

AOPEN INCORPORATED
Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors
AOPEN Incorporated:

Opinion

We have audited the parent-company-only financial statements of AOPEN Incorporated("the Company"), which comprise the parent-company-only balance sheets as of December 31, 2023 and 2022, the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the paragraph on Other Matter of our report), the accompanying parent-company-only financial statements present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2023 and 2022, and its parent-company-only financial performance and its parent-company-only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Revenue recognition

Refer to note 4(o) and note 6(t) for accounting policy on revenue recognition and related disclosures of revenue, respectively.

Description of key audit matter:

Revenue is recognized depending on the various trade terms agree with customers. This exposes the Company to the risk that the sales transactions made close to the balance sheet date are not recorded in the appropriate period. Therefore, the revenue recognition has been identified as our key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matters above, we have performed certain audit procedures including, among others, testing the design and operating effectiveness of the Company's internal controls over financial reporting in the sales; assessing whether revenue is recognized based on the trade terms with customers through reviewing the related sales contracts or other trade documents; and performing a sample test of sales transactions taking place before and after the balance sheet date to ensure that revenue was recognized in the appropriate period.

Other Matter

We did not audit the financial statements of the investment accounted for using the equity method. The financial statements of Apex Material Technology Corp. were audited by other auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Apex Material Technology Corp., is based solely on the report of other auditor. The investment in Apex Material Technology Corp. accounted for using the equity method constituted 11.27% and 17.97% of the total assets as of December 31, 2023 and 2022, respectively, and the related share of profit of associates accounted for using the equity method constituted 9.32% and 15.98% of the net income before tax, for the years ended December 31, 2023 and 2022, respectively.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shih, Wei-Ming and Chang, Chun-I.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the parent-company-only financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent-company-only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

AOPEN INCORPORATED

Parent-Company-Only Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022				December 31, 2023		December 31, 2022	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 753,728	26	177,234	10	2120	Financial liabilities measured at fair value through profit or loss—current (note 6(b))	\$ 883	-	3,974	-
1110	Financial assets measured at fair value through profit or loss—current (note 6(b))	313	-	34	-	2130	Contract liabilities—current (note 6(t))	2,588	-	10,532	1
1170	Accounts receivable, net (notes 6(d) and (t))	16,243	1	1,157	-	2170	Notes and accounts payable	1,129,814	39	670,737	37
1180	Accounts receivable from related parties (notes 6(d), (t) and 7)	1,146,804	39	841,713	46	2180	Accounts payable to related parties (note 7)	7,994	-	4,807	-
1200	Other receivables (note 6(e))	1,478	-	350	-	2200	Other payables (note 6(u))	45,867	2	39,482	2
1210	Other receivables from related parties (notes 6(e) and 7)	571	-	-	-	2220	Other payables to related parties (note 7)	5,286	-	6,608	-
1220	Current income tax assets	85	-	70	-	2250	Provisions—current (note 6(n))	10,561	-	10,821	1
130x	Inventories (note 6(f))	17,342	1	50,045	3	2280	Lease liabilities—current (notes 6(m) and (z))	124	-	52	-
1476	Other financial assets—current (note 6(a))	200,000	7	-	-	2300	Other current liabilities	396	-	418	-
1479	Other current assets (note 7)	50,374	2	25,735	1		Total current liabilities	1,203,513	41	747,431	41
	Total current assets	2,186,938	76	1,096,338	60		Non-current liabilities:				
Non-current assets:						2527	Contract liabilities—non-current (note 6(t))	3,473	-	5,697	-
1517	Financial assets measured at fair value through other comprehensive income—non-current (note 6(c))	39,044	1	52,224	3	2570	Deferred income tax liabilities (note 6(p))	57,726	2	63,751	4
1550	Investments accounted for using the equity method (note 6(g))	653,115	22	677,111	37	2580	Lease liabilities—non-current (notes 6(m) and (z))	52	-	-	-
1600	Property, plant and equipment (note 6(i))	1,584	-	1,309	-	2650	Credit balance of investments accounted for using the equity method (note 6(g))	242,720	9	192,878	10
1755	Right-of-use assets (notes 6(j) and 7)	175	-	52	-		Total non-current liabilities	303,971	11	262,326	14
1780	Intangible assets (note 6(k))	1,371	-	1,037	-		Total liabilities	1,507,484	52	1,009,757	55
1840	Deferred income tax assets (note 6(p))	22,328	1	-	-		Equity (notes 6(c), (g), (p), (q) and (r)) :				
1920	Refundable deposits	222	-	211	-	3110	Common stock	784,480	27	714,480	39
1975	Net defined benefit assets—non-current (note 6(o))	12,787	-	12,612	-	3200	Capital surplus	410,864	14	2,976	-
1995	Other non-current assets (note 8)	500	-	500	-	3300	Retained earnings	269,767	9	147,097	8
	Total non-current assets	731,126	24	745,056	40	3400	Other equity	(54,531)	(2)	(32,916)	(2)
							Total equity	1,410,580	48	831,637	45
Total assets		\$ 2,918,064	100	1,841,394	100	Total liabilities and equity		\$ 2,918,064	100	1,841,394	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

AOPEN INCORPORATED**Parent-Company-Only Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

		2023		2022	
		Amount	%	Amount	%
4000	Net revenue (notes 6(t) and 7)	\$ 5,297,520	100	2,893,405	100
5000	Less: cost of revenue (notes 6(f), (i), (n), 7 and 12)	4,980,547	94	2,740,294	95
	Gross profit before unrealized gross profit on sales	316,973	6	153,111	5
5910	Add: unrealized gross profit on sales (note 7)	(5,500)	-	(2,800)	-
	Gross profit	311,473	6	150,311	5
	Less: operating expenses (notes 6(d), (i), (j), (k), (m), (o), (r), (u), 7 and 12) :				
6100	Selling expenses	3,936	-	3,039	-
6200	Administrative expenses	63,067	2	52,066	2
6300	Research and development expenses	18,164	-	13,987	-
6450	Expected credit loss	208	-	130	-
	Total operating expenses	85,375	2	69,222	2
	Operating income	226,098	4	81,089	3
	Non-operating income and loss:				
7100	Interest income	7,596	-	658	-
7130	Dividend income (note 6(c))	1,256	-	786	-
7020	Other gains and losses (notes 6(g), (h) and (v))	8,443	-	46,403	1
7050	Finance costs (notes 6(m), (v) and 7)	(299)	-	(2,231)	-
7070	Share of profits (losses) of subsidiaries and associates (note 6(g))	(36,415)	-	73,276	3
	Total non-operating income and loss	(19,419)	-	118,892	4
	Income before income tax	206,679	4	199,981	7
7950	Less: income tax expense (benefit) (note 6(p))	(25,528)	-	879	-
	Net income	232,207	4	199,102	7
	Other comprehensive income (loss) (notes 6(g), (o) and (p)) :				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	(46)	-	3,340	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(13,180)	-	(3,034)	-
8330	Share of other comprehensive income of subsidiaries and associates	283	-	717	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	(1,374)	-	(407)	-
	Total items that will not be reclassified subsequently to profit or loss	(11,569)	-	1,430	-
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(2,159)	-	(17,251)	-
8380	Share of other comprehensive income (loss) of subsidiaries and associates	(7,650)	-	6,318	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(9,809)	-	(10,933)	-
	Other comprehensive loss for the year, net of income tax	(21,378)	-	(9,503)	-
	Total comprehensive income for the year	\$ 210,829	4	189,599	7
	Earnings per share (in New Taiwan dollars) (note 6(s)):				
9750	Basic earnings per share	\$ 3.14		2.79	
9850	Diluted earnings per share	\$ 3.14		2.78	

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

AOPEN INCORPORATED**Parent-Company-Only Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings (accumulated deficit)						Other equity			
							Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings (accumulated deficit)	Total	Foreign currency translation differences		Total	Total equity
Balance at January 1, 2022	\$ 714,480	2,976	-	-	(56,062)	(56,062)	(26,500)	7,144	(19,356)	642,038
Net income in 2022	-	-	-	-	199,102	199,102	-	-	-	199,102
Other comprehensive income (loss) in 2022	-	-	-	-	4,057	4,057	(10,933)	(2,627)	(13,560)	(9,503)
Total comprehensive income (loss) in 2022	-	-	-	-	203,159	203,159	(10,933)	(2,627)	(13,560)	189,599
Balance at December 31, 2022	714,480	2,976	-	-	147,097	147,097	(37,433)	4,517	(32,916)	831,637
Net income in 2023	-	-	-	-	232,207	232,207	-	-	-	232,207
Other comprehensive income (loss) in 2023	-	-	-	-	237	237	(9,809)	(11,806)	(21,615)	(21,378)
Total comprehensive income (loss) in 2023	-	-	-	-	232,444	232,444	(9,809)	(11,806)	(21,615)	210,829
Appropriation of earnings:										
Legal reserve	-	-	14,710	-	(14,710)	-	-	-	-	-
Special reserve	-	-	-	13,559	(13,559)	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(107,172)	(107,172)	-	-	-	(107,172)
Capital increase by cash	70,000	404,081	-	-	-	-	-	-	-	474,081
Share-based payment transactions	-	3,807	-	-	(2,602)	(2,602)	-	-	-	1,205
Balance at December 31, 2023	<u>\$ 784,480</u>	<u>410,864</u>	<u>14,710</u>	<u>13,559</u>	<u>241,498</u>	<u>269,767</u>	<u>(47,242)</u>	<u>(7,289)</u>	<u>(54,531)</u>	<u>1,410,580</u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

AOPEN INCORPORATED**Parent-Company-Only Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 206,679	199,981
Adjustments for:		
Adjustments to reconcile profit or loss:		
Depreciation	1,091	831
Amortization	1,499	1,765
Expected credit losses	208	130
Interest expense	299	2,231
Interest income	(7,596)	(658)
Dividend income	(1,256)	(786)
Share-based compensation cost	1,205	-
Share of losses (profits) of subsidiaries and associates	36,415	(73,276)
Gains on reversal of impairment loss on non-financial assets	-	(30,048)
Unrealized profits on sales to subsidiaries and associates	5,500	2,800
Gains on disposal of investment accounted for using the equity method	-	(7,998)
Others	-	(880)
Total adjustments for profit or loss	37,365	(105,889)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss	(279)	933
Accounts receivable	(15,294)	(1,269)
Accounts receivable from related parties	(305,091)	(165,841)
Other receivables	(1,128)	539
Other receivables from related parties	(571)	31
Inventories	32,703	2,590
Other current assets	(23,501)	(1,440)
Net defined benefit assets	(221)	(58)
Changes in operating assets	(313,382)	(164,515)
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss	(3,091)	3,608
Contract liabilities	(10,168)	8,246
Notes and accounts payable	459,077	137,496
Accounts payable to related parties	3,187	(1,978)
Other payables	6,385	(8,633)
Other payables to related parties	(1,322)	2,854
Provisions	(260)	(625)
Other current liabilities	(22)	56
Changes in operating liabilities	453,786	141,024
Total changes in operating assets and liabilities	140,404	(23,491)
Total adjustments	177,769	(129,380)
Cash provided by operations	384,448	70,601
Interest received	6,458	658
Interest paid	(299)	(2,281)
Income taxes paid	(1,466)	(126)
Net cash flows provided by operating activities	389,141	68,852

(Continued)

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

AOPEN INCORPORATED**Parent-Company-Only Statements of Cash Flows (Continued)****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	2023	2022
Cash flows from investing activities:		
Proceeds from disposal of investments accounted for using the equity method	\$ -	21,137
Proceeds from capital return of investments accounted for using the equity method	-	25,737
Additions to property, plant and equipment	(1,241)	(1,171)
Additions to intangible assets	(1,833)	(1,446)
Decrease (increase) in refundable deposits	(11)	458
Increase in other financial assets	(200,000)	-
Dividends received	<u>23,653</u>	<u>20,776</u>
Net cash flows provided by (used in) investing activities	<u>(179,432)</u>	<u>65,491</u>
Cash flows from financing activities:		
Increase in short-term borrowings	192,818	1,653,158
Decrease in short-term borrowings	(192,818)	(1,816,348)
Payments of lease liabilities	(124)	(125)
Cash dividends distributed to shareholders	(107,172)	-
Capital increase by cash	<u>474,081</u>	<u>-</u>
Net cash flows provided by (used in) financing activities	<u>366,785</u>	<u>(163,315)</u>
Net increase (decrease) in cash and cash equivalents	576,494	(28,972)
Cash and cash equivalents at beginning of year	<u>177,234</u>	<u>206,206</u>
Cash and cash equivalents at end of year	<u><u>\$ 753,728</u></u>	<u><u>177,234</u></u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

AOPEN INCORPORATED

Notes to Parent-Company-Only Financial Statements

For the years ended December 31, 2023 and 2022

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

1. Organization and business

AOPEN Incorporated (the “Company”) was incorporated on December 21, 1996, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 7F-5, No. 369, Fuxing N. Rd., Songshan Dist., Taipei City, Taiwan. The Company primarily engaged in the sale of computer products, computer components, peripheral equipment and apparatus, as well as repair and maintenance service.

2. Authorization of the parent-company-only financial statements

These parent-company-only financial statements were authorized for issue by the Board of Directors on March 13, 2024.

3. Application of new and revised accounting standards and interpretations:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 21 “Lack of Exchangeability”

4. Summary of material accounting policies

The material accounting policies presented in the parent-company-only financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

- (a) Statement of compliance

The Company’s accompanying parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (the “Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

The accompanying parent-company-only financial statements have been prepared on a historical cost basis except for the following items:

- 1) Financial instruments measured at fair value through profit or loss;
- 2) Financial assets measured at fair value through other comprehensive income; and
- 3) Net defined benefit assets measured at present value of defined benefit obligation, less the fair value of plan assets and the effect of the asset ceiling mentioned in note 4(p).

- (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Company’s parent-company-only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

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(c) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Company’s parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Company’s parent-company-only financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current when one of the following criteria is met; all other assets are classified as non-current assets:

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

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- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash consists of cash on hand, checking deposits and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, plus for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method, less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or at FVOCI as described above (e.g. financial assets held for trading and those that are managed and evaluated for performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

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- 4) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial assets on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse features)

- 5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, other receivables, refundable deposits and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured using 12-month ECL:

- bank balances, other receivables, refundable deposits and other financial assets for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company measures loss allowances for accounts receivable at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The information includes both quantitative and qualitative information and analysis based on the Company's historical experience and credit assessment, as well as forward-looking information.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets, and loss allowance or reversal amount is recognized in profit or loss.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers the assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument is in a positive fair value, it is classified as a financial asset, otherwise, it is classified as a financial liability.

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(iii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

3) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the standard cost method, and includes expenditure incurred in acquiring the inventories, outsourcing production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(h) Investments in associates

An associate is an entity in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

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Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company recognizes its share of the profit or loss and other comprehensive income of those associates from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated investors' interests in the associate.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the recognition of further losses is discontinued. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing of a part interest in the associate, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest to profit or loss (or retained earnings).

Losses recognized using the equity method in excess of the Company's investment in ordinary shares are applied to the other components of the Company's interest in an associate in the reverse order of their seniority. The interest in an associate is the carrying amount of the investment in the associate, which is determined using the equity method, together with any long-term interests that, in substance, form part of the Company's net investment in the associate. Such items may include preference shares and long-term receivables or loans, but excluding trade receivables, trade payables or any long-term receivables for which adequate collateral exists.

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When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. If the adjustments are charged to capital surplus and the capital surplus resulting from investments accounted for using the equity method is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investments in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, profit or loss and other comprehensive income recognized in parent-company-only financial statement is in line with total comprehensive income attributable to shareholders of the Company in the consolidated financial statements. In addition, changes in equity recognized in parent-company-only financial statement is in line with the changes in equity attributable to shareholders of the Company in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of assets, less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

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The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Machinery	2 to 5 years
Molding equipment	1 year
Other equipment	2 to 5 years
Leasehold improvements	5 years

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of the Company's assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Company presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the parent-company-only balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(1) Intangible assets

Intangible assets acquired are carried at cost, less accumulated amortization and accumulated impairment losses and the amortized amount is the cost of an asset, less its residual value.

Amortization is recognized on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use. The estimated useful life of computer software is 1 to 2 years.

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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(m) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets, other than inventories and deferred tax assets, may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(o) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

(i) Sale of goods — electronic products

The Company primarily engages in the manufacture and sale of computer products. The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

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The Company offers a standard warranty for the product sold to provide assurance that the product complies with agreed-upon specifications. Refer to note 6(n) for more explanation.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment made by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit asset comprise 1) actuarial gains and losses; 2) return on plan assets, excluding the amounts included in the net interest on the net defined benefit asset; and 3) any change in the effect of the asset ceiling, excluding the amounts included in the net interest on the net defined benefit asset. The remeasurements of the net defined benefit asset are recognized in other comprehensive income and reflected in retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

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(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction 1) affects neither accounting nor taxable profits (losses) and 2) does not give rise to equal taxable and deductible temporary differences;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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(r) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the parent-company-only financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company’s dilutive potential common shares include profit sharing for employees to be settled in the form of common stock.

(s) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

(t) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Equity-settled share-based payment transactions are measured when the Company issues equity instruments for the employees of its parent company and are recognized as a deduction of equity and debited to capital surplus in the vesting period, and then debited to retained earnings if there is a deficiency in equity.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the Company and employees have a shared understanding of the exercise price and the shares to which employees subscribed.

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

The preparation of the parent-company-only financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

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Information about judgments made in applying the accounting policies that have significant effects on the amounts recognized in the parent-company-only financial statements is as follows:

- (a) Judgment as to whether the Company has substantial control or significant influence over its investees

The Company holds 16.60% voting rights of Apex Material Technology Corp. (“AMTC”), as well as owns one of directors’ seats of AMTC and participates in the decision-making on the Board. Therefore, the Company has significant influence over AMTC and the equity method was used to account for the Company’s investment in AMTC.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

- (a) Reversal of impairment loss of investments accounted for using equity method

The assessment of reversal of impairment of investments accounted for using equity method requires the Company to make subjective judgments to assess whether there is any indication that an impairment loss recognized in prior periods for the asset may no longer exist or may have decreased at the reporting date and estimate the recoverable amount with relevant assumptions in accordance with significant inputs that are not based on observable market data, which involved significant uncertainty. Refer to note 6(g) for further description on the reversal of impairment loss of investments accounted for using equity method.

6. Significant account disclosures

- (a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 397	390
Demand deposits and checking accounts	335,001	147,144
Time deposits with original maturities less than three months	418,330	29,700
	<u>\$ 753,728</u>	<u>177,234</u>

As of December 31, 2023 and 2022, the time deposits with original maturities between three months and one year amounted to \$200,000 and \$0, respectively, which were classified as other financial assets — current.

Refer to note 6(w) for the sensitivity analysis of financial assets of the Company.

- (b) Financial assets and liabilities measured at fair value through profit or loss — current

	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Foreign exchange swaps	\$ 292	-
Foreign currency forward contracts	21	34
	<u>\$ 313</u>	<u>34</u>

(Continued)

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Notes to Parent-Company-Only Financial Statements

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Foreign exchange swaps	\$ 12	758
Foreign currency forward contracts	<u>871</u>	<u>3,216</u>
	<u>\$ 883</u>	<u>3,974</u>

The Company entered into derivative contracts to manage foreign currency exchange risk arising from its operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting, and were recognized as financial assets and liabilities measured at fair value through profit or loss, consisted of the following:

Foreign exchange swaps:

<u>December 31, 2023</u>			
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity period</u>
Foreign exchange swaps	EUR 1,470	EUR / TWD	2024/01 ~ 2024/02

<u>December 31, 2022</u>			
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity period</u>
	EUR 1,850	EUR / TWD	2023/01 ~ 2023/02
	AUD 180	AUD / TWD	2023/02

Foreign currency forward contracts:

				<u>December 31, 2023</u>		
				<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity period</u>
EUR	Sell / USD	Buy	EUR	1,480	EUR / USD	2024/01 ~ 2024/03
AUD	Sell / USD	Buy	AUD	100	AUD / USD	2024/01

				<u>December 31, 2022</u>		
				<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity period</u>
EUR	Sell / USD	Buy	EUR	3,000	EUR / USD	2023/01 ~ 2023/03
AUD	Sell / USD	Buy	AUD	210	AUD / USD	2023/01

(Continued)

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- (c) Financial assets measured at fair value through other comprehensive income — non-current

	December 31, 2023	December 31, 2022
Unlisted stock	\$ 28,044	41,204
Domestic listed stock	11,000	11,020
	<u>\$ 39,044</u>	<u>52,224</u>

The Company designated the investments shown above as financial assets measured at fair value through other comprehensive income (FVOCI) because these equity instruments are held for long-term strategic purposes and not for trading. Refer to note 6(w) for information on market risk.

For the years ended December 31, 2023 and 2022, the Company recognized the dividend income of \$1,256 and \$786, respectively, deriving from the investments shown above.

- (d) Accounts receivable (including related parties)

	December 31, 2023	December 31, 2022
Accounts receivable from operating activities	\$ 16,631	1,337
Accounts receivable from related parties	1,171,084	841,713
Less: loss allowance	(388)	(180)
	<u>\$ 1,187,327</u>	<u>842,870</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables, by taking into account the forward-looking information. Analysis of expected credit losses on accounts receivable from unrelated parties was as follows:

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	<u>\$ 16,631</u>	0%	<u>388</u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 560	0%	-
Past due 1-30 days	777	23%	180
	<u>\$ 1,337</u>		<u>180</u>

(Continued)

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Notes to Parent-Company-Only Financial Statements

The Company has not recognized a specific allowance for accounts receivable from related parties after the assessment. The aging analysis of accounts receivable from related parties was as follows:

	December 31, 2023	December 31, 2022
Current	\$ 836,325	510,250
Past due 1-30 days	7,426	49,773
Past due 31-60 days	36,385	70,674
Past due 61-90 days	8,801	48,582
Past due 91 days or over	<u>282,147</u>	<u>162,434</u>
	<u>\$ 1,171,084</u>	<u>841,713</u>

Based on the credit quality and the payment received in subsequent period from related parties, no significant doubt was cast on the recovery of receivables from related parties due with no loss allowance provided.

Movements of the allowance for accounts receivable were as follows:

	2023	2022
Balance at January 1	\$ 180	50
Impairment losses recognized	<u>208</u>	<u>130</u>
Balance at December 31	<u>\$ 388</u>	<u>180</u>

(e) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	\$ 40,481	40,491
Other receivables from related parties	571	-
Interest receivable	1,138	-
Less: loss allowance	<u>(40,141)</u>	<u>(40,141)</u>
	<u>\$ 2,049</u>	<u>350</u>

As of December 31, 2023 and 2022, except for the other receivables amounting to \$40,141, wherein the loss allowances were fully provided, no loss allowance was provided for the remaining receivables after the management's assessment.

Refer to note 6(w) for credit risk exposure of other receivables.

(f) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 8,440	28,083
Finished goods	<u>8,902</u>	<u>21,962</u>
	<u>\$ 17,342</u>	<u>50,045</u>

(Continued)

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Notes to Parent-Company-Only Financial Statements

Except for inventories recognized as costs of sales and expenses, the details of costs of revenue were as follows:

	<u>2023</u>	<u>2022</u>
(Reversal of) write-downs of inventories	\$ (10,578)	16,640
Royalty costs	4,443	3,591
Others	<u>746</u>	<u>665</u>
	<u>\$ (5,389)</u>	<u>20,896</u>

- (g) Investments accounted for using the equity method (including credit balance of investments)

The Company's investments accounted for using the equity method were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Associates	\$ 328,903	330,807
Subsidiaries	<u>81,492</u>	<u>153,426</u>
	<u>\$ 410,395</u>	<u>484,233</u>

- (i) Subsidiaries

Refer to the consolidated financial statements for the year ended December 31, 2023.

- (ii) Associates

Information in respect of the Company's material associate is as follows:

<u>Name of associate</u>	<u>Main business</u>	<u>Location</u>	<u>Percentage of ownership</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Apex Material Technology Corp. ("AMTC")	Manufacture and sale of touch display, touch controller and its driver, the Company's strategic partners	Taiwan	16.60 %	16.60 %

In order to comply with the procedures for the Emerging Stock Market Registration, the Company disposed of 265,000 shares of AMTC at the request of AMTC in June 2022, resulting in the Company recognizing a gain on investments disposal of \$8,120 as other gains and losses.

Aggregated financial information on associates that were material to the Company is summarized as follows. The financial information summarized the information on fair value adjustments made at the time of acquisition and adjustments on the differences in accounting policies, as well as value adjustments on the assessment of impairment.

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The summarized financial information of AMTC:

	December 31, 2023	December 31, 2022
Current assets	\$ 836,754	959,965
Non-current assets	1,536,529	1,620,753
Current liabilities	(180,419)	(357,767)
Non-current liabilities	<u>(247,833)</u>	<u>(263,787)</u>
Equity	<u>\$ 1,945,031</u>	<u>1,959,164</u>
Equity attributable to non-controlling interests of AMTC	<u>\$ 257</u>	<u>1,135</u>
Equity attributable to shareholders of AMTC	<u>\$ 1,944,774</u>	<u>1,958,029</u>
	2023	2022
Net sales	<u>\$ 1,041,691</u>	<u>1,411,841</u>
Net income	\$ 164,379	207,133
Other comprehensive income	<u>7,601</u>	<u>5,023</u>
Total comprehensive income	<u>\$ 171,980</u>	<u>212,156</u>
Total comprehensive loss attributable to non-controlling interests of AMTC	<u>\$ (879)</u>	<u>(1,106)</u>
Total comprehensive income attributable to shareholders of AMTC	<u>\$ 172,859</u>	<u>213,262</u>
	2023	2022
The carrying amount of equity of associates at January 1	\$ 330,807	302,166
Net income attributable to the Company	19,265	31,947
Other comprehensive loss attributable to the Company	1,228	(347)
Add: Reversal of accumulated impairment loss of associates	-	30,048
Less: Dividends received from associates	(22,397)	(19,990)
Disposal of interests in associates	<u>-</u>	<u>(13,017)</u>
The carrying amount of equity in associates at December 31	<u>\$ 328,903</u>	<u>330,807</u>

Due to fierce industry competition, AMTC's revenue was not able to meet its expectation as of December 31, 2019, resulting in AMTC failing to maintain the same profitability as prior years. As a consequence, the Company recognized an impairment loss of \$50,294 in 2019. Based on the assessment made on June 30, 2022, there is an indication that the previously recognized impairment loss no longer existed or decreased, wherein the recoverable amount is re-estimated at the discount rate of 16.5%, resulted in the Company to recognize a gain on reversal of impairment loss amounting to \$30,048 as other gains and losses. Refer to note 6(v) for the related information.

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Notes to Parent-Company-Only Financial Statements

(h) Disposal of subsidiary

In May 2022, a subsidiary, Heartware Alliance and Integration Limited, was liquidated and the related other comprehensive income was reclassified to profit or loss, resulting in a loss on disposal of subsidiary amounting to \$122 to be recognized in other gains and losses.

(i) Property, plant and equipment

	<u>Machinery</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 747	70,002	70,749
Additions	-	1,241	1,241
Disposals	<u>-</u>	<u>(271)</u>	<u>(271)</u>
Balance at December 31, 2023	<u><u>\$ 747</u></u>	<u><u>70,972</u></u>	<u><u>71,719</u></u>
Balance at January 1, 2022	\$ 747	68,831	69,578
Additions	<u>-</u>	<u>1,171</u>	<u>1,171</u>
Balance at December 31, 2022	<u><u>\$ 747</u></u>	<u><u>70,002</u></u>	<u><u>70,749</u></u>
Accumulated depreciation and impairment loss:			
Balance at January 1, 2023	\$ 726	68,714	69,440
Depreciation	20	946	966
Disposals	<u>-</u>	<u>(271)</u>	<u>(271)</u>
Balance at December 31, 2023	<u><u>\$ 746</u></u>	<u><u>69,389</u></u>	<u><u>70,135</u></u>
Balance at January 1, 2022	\$ 706	68,028	68,734
Depreciation	<u>20</u>	<u>686</u>	<u>706</u>
Balance at December 31, 2022	<u><u>\$ 726</u></u>	<u><u>68,714</u></u>	<u><u>69,440</u></u>
Carrying amounts:			
Balance at December 31, 2023	<u><u>\$ 1</u></u>	<u><u>1,583</u></u>	<u><u>1,584</u></u>
Balance at December 31, 2022	<u><u>\$ 21</u></u>	<u><u>1,288</u></u>	<u><u>1,309</u></u>
Balance at January 1, 2022	<u><u>\$ 41</u></u>	<u><u>803</u></u>	<u><u>844</u></u>

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(j) Right-of-use assets

	<u>Buildings</u>
Cost:	
Balance at January 1, 2023	\$ 188
Additions	248
Disposals	<u>(188)</u>
Balance at December 31, 2023	<u>\$ 248</u>
Balance at January 1, 2022	\$ 692
Disposals	<u>(504)</u>
Balance at December 31, 2022	<u>\$ 188</u>
Accumulated depreciation:	
Balance at January 1, 2023	\$ 136
Depreciation	125
Disposals	<u>(188)</u>
Balance at December 31, 2023	<u>\$ 73</u>
Balance at January 1, 2022	\$ 515
Depreciation	125
Disposals	<u>(504)</u>
Balance at December 31, 2022	<u>\$ 136</u>
Carrying amounts:	
Balance at December 31, 2023	<u>\$ 175</u>
Balance at December 31, 2022	<u>\$ 52</u>
Balance at January, 2022	<u>\$ 177</u>

(Continued)

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Notes to Parent-Company-Only Financial Statements

(k) Intangible assets

Intangible assets consisted of the cost of computer software and the movements of costs and accumulated amortization of intangible assets were as follows:

	<u>2023</u>	<u>2022</u>
Cost:		
Balance at January 1	\$ 2,425	2,205
Additions	1,833	1,446
Derecognition	(1,779)	(1,226)
Balance at December 31	<u>\$ 2,479</u>	<u>2,425</u>
Accumulated amortization:		
Balance at January 1	\$ 1,388	849
Amortization	1,499	1,765
Derecognition	(1,779)	(1,226)
Balance at December 31	<u>\$ 1,108</u>	<u>1,388</u>
Carrying amounts:		
Balance at January 1	<u>\$ 1,037</u>	<u>1,356</u>
Balance at December 31	<u>\$ 1,371</u>	<u>1,037</u>

For the years ended December 31, 2023 and 2022, the amortization of intangible assets was included in operating expenses of the parent-company-only statements of comprehensive income.

(l) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unused credit facilities	<u>\$ 1,037,350</u>	<u>917,080</u>

(m) Lease liabilities

The carrying amounts of lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	<u>\$ 124</u>	<u>52</u>
Non-current	<u>\$ 52</u>	<u>-</u>

Refer to note 6(w) for the maturity analysis of lease liabilities.

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	<u>\$ 2</u>	<u>1</u>
Expenses relating to short-term leases	<u>\$ 1,212</u>	<u>1,430</u>

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The amounts recognized in the parent-company-only statement of cash flows for the Company were as follows:

	2023	2022
Total cash outflow for leases	\$ <u>1,338</u>	<u>1,556</u>

(i) Major terms of leases

The Company leases buildings for its office, with lease terms ranging from 1 to 5 years, some of which include the option to extend the lease upon maturity.

In addition, as leases of buildings, with lease terms of less than 1 year, are considered as short-term leases, the Company elected to apply for an exemption and not to recognize its right-of-use assets and lease liabilities.

(ii) Other leases

The Company leases transportation equipment and other leases with lease terms of 2 to 5 years.

(n) Provisions

	2023	2022
Balance at January 1	\$ 10,821	12,446
Amount recognized	1,500	1,300
Amount utilized	<u>(1,760)</u>	<u>(2,925)</u>
Balance at December 31	\$ <u>10,561</u>	<u>10,821</u>

Provision for warranties is related mainly to the sale of components business products and system business products. It is based on estimates made from historical warranty data associated with similar goods and services.

(o) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of the defined benefit obligations and the net defined benefit assets for the defined benefit plans was as follows:

	December 31, 2023	December 31, 2022
Present value of benefit obligations	\$ 12,367	12,002
Fair value of plan assets	<u>(25,154)</u>	<u>(24,614)</u>
Net defined benefit assets	\$ <u>(12,787)</u>	<u>(12,612)</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and an average salary for the six months prior to the employee's retirement.

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1) Composition of plan assets

The pension fund (the “Fund”) contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, with regard to the utilization of the Fund, the minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2023 and 2022, the Company’s labor pension fund account balance at Bank of Taiwan amounted to \$25,154 and \$24,614, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

2) Movements in present value of the defined benefit obligations

	2023	2022
Defined benefit obligations at January 1	\$ 12,002	17,222
Current service costs and interest	210	107
Remeasurement on the net defined benefit liabilities (assets):		
— Actuarial gain arising from experience adjustments	(1)	(310)
— Actuarial loss (gain) arising from changes in financial assumption	156	(892)
Benefits paid by the plan	-	(4,125)
Defined benefit obligations at December 31	<u><u>\$ 12,367</u></u>	<u><u>12,002</u></u>

3) Movements in fair value of plan assets

	2023	2022
Fair value of plan assets at January 1	\$ 24,614	26,436
Interest income	431	165
Remeasurement on the net defined benefit liabilities (assets):		
— Return on plan assets (excluding amounts included in net interest expense)	109	2,138
Benefits paid by the plan	-	(4,125)
Fair value of plan assets at December 31	<u><u>\$ 25,154</u></u>	<u><u>24,614</u></u>

4) There were no effects on the asset ceiling in 2023 and 2022.

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5) Expenses recognized in profit or loss

	<u>2023</u>	<u>2022</u>
Net interest income	\$ <u>(221)</u>	<u>(58)</u>
Administrative expenses	\$ (150)	(44)
Research and development expenses	(71)	(14)
	<u>\$ (221)</u>	<u>(58)</u>

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2021</u>
Discount rate	1.625 %	1.750 %
Rates on future salary increase	3.000 %	3.000 %

The Company does not expect to make any contribution to the defined benefit plans in the year following December 31, 2023.

The weighted-average duration of the defined benefit plans ranges from 11.39 years.

7) Sensitivity analysis

The following table summarizes the impact of the change in the assumptions on the present value of the defined benefit obligation.

	<u>The impact on the defined benefit obligation</u>	
	<u>0.25% Increase</u>	<u>0.25% Decrease</u>
December 31, 2023		
Discount rate	\$ (308)	319
Rates on future salary increase	308	(298)
December 31, 2022		
Discount rate	(330)	340
Rates on future salary increase	330	(320)

The above sensitivity analysis considers the change in one assumption at a time, leaving other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are interrelated. The method used to carry out the sensitivity analysis is consistent with the calculation of the net defined benefit liabilities recognized in the balance sheets.

The method and assumptions used to carry out the sensitivity analysis is the same as in the prior year.

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(ii) Defined contribution plans

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2023 and 2022, the Company recognized the pension expenses of \$1,334 and \$1,367, respectively, in relation to the defined contribution plans.

(p) Income taxes

(i) Income tax expense (benefit)

1) The components of income tax expense (benefit) were as follows:

	<u>2023</u>	<u>2022</u>
Current income tax expense (benefit)		
Current period	\$ 583	-
Adjustments for prior years	868	(125)
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(4,651)	1,004
Recognition of previously unrecognized tax losses	(22,328)	-
Income tax expense (benefit)	<u>\$ (25,528)</u>	<u>879</u>

2) The components of income tax benefit recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Unrealized losses from investments in equity instruments at fair value through other comprehensive income	<u>\$ (1,374)</u>	<u>(407)</u>

3) Reconciliation of income tax expense and income before income tax for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Income before taxes	<u>\$ 206,679</u>	<u>199,981</u>
Income tax using the Company's statutory tax rate	\$ 41,336	39,996
Adjustments for prior-year income tax expense	868	-
Recognition of previously unrecognized tax losses	(22,328)	-
Changes in unrecognized temporary difference	(42,269)	(32,733)
5% surtax on undistributed earnings	583	-
Investment income recorded under equity method	(3,719)	(6,393)
Others	<u>1</u>	<u>9</u>
	<u>\$ (25,528)</u>	<u>879</u>

(Continued)

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(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2023	December 31, 2022
Losses associated with investments in subsidiaries	\$ 186,874	182,150
The carryforward of unused tax losses	88,330	156,495
Others	<u>33,025</u>	<u>26,956</u>
	<u>\$ 308,229</u>	<u>365,601</u>

The above deferred income tax assets were not recognized as management believed that it is not probable that future taxable profits will be available against which the Company can utilize the benefits therefrom.

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset future taxable income. As of December 31, 2023, the tax effects of unused tax losses and the respective expiry years were as follows:

Year of loss	Unused tax losses	Year of expiry
2016 (Assessment)	\$ 50,593	2026
2017 (Assessment)	159,366	2027
2018 (Assessment)	113,790	2028
2019 (Assessment)	43,936	2029
2020 (Assessment)	<u>73,965</u>	2030
	<u>\$ 441,650</u>	

2) Unrecognized deferred income tax liabilities

The Company is able to control the timing of reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities. The related amounts were as follows:

	December 31, 2023	December 31, 2022
Net profits associated with investments in subsidiaries	<u>\$ 27,027</u>	<u>26,058</u>

(Continued)

	Deductible tax losses
Deferred income tax assets:	
Balance at January 1, 2023	\$ -
Recognized in profit or loss	<u>22,328</u>
Balance at December 31, 2023	<u><u>\$ 22,328</u></u>
Balance at January 1, 2022	<u><u>\$ -</u></u>
Balance at December 31, 2022	<u><u>\$ -</u></u>

The Company's income tax returns for the years through 2021 were examined and approved by the R.O.C. income tax authorities.

On May 3, 2023, the Board of Directors approved the issuance of common stock of 7,000 thousand shares at the issuance price of NTD 68 per share. The effective date of issuance of common stock was set on August 24, 2023, and related registration procedures have been completed.

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The movements in outstanding shares of common stock from January 1 to December 31, 2023 and 2022, were as follows (in thousands of shares):

	<u>2023</u>	<u>2022</u>
Balance at January 1	71,448	71,448
Capital increase by cash	<u>7,000</u>	<u>-</u>
Balance at December 31	<u>78,448</u>	<u>71,448</u>

(ii) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Premium on issuance of stock	\$ 406,428	-
Surplus from equity-method investments	2,976	2,976
Forfeited employee stock options	<u>1,460</u>	<u>-</u>
	<u>\$ 410,864</u>	<u>2,976</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of the par value and donations received by the Company. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, the distribution of stock dividends from capital surplus, in any year, shall not exceed 10% of the paid-in capital.

(iii) Retained earnings

The Company’s Articles of Incorporation stipulate that at least 10% of the annual net income, after deducting the accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of the paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years, shall be distributed as shareholder dividends. Except for the distribution of capital surplus and legal reserve in accordance with applicable laws and regulations, the Company cannot distribute any earnings when there are no retained earnings.

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

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The dividend policy of the Company depends on the current and future development plan, investment environments, concerning the interest of shareholders, etc.; therefore, share or cash dividends of the Company shall be distributed at least 10 percent (10%) of yearly dividends. For the purpose of having a balance and steady dividend policy, the cash dividends shall not less than ten percent (10%) of the total dividend amount when distributing the dividend to the shareholders, except as otherwise the dividend is decided not to distribute with a consent adopted by the meeting of the Board of Directors and also approved by the shareholders' meeting. Provided the Company has no earning of the fiscal year, the Company shall not distribute share or cash dividends; however, in consideration of the financial, business and operational situations of the Company, the Company may distribute partial or all the legal reserve and the capital reserve in accordance with the regulations or rules of the relevant authorities.

In accordance with the rulings issued by the FSC, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from the current and prior-year earnings. This special reserve shall be reverted to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

On March 15, 2023, the Company's Board of Directors resolved to distribute cash dividends of \$1.5 per share, which amounted to \$107,172. On June 16, 2023, the Company's shareholders' meeting approved an appropriation of legal reserve and special reserve of \$14,710 and an appropriation of special reserve of \$13,559, respectively.

The appropriation of 2021 to offset the accumulated deficits was approved at the shareholders' meetings held on June 17, 2022. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2023	\$ (37,433)	4,517	(32,916)
Share of foreign currency translation differences of subsidiaries	(8,794)	-	(8,794)
Share of foreign currency translation differences of associates	1,144	-	1,144
Foreign exchange differences arising from translation of foreign operations	(2,159)	-	(2,159)
Valuation losses on financial assets measured at fair value through other comprehensive income	-	(11,806)	(11,806)
Balance at December 31, 2023	<u>\$ (47,242)</u>	<u>(7,289)</u>	<u>(54,531)</u>

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	Foreign currency translation differences	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (26,500)	7,144	(19,356)
Share of foreign currency translation differences of subsidiaries	6,652	-	6,652
Share of foreign currency translation differences of associates	(334)	-	(334)
Foreign exchange differences arising from translation of foreign operations	(17,251)	-	(17,251)
Valuation losses on financial assets measured at fair value through other comprehensive income	-	(2,627)	(2,627)
Balance at December 31, 2022	<u>\$ (37,433)</u>	<u>4,517</u>	<u>(32,916)</u>

(r) Share-based payment

The Company's equity-settled share-based payment was as follows:

	Issuance of new shares reserved for employee subscriptions
Grant date	2023/07/24
Number of shares granted (in thousands)	537
Vesting conditions	Immediately vested
Qualified employees	Full-time employees of the Company and its parent company

On May 3, 2023, the Board of Directors approved the issuance of common stock for cash, some of which were reserved for employee subscription. The Company used the Black-Scholes Model in estimating the fair value of its employee stock options at the grant date. The main inputs to the valuation model were as follows:

Fair value of stock options at the grant date (NTD/per share)	7.09
Fair value of common stock at the grant date (NTD/per share)	72
Exercise price (NTD/per share)	68
Expected volatility (%)	65.72%
Expected life (years)	0.0685
Risk-free interest rate (%)	1.10%

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Expected volatility is based on the weighted average of historical volatility, and expected life is in accordance with the related regulations governing employee subscription. The risk-free interest rate is based on interest rate on 1-month time deposits announced by Bank of Taiwan.

The compensation cost recognized for the share-based payment in 2023 amounted to \$1,205. Issuance of new shares reserved for employee subscriptions of its parent company amounting to \$2,602 based on equity-settled share-based payment was recognized as a deduction from retained earnings.

(s) Earnings per share (“EPS”)

(i) Basic earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Company	\$ <u>232,207</u>	<u>199,102</u>
Weighted-average number of common shares outstanding (in thousands)	<u>73,941</u>	<u>71,448</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>3.14</u>	<u>2.79</u>

(ii) Diluted earnings per share

	<u>2023</u>	<u>2022</u>
Net income attributable to shareholders of the Company	\$ <u>232,207</u>	<u>199,102</u>
Weighted-average number of common shares outstanding (in thousands)	73,941	71,448
Effect of dilutive potential common shares (in thousands):		
Effect of remuneration to employees	92	181
Weighted-average shares of common shares outstanding (including effect of dilutive potential common shares) (in thousands)	<u>74,033</u>	<u>71,629</u>
Diluted earnings per share (in New Taiwan dollars)	\$ <u>3.14</u>	<u>2.78</u>

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>			
			Asia Pacific and emerging markets	
	<u>Americas</u>	<u>Europe</u>		<u>Total</u>
Major products/services lines				
System business products	\$ <u>62,735</u>	<u>235,719</u>	<u>4,999,066</u>	<u>5,297,520</u>

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	2022			
	Americas	Europe	Asia Pacific and emerging markets	Total
Major products/services lines				
System business products	<u>\$ 168,494</u>	<u>404,061</u>	<u>2,320,850</u>	<u>2,893,405</u>

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Accounts receivable (including related parties)	\$ 1,187,715	843,050	675,940
Less: loss allowance	(388)	(180)	(50)
	<u>\$ 1,187,327</u>	<u>842,870</u>	<u>675,890</u>
Contract liabilities — current	\$ 2,588	10,532	1,199
Contract liabilities — non-current	3,473	5,697	6,784
	<u>\$ 6,061</u>	<u>16,229</u>	<u>7,983</u>

Refer to note 6(d) for details on notes and accounts receivable (including related parties) and related loss allowance.

The major changes in the balance of contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amounts of revenue recognized in 2023 and 2022 that were included in the contract liability balances on January 1, 2023 and 2022 were \$11,871 and \$2,617, respectively.

(u) Remuneration to employees and directors

The Company's Articles of Incorporation require that annual earnings shall first be offset against any deficit, then, shall be allocated as follows:

- (i) A minimum of 2% shall be allocated as employee remuneration, in share or cash, to qualified full-time employees, including those of the Company's subsidiaries.
- (ii) A maximum of 0.8% shall be allocated as directors' remuneration which is reviewed by the Remuneration Committee and reported to the Board of Directors for approval.

The remunerations to employees for 2023 and 2022 were \$4,253 and \$8,538, respectively, and the remunerations to directors for 2023 and 2022 were \$1,701 and \$854, respectively. The said amounts, which were recognized as operating expenses, were calculated based on pre-tax net profit for each year before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of remuneration to employees and directors. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in following year.

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The remunerations to employees for 2023 and 2022 were \$4,253 and \$8,538, respectively, and the remunerations to directors for 2023 and 2022 were \$1,701 and \$854, respectively, which were the same as the amount approved by the Board of Directors and were paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(v) Non-operating income and loss

(i) Other gains and losses

	<u>2023</u>	<u>2022</u>
Foreign currency exchange gains	\$ 7,570	7,857
Gains on reversal of impairment loss on non-financial assets	-	30,048
Gains on disposal of investments	-	7,998
Others	873	500
	<u>\$ 8,443</u>	<u>46,403</u>

(ii) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense from bank loans	\$ (297)	(2,230)
Interest expense on lease liabilities	(2)	(1)
	<u>\$ (299)</u>	<u>(2,231)</u>

(w) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

2) Concentration of credit risk

As of December 31, 2023 and 2022, 94.06% and 95.40%, respectively, of accounts receivable were concentrated on three customers; thus, credit risk is significantly centralized. The Company continuously evaluates the credit quality of its customers and utilizes insurance to minimize the credit risk.

3) Credit risk from receivables

Refer to note 6(d) for credit risk exposure of notes and accounts receivable.

Other financial assets measured at amortized cost include low-credit-risk financial assets of other receivables, and thus, the loss allowance is measured using 12-months ECL. Refer to note 4(f) of the parent-company-only financial statements for the year ended December 31, 2023 for descriptions on how the Company determines the credit risk. For details on loss allowance, refer to notes 6(d) and (e).

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(ii) Liquidity risk

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and estimated interest.

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>Over 5 years</u>
December 31, 2023				
Non-derivative financial liabilities:				
Notes and accounts payable (including related parties)	\$ 1,137,808	1,137,808	-	-
Other payables (including related parties)	51,153	51,153	-	-
Lease liabilities (including current and non-current)	<u>179</u>	<u>126</u>	<u>53</u>	<u>-</u>
	<u>\$ 1,189,140</u>	<u>1,189,087</u>	<u>53</u>	<u>-</u>
Derivative financial instruments:				
Foreign currency forward contracts and foreign exchange swaps — settled in gross:				
Outflow	\$ 102,182	102,182	-	-
Inflow	<u>(101,860)</u>	<u>(101,860)</u>	<u>-</u>	<u>-</u>
	<u>\$ 322</u>	<u>322</u>	<u>-</u>	<u>-</u>
December 31, 2022				
Non-derivative financial liabilities:				
Notes and accounts payable (including related parties)	\$ 675,544	675,544	-	-
Other payables (including related parties)	46,090	46,090	-	-
Lease liabilities (including current and non-current)	<u>52</u>	<u>52</u>	<u>-</u>	<u>-</u>
	<u>\$ 721,686</u>	<u>721,686</u>	<u>-</u>	<u>-</u>
Derivative financial instruments:				
Foreign currency forward contracts and foreign exchange swaps — settled in gross:				
Outflow	\$ 167,593	167,593	-	-
Inflow	<u>(163,016)</u>	<u>(163,016)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,577</u>	<u>4,577</u>	<u>-</u>	<u>-</u>

The Company does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

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(iii) Foreign currency risk

The Company's exposure to foreign currency risk arises from cash and cash equivalents, accounts receivable (payable) (including related parties) and other receivables (payables) (including related parties) that are denominated in a currency other than the functional currencies of the Company.

At the reporting date, the carrying amounts of the Company's significant monetary assets and liabilities denominated in a currency other than the functional currencies of the Company and the respective sensitivity analysis were as follows:

December 31, 2023					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 37,657	30.7350	1,157,401	5 %	57,870
EUR	4,053	33.9284	137,506	5 %	6,875
<u>Non-monetary items</u>					
AUD	1,339	20.9367	28,044	5 %	1,402
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	36,274	30.7350	1,114,876	5 %	55,744
EUR	240	33.9284	8,139	5 %	407

December 31, 2022					
	Foreign currency (in thousands)	Exchange rate	NTD (in thousands)	Change in magnitude	Pre-tax effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 24,131	30.7080	741,009	5 %	37,050
EUR	5,889	32.8730	193,590	5 %	9,680
<u>Non-monetary items</u>					
AUD	1,969	20.9214	41,204	5 %	2,060
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	25,145	30.7080	772,142	5 %	38,607
EUR	240	32.8730	7,885	5 %	394

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With varieties of functional currencies within the Company, the Company disclosed net realized and unrealized foreign exchange gains (losses) on monetary items in aggregate. Refer to note 6(v) for further information.

(iv) Interest rate risk

Refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

Sensitivity analysis was not performed as there were no floating-interest-rate liabilities at the reporting date.

(v) Other market price risk

The Company is exposed to the risk of price fluctuation in securities resulting from its investment in publicly traded stocks. The Company supervises the equity price risk actively and manages the risk based on fair value. The Company also has strategic investments in privately held stocks, in which the Company does not actively participate in their trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2023 and 2022 would have increased or decreased by \$1,952 and \$2,611, respectively.

(vi) Fair value information

1) Financial instruments not measured at fair value

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

2) Financial instruments measured at fair value

The following financial instruments are measured at fair value on a recurring basis.

The table below analyzes the financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2: 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).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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		December 31, 2023				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss — current:						
Foreign exchange swaps and foreign currency forward contracts	\$	<u>313</u>	<u>-</u>	<u>313</u>	<u>-</u>	<u>313</u>
Financial assets measured at fair value through other comprehensive income — non-current:						
Unlisted stock	\$	28,044	-	-	28,044	28,044
Domestic listed stock		<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
	\$	<u>39,044</u>	<u>11,000</u>	<u>-</u>	<u>28,044</u>	<u>39,044</u>
Financial liabilities mandatorily measured at fair value through profit or loss — current:						
Foreign exchange swaps and foreign currency forward contracts	\$	<u>883</u>	<u>-</u>	<u>883</u>	<u>-</u>	<u>883</u>
		December 31, 2022				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss — current:						
Foreign exchange swaps and foreign currency forward contracts	\$	<u>34</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>34</u>
Financial assets measured at fair value through other comprehensive income — non-current:						
Unlisted stock	\$	41,204	-	-	41,204	41,204
Domestic listed stock		<u>11,020</u>	<u>11,020</u>	<u>-</u>	<u>-</u>	<u>11,020</u>
	\$	<u>52,224</u>	<u>11,020</u>	<u>-</u>	<u>41,204</u>	<u>52,224</u>
Financial liabilities mandatorily measured at fair value through profit or loss — current:						
Foreign exchange swaps and foreign currency forward contracts	\$	<u>3,974</u>	<u>-</u>	<u>3,974</u>	<u>-</u>	<u>3,974</u>

There were no transfers among fair value hierarchies for the years ended December 31, 2023 and 2022.

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3) Valuation techniques used for financial instruments measured at fair value

a) Non-derivative financial instruments

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices. The fair value of unlisted common shares is estimated by using the market approach and is determined by reference to valuations of similar companies, recent financing activities, market conditions and other economic indicators.

b) Derivative financial instruments

The fair value of foreign currency forward contracts and foreign exchange swaps is computed individually by each contract using the valuation technique and quoted price from a bank competitor.

4) Movement in financial assets included in Level 3 fair value hierarchy

	Financial assets measured at fair value through other comprehensive income
Balance at January 1, 2023	\$ 41,204
Total gains or losses:	
Recognized in other comprehensive income	(13,160)
Balance at December 31, 2023	\$ 28,044
Balance at January 1, 2022	\$ 43,238
Total gains or losses:	
Recognized in other comprehensive income	(2,034)
Balance at December 31, 2022	\$ 41,204

The abovementioned total gains or losses were included in unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income.

5) Quantitative information of significant unobservable inputs

The fair value measurements in Level 3 are based on investments measured at fair value through other comprehensive income—equity investments without an active market.

The fair value measurements in Level 3 consist of multiple significant unobservable inputs which are independent of each other and therefore do not include the interrelationship with other significant unobservable inputs.

(Continued)

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Quantitative information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Investments measured at fair value through other comprehensive income — equity investments without an active market	Comparable company valuation	• Price-to-earnings ratio of 0.41~10.45 and 0.70~10.81 on December 31, 2023 and 2022, respectively	• The higher the price-to-earnings ratio, the higher the estimated fair value would be
		• Price-book ratio of 0.95~1.81 and 0.70~1.8 on December 31, 2023 and 2022, respectively	• The higher the price-book ratio, the higher the estimated fair value would be
		• Discount for lack of marketability of 40% on December 31, 2023 and 2022	• The higher the discount for lack of marketability, the higher the estimated fair value would be

- 6) Fair value measurements in Level 3— sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments may change if different valuation models or inputs are used. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on other comprehensive income:

	Input	Change in assumptions	Other comprehensive income			
			December 31, 2023		December 31, 2022	
			Favorable	Unfavorable	Favorable	Unfavorable
Financial assets measured at fair value through other comprehensive income	Price-to-earnings ratio and price-book ratio	3%	\$ <u>841</u>	<u>(841)</u>	<u>1,236</u>	<u>(1,236)</u>

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using a valuation technique. If the fair value of a financial instrument is subject to more than one inputs, the analysis above would reflect only the effects of changes in a single input and will not include the interrelationship with another inputs.

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(vii) Offsetting of financial assets and financial liabilities

The Company has financial instrument transactions which are set off in accordance with paragraph 42 of IAS 32, wherein the related financial assets and liabilities are presented in the balance sheets on a net basis.

The table below summarizes the related information of offsetting of financial assets and liabilities:

December 31, 2023						
Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable	\$ 33,424	17,181	16,243	-	-	16,243

December 31, 2023						
Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	\$ 1,146,995	17,181	1,129,814	-	-	1,129,814

December 31, 2022						
Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements						
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts receivable	\$ 26,308	25,151	1,157	-	-	1,157

December 31, 2022						
Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements						
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Amounts not offset in the balance sheet (d)		Net amount
	(a)	(b)	(c)=(a)-(b)	Financial instruments	Cash collateral received	(e)=(c)-(d)
Notes and accounts payable	\$ 695,888	25,151	670,737	-	-	670,737

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(x) Financial risk management

(i) Overview

The daily operation of the Company is affected by multiple financial risks, including market risk (foreign currency risk, interest rate risk and market price risk), credit risk and liquidity risk. The overall risk control policy focuses on unpredictable events in financial market and seeks reduction of potential adverse impact on the Company's financial status and financial performance.

(ii) Risk management framework

Risk management policies are approved by the Board of Directors and is executed by the Company's financial department. For financial risks arising from operation management, the financial department is accountable for recognizing, evaluating and planning the hedge methods through cooperation with other operating units. The Board of Directors develops and documents risk policies which cover specific risk exposures such as currency risk and derivative financial instrument risk to ensure the hedge tools are performed properly and effectively.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

1) Accounts receivable

The Company has insured credit insurance that covers accounts receivable from related customers, while customers without credit insurance may transact with the Company only on a prepayment basis.

The Company developed expected credit loss model for estimated future loss on accounts receivable and other receivables.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks and companies with good credit rating. The Company expects the counterparties above to meet their obligations, hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to its wholly owned subsidiaries. As of December 31, 2023 and 2022, no other guarantees were outstanding.

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(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or another financial assets. The Company's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Generally, the Company ensures that there is sufficient cash to cover its expected operating expenditure demand over the succeeding 3 months, but excluding potential influence under unexpected extremely condition (i.e. nature disaster).

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, and will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company entities. The foreign currencies used in these transactions are mainly the Euro (EUR), US dollar (USD) and Chinese yuan (CNY).

Procedures responsive to fluctuation of foreign exchange:

- a) The Company utilizes foreign currency loans or foreign currency spot/forward contracts to hedge its said exposure based on the offsetting of foreign currency accounts receivable arising from the sales transactions and foreign currency accounts payable arising from the purchase transactions.
- b) The Company collects information on currency to monitor the trend of currency rate and keeps connection with the foreign currency department of financial institutions to collect the market information and determine the exchange rate appropriately for securing the currency risk.

2) Interest rate risk

The Company's short-term borrowings and long-term debt carry floating interest rates, and the Company has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. The Company monthly negotiates the interest rates of bank loans, with reference to the market, with the bank to reduce the risk arising from fluctuation of interest rates.

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

3) Other market price risk

The Company is exposed to the risk of price fluctuation in its equity instruments, which are held for cash flow management and unused capital. These equity instruments are held for strategic purposes and not for trading. Significant investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(y) Capital management

The capital management aims to maintain a stable capital structure by reviewing the liability-to-equity ratio to enhance long-term shareholder value and to ensure its continuing operations. In consideration of the overall economic environment and the development of the industry, business models, channel resources and product strategies, the Company performs procedures on related capital expenditures and working capital to optimize capital structure.

The management monitors the capital structure regularly and considers the potential risk the Company may be involved in various capital structures. Generally, the strategy of capital structure management remains cautious.

(z) Financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2023	Cash flows	Movement of leases	Non-cash changes Fluctuation of foreign exchange rate	December 31, 2023
Lease liabilities	\$ 52	(124)	248	-	176
Total liabilities from financing activities	<u>\$ 52</u>	<u>(124)</u>	<u>248</u>	<u>-</u>	<u>176</u>

	January 1, 2022	Cash flows	Movement of leases	Non-cash changes Fluctuation of foreign exchange rate	December 31, 2022
Short-term borrowings	\$ 163,070	(163,190)	-	120	-
Lease liabilities	177	(125)	-	-	52
Total liabilities from financing activities	<u>\$ 163,247</u>	<u>(163,315)</u>	<u>-</u>	<u>120</u>	<u>52</u>

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

7. Related-party transactions

(a) Parent company and ultimate controlling party

Acer Incorporated is the parent company and the ultimate controlling party of the Company and owns 43.67% of the outstanding shares of the Company as of December 31, 2023. Acer Incorporated has issued the consolidated financial statements for public use.

(b) Related party name and categories

The followings are related parties that have had transactions with the Company during the reporting periods:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Acer Incorporated (“Acer”)	The Company’s parent company
AOPEN America Inc. (“AOA”)	The Company’s subsidiary
AOPEN Computer B.V. (“AOE”)	//
AOPEN Japan Inc. (“AOJ”)	//
Aopen SmartVision Incorporated (“AOSV”)	//
Great Connection LTD. (“GCL”)	//
AOPEN International (Shanghai) Co., Ltd. (“AOC”)	//
AOPEN Information Products (Zhongshan) Inc. (“AOZ”)	//
AOPEN GLOBAL SOLUTIONS PTY LTD. (“AOGS”)	//
AOPEN Technology Inc. (“AOTH”)	//
AOPEN AUSTRALIA & NEW ZEALAND PTY LTD. (“AOAU”)	//
Apex Material Technology Corp. (“AMTC”)	The Company’s associate
Weblink International Inc. (“WLII”)	Other related party
Acer e-Enabling Service Business Inc. (“AEB”)	//
PT. Acer Indonesia (“AIN”)	//
Acer Synergy Tech Corp. (“AST”)	//
Acer Computer (Far East) Limited (“AFE”)	//
Acer Computer Co., Ltd. (“ATH”)	//
Aspire Service & Development Inc. (“ASDI”)	//
Highpoint Service Network Corporation (“HSNC”)	//

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

(c) Significant related-party transactions

(i) Sales to related parties

Significant sales to related parties and outstanding balances were as follows:

	Sales		Accounts receivable from related parties	
	2023	2022	December 31, 2023	December 31, 2022
Parent company	\$ 4,911,590	2,240,569	773,965	385,516
Subsidiaries:				
AOA	62,735	168,493	211,285	224,100
AOE	235,719	404,061	131,896	194,671
AOC	2,433	14,802	817	7,632
AOZ	-	-	8,554	8,546
AOAU	18,538	18,029	17,281	18,163
Other subsidiaries	14,080	25,791	1,153	3,085
Other related parties	9,258	241	1,853	-
	\$ 5,254,353	2,871,986	1,146,804	841,713

The sales prices and payment terms of sales offered to related parties depend on the economic environment and market competition, with the trade terms of EOM 60~90 days. There are also occasional late collections from related parties in consideration of their working capital management. In addition, the trade terms offered to third parties are OA 30~75 days. Receivables from related parties are unsecured with collateral and did not require provisions for expected credit loss.

(ii) Purchases from related parties

Purchases from related parties and outstanding balances were as follows:

	Purchases		Accounts payable to related parties	
	2023	2022	December 31, 2023	December 31, 2022
Parent company	\$ 18,847	15,788	4,470	1,086
Subsidiaries:				
AOZ	11,885	29,470	1,240	2,730
Other subsidiaries	14,927	4,070	74	-
Associates	-	74	-	-
Other related parties	6,861	3,117	2,210	991
	\$ 52,520	52,519	7,994	4,807

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

The purchase prices with related parties are not comparable with those of third-party vendors as their specifications of products are different.

For the years ended December 31, 2023 and 2022, prepayments for purchase made to AOZ amounted to \$24,280 and \$0, respectively, which were recognized in other current assets.

(iii) Other income and other receivables

Income (recognized as a reduction to operating expenses) arising from management services provided to related parties and outstanding balances were as follows:

	Income		Other receivables from related parties	
	2023	2022	December 31, 2023	December 31, 2022
Subsidiaries	\$ 618	-	571	-

(iv) Operating expenses and other payables

Operating expenses and outstanding balances arising from management services provided by related parties and other transactions were as follows:

	Expenses		Other payables to related parties	
	2023	2022	December 31, 2023	December 31, 2022
Parent company	\$ 6,913	6,913	4,644	5,707
Subsidiaries	5,451	3,783	562	823
Other related parties	80	-	71	69
	\$ 12,444	10,696	5,277	6,599

(v) Guarantees

For the years ended December 31, 2023 and 2022, performance guarantees provided to subsidiaries amounted to USD 0 and USD 5,500.

(vi) Lease

The Company leases warehouses and offices from its parent company; as these leases are short-term, the Company has elected not to recognize its right-of-use assets and lease liabilities for these leases. For the years ended December 31, 2023 and 2022, the Company recognized its rental expenses of \$1,052 and \$1,229, respectively. As of both December 31, 2023 and 2022, the related payables of \$9 were included in other payables to related parties.

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

(d) Compensation for key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 8,692	6,844
Post-employment benefits	<u>216</u>	<u>231</u>
	<u><u>\$ 8,908</u></u>	<u><u>7,075</u></u>

8. Pledged assets

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Pledged to secure</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other non-current assets — time deposits	Performance guarantees and guarantees for customs duties	<u><u>\$ 500</u></u>	<u><u>500</u></u>

9. Significant commitments and contingencies: None

10. Significant loss from disaster: None

11. Significant subsequent events: None

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

12. Others

- (a) A summary of the current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	2023			2022		
	Cost of revenue	Operating expenses	Total	Cost of revenue	Operating expenses	Total
Employee benefits:						
Salaries	-	32,533	32,533	-	31,691	31,691
Insurance	-	2,571	2,571	-	2,467	2,467
Pension	-	1,113	1,113	-	1,309	1,309
Remuneration to directors	-	3,606	3,606	-	2,094	2,094
Others	-	6,363	6,363	-	4,910	4,910
Depreciation	455	636	1,091	297	534	831
Amortization	-	1,499	1,499	-	1,765	1,765

	2023	2022
Employees	<u>31</u>	<u>32</u>
Directors not in concurrent employment	<u>7</u>	<u>7</u>
Average employee benefits	<u>\$ 1,774</u>	<u>1,615</u>
Average employee salaries	<u>\$ 1,356</u>	<u>1,268</u>
Adjustment of average employee salaries	<u>6.94 %</u>	<u>11.03 %</u>
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The Company's remuneration policy, including directors, supervisors, managers, and employees, is as follows:

- (i) The remunerations to employees (including managers) include monthly salary, quarterly sales bonus, year-end bonus, and performance bonus in cash, taking into consideration the Company's annual operating performance and profitability.
- (ii) The performance evaluation and the remuneration to directors and managers are determined with reference to the industry norms, wherein the Company assesses the rationality of each individual performance, the Company's operating performance and future risks.
- (iii) The Company's Articles of Incorporation require that annual earnings, which refer to income before tax (excluding the amounts of employees' and directors' profit-sharing bonus), shall first be offset against any deficit, then allocated as follows:
 - 1) A minimum of 5% shall be allocated as employee remuneration, in share or cash, to qualified full-time employees, including those of the Company's subsidiaries.
 - 2) A maximum of 1% shall be allocated as directors' remuneration, in cash, based on the assessment from the board, taking into account their participation in the operation and contribution to the Company.

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

13. Additional disclosures

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2023:

- (i) Financing provided to other parties: None
- (ii) Guarantee and endorsement provided to other parties:

(In Thousands of New Taiwan Dollars / US Dollars)

No.	Endorsement/ Guarantee Provider	Guarantee Party		Limitation on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	The Company	AOC	1	423,174	178,305 (USD 5,500)	-	-	-	-	1,410,580	Y	N	Y

Note 1: The aggregate endorsement/guarantee amount provided to other entity shall not exceed the net worth of the Company. The endorsement/guarantee provided to an individual party shall not exceed 30% of the net worth of the Company. The aggregate endorsement/guarantee amount provided to other entity shall not exceed the net worth of the Company and its subsidiaries. The endorsement/guarantee provided to an individual party shall not exceed 30% of the net worth of the Company and its subsidiaries.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

Type 1: an entity directly or indirectly owned by the Company over 50%

Type 2: between entities directly or indirectly owned by the Company over 90%

- (iii) Marketable securities held at the reporting date (excluding investments in subsidiaries, associates, and jointly controlled entities):

(In Thousands of New Taiwan Dollars / Shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2023				Note
				Shares/ Units	Carrying Value	Percentage of Ownership	Fair value	
The Company	Stock: BlueChip	-	Financial assets at fair value through other comprehensive income — non-current	570,000	28,044	9.70 %	28,044	-
"	Stock: MPL	-	"	24,670	-	15.06 %	-	-
"	Stock: Fubon Financial Holding Co., Ltd. Preferred Shares C	-	"	200,000	11,000	0.06 %	11,000	-
"	Stock: Cameo	-	Financial assets at fair value through profit or loss — non-current	209,595	-	6.38 %	-	-
AOTH	Stock: Xserve (BVI) Corp.	-	"	142,500	-	19.00 %	-	-

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

- (iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: None
- (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None
- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
AOE	The Company	Parent/Subsidiary	Purchases	235,719	98.88 %	-	-	-	(131,896)	94.34 %	-
The Company	AOE	"	(Sales)	(235,719)	4.45 %	-	-	-	131,896	11.11 %	-
The Company	Acer	"	(Sales)	(4,911,590)	92.71 %	-	-	-	773,965	65.16 %	-

- (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital:

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
The Company	AOA	Parent/Subsidiary	211,285	0.29	193,870	Under collection	4,535	-	-
"	AOE	"	131,896	1.44	98,336	"	55,367	-	-
"	Acer	"	773,965	8.47	-	"	774,291	-	-

- (ix) Information about derivative instrument transactions: Refer to note 6(b).

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars / Shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits (Losses) of the Investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value (Note 4)			
The Company	AOA	USA	Note 1	295,771	295,771	15,000,000	100.00 %	(192,952)	(23,382)	(23,382)	-
"	AOE	The Netherlands	"	214,094	214,094	40	100.00 %	(34,394)	(10,887)	(10,887)	-
"	AOTH	British Virgin Islands	Note 3	1,623	1,623	50,000	100.00 %	314,177	3,151	3,151	-
"	AOJ	Japan	Note 1	2,899	2,899	200	100.00 %	27,332	711	711	-
"	AOSV	Taiwan	"	15,000	60,000	1,500,000	100.00 %	12,902	(672)	(672)	-
"	AOGS	Australia	Note 1	2,956	2,956	105,000	70.00 %	(15,374)	(35,143)	(24,601)	-
"	AMTC	Taiwan	Note 2	363,284	363,284	6,399,123	16.60 %	328,903	164,379	19,265	-
AOGS	AOAU	Australia	Note 1	3	3	100	100.00 %	2,389	(11,012)	(11,012)	-
AOTH	GCL	Hong Kong	"	2,675	2,675	300,000	100.00 %	3,890	2	2	-

Note 1: Sale and import and export of computer products, software, computer components, peripheral equipment and apparatus, as well as repair and maintenance service

Note 2: Sale and manufacture of touch screens, touch screen controllers, and drivers

Note 3: Investment and holding activity

Note 4: Effect of unrealized profits were not included in the carrying value.

(c) Information on investment in Mainland China:

(i) Information on investments in Mainland China:

(In US Dollars / Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023
					Outflow	Inflow						
AOPEN International (Shanghai) Co., Ltd. ("AOC")	Sale and import and export of computer products, computer components and peripheral equipment and apparatus, as well as repair and maintenance service.	161,322 (USD 4,800,000)	2	161,322 (USD4,800,000)	-	-	161,322 (USD 4,800,000)	(4,547) (USD (148,300))	100.00 %	(4,547) (USD (148,300))	7,972 (USD 259,370)	-
AOPEN Information Products (Zhongshan) Inc. ("AOZ")	Outsource manufacturing management of computer products, computer components, peripheral equipment and apparatus	450,261 (USD 13,500,000)	2	450,261 (USD 13,500,000)	-	-	450,261 (USD 13,500,000)	7,193 (USD 231,860)	100.00 %	7,193 (USD 231,860)	302,226 (USD 9,833,297)	-

(Continued)

AOPEN INCORPORATED
Notes to Parent-Company-Only Financial Statements

(ii) Limits on investment in Mainland China:

(In US Dollars / Thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of December 31, 2023 (Note 1) (Note 2) (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1) (Note 2) (Note 3)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 5)
614,768 (USD 20,002,200)	614,768 (USD 20,002,200)	-

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US \$1=NT \$30.735.

Note 2: The Company disposed its entire previous investment of USD \$1,645,200 in Sichuan Jiannanchun Sempo Technology Company Limited in September 2008, and the disposal price of USD \$730,000 was repatriated in March 2010. The abovementioned investment not yet reported to the Investment Commission, MOEA remained included in investment in Mainland China.

Note 3: Zhongshan Taida Electronics Co., Ltd., in which the Company indirectly invested, ceased its operations and was liquidated. A liquidating dividend of USD \$31,549 (19.00% of the shareholdings) was repatriated to T-Conn Precision Corporation in a third country, Republic of Mauritius. On March 12, 2010, although the Investment Commission, MOEA approved the withdrawal of the abovementioned investment, the amount of USD 57,000 remained included in the investment in Mainland China due to the liquidating dividend that has yet to be repatriated.

Note 4: Method of investments

Type 1: Investment in Mainland China through remittance from a third country

Type 2: Indirect investment in Mainland China through a holding company (AOTH) established in a third country

Type 3: Indirect investment in Mainland China through an existing company established in a third country

Type 4: Others

Note 5: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limit on investment in Mainland China.

(iii) Significant transactions with investee companies in Mainland China:

For the Company's significant direct or indirect transactions with investee companies in Mainland China for the year ended December 31, 2023, refer to the "Information on significant transactions" above.

(d) Major shareholders:

Major Shareholder's Name	Shareholding	Shares	Percentage
Acer Incorporated		34,264,311	43.67 %

14. Segment information:

Refer to the consolidated financial statements for the year ended December 31, 2023.

AOPEN Incorporated
Statement of Cash and Cash Equivalents
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand		\$ 397
Demand deposits		315,149
Checking deposits		969
Foreign currency deposits (Note 1)	JPY 162,020.35	18,883
	USD 11,339,749.56	
	HKD 186,304.31	
	EUR 3,593,751.28	
	AUD 691,315.42	
	RMB 2,910,113.43	
	GBP 45.78	
Time deposits (Note 2)		418,330
		<u>\$ 753,728</u>

Note 1: Foreign currency deposits were translated at the spot exchange rate on December 31, 2023.

Note 2: Time deposits ranged from 1 to 3 months with the interest rate of 1.3%~5.35%.

(Continued)

AOPEN Incorporated
Statement of Accounts Receivable
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Amount</u>
Accounts receivable from unrelated parties:	
Client A	\$ 9,986
Client B	6,620
Others (less than 5%)	25
Less: loss allowance	<u>(388)</u>
	\$ <u>16,243</u>
Accounts receivable from related parties:	
Acer	\$ 773,965
AOA	211,285
AOE	131,896
AOZ	8,554
AOAU	17,281
ATH	1,771
AOJ	1,153
AOC	817
WLII	<u>82</u>
	\$ <u>1,146,804</u>

(Continued)

AOPEN Incorporated
Statement of Inventories
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	
	Carrying Amount (Note)	Net Realizable Value
Raw materials	\$ 8,440	8,440
Finished goods and merchandise	8,902	13,437
	\$ 17,342	21,877

Note: Provision of inventory obsolescence has been deducted.

Statement of Other Current Assets

Item	Amount
Input VAT	\$ 13,970
Other prepayment	4,264
Prepayment for purchase	31,342
VAT refund	798
	\$ 50,374

(Continued)

AOPEN Incorporated

Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income—Non-Current

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars / Shares)

Name of Financial Instrument	Description	Beginning Balance		Addition		Decrease		Stock Dividends (Shares)	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Ending Balance			Market Value or Total Equity		
		Shares	Amount	Shares	Amount	Shares	Amount			Amount	Percentage of Ownership	Shares	Unit Price (In Dollars)	Total Amount	Collateral
Common stock	Bluechip Infotech Pty Ltd. (SAL)	570,000	\$ 31,223	-	-	-	-	-	(3,179)	28,044	9.70 %	570,000	49.20	28,044	-
"	Meldcx Pty Ltd.	24,670	9,981	-	-	-	-	-	(9,981)	-	15.06 %	24,670	-	-	-
"	Fubon Financial Holding Co., Ltd. Preferred Shares C	200,000	11,020	-	-	-	-	-	(20)	11,000	0.06 %	200,000	55.00	11,000	-
			<u>\$ 52,224</u>		<u>-</u>		<u>-</u>	<u>-</u>	<u>(13,180)</u>	<u>39,044</u>					

AOPEN Incorporated
Statement of Changes in Investments Accounted for Using the Equity Method
For the year ended December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

<u>Name of Investee</u>	<u>Beginning Balance (Note)</u>		<u>Addition</u>		<u>Decrease</u>		<u>Gains (Losses) from Investments Accounted for Using the Equity Method</u>	<u>Foreign Exchange Differences Arising from Translation of Foreign Operations</u>	<u>Actuarial Gains on Defined Benefit Plans</u>	<u>Ending balance (Note)</u>			<u>Market Value or Total Equity</u>		<u>Collateral</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				<u>Amount</u>	<u>Percentage of Ownership</u>	<u>Shares</u>	<u>Unit Price (In Dollars)</u>	<u>Total Amount</u>	
AOTH	50,000	\$ 319,820	-	-	-	-	3,151	(8,793)	-	314,178	100.00 %	50,000	6.28 %	314,178	-
AOJ	200	28,415	-	-	-	-	711	(1,993)	199	27,332	100.00 %	200	136.66 %	27,332	-
AOSV	1,500,000	13,574	-	-	-	-	(672)	-	-	12,902	100.00 %	1,500,000	0.01 %	12,902	-
AMTC	6,399,123	330,807	-	-	-	22,397	19,265	1,144	84	328,903	16.60 %	6,399,123	68.06 %	435,524	-
Subtotal		<u>\$ 692,616</u>		<u>-</u>	<u>-</u>	<u>22,397</u>	<u>22,455</u>	<u>(9,642)</u>	<u>283</u>	<u>683,315</u>					
Credit balance of investments accounted for using the equity method															
AOA	15,000,000	\$ (169,763)	-	-	-	-	(23,382)	193	-	(192,952)	100.00 %	15,000,000	-	(192,952)	-
AOE	40	(23,115)	-	-	-	-	(10,887)	(392)	-	(34,394)	100.00 %	40	-	(34,394)	-
AOGS	105,000	9,195	-	-	-	-	(24,601)	32	-	(15,374)	70.00 %	105,000	-	(15,374)	-
		<u>\$ (183,683)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,870)</u>	<u>(167)</u>	<u>-</u>	<u>(242,720)</u>					

Note: Effect of unrealized profits were not included in beginning balance and ending balance.

(Continued)

AOPEN Incorporated
Statement of Refundable Deposits
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Rental deposits for building, staff dormitory and parking spaces	\$ 56
Guarantee deposits for telecommunications	165
Others (less than 5%)	<u>1</u>
	\$ <u><u>222</u></u>

Statement of Non-current Assets

Item	Amount
Performance guarantees and guarantees for customs duties	\$ <u><u>500</u></u>

Statement of Notes and Accounts Payable

Vendor Name	Amount
Vendor A	\$ 320,115
Vendor B	288,746
Vendor C	253,628
Vendor D	124,394
Others (less than 5%)	<u>142,931</u>
	\$ <u><u>1,129,814</u></u>

(Continued)

AOPEN Incorporated
Statement of Other Payables
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Bonus payable	\$ 11,019
Salaries payable	2,049
Payables on shipping expense	6,089
Accrued compensated absence	2,694
Payables on indirect material	3,492
Payables on professional service expense	11,590
Dividends payable	3,862
Others (less than 5%)	<u>5,072</u>
	<u><u>\$ 45,867</u></u>

Statement of Other Current Liabilities

<u>Item</u>	<u>Amount</u>
Receipts under custody	<u><u>\$ 396</u></u>

(Continued)

AOPEN Incorporated
Statement of Lease Liabilities
December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Lease terms	Discount rate	Ending balance
Current:			
Buildings	2023/06~2025/05	1.68%	\$ 124
Non-current:			
Buildings	2023/06~2025/05	1.68%	52
			<u>\$ 176</u>

Statement of Revenue
For the year ended December 31, 2023

Item	Amount
Revenue from sale of goods	
System business products	<u>\$ 5,297,520</u>

Note: Sales were not disclosed due to the variety of products and different units.

Statement of Cost of Revenue
For the year ended December 31, 2023

Item	Amount
Beginning inventory	\$ 101,088
Add: Purchase for the period	4,944,514
Less: Ending inventory	(54,848)
Reversal of write-downs of inventories	(10,578)
Reclassified expenses	(1,859)
Scrap	(1,416)
Others	(1,543)
Add: Royalty costs	4,443
Others	746
	<u>\$ 4,980,547</u>

(Continued)

AOPEN Incorporated
Statement of Operating Expenses
For the year ended December 31, 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Selling Expenses	Administrative Expenses	Research and Development Expenses
Salaries	\$ -	27,949	8,190
Pension	-	820	293
Rent expense	-	1,070	143
Shipping expense	2,666	77	63
Insurance expense	1,041	3,570	588
Depreciation	-	590	46
Amortization	-	1,276	223
Professional service expense	-	15,387	735
Indirect material	-	312	5,822
Equipment inspection and processing cost	-	20	1,945
Others (less than 5%)	229	11,996	117
	<u><u>\$ 3,936</u></u>	<u><u>63,067</u></u>	<u><u>18,165</u></u>

Item	Note
Statement of Other Receivables from Related Parties, Accounts Payable to Related Parties and Other Payables to Related Parties	Refer to note 7.
Statement of Changes in Property, Plant and Equipment	Refer to note 6(i).
Statement of Changes in Right-of-use Assets	Refer to note 6(j).
Statement of Changes in Intangible Assets	Refer to note 6(k).
Statement of Deferred Income Tax Assets and Liabilities	Refer to note 6(p).
Statement of Provisions — Current	Refer to note 6(n).
Statement of Net Defined Benefit Assets	Refer to note 6(o).
Statement of Other Gains and Losses and Financial Costs	Refer to note 6(u).