaluated using the equity method
GRAND IMPACT TECHNOLOGY LIMITED	Ruby Tech (Beijing) Co., Ltd.	Beijing (China)	Computer peripheral equipment trading business.	53,471	53,471	-	100	27,812	(660)	(660)	Invested companies evaluated using the equity method

Note 1: The share of profit or loss of subsidiaries accounted for using the equity method is calculated based on the audited financial statements.

Note 2: Please refer to Appendix 4 for information related to the invested companies in China.

Note 3: The related account amounts of the above transactions have been eliminated in the preparation of the consolidated financial statements.

RUBY TECH CORP. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN CHINA

2023

Appendix 4

Unit: Unless otherwise stated, amounts are in NT\$ thousand

Name of the Invested Company in China	Major Business Activity	Paid-In Capital	Method of Investments	Accumulated Investment Amount Remitted from Taiwan at the Beginning of the Period	Amount of Investments Exported or Recovered This Period		Accumulated Investment Amount Remitted from Taiwan at the end of the Period (Note 2)	Gain (Loss) Income of the Invested Company for the Current Period	The Direct or Indirect Investment Shareholding Ratio of the Company	Current Recognition Investment (Loss) Gain (Note 3)	Carrying Amount of Investment at end of Period (Note 3)	Cumulative Investment Income Repatriated up to the Current Period
					Exported	Recovered						
Ruby Tech (Beijing) Co., Ltd.	Computer peripheral equipment trading business.	\$ 53,471	(Note 1)	\$ 53,471	\$ -	\$ -	\$ 53,471	(\$ 660)	100%	(\$ 660)	\$ 27,812	\$ -

Accumulated Outward Remittances from Taiwan to China at the End of the Period (Note 2)	Investment Amount Approved by the Investment Commission of the Ministry of Economic Affairs (Note 2)	Limit of Investment in China in Accordance with the Regulations of the Investment Commission of the Ministry of Economic Affairs M.O.E.A. (Note 4)
\$53,471 (USD1,650,000)	\$53,471 (USD1,650,000)	\$724,103

Note 1: Reinvested in China through Grand Impact Technology Limited.

Note 2: Investments denominated in foreign currencies were recorded using the exchange rates prevailing at the time of the transactions.

Note 3: Recognized based on the financial statements audited by the certified public accountants of the parent company in Taiwan.

Note 4: The investment limit is the higher of 60% of net worth or \$80 million.

Note 5: The related account amounts of the above transactions have been eliminated in the preparation of the consolidated financial statements.

RUBY TECH CORP. AND SUBSIDIARIES
MAJOR SHAREHOLDERS' INFORMATION

December 31, 2023

Appendix 5

Unit: Share

Major Shareholders' Name	Shares	
	Shares Held	Shareholding Ratio
Premier Capital Management Corp.	5,020,717	8.94%
Wang, Peng-Sen	3,068,115	5.46%

Note 1: The major shareholder information in this table is provided by Taiwan Depository & Clearing Corporation (TDCC), calculated based on the shareholders holding 5% or more of the Company's total issued and outstanding ordinary shares and special shares, including treasury shares, on the last business day of the current quarter. The capital recorded in the consolidated financial statements and the actual number of shares that have completed dematerialized delivery may differ due to different calculation bases.

Note 2: For shareholders who have deposited their shares into trust, the shares of the trust account opened by the trustee are disclosed by the respective individual sub-accounts of the trustors. As for shareholders whose shareholding ratios exceed 10% and are required to report their insider shareholdings in accordance with relevant securities regulations, their shareholdings include their personal shareholdings plus the shares they have entrusted and have the decision power over. Please refer to the Market Observation Post System for insider shareholding data.