

**Alltek Technology Corp.**

**Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Alltek Technology Corp.

**Opinion**

We have audited the accompanying financial statements of Alltek Technology Corp. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

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

**Basis for Opinion**

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

**Key Audit Matters**

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

The key audit matter of the Company's financial statements for the year ended December 31, 2023 is stated as follows:

#### Recognition of Sales Revenue

The Company's major source of revenue comes from the trading of semiconductor components. Due to the large volume of sales transactions from semiconductor components, the amount of revenue is material to the Company's overall revenue and profit. There is a risk that revenue generated from specific sales clients may not occur; therefore, we identified the recognition of sales revenue as a key audit matter. Refer to Note 20 to the financial statements.

Our audit procedures performed in respect of the assessment of sales revenue included the following:

1. We obtained an understanding of the design and implementation and tested the operating effectiveness of internal controls over sales revenue.
2. We selected samples and performed tests of details for documents related to revenue derived from specific customers, including sales orders, shipping documents and customs export declarations, and we checked for any significant differences in collection status. We verified that revenue was recognized upon completion of the performance obligation and confirmed that recorded transactions have actually occurred.
3. We inspected the subsidiary ledger to confirm significant sales returns and discounts, and we verified and confirmed the actual occurrence of the annual sales transactions.

#### **Other Matter**

As disclosed in Note 12 to the financial statements, we did not audit the financial statements of investments accounted for using the equity method included in the financial statements, which were audited by other auditors. Therefore, the related investments and share of profit of associates accounted for using the equity method in the aforementioned companies, in our opinion expressed herein, are recognized based solely on the reports of other auditors. As of December 31, 2023 and 2022, the aforementioned investments accounted for using the equity method, which were audited by other auditors, amounted to NT\$336,297 thousand and NT\$339,503 thousand, representing 2.10% and 2.23%, respectively, of the total assets. For the years ended December 31, 2023 and 2022, the related share of profit of the aforementioned associates accounted for using the equity method amounted to NT\$23,791 thousand and NT\$59,564 thousand, representing 3.91% and 4.67%, respectively, of the total comprehensive income.

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

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

In preparing the 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 supervisors, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Liu Ming-Hsien and Meng-Chieh Chiu.

Ming-Hsien Liu Meng-Chieh, Chiu

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 12, 2024

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# ALLTEK TECHNOLOGY CORP.

## BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

| ASSETS                                                                                          | 2023                 |            | 2022                 |            |
|-------------------------------------------------------------------------------------------------|----------------------|------------|----------------------|------------|
|                                                                                                 | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>                                                                           |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 and 6)                                                       | \$ 85,203            | 1          | \$ 198,810           | 1          |
| Financial assets at amortized cost - current (Notes 4, 9 and 27)                                | 8,850                | -          | 615,493              | 4          |
| Notes receivable, net (Notes 4 and 10)                                                          | 218                  | -          | 4,656                | -          |
| Trade receivables, net (Notes 4 and 10)                                                         | 1,904,284            | 12         | 3,724,785            | 24         |
| Trade receivable from related parties (Notes 4, 10 and 26)                                      | 171                  | -          | 8,980                | -          |
| Other receivables (Note 10)                                                                     | 2,433,486            | 15         | 1,311,504            | 9          |
| Other receivables from related parties (Notes 10 and 26)                                        | 2,166                | -          | 301,923              | 2          |
| Inventories (Notes 4, 5 and 11)                                                                 | 6,504,297            | 40         | 5,261,156            | 35         |
| Other current assets                                                                            | 49,086               | -          | 10,880               | -          |
| Total current assets                                                                            | 10,987,761           | 68         | 11,438,187           | 75         |
| <b>NON-CURRENT ASSETS</b>                                                                       |                      |            |                      |            |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)             | 90,373               | 1          | 55,215               | -          |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 5,004                | -          | 5,000                | -          |
| Investments accounted for using the equity method (Notes 4, 12 and 30)                          | 4,265,056            | 27         | 3,481,922            | 23         |
| Property, plant and equipment (Notes 4, 13 and 27)                                              | 559,896              | 3          | 135,988              | 1          |
| Right-of-use assets (Notes 4 and 14)                                                            | 10,207               | -          | 18,419               | -          |
| Deferred tax assets (Notes 4 and 22)                                                            | 117,615              | 1          | 67,499               | 1          |
| Refundable deposits                                                                             | 12,016               | -          | 13,477               | -          |
| Other non-current assets                                                                        | -                    | -          | 6,487                | -          |
| Total non-current assets                                                                        | 5,060,167            | 32         | 3,784,007            | 25         |
| <b>TOTAL</b>                                                                                    | <b>\$ 16,047,928</b> | <b>100</b> | <b>\$ 15,222,194</b> | <b>100</b> |
| <b>LIABILITIES AND EQUITY</b>                                                                   |                      |            |                      |            |
| <b>CURRENT LIABILITIES</b>                                                                      |                      |            |                      |            |
| Short-term borrowings (Notes 15 and 27)                                                         | \$ 2,934,205         | 18         | \$ 2,797,800         | 18         |
| Short-term bills payable (Note 15)                                                              | 1,555,000            | 10         | 1,090,000            | 7          |
| Contract liabilities (Note 20)                                                                  | 22,247               | -          | 71,463               | 1          |
| Trade payables, net (Note 26)                                                                   | 2,378,773            | 15         | 4,782,571            | 31         |
| Other payables (Note 17)                                                                        | 203,208              | 1          | 252,135              | 2          |
| Other payables to related parties (Notes 17 and 26)                                             | 1,767,135            | 11         | 6,783                | -          |
| Current tax liabilities (Notes 4 and 22)                                                        | 179,361              | 1          | 241,148              | 2          |
| Lease liabilities - current (Notes 4 and 14)                                                    | 9,748                | -          | 10,917               | -          |
| Current portion of long-term borrowings and bonds payable (Notes 4, 15, 16 and 27)              | 93,970               | 1          | -                    | -          |
| Other current liabilities (Notes 17 and 26)                                                     | 193,573              | 1          | 285,963              | 2          |
| Total current liabilities                                                                       | 9,337,220            | 58         | 9,538,780            | 63         |
| <b>NON-CURRENT LIABILITIES</b>                                                                  |                      |            |                      |            |
| Bonds payable (Notes 4 and 16)                                                                  | -                    | -          | 549,664              | 4          |
| Long-term borrowings (Notes 15 and 27)                                                          | 1,541,867            | 10         | 220,000              | 1          |
| Deferred tax liabilities (Notes 4 and 22)                                                       | 356,836              | 2          | 337,673              | 2          |
| Lease liabilities - non-current (Notes 4 and 14)                                                | 565                  | -          | 7,643                | -          |
| Net defined benefit liabilities - non-current (Notes 4 and 18)                                  | 22,502               | -          | 22,198               | -          |
| Total non-current liabilities                                                                   | 1,921,770            | 12         | 1,137,178            | 7          |
| Total liabilities                                                                               | 11,258,990           | 70         | 10,675,958           | 70         |
| <b>EQUITY (Note 19)</b>                                                                         |                      |            |                      |            |
| Share capital                                                                                   |                      |            |                      |            |
| Ordinary shares                                                                                 | 2,322,643            | 15         | 2,179,081            | 14         |
| Capital surplus                                                                                 | 856,732              | 5          | 542,552              | 4          |
| Retained earnings                                                                               |                      |            |                      |            |
| Legal reserve                                                                                   | 580,405              | 4          | 471,566              | 3          |
| Special reserve                                                                                 | -                    | -          | 130,743              | 1          |
| Unappropriated earnings                                                                         | 960,208              | 6          | 1,165,757            | 8          |
| Total retained earnings                                                                         | 1,540,613            | 10         | 1,768,066            | 12         |
| Other equity                                                                                    |                      |            |                      |            |
| Exchange differences on translating the financial statements of foreign operations              | 73,950               | -          | 56,537               | -          |
| Unrealized gains or losses on investments at fair value through other comprehensive income      | (5,000)              | -          | -                    | -          |
| Total equity                                                                                    | 4,788,938            | 30         | 4,546,236            | 30         |
| <b>TOTAL</b>                                                                                    | <b>\$ 16,047,928</b> | <b>100</b> | <b>\$ 15,222,194</b> | <b>100</b> |

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

# ALLTEK TECHNOLOGY CORP.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                      | 2023                |             | 2022                |             |
|------------------------------------------------------|---------------------|-------------|---------------------|-------------|
|                                                      | Amount              | %           | Amount              | %           |
| OPERATING REVENUE (Notes 20 and 26)                  | \$ 32,942,927       | 100         | \$ 30,286,137       | 100         |
| OPERATING COSTS (Notes 11 and 26)                    | <u>(31,607,636)</u> | <u>(96)</u> | <u>(28,836,576)</u> | <u>(95)</u> |
| GROSS PROFIT                                         | 1,335,291           | 4           | 1,449,561           | 5           |
| UNREALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES | (8,000)             | -           | (580)               | -           |
| REALIZED GAIN ON TRANSACTIONS WITH<br>SUBSIDIARIES   | <u>580</u>          | <u>-</u>    | <u>497</u>          | <u>-</u>    |
| REALIZED GROSS PROFIT                                | <u>1,327,871</u>    | <u>4</u>    | <u>1,449,478</u>    | <u>5</u>    |
| OPERATING EXPENSES (Notes 21 and 26)                 |                     |             |                     |             |
| Selling and marketing expenses                       | (240,071)           | (1)         | (272,043)           | (1)         |
| General and administrative expenses                  | (132,900)           | -           | (146,114)           | (1)         |
| Research and development expenses                    | (73,225)            | -           | (69,928)            | -           |
| Expected credit loss                                 | <u>(1,926)</u>      | <u>-</u>    | <u>(8,119)</u>      | <u>-</u>    |
| Total operating expenses                             | <u>(448,122)</u>    | <u>(1)</u>  | <u>(496,204)</u>    | <u>(2)</u>  |
| PROFIT FROM OPERATIONS                               | <u>879,749</u>      | <u>3</u>    | <u>953,274</u>      | <u>3</u>    |
| NON-OPERATING INCOME AND EXPENSES                    |                     |             |                     |             |
| Interest income (Notes 21 and 26)                    | 8,829               | -           | 12,009              | -           |
| Other income (Notes 21 and 26)                       | 13,778              | -           | 24,832              | -           |
| Other gains and losses (Note 21)                     | (26,897)            | -           | 207,517             | 1           |
| Finance costs (Note 21)                              | (355,164)           | (1)         | (145,447)           | (1)         |
| Share of profit or loss of subsidiaries (Note 12)    | <u>223,087</u>      | <u>-</u>    | <u>279,475</u>      | <u>1</u>    |
| Total non-operating income and expenses              | <u>(136,367)</u>    | <u>(1)</u>  | <u>378,386</u>      | <u>1</u>    |
| PROFIT BEFORE INCOME TAX                             | 743,382             | 2           | 1,331,660           | 4           |
| INCOME TAX EXPENSE (Notes 4 and 22)                  | <u>(147,278)</u>    | <u>-</u>    | <u>(245,887)</u>    | <u>(1)</u>  |
| NET PROFIT FOR THE YEAR                              | <u>596,104</u>      | <u>2</u>    | <u>1,085,773</u>    | <u>3</u>    |

(Continued)

# ALLTEK TECHNOLOGY CORP.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|                                                                                                                         | 2023              |          | 2022                |          |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|----------|---------------------|----------|
|                                                                                                                         | Amount            | %        | Amount              | %        |
| OTHER COMPREHENSIVE INCOME                                                                                              |                   |          |                     |          |
| Items that will not be reclassified subsequently to profit or loss:                                                     |                   |          |                     |          |
| Remeasurement of defined benefit plans                                                                                  | \$ (463)          | -        | \$ 3,249            | -        |
| Unrealized gains or losses on investments in equity instruments at fair value through other comprehensive (loss) income | (5,000)           | -        | -                   | -        |
| Share of other comprehensive (loss) income of subsidiaries for using the equity method                                  | (2)               | -        | 27                  | -        |
| Income tax relating to items that will not be reclassified subsequently to profit or loss                               | 93                | -        | (650)               | -        |
|                                                                                                                         | <u>(5,372)</u>    | <u>-</u> | <u>2,626</u>        | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss:                                                          |                   |          |                     |          |
| Exchange differences on translating the financial statements of foreign operations                                      | 20,988            | -        | 208,364             | 1        |
| Share of other comprehensive income of subsidiaries and associates accounted for using the equity method                | 778               | -        | 25,736              | -        |
| Income tax relating to items that may be reclassified subsequently to profit or loss                                    | (4,353)           | -        | (46,820)            | -        |
|                                                                                                                         | <u>17,413</u>     | <u>-</u> | <u>187,280</u>      | <u>1</u> |
| Other comprehensive income for the year, net of income tax                                                              | <u>12,041</u>     | <u>-</u> | <u>189,906</u>      | <u>1</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                                                 | <u>\$ 608,145</u> | <u>2</u> | <u>\$ 1,275,679</u> | <u>4</u> |
| EARNINGS PER SHARE (Note 23)                                                                                            |                   |          |                     |          |
| Basic                                                                                                                   | <u>\$2.61</u>     |          | <u>\$5.01</u>       |          |
| Diluted                                                                                                                 | <u>\$2.53</u>     |          | <u>\$4.79</u>       |          |

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

(Concluded)

# ALLTEK TECHNOLOGY CORP.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

|                                                                                           |               |                              |               |                 |                            | Other Equity                                                       |                                                                                                                             |              |
|-------------------------------------------------------------------------------------------|---------------|------------------------------|---------------|-----------------|----------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------|
|                                                                                           | Share Capital | Capital Surplus<br>(Note 19) | Legal Reserve | Special Reserve | Unappropriated<br>Earnings | Exchange<br>Differences on<br>Translating<br>Foreign<br>Operations | Unrealized<br>Valuation Gain<br>or Loss on<br>Financial Assets<br>at Fair Value<br>Through Other<br>Comprehensive<br>Income | Total Equity |
| BALANCE AT JANUARY 1, 2022                                                                | \$ 2,005,322  | \$ 502,180                   | \$ 390,412    | \$ 91,332       | \$ 839,626                 | \$ (130,743)                                                       | \$ -                                                                                                                        | \$ 3,698,129 |
| Appropriation of 2021 earnings                                                            |               |                              |               |                 |                            |                                                                    |                                                                                                                             |              |
| Legal reserve                                                                             | -             | -                            | 81,154        | -               | (81,154)                   | -                                                                  | -                                                                                                                           | -            |
| Special reserve                                                                           | -             | -                            | -             | 39,411          | (39,411)                   | -                                                                  | -                                                                                                                           | -            |
| Cash dividends distributed by the Company                                                 | -             | -                            | -             | -               | (481,277)                  | -                                                                  | -                                                                                                                           | (481,277)    |
| Share dividends distributed by the Company                                                | 160,426       | -                            | -             | -               | (160,426)                  | -                                                                  | -                                                                                                                           | -            |
| Convertible bonds converted to ordinary shares                                            | 13,333        | 29,656                       | -             | -               | -                          | -                                                                  | -                                                                                                                           | 42,989       |
| Issuance of convertible corporate bonds recognizes the components of equity               | -             | 10,716                       | -             | -               | -                          | -                                                                  | -                                                                                                                           | 10,716       |
| Net profit for the year ended December 31, 2022                                           | -             | -                            | -             | -               | 1,085,773                  | -                                                                  | -                                                                                                                           | 1,085,773    |
| Other comprehensive income for the year ended December 31, 2022, net of income tax        | -             | -                            | -             | -               | 2,626                      | 187,280                                                            | -                                                                                                                           | 189,906      |
| Total comprehensive income for the year ended December 31, 2022                           | -             | -                            | -             | -               | 1,088,399                  | 187,280                                                            | -                                                                                                                           | 1,275,679    |
| BALANCE AT DECEMBER 31, 2022                                                              | 2,179,081     | 542,552                      | 471,566       | 130,743         | 1,165,757                  | 56,537                                                             | -                                                                                                                           | 4,546,236    |
| Appropriation of 2022 earnings                                                            |               |                              |               |                 |                            |                                                                    |                                                                                                                             |              |
| Legal reserve                                                                             | -             | -                            | 108,839       | -               | (108,839)                  | -                                                                  | -                                                                                                                           | -            |
| Special reserve                                                                           | -             | -                            | -             | (130,743)       | 130,743                    | -                                                                  | -                                                                                                                           | -            |
| Cash dividends distributed by the Company                                                 | -             | -                            | -             | -               | (823,185)                  | -                                                                  | -                                                                                                                           | (823,185)    |
| Convertible bonds converted to ordinary shares                                            | 143,562       | 314,180                      | -             | -               | -                          | -                                                                  | -                                                                                                                           | 457,742      |
| Net profit for the year ended December 31, 2023                                           | -             | -                            | -             | -               | 596,104                    | -                                                                  | -                                                                                                                           | 596,104      |
| Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax | -             | -                            | -             | -               | (372)                      | 17,413                                                             | (5,000)                                                                                                                     | 12,041       |
| Total comprehensive income (loss) for the year ended December 31, 2023                    | -             | -                            | -             | -               | 595,732                    | 17,413                                                             | (5,000)                                                                                                                     | 608,145      |
| BALANCE AT DECEMBER 31, 2023                                                              | \$ 2,322,643  | \$ 856,732                   | \$ 580,405    | \$ -            | \$ 960,208                 | \$ 73,950                                                          | \$ (5,000)                                                                                                                  | \$ 4,788,938 |

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

# ALLTEK TECHNOLOGY CORP.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

|                                                                                   | 2023        | 2022         |
|-----------------------------------------------------------------------------------|-------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |             |              |
| Income before income tax                                                          | \$ 743,382  | \$ 1,331,660 |
| Adjustments for:                                                                  |             |              |
| Depreciation expense                                                              | 17,084      | 17,224       |
| Finance costs                                                                     | 355,164     | 145,447      |
| Interest income                                                                   | (8,829)     | (12,009)     |
| Expected credit loss recognized on receivables                                    | 1,926       | 8,119        |
| Net (gain) loss on financial assets at FVTPL                                      | (5,895)     | 2,825        |
| Share of profit of subsidiaries and associates                                    | (223,087)   | (279,475)    |
| Gain on disposal of property, plant and equipment                                 | (4)         | (3)          |
| Inventory depreciation and sluggish loss                                          | 71,743      | 97,626       |
| Unrealized gain on the transactions with subsidiaries                             | 7,420       | 83           |
| Net loss (gain) on foreign currency exchange                                      | 138,843     | (2,769)      |
| Changes in operating assets and liabilities                                       |             |              |
| Notes receivable                                                                  | 4,438       | (3,348)      |
| Trade receivables                                                                 | 1,645,031   | (1,735,785)  |
| Trade receivables from related parties                                            | 8,755       | 34,823       |
| Payment on behalf of others                                                       | -           | 1,030,068    |
| Other receivables                                                                 | (1,124,879) | 102,079      |
| Other receivables from related parties                                            | 208,342     | (209,695)    |
| Inventories                                                                       | (1,314,884) | (2,695,900)  |
| Financial assets at amortized cost - current                                      | 546,043     | 6,290        |
| Other current assets                                                              | (38,247)    | 21,542       |
| Contract liabilities                                                              | (49,216)    | (121,376)    |
| Trade payables                                                                    | (2,337,730) | 2,526,755    |
| Other payables                                                                    | (47,641)    | (13,713)     |
| Other payables to related parties                                                 | 15,204      | (5,022)      |
| Other current liabilities                                                         | (85,902)    | (21,347)     |
| Net defined benefit liabilities - non-current                                     | (159)       | (312)        |
| Cash generated from operations                                                    | (1,473,098) | 223,787      |
| Interest received                                                                 | 11,724      | 9,442        |
| Interest paid                                                                     | (354,178)   | (120,218)    |
| Income tax paid                                                                   | (244,278)   | (59,682)     |
| Net cash (used in) generated from operating activities                            | (2,059,830) | 53,329       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |             |              |
| Purchase of financial assets at fair value through the other comprehensive income | (5,004)     | (5,000)      |
| Purchase of financial assets at fair value through profit or loss                 | (29,263)    | (23,813)     |
| Dividends received from investment accounted for using the equity method          | 66,371      | 69,471       |
| Decrease (increase) in prepaid investment                                         | 5,004       | (5,004)      |
| Proceeds from capital reduction of subsidiaries                                   | 590,747     | -            |
| Payments for property, plant and equipment                                        | (426,532)   | (7,441)      |

(Continued)

# ALLTEK TECHNOLOGY CORP.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

|                                                            | 2023               | 2022              |
|------------------------------------------------------------|--------------------|-------------------|
| Proceeds from disposal of property, plant and equipment    | \$ 4               | \$ 3              |
| Decrease in refundable deposits                            | 1,461              | 496               |
| Other receivables - decrease (increase) in related parties | 92,213             | (92,213)          |
| Increase in prepaid equipment                              | -                  | (1,483)           |
| Net cash generated from (used in) investing activities     | <u>295,001</u>     | <u>(64,984)</u>   |
| CASH FLOWS FROM FINANCING ACTIVITIES                       |                    |                   |
| Increase in short-term borrowings                          | 29,407,791         | 24,521,747        |
| Decrease in short-term borrowings                          | (29,271,386)       | (23,831,097)      |
| Increase (decrease) in short-term bills payable            | 465,000            | (325,000)         |
| Issue bonds                                                | -                  | 600,939           |
| Proceeds from long-term borrowings                         | 9,221,867          | 1,860,000         |
| Repayments of long-term borrowings                         | (7,900,000)        | (2,339,072)       |
| Other payables - increase in related parties               | 1,767,135          | -                 |
| Repayments of the principal portion of lease liabilities   | (13,202)           | (14,619)          |
| Dividends paid to owners of the Company                    | (823,162)          | (481,277)         |
| Acquisition of subsidiaries                                | <u>(1,202,821)</u> | <u>-</u>          |
| Net cash generated from (used in) financing activities     | <u>1,651,222</u>   | <u>(8,379)</u>    |
| NET DECREASE IN CASH                                       | (113,607)          | (20,034)          |
| CASH AT THE BEGINNING OF THE YEAR                          | <u>198,810</u>     | <u>218,844</u>    |
| CASH AT THE END OF THE YEAR                                | <u>\$ 85,203</u>   | <u>\$ 198,810</u> |

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

(Concluded)

# ALLTEK TECHNOLOGY CORP.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Alltek Technology Corp. (the “Company”) was incorporated in April 1991 as a company limited by shares under the Company Law of the Republic of China (ROC). The Company mainly sells communications components.

The Company’s shares have been traded on Taipei Exchange (TPEX) Mainboard, since March 2004. In November 2008, the Company’s shares have been listed on the Taiwan Stock Exchange (TWSE).

The functional currency of the Company is the New Taiwan dollar. The financial statements are presented in the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Company’s board of directors on March 12, 2024.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

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

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

| <b><u>New, Amended and Revised Standards and Interpretations</u></b>                                                     | <b><u>Effective Date<br/>Announced by IASB (Note 1)</u></b> |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB                                    |
| IFRS 17 "Insurance Contracts"                                                                                            | January 1, 2023                                             |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                             |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"                              | January 1, 2023                                             |
| Amendments to IAS 21 "Lack of Exchangeability"                                                                           | January 1, 2025 (Note 2)                                    |

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

- a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

- b. Basis of preparation

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

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

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

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing its financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates, and related equity items, as appropriate, in the financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

For the purpose of presenting financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

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

Subsidiary is an entity that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

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

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company's share of losses of an associate equals or exceeds its interest in that associate the Company discontinues recognizing its share of further losses.

h. Property, plant and equipment

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Impairment of property, plant and equipment and right-of-use assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and right-of-use assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

## 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

### a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

#### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 25: Financial Instruments.

#### ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

### iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

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

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

### iv. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 120 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

#### 5) Derivative financial instruments

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

#### k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

##### Revenue from the sale of goods

Revenue from the sale of goods comes from sales of the semiconductor components. Sales of the semiconductor components are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

### Agency income

The Company plays the role of an agent instead of a principal because the Company has no control on specific products before they are transferred to customers. Therefore, the Company's role as an agent is to perform its obligation of product procurement on behalf of the customers. The Company recognizes agency income and receivables when a product is transferred to a customer, and the Company has no further obligation to the customer.

### m. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For the lease of asset in which the Company is a lessee provided by a lessor, the Company elects to account for the lease and non-lease components as a single lease component.

### The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

### n. Employee benefits

#### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

## 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

## o. Taxation

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

### 1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computations of taxable profit.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When the Company developing material accounting estimates, revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods. The estimates and underlying assumptions are reviewed by the management on an ongoing basis.

### Key Sources of Estimation Uncertainty

#### Write-down of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

## 6. CASH AND CASH EQUIVALENTS

|                                       | <b>December 31</b> |                   |
|---------------------------------------|--------------------|-------------------|
|                                       | <b>2023</b>        | <b>2022</b>       |
| Cash on hand                          | \$ 205             | \$ 197            |
| Checking accounts and demand deposits | <u>84,998</u>      | <u>198,613</u>    |
|                                       | <u>\$ 85,203</u>   | <u>\$ 198,810</u> |

The market rate intervals of cash in bank and bank overdrafts at the end of the reporting period were as follows:

|              | <b>December 31</b> |             |
|--------------|--------------------|-------------|
|              | <b>2023</b>        | <b>2022</b> |
| Bank balance | 0.01%-2.66%        | 0.01%-2.12% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                                                | December 31      |                  |
|--------------------------------------------------------------------------------|------------------|------------------|
|                                                                                | 2023             | 2022             |
| Financial assets at fair value through<br>profit or loss (FVTPL) - non-current |                  |                  |
| Financial assets mandatorily classified as at FVTPL                            |                  |                  |
| Non-derivative financial assets                                                |                  |                  |
| Foreign unlisted shares                                                        | \$ 90,346        | \$ 54,993        |
| Held for trading                                                               |                  |                  |
| Derivative financial assets                                                    |                  |                  |
| Redemption right of convertible bonds (Note 16)                                | 27               | 222              |
|                                                                                | <u>\$ 90,373</u> | <u>\$ 55,215</u> |

The Company issued the 4th domestic unsecured convertible bonds in July 2022. Derivative financial assets arising from the redemption right embedded in the bonds at the time of issuance.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

|                      | December 31     |                 |
|----------------------|-----------------|-----------------|
|                      | 2023            | 2022            |
| <u>Non-current</u>   |                 |                 |
| Domestic investments |                 |                 |
| Unlisted shares      | <u>\$ 5,004</u> | <u>\$ 5,000</u> |

The Company invested in domestic unlisted ordinary shares for medium to long-term strategic purposes and expected to make profits through long-term investments. Accordingly, the management of the Company elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

|                      | December 31     |                   |
|----------------------|-----------------|-------------------|
|                      | 2023            | 2022              |
| Pledged bank deposit | <u>\$ 8,850</u> | <u>\$ 615,493</u> |

Refer to Note 27 for information relating to other financial assets pledged as security.

# 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|                                                                       | December 31         |                     |
|-----------------------------------------------------------------------|---------------------|---------------------|
|                                                                       | 2023                | 2022                |
| <u>Notes receivable</u>                                               |                     |                     |
| At amortized cost                                                     |                     |                     |
| Gross carrying amount                                                 | \$ 218              | \$ 4,656            |
| Less: Allowance for impairment loss                                   | -                   | -                   |
|                                                                       | <u>\$ 218</u>       | <u>\$ 4,656</u>     |
| Notes receivable - operating                                          | \$ 218              | \$ 4,656            |
| Notes receivable - non-operating                                      | -                   | -                   |
|                                                                       | <u>\$ 218</u>       | <u>\$ 4,656</u>     |
| <u>Trade receivables from unrelated parties</u>                       |                     |                     |
| At amortized cost                                                     |                     |                     |
| Gross carrying amount                                                 | \$ 1,912,681        | \$ 3,732,662        |
| Less: Allowance for impairment loss                                   | (10,045)            | (8,119)             |
|                                                                       | 1,902,636           | 3,724,543           |
| At FVTOCI                                                             | 1,648               | 242                 |
|                                                                       | <u>\$ 1,904,284</u> | <u>\$ 3,724,785</u> |
| <u>Trade receivable from related parties</u>                          |                     |                     |
| Subsidiaries                                                          | \$ 171              | \$ 8,980            |
| Less: Allowance for impairment loss                                   | -                   | -                   |
|                                                                       | <u>\$ 171</u>       | <u>\$ 8,980</u>     |
| <u>Other receivables</u>                                              |                     |                     |
| Factored trade receivable reclassified to other receivables (Note 25) | \$ 2,417,614        | \$ 1,246,504        |
| Purchases return or allowances receivable                             | -                   | 55,085              |
| Business tax refund receivables                                       | 13,993              | 6,376               |
| Others                                                                | 1,879               | 3,539               |
|                                                                       | <u>\$ 2,433,486</u> | <u>\$ 1,311,504</u> |
| <u>Other receivables from related parties</u>                         |                     |                     |
| Subsidiaries                                                          | \$ 2,166            | \$ 93,056           |
| Associates                                                            | -                   | 208,867             |
|                                                                       | <u>\$ 2,166</u>     | <u>\$ 301,923</u>   |

## Trade Receivables

### a. At amortized cost

The average credit period of sales of goods was ranged from 30-180 days. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

#### December 31, 2023

|                               | <b>Not Past Due</b> | <b>1 to 120 Days</b> | <b>Over 121 Days</b> | <b>Total</b>        |
|-------------------------------|---------------------|----------------------|----------------------|---------------------|
| Expected credit loss rate     | 0.60%               | 0.94%-5.63%          | 100%                 |                     |
| Gross carrying amount         | \$ 1,540,464        | \$ 372,606           | \$ -                 | \$ 1,913,070        |
| Loss allowance (Lifetime ECL) | <u>(9,310)</u>      | <u>(735)</u>         | <u>-</u>             | <u>(10,045)</u>     |
| Amortized cost                | <u>\$ 1,531,154</u> | <u>\$ 371,871</u>    | <u>\$ -</u>          | <u>\$ 1,903,025</u> |

#### December 31, 2022

|                               | <b>Not Past Due</b> | <b>1 to 120 Days</b> | <b>Over 121 Days</b> | <b>Total</b>        |
|-------------------------------|---------------------|----------------------|----------------------|---------------------|
| Expected credit loss rate     | 0%-0.06%            | 0.51%-5.82%          | 100%                 |                     |
| Gross carrying amount         | \$ 3,683,465        | \$ 58,359            | \$ 4,474             | \$ 3,746,298        |
| Loss allowance (Lifetime ECL) | <u>(2,116)</u>      | <u>(1,529)</u>       | <u>(4,474)</u>       | <u>(8,119)</u>      |
| Amortized cost                | <u>\$ 3,681,349</u> | <u>\$ 56,830</u>     | <u>\$ -</u>          | <u>\$ 3,738,179</u> |

The movements of the loss allowance of trade receivables were as follows:

|                                           | 2023             | 2022            |
|-------------------------------------------|------------------|-----------------|
| Balance at January 1                      | \$ 8,119         | \$ -            |
| Less: Net remeasurement of loss allowance | <u>1,926</u>     | 8,119           |
| Balance at December 31                    | <u>\$ 10,045</u> | <u>\$ 8,119</u> |

b. At FVTOCI

The Company will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting of contractual cash flows and selling of financial assets.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2023

|                               | Not Past Due    | 1 to 120 Days | Over 121 Days | Total           |
|-------------------------------|-----------------|---------------|---------------|-----------------|
| Expected credit loss rate     | 0%              | 0%            | 100%          |                 |
| Gross carrying amount         | \$ 1,648        | \$ -          | \$ -          | \$ 1,648        |
| Loss allowance (Lifetime ECL) | <u>-</u>        | <u>-</u>      | <u>-</u>      | <u>-</u>        |
| Cost at FVTOCI                | <u>\$ 1,648</u> | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ 1,648</u> |

December 31, 2022

|                               | Not Past Due  | 1 to 120 Days | Over 121 Days | Total         |
|-------------------------------|---------------|---------------|---------------|---------------|
| Expected credit loss rate     | 0%            | 0%            | 100%          |               |
| Gross carrying amount         | \$ 242        | \$ -          | \$ -          | \$ 242        |
| Loss allowance (Lifetime ECL) | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      |
| Cost at FVTOCI                | <u>\$ 242</u> | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ 242</u> |

## 11. INVENTORIES

|             | <u>December 31</u>  |                     |
|-------------|---------------------|---------------------|
|             | 2023                | 2022                |
| Merchandise | <u>\$ 6,504,297</u> | <u>\$ 5,261,156</u> |

The nature of the cost of goods sold is as follows:

|                          | <b>For the Year Ended December 31</b> |                             |
|--------------------------|---------------------------------------|-----------------------------|
|                          | <b>2023</b>                           | <b>2022</b>                 |
| Cost of inventories sold | \$ 31,535,893                         | \$ 28,738,950               |
| Inventory write-downs    | <u>71,743</u>                         | <u>97,626</u>               |
|                          | <u><b>\$ 31,607,636</b></u>           | <u><b>\$ 28,836,576</b></u> |

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                             | <b>December 31</b>         |                            |
|-----------------------------|----------------------------|----------------------------|
|                             | <b>2023</b>                | <b>2022</b>                |
| Investments in subsidiaries | \$ 3,928,759               | \$ 3,142,419               |
| Investments in associates   | <u>336,297</u>             | <u>339,503</u>             |
|                             | <u><b>\$ 4,265,056</b></u> | <u><b>\$ 3,481,922</b></u> |

### a. Investments in subsidiaries

|                                  | <b>December 31</b>         |                            |
|----------------------------------|----------------------------|----------------------------|
|                                  | <b>2023</b>                | <b>2022</b>                |
| Pantek Technology Corp.          | \$ 645,238                 | \$ 667,331                 |
| Alltek Marine Electronics Corp.  | 140,132                    | 134,092                    |
| Alltek Group Corp.               | 1,820,071                  | 2,260,692                  |
| Alltek Technology (H.K.) Limited | 1,256,805                  | -                          |
| Alder Optomechanical Corp.       | <u>66,513</u>              | <u>80,304</u>              |
|                                  | <u><b>\$ 3,928,759</b></u> | <u><b>\$ 3,142,419</b></u> |

|                                  | <b>Proportion of Ownership and<br/>Voting Rights</b> |             |
|----------------------------------|------------------------------------------------------|-------------|
|                                  | <b>December 31</b>                                   |             |
|                                  | <b>2023</b>                                          | <b>2022</b> |
| Pantek Technology Corp.          | 100%                                                 | 100%        |
| Alltek Marine Electronics Corp.  | 53%                                                  | 53%         |
| Alltek Group Corp.               | 100%                                                 | 100%        |
| Alltek Technology (H.K.) Limited | 100%                                                 | -           |
| Alder Optomechanical Corp.       | 51%                                                  | 51%         |

Refer to Note 30 to the financial statements for the year ended December 31, 2023 for the disclosures of the investments in subsidiaries.

As discussed in Table 2, the Company provided financial guarantee for subsidiaries' bank borrowings.

The Company directly held all the equity interests in Alltek Technology (H.K.) Limited in April 2023 in response to the organizational restructuring of the Group.

b. Investments in associates

|                                               | <b>December 31</b> |                   |
|-----------------------------------------------|--------------------|-------------------|
|                                               | <b>2023</b>        | <b>2022</b>       |
| Associates that are not individually material |                    |                   |
| Yuban Technology Co., Ltd.                    | \$ 209,274         | \$ 219,236        |
| General Life Biotechnology Co., Ltd.          | 124,242            | 120,267           |
| Alltek Technology (S) Pte. Ltd.               | <u>2,781</u>       | <u>-</u>          |
|                                               | <u>\$ 336,297</u>  | <u>\$ 339,503</u> |

Aggregate information of associates that are not individually material

|                                                | <b>For the Year Ended December 31</b> |                  |
|------------------------------------------------|---------------------------------------|------------------|
|                                                | <b>2023</b>                           | <b>2022</b>      |
| The Company's share of:                        |                                       |                  |
| Net gain for the year                          | \$ 23,169                             | \$ 56,683        |
| Other comprehensive income                     | <u>622</u>                            | <u>2,881</u>     |
| Total comprehensive income (loss) for the year | <u>\$ 23,791</u>                      | <u>\$ 59,564</u> |

In 2022, the Company's share of loss of Alltek Technology (S) Pte. Ltd. is limited to the amount of investment and share of profit of the associate. When the Company's share of loss of the associate equals the interests in the associate and the investment becomes zero, further losses are not recognized.

In September 2021, the Company acquired and held 15% of the outstanding shares of Yuban Technology Co., Ltd. The Company and its subsidiary, Pentek Technology Corp., hold more than 20% of the total voting shares of the investee; therefore, the equity method is used for the evaluation of investment transactions. Under the agreement between the Company and Yuban Technology Co., Ltd., the Company shall not transfer, pledge, create any security rights or dispose of the aforementioned ordinary shares within 3 years from the acquisition date.

Associates are accounted for using the equity method.

### 13. PROPERTY, PLANT AND EQUIPMENT

|                              | <b>Freehold Land</b> | <b>Buildings</b> | <b>Office Equipment</b> | <b>Other Equipment</b> | <b>Total</b>      |
|------------------------------|----------------------|------------------|-------------------------|------------------------|-------------------|
| <u>Cost</u>                  |                      |                  |                         |                        |                   |
| Balance at January 1, 2022   | \$ 93,240            | \$ 59,200        | \$ 4,122                | \$ 2,000               | \$ 158,562        |
| Additions                    | -                    | -                | 1,540                   | 5,901                  | 7,441             |
| Disposals                    | <u>-</u>             | <u>-</u>         | <u>(3,391)</u>          | <u>(16)</u>            | <u>(3,407)</u>    |
| Balance at December 31, 2022 | <u>\$ 93,240</u>     | <u>\$ 59,200</u> | <u>\$ 2,271</u>         | <u>\$ 7,885</u>        | <u>\$ 162,596</u> |

(Continued)

|                                      | Freehold Land    | Buildings        | Office Equipment | Other Equipment | Total             |
|--------------------------------------|------------------|------------------|------------------|-----------------|-------------------|
| <u>Accumulated depreciation</u>      |                  |                  |                  |                 |                   |
| Balance at January 1, 2022           | \$ -             | \$ 23,507        | \$ 3,148         | \$ 497          | \$ 27,152         |
| Depreciation expense                 | -                | 1,192            | 972              | 699             | 2,863             |
| Disposals                            | -                | -                | (3,391)          | (16)            | (3,407)           |
| Balance at December 31, 2022         | <u>\$ -</u>      | <u>\$ 24,699</u> | <u>\$ 729</u>    | <u>\$ 1,180</u> | <u>\$ 26,608</u>  |
| Carrying amount at December 31, 2022 | <u>\$ 93,240</u> | <u>\$ 34,501</u> | <u>\$ 1,542</u>  | <u>\$ 6,705</u> | <u>\$ 135,988</u> |

Cost

|                              |                   |                   |                 |                  |                   |
|------------------------------|-------------------|-------------------|-----------------|------------------|-------------------|
| Balance at January 1, 2023   | \$ 93,240         | \$ 59,200         | \$ 2,271        | \$ 7,885         | \$ 162,596        |
| Additions                    | 371,043           | 52,847            | 511             | 3,614            | 428,015           |
| Disposals                    | -                 | -                 | (460)           | -                | (460)             |
| Balance at December 31, 2023 | <u>\$ 464,283</u> | <u>\$ 112,047</u> | <u>\$ 2,322</u> | <u>\$ 11,499</u> | <u>\$ 590,151</u> |

Accumulated depreciation

|                              |             |                  |               |                 |                  |
|------------------------------|-------------|------------------|---------------|-----------------|------------------|
| Balance at January 1, 2023   | \$ -        | \$ 24,699        | \$ 729        | \$ 1,180        | \$ 26,608        |
| Depreciation expense         | -           | 1,281            | 690           | 2,136           | 4,107            |
| Disposals                    | -           | -                | (460)         | -               | (460)            |
| Balance at December 31, 2023 | <u>\$ -</u> | <u>\$ 25,980</u> | <u>\$ 959</u> | <u>\$ 3,316</u> | <u>\$ 30,255</u> |

|                                      |                   |                  |                 |                 |                   |
|--------------------------------------|-------------------|------------------|-----------------|-----------------|-------------------|
| Carrying amount at December 31, 2023 | <u>\$ 464,283</u> | <u>\$ 86,067</u> | <u>\$ 1,363</u> | <u>\$ 8,183</u> | <u>\$ 559,896</u> |
|--------------------------------------|-------------------|------------------|-----------------|-----------------|-------------------|

(Concluded)

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

|                        |           |
|------------------------|-----------|
| Building               | 50 years  |
| Experimental equipment | 2-5 years |
| Other equipment        | 2-5 years |

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 27.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

|                          | <u>December 31</u> |                  |
|--------------------------|--------------------|------------------|
|                          | 2023               | 2022             |
| <u>Carrying amount</u>   |                    |                  |
| Buildings                | \$ 7,778           | \$ 15,967        |
| Transportation equipment | <u>2,429</u>       | <u>2,452</u>     |
|                          | <u>\$ 10,207</u>   | <u>\$ 18,419</u> |

|                                             | <b>For the Year Ended December 31</b> |                  |
|---------------------------------------------|---------------------------------------|------------------|
|                                             | <b>2023</b>                           | <b>2022</b>      |
| Additions to right-of-use assets            | \$ 5,024                              | \$ 16,853        |
| Depreciation charge for right-of-use assets |                                       |                  |
| Buildings                                   | \$ 10,544                             | \$ 11,095        |
| Transportation equipment                    | 2,433                                 | 3,266            |
|                                             | <u>\$ 12,977</u>                      | <u>\$ 14,361</u> |

b. Lease liabilities

|                        | <b>December 31</b> |             |
|------------------------|--------------------|-------------|
|                        | <b>2023</b>        | <b>2022</b> |
| <u>Carrying amount</u> |                    |             |
| Current                | \$ 9,748           | \$ 10,917   |
| Non-current            | \$ 565             | \$ 7,643    |

Range of discount rates for lease liabilities was as follows:

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2023</b>        | <b>2022</b> |
| Buildings                | 1.2%               | 1.2%        |
| Transportation equipment | 1.2%               | 1.2%        |

## 15. BORROWINGS

a. Short-term borrowings

|                                     | <b>December 31</b>  |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | <b>2023</b>         | <b>2022</b>         |
| <u>Secured borrowings (Note 27)</u> |                     |                     |
| Transferred receivables             | \$ -                | \$ 560,800          |
| <u>Unsecured borrowings</u>         |                     |                     |
| Line of credit borrowings           | 2,934,205           | 2,237,000           |
|                                     | <u>\$ 2,934,205</u> | <u>\$ 2,797,800</u> |
| Interest rate interval              | 1.59%-6.10%         | 1.47%-2.24%         |

Portion of secured borrowings of the Company are secured by the Company's fixed deposit.

Portion of the short-term borrowings and long-term borrowings of the Company for the years ended December 31, 2023 and 2022 have been jointly guaranteed by chairman of the board of the Company.

b. Short-term bills payable

|                                             | <b>December 31</b>  |                     |
|---------------------------------------------|---------------------|---------------------|
|                                             | <b>2023</b>         | <b>2022</b>         |
| Commercial paper                            | \$ 1,555,000        | \$ 1,090,000        |
| Less: Unamortized discount on bills payable | <u>-</u>            | <u>-</u>            |
|                                             | <u>\$ 1,555,000</u> | <u>\$ 1,090,000</u> |
| Interest rate interval                      | 1.35%-1.78%         | 0.82%-1.80%         |

The commercial papers payable were not discounted because the effect was not material.

c. Long-term borrowings

|                                     | <b>December 31</b>  |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | <b>2023</b>         | <b>2022</b>       |
| <u>Secured borrowings (Note 27)</u> |                     |                   |
| Bank loans                          | \$ 1,541,867        | \$ 220,000        |
| Less: Current portion               | <u>-</u>            | <u>-</u>          |
|                                     | <u>\$ 1,541,867</u> | <u>\$ 220,000</u> |
| Interest rate interval              | 2.23%-2.35%         | 2.28%-2.43%       |

The Company signed a long-term syndicated loan contract with the bank for a total amount of US\$155,000 thousand to fund its operating capital in December 2023, and the borrowings were secured by its own land and buildings. The first drawdown date was December 25, 2023, with the credit period of 5 years from December 2023. The borrower may utilize the credit line within the credit period, and after applying for each drawdown, the borrower should repay the entire amount of each drawdown on the expiration date of each loan. The effective interest rate of the loan was 2.23% to 2.35% as of December 31, 2023. The Company promised the joint credit bank that its consolidated financial statements should meet certain financial ratios during the credit period.

**16. BONDS PAYABLE**

|                          | <b>December 31</b> |                   |
|--------------------------|--------------------|-------------------|
|                          | <b>2023</b>        | <b>2022</b>       |
| Unsecured domestic bonds | \$ 93,970          | \$ 549,664        |
| Less: Current portion    | <u>(93,970)</u>    | <u>-</u>          |
|                          | <u>\$ -</u>        | <u>\$ 549,664</u> |

In July 21, 2022, to repay the loan, the Group issued the 4th domestic unsecured convertible bonds with an aggregate principal amount of \$600,000 thousand and a face value of \$100 thousand per bond certificate. The issuance price is not lower than face value multiplied by 101% Actual issuance amount was \$606,289 thousand. At the end of third year from the bond issuance date, bondholders have the right to redeem the convertible bonds at face value plus interest compensation (the interest compensation is face value multiplied by 102.2669%, rate of return is 0.75%, at expiration date) in cash. The convertible bonds are managed by Fubon Securities Co., Ltd. as the trustee of the bondholders. The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The terms and conditions of the bonds are as follows:

- a. Issuance date: July 21, 2022
- b. Coupon rate: 0%
- c. Issuance period: 3 years, and a circulation period from July 21, 2022 to July 21, 2025.
- d. Redemption of the convertible bonds

At the end of second years from the bond issuance date (July 21, 2024), bondholders have the right to request the Group to redeem the convertible bonds at face value plus interest compensation (the interest compensation is face value multiplied by 101.5056%, rate of return is 0.75% at expiration date) in cash.

- e. Redemption method

1) Conversion subject: Subject is ordinary shares of the Company. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding ordinary shares.

- 2) Conversion period

From October 22, 2022 (3 months after the date of issuance) to July 21, 2025 (expiration date), each bond entitles the holder to convert it into ordinary shares through broker-dealer informing Taiwan Depository & Clearing Corporation to request the Company's agent for stock affairs in accordance with the conditions of the issuance of the bonds except for (1) Period of suspension of transfer of ordinary shares according to the law; (2) Fifteen business days before the stop transfer date of issuance of bonus shares, the stop transfer date of the cash dividend or the stop transfer date of issuance of ordinary shares for cash subscription, and the rights distribution base date; (3) The capital reduction base date to the capital reduction of stocks one day before the trading day.

- 3) Conversion prices and the adjustments

The conversion price of the bonds is set based on the arithmetic mean of the business day's closing share price multiplied by 102.03% premium rate before the effective date on July 1, 2022. As the Company distributed share dividends in the year ended 2022, the conversion price was adjusted from NT\$38.2 per share to NT\$33 per share. As the Company's stock was ex-dividend on August 9, 2023, the conversion price was adjusted from NT\$33 per share to NT\$30 per share.

- 4) Partial split of convertible bond components

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.8947% per annum on initial recognition.

|                                                                                                                                      |                   |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Proceeds from issuance (less transaction costs of \$5,350 thousand)                                                                  | \$ 600,939        |
| Equity component (less transaction costs allocated to the equity component of \$95 thousand and related income tax of \$19 thousand) | (10,716)          |
| Deferred tax assets                                                                                                                  | <u>19</u>         |
| Liability component at the date of issuance                                                                                          | 590,242           |
| Redemption right                                                                                                                     | 61                |
| Interest charged at an effective interest rate                                                                                       | 2,350             |
| Convertible bonds into ordinary shares                                                                                               | <u>(42,989)</u>   |
| Liability component at December 31, 2022                                                                                             | <u>\$ 549,664</u> |
| Liability component at January 31, 2023                                                                                              | \$ 549,664        |
| Interest charged at an effective interest rate                                                                                       | 2,048             |
| Convertible bonds into ordinary shares                                                                                               | <u>(457,742)</u>  |
| Liability component at December 31, 2023                                                                                             | <u>\$ 93,970</u>  |

## 17. OTHER LIABILITIES

|                                                   | <u>December 31</u>  |                   |
|---------------------------------------------------|---------------------|-------------------|
|                                                   | <u>2023</u>         | <u>2022</u>       |
| <u>Other payables</u>                             |                     |                   |
| Salaries and bonus                                | \$ 102,869          | \$ 140,084        |
| Payable for interest                              | 24,737              | 25,989            |
| Shipping fees                                     | 11,068              | 19,572            |
| Payable for annual leave                          | 16,752              | 15,508            |
| Others                                            | <u>47,782</u>       | <u>50,982</u>     |
|                                                   | <u>\$ 203,208</u>   | <u>\$ 252,135</u> |
| <u>Other payables - related parties (Note 26)</u> | <u>\$ 1,767,135</u> | <u>\$ 6,783</u>   |
| <u>Other liabilities - current</u>                |                     |                   |
| Refund liabilities (Note 26)                      | \$ 142,142          | \$ 149,716        |
| Receipts under custody                            | <u>51,431</u>       | <u>136,247</u>    |
|                                                   | <u>\$ 193,573</u>   | <u>\$ 285,963</u> |

Considering the experience accumulated in the past, the Company estimated the amount of the return based on the most likely amount of returns, and recognized the refund liabilities accordingly.

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

|                                             | <b>December 31</b> |                  |
|---------------------------------------------|--------------------|------------------|
|                                             | <b>2023</b>        | <b>2022</b>      |
| Present value of defined benefit obligation | \$ 40,738          | \$ 39,392        |
| Fair value of plan assets                   | <u>(18,236)</u>    | <u>(17,194)</u>  |
| Net defined benefit liability               | <u>\$ 22,502</u>   | <u>\$ 22,198</u> |

Movements in net defined benefit liability were as follows:

|                                                      | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|----------------------------------------------|
| Balance at January 1, 2022                           | <u>\$ 41,008</u>                                                   | <u>\$ (15,249)</u>                       | <u>\$ 25,759</u>                             |
| Service cost                                         |                                                                    |                                          |                                              |
| Current service cost                                 | 238                                                                | -                                        | 238                                          |
| Net interest expense (income)                        | <u>205</u>                                                         | <u>(78)</u>                              | <u>127</u>                                   |
| Recognized in profit or loss                         | <u>443</u>                                                         | <u>(78)</u>                              | <u>365</u>                                   |
| Remeasurement                                        |                                                                    |                                          |                                              |
| Return on plan assets                                | -                                                                  | (1,190)                                  | (1,190)                                      |
| Actuarial gain - changes in financial<br>assumptions | (1,756)                                                            | -                                        | (1,756)                                      |
| Actuarial gain - experience adjustments              | <u>(303)</u>                                                       | <u>-</u>                                 | <u>(303)</u>                                 |
| Recognized in other comprehensive income             | <u>(2,059)</u>                                                     | <u>(1,190)</u>                           | <u>(3,249)</u>                               |
| Contributions from the employer                      | <u>-</u>                                                           | <u>(677)</u>                             | <u>(677)</u>                                 |
| Balance at December 31, 2022                         | <u>\$ 39,392</u>                                                   | <u>\$ (17,194)</u>                       | <u>\$ 22,198</u>                             |
| Balance at January 1, 2023                           | <u>\$ 39,392</u>                                                   | <u>\$ (17,194)</u>                       | <u>\$ 22,198</u>                             |
| Service cost                                         |                                                                    |                                          |                                              |
| Current service cost                                 | 243                                                                | -                                        | 243                                          |
| Net interest expense (income)                        | <u>492</u>                                                         | <u>(219)</u>                             | <u>273</u>                                   |
| Recognized in profit or loss                         | <u>735</u>                                                         | <u>(219)</u>                             | <u>516</u>                                   |

(Continued)

|                                          | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|------------------------------------------|--------------------------------------------------------------------|------------------------------------------|----------------------------------------------|
| Remeasurement                            |                                                                    |                                          |                                              |
| Return on plan assets                    | \$ -                                                               | \$ (148)                                 | \$ (148)                                     |
| Actuarial gain - experience adjustments  | <u>611</u>                                                         | <u>-</u>                                 | <u>611</u>                                   |
| Recognized in other comprehensive income | <u>611</u>                                                         | <u>(148)</u>                             | <u>463</u>                                   |
| Contributions from the employer          | <u>-</u>                                                           | <u>(675)</u>                             | <u>(675)</u>                                 |
| Balance at December 31, 2023             | <u>\$ 40,738</u>                                                   | <u>\$ (18,236)</u>                       | <u>\$ 22,502</u><br>(Concluded)              |

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

|                                     | <b>December 31</b> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2023</b>        | <b>2022</b> |
| Discount rate(s)                    | 1.25%              | 1.25%       |
| Expected rate(s) of salary increase | 2.75%              | 2.75%       |

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

|                                     | <b>December 31</b> |                 |
|-------------------------------------|--------------------|-----------------|
|                                     | <b>2023</b>        | <b>2022</b>     |
| Discount rate(s)                    |                    |                 |
| 0.25% increase                      | <u>\$ (819)</u>    | <u>\$ (818)</u> |
| 0.25% decrease                      | <u>\$ 847</u>      | <u>\$ 848</u>   |
| Expected rate(s) of salary increase |                    |                 |
| 0.25% increase                      | <u>\$ 821</u>      | <u>\$ 821</u>   |
| 0.25% decrease                      | <u>\$ (798)</u>    | <u>\$ (797)</u> |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

|                                                          | <b>December 31</b> |               |
|----------------------------------------------------------|--------------------|---------------|
|                                                          | <b>2023</b>        | <b>2022</b>   |
| The expected contributions to the plan for the next year | <u>\$ 682</u>      | <u>\$ 661</u> |
| The average duration of the defined benefit obligation   | 8.2 years          | 8.5 years     |

## 19. EQUITY

### a. Ordinary shares

|                                                       | <b>December 31</b>  |                     |
|-------------------------------------------------------|---------------------|---------------------|
|                                                       | <b>2023</b>         | <b>2022</b>         |
| Number of shares authorized (in thousands)            | <u>350,000</u>      | <u>350,000</u>      |
| Shares authorized                                     | <u>\$ 3,500,000</u> | <u>\$ 3,500,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>232,264</u>      | <u>217,908</u>      |
| Shares issued                                         | <u>\$ 2,322,643</u> | <u>\$ 2,179,081</u> |

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

In addition, the shareholders of the Company issued 16,043 thousand shares with a per value of \$10 by way of a surplus transfer to capital increase by resolution of June 21, 2022. The subscription base date was July 29, 2022, and the above transaction was approved by FSC.

The 4th domestic unsecured convertible bonds had been converted into 14,356 thousand and 1,333 thousand ordinary shares in 2023 and 2022, respectively. And 1,183 thousand shares were recognized as share capital, with registration of changes in capital after issuance of new shares on the base date of capital increase in accordance with the law. The Company has not yet completed the registration of changes before the date of approval of issuance of the financial statements.

### b. Capital surplus

|                                                                                                                                                           | <b>December 31</b> |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|
|                                                                                                                                                           | <b>2023</b>        | <b>2022</b> |
| May be used to offset a deficit, distributed as cash dividends, or<br><u>transferred to share capital (1)</u>                                             |                    |             |
| Issuance of ordinary shares                                                                                                                               | \$ 848,655         | \$ 526,091  |
| The difference between consideration received or paid and the<br>carrying amount of the subsidiaries' net assets during actual<br>disposal or acquisition | 3,884              | 3,884       |

(Continued)

|                                                                                | <b>December 31</b> |                   |
|--------------------------------------------------------------------------------|--------------------|-------------------|
|                                                                                | <b>2023</b>        | <b>2022</b>       |
| <u>May be used to offset a deficit only</u>                                    |                    |                   |
| Changes in percentage of ownership interests in subsidiaries (2)               | \$ 793             | \$ 793            |
| Others                                                                         | 1,853              | 1,853             |
| <u>Not for other usage</u>                                                     |                    |                   |
| Components of the equity of the company's issue of convertible corporate bonds | <u>1,547</u>       | <u>9,931</u>      |
|                                                                                | <u>\$ 856,732</u>  | <u>\$ 542,552</u> |
|                                                                                |                    | (Concluded)       |

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 20, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). And the amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved by the shareholders in their meeting for distribution of dividends and bonuses to shareholders. If all or part of the dividends and bonuses are to be paid in cash, the board of directors shall be authorized to make a special resolution and report to the shareholders in their meeting. For the policies on distribution of employees' compensation and remuneration to directors and supervisors before and after amendment, refer to employee benefits expense in Note 21(g).

The Company's dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. When there is no cumulative loss, the Company shall set aside share dividends at no less than 50% of the net profit. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 30% of the total dividends.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 and 2021 approved in the shareholders' meetings on June 21, 2023 and June 21, 2022, respectively, were as follows:

|                                  | <b>Appropriation of Earnings</b>      |             |
|----------------------------------|---------------------------------------|-------------|
|                                  | <b>For the Year Ended December 31</b> |             |
|                                  | <b>2022</b>                           | <b>2021</b> |
| Legal reserve                    | \$ 108,839                            | \$ 81,154   |
| Special reserve                  | \$ (130,743)                          | \$ 39,411   |
| Cash dividends                   | \$ 823,185                            | \$ 481,277  |
| Share dividends                  | \$ -                                  | \$ 160,426  |
| Cash dividends per share (NT\$)  | \$ 3.78                               | \$ 2.4      |
| Share dividends per share (NT\$) | \$ -                                  | \$ 0.8      |

In addition, the Company's board of directors resolved to distribute cash with capital surplus of \$23,231 thousand on March 12, 2024. And the proposal is subject to the resolution of the shareholders' meeting to be held on June 18, 2024.

The appropriations of earnings for 2023 were proposed by the Company's board of directors on March 12, 2024. The appropriations and dividends per share were as follows:

|                                 | <b>Appropriation of Earnings</b>            |
|---------------------------------|---------------------------------------------|
|                                 | <b>For the Year Ended December 31, 2023</b> |
| Legal reserve                   | \$ 59,573                                   |
| Cash dividends                  | \$ 464,628                                  |
| Cash dividends per share (NT\$) | \$ 2                                        |

The appropriations of earnings for 2023 are subject to the resolution of the shareholders' meeting to be held on June 18, 2024.

## 20. REVENUE RECOGNITION

|                                       | <b>For the Year Ended December 31</b> |               |
|---------------------------------------|---------------------------------------|---------------|
|                                       | <b>2023</b>                           | <b>2022</b>   |
| Revenue from contracts with customers |                                       |               |
| Revenue from sale of goods            | \$ 32,942,927                         | \$ 30,265,202 |
| Agency revenue                        | -                                     | 20,935        |
|                                       | \$ 32,942,927                         | \$ 30,286,137 |
|                                       | <b>December 31</b>                    |               |
|                                       | <b>2023</b>                           | <b>2022</b>   |
| Contract liabilities - current        |                                       |               |
| Revenue from sale of goods            | \$ 22,247                             | \$ 71,463     |

## Disaggregation of Revenue

Refer to Statement 10 for information about disaggregation of revenue.

## 21. NET PROFIT

Net profit was attributable to:

a. Interest income

|                                             | <b>For the Year Ended December 31</b> |                  |
|---------------------------------------------|---------------------------------------|------------------|
|                                             | <b>2023</b>                           | <b>2022</b>      |
| Bank deposits/fund loan and related parties | <u>\$ 8,829</u>                       | <u>\$ 12,009</u> |

b. Other income

|                  | <b>For the Year Ended December 31</b> |                  |
|------------------|---------------------------------------|------------------|
|                  | <b>2023</b>                           | <b>2022</b>      |
| Rental income    | \$ 3,438                              | \$ 2,928         |
| Others (Note 26) | <u>10,340</u>                         | <u>21,904</u>    |
|                  | <u>\$ 13,778</u>                      | <u>\$ 24,832</u> |

c. Other gains and losses

|                                         | <b>For the Year Ended December 31</b> |                   |
|-----------------------------------------|---------------------------------------|-------------------|
|                                         | <b>2023</b>                           | <b>2022</b>       |
| Net foreign exchange (losses) and gains | \$ (10,496)                           | \$ 234,238        |
| Bank charges                            | (21,764)                              | (18,570)          |
| Financial assets gains and losses       |                                       |                   |
| Financial assets at FVTPL in mandatory  | 5,895                                 | (2,825)           |
| Others                                  | <u>(532)</u>                          | <u>(5,326)</u>    |
|                                         | <u>\$ (26,897)</u>                    | <u>\$ 207,517</u> |

d. Finance cost

|                                          | <b>For the Year Ended December 31</b> |                   |
|------------------------------------------|---------------------------------------|-------------------|
|                                          | <b>2023</b>                           | <b>2022</b>       |
| Interest on bank loans/convertible bonds | \$ 354,974                            | \$ 145,117        |
| Interest on lease liabilities            | <u>190</u>                            | <u>330</u>        |
|                                          | <u>\$ 355,164</u>                     | <u>\$ 145,447</u> |

e. Depreciation and amortization

|                                         | <b><u>For the Year Ended December 31</u></b> |                  |
|-----------------------------------------|----------------------------------------------|------------------|
|                                         | <b>2023</b>                                  | <b>2022</b>      |
| An analysis of depreciation by function |                                              |                  |
| Operating expenses                      | <u>\$ 17,084</u>                             | <u>\$ 17,224</u> |

f. Employee benefits expense

|                                                      | <b><u>For the Year Ended December 31</u></b> |                   |
|------------------------------------------------------|----------------------------------------------|-------------------|
|                                                      | <b>2023</b>                                  | <b>2022</b>       |
| Post-employment benefits                             |                                              |                   |
| Defined contribution plans                           | \$ 11,895                                    | \$ 11,079         |
| Defined benefit plans (Note 18)                      | <u>516</u>                                   | <u>365</u>        |
|                                                      | 12,411                                       | 11,444            |
| Other employee benefits                              | <u>318,691</u>                               | <u>329,167</u>    |
| Total employee benefits expense                      | <u>\$ 331,102</u>                            | <u>\$ 340,611</u> |
| An analysis of employee benefits expense by function |                                              |                   |
| Operating cost                                       | \$ -                                         | \$ -              |
| Operating expenses                                   | <u>331,102</u>                               | <u>340,611</u>    |
|                                                      | <u>\$ 331,102</u>                            | <u>\$ 340,611</u> |

g. Compensation of employees and remuneration of directors and supervisors

The Company accrues employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March 12, 2024 and March 14, 2023, respectively, were as follows:

Accrual rate

|                                           | <b><u>For the Year Ended December 31</u></b> |             |
|-------------------------------------------|----------------------------------------------|-------------|
|                                           | <b>2023</b>                                  | <b>2022</b> |
| Compensation of employees                 | 5.30%                                        | 5.05%       |
| Remuneration to directors and supervisors | 0.85%                                        | 1.61%       |

Amount

|                                           | <b><u>For the Year Ended December 31</u></b> |             |
|-------------------------------------------|----------------------------------------------|-------------|
|                                           | <b>2023</b>                                  | <b>2022</b> |
|                                           | <b>Cash</b>                                  | <b>Cash</b> |
| Compensation of employees                 | \$ 42,000                                    | \$ 72,000   |
| Remuneration to directors and supervisors | 6,765                                        | 22,960      |

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

|                         | <b>For the Year Ended December 31</b> |                    |
|-------------------------|---------------------------------------|--------------------|
|                         | <b>2023</b>                           | <b>2022</b>        |
| Foreign exchange gains  | \$ 2,546,584                          | \$ 2,931,453       |
| Foreign exchange losses | <u>(2,557,080)</u>                    | <u>(2,697,215)</u> |
| Net income (losses)     | <u>\$ (10,496)</u>                    | <u>\$ 234,238</u>  |

## 22. INCOME TAXES

a. Major components of tax expense recognized in profit or loss:

|                                                 | <b>For the Year Ended December 31</b> |                   |
|-------------------------------------------------|---------------------------------------|-------------------|
|                                                 | <b>2023</b>                           | <b>2022</b>       |
| Current tax                                     |                                       |                   |
| In respect of the current year                  | \$ 168,933                            | \$ 217,906        |
| Income tax on unappropriated earnings           | 11,540                                | 2,164             |
| Adjustments for prior years                     | <u>2,018</u>                          | <u>(590)</u>      |
|                                                 | <u>182,491</u>                        | <u>219,480</u>    |
| Deferred tax                                    |                                       |                   |
| In respect of the current year                  | <u>(35,213)</u>                       | <u>26,407</u>     |
| Income tax expense recognized in profit or loss | <u>\$ 147,278</u>                     | <u>\$ 245,887</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

|                                                      | <b>For the Year Ended December 31</b> |                     |
|------------------------------------------------------|---------------------------------------|---------------------|
|                                                      | <b>2023</b>                           | <b>2022</b>         |
| Profit before tax                                    | <u>\$ 743,382</u>                     | <u>\$ 1,331,660</u> |
| Income tax expense calculated at the statutory rate  | \$ 148,676                            | \$ 266,332          |
| Nondeductible expenses in determining taxable income | 278                                   | 1,453               |
| Tax-exempt income                                    | (7,133)                               | (19,748)            |
| Recognition and reversal of temporary differences    | (8,101)                               | (3,724)             |
| Income tax on unappropriated earnings                | 11,540                                | 2,164               |
| Adjustments for prior years' tax                     | <u>2,018</u>                          | <u>(590)</u>        |
| Income tax expense recognized in profit or loss      | <u>\$ 147,278</u>                     | <u>\$ 245,887</u>   |

- b. Major components of other comprehensive income tax expense profit or loss:

|                                                                                    | <b>For the Year Ended December 31</b> |                  |
|------------------------------------------------------------------------------------|---------------------------------------|------------------|
|                                                                                    | <b>2023</b>                           | <b>2022</b>      |
| Deferred tax                                                                       |                                       |                  |
| In respect of the current period                                                   |                                       |                  |
| Remeasurement of defined benefit plans                                             | \$ (93)                               | \$ 650           |
| Exchange differences on translating the financial statements of foreign operations | <u>4,353</u>                          | <u>46,820</u>    |
|                                                                                    | <u>\$ 4,260</u>                       | <u>\$ 47,470</u> |

- c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

|                                                                                    | <b>Opening Balance</b> | <b>Recognized in Profit or Loss</b> | <b>Recognized in Other Comprehensive Income</b> | <b>Closing Balance</b> |
|------------------------------------------------------------------------------------|------------------------|-------------------------------------|-------------------------------------------------|------------------------|
| <u>Deferred tax assets</u>                                                         |                        |                                     |                                                 |                        |
| Temporary differences                                                              |                        |                                     |                                                 |                        |
| Unrealized inventory loss                                                          | \$ 35,489              | \$ 14,349                           | \$ -                                            | \$ 49,838              |
| Defined benefit obligation                                                         | 4,440                  | (33)                                | 93                                              | 4,500                  |
| Unrealized foreign exchange loss                                                   | 917                    | 27,387                              | -                                               | 28,304                 |
| Others                                                                             | <u>26,653</u>          | <u>8,320</u>                        | <u>-</u>                                        | <u>34,973</u>          |
|                                                                                    | <u>\$ 67,499</u>       | <u>\$ 50,023</u>                    | <u>\$ 93</u>                                    | <u>\$ 117,615</u>      |
| <u>Deferred tax liabilities</u>                                                    |                        |                                     |                                                 |                        |
| Temporary differences                                                              |                        |                                     |                                                 |                        |
| Unappropriated earnings of subsidiaries                                            | \$ 306,793             | \$ 14,810                           | \$ -                                            | \$ 321,603             |
| Exchange differences on translating the financial statements of foreign operations | 14,134                 | -                                   | 4,353                                           | 18,487                 |
| Others                                                                             | <u>16,746</u>          | <u>-</u>                            | <u>-</u>                                        | <u>16,746</u>          |
|                                                                                    | <u>\$ 337,673</u>      | <u>\$ 14,810</u>                    | <u>\$ 4,353</u>                                 | <u>\$ 356,836</u>      |

For the year ended December 31, 2022

|                                                                                             | Opening<br>Balance | Recognized in<br>Profit or Loss | Recognized in<br>Other<br>Comprehensive<br>Income | Closing<br>Balance |
|---------------------------------------------------------------------------------------------|--------------------|---------------------------------|---------------------------------------------------|--------------------|
| <u>Deferred tax assets</u>                                                                  |                    |                                 |                                                   |                    |
| Temporary differences                                                                       |                    |                                 |                                                   |                    |
| Unrealized inventory loss                                                                   | \$ 15,964          | \$ 19,525                       | \$ -                                              | \$ 35,489          |
| Defined benefit obligation                                                                  | 5,152              | (62)                            | (650)                                             | 4,440              |
| Exchange differences on<br>translating the financial<br>statements of foreign<br>operations | 32,686             | -                               | (32,686)                                          | -                  |
| Unrealized foreign exchange<br>loss                                                         | 514                | 403                             | -                                                 | 917                |
| Others                                                                                      | <u>36,760</u>      | <u>(10,107)</u>                 | <u>-</u>                                          | <u>26,653</u>      |
|                                                                                             | <u>\$ 91,076</u>   | <u>\$ 9,759</u>                 | <u>\$ (33,336)</u>                                | <u>\$ 67,499</u>   |
| <u>Deferred tax liabilities</u>                                                             |                    |                                 |                                                   |                    |
| Temporary differences                                                                       |                    |                                 |                                                   |                    |
| Unappropriated earnings of<br>subsidiaries                                                  | \$ 270,627         | \$ 36,166                       | \$ -                                              | \$ 306,793         |
| Exchange differences on<br>translating the financial<br>statements of foreign<br>operations | -                  | -                               | 14,134                                            | 14,134             |
| Others                                                                                      | <u>16,746</u>      | <u>-</u>                        | <u>-</u>                                          | <u>16,746</u>      |
|                                                                                             | <u>\$ 287,373</u>  | <u>\$ 36,166</u>                | <u>\$ 14,134</u>                                  | <u>\$ 337,673</u>  |

d. Income tax assessments

The income tax returns through 2021 have been assessed by the tax authorities; the Company provided its income tax to be assessed by the tax authorities.

**23. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

|                                   | <u>For the Year Ended December 31</u> |                |
|-----------------------------------|---------------------------------------|----------------|
|                                   | 2023                                  | 2022           |
| <u>Basic earnings per share</u>   |                                       |                |
| Basic earnings per share          | <u>\$ 2.61</u>                        | <u>\$ 5.01</u> |
| <u>Diluted earnings per share</u> |                                       |                |
| Diluted earnings per share        | <u>\$ 2.53</u>                        | <u>\$ 4.79</u> |

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share (from continuing operations) were as follows:

|                                                              | <b>For the Year Ended December 31</b> |                     |
|--------------------------------------------------------------|---------------------------------------|---------------------|
|                                                              | <b>2023</b>                           | <b>2022</b>         |
| Earnings used in the computation of basic earnings per share | \$ 596,104                            | \$ 1,085,773        |
| Effect of potentially dilutive ordinary shares:              |                                       |                     |
| Convertible corporate bond after-tax interest                | <u>1,638</u>                          | <u>1,880</u>        |
| Net used in the computation of diluted earnings per share    | <u>\$ 597,742</u>                     | <u>\$ 1,087,653</u> |

Weighted average number of ordinary shares outstanding (in thousands of shares):

|                                                                                                  | <b>For the Year Ended December 31</b> |                |
|--------------------------------------------------------------------------------------------------|---------------------------------------|----------------|
|                                                                                                  | <b>2023</b>                           | <b>2022</b>    |
| Weighted average number of ordinary shares in computation of basic earnings per share            | 228,531                               | 216,661        |
| Effect of potentially dilutive ordinary shares:                                                  |                                       |                |
| Interest on convertible bonds                                                                    | 6,571                                 | 8,118          |
| Bonus to employees                                                                               | <u>1,513</u>                          | <u>2,399</u>   |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>236,615</u>                        | <u>227,178</u> |

The Company may settle compensation paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is subject to the requirements and restrictions on the current ratio, financial liability ratio and interest protection ratio of the loan agreements with the banks.

## 25. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

|                                         | For the Year Ended December 31 |            |                 |            |
|-----------------------------------------|--------------------------------|------------|-----------------|------------|
|                                         | 2023                           |            | 2022            |            |
|                                         | Carrying Amount                | Fair Value | Carrying Amount | Fair Value |
| <u>Financial liabilities</u>            |                                |            |                 |            |
| Financial liabilities at amortized cost |                                |            |                 |            |
| Convertible bonds                       | \$ 93,970                      | \$ 106,680 | \$ 549,664      | \$ 602,037 |

- b. Fair value of financial instruments measured at fair value on a recurring basis

### 1) Fair value hierarchy

December 31, 2023

|                                                              | Level 1     | Level 2     | Level 3          | Total            |
|--------------------------------------------------------------|-------------|-------------|------------------|------------------|
| <u>Financial assets at FVTPL</u>                             |             |             |                  |                  |
| Non-derivative financial assets                              |             |             |                  |                  |
| Foreign unlisted shares                                      | \$ -        | \$ -        | \$ 90,346        | \$ 90,346        |
| Derivative financial - redemption right of convertible bonds | -           | -           | 27               | 27               |
|                                                              | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 90,373</u> | <u>\$ 90,373</u> |
| <u>Financial assets at FVTOCI</u>                            |             |             |                  |                  |
| Investments in equity instruments - unlisted shares          | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,004</u>  | <u>\$ 5,004</u>  |
| Investments in debt instruments                              |             |             |                  |                  |
| Trade receivables                                            | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,648</u>  | <u>\$ 1,648</u>  |

December 31, 2022

|                                                              | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Total</b>     |
|--------------------------------------------------------------|----------------|----------------|------------------|------------------|
| <u>Financial assets at FVTPL</u>                             |                |                |                  |                  |
| Non-derivative financial assets                              |                |                |                  |                  |
| Foreign unlisted shares                                      | \$ -           | \$ -           | \$ 54,993        | \$ 54,993        |
| Derivative financial - redemption right of convertible bonds | <u>-</u>       | <u>-</u>       | <u>222</u>       | <u>222</u>       |
|                                                              | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 55,215</u> | <u>\$ 55,215</u> |

Financial assets at FVTOCI

|                                                     |             |             |                 |                 |
|-----------------------------------------------------|-------------|-------------|-----------------|-----------------|
| Investments in equity instruments - unlisted shares | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 5,000</u> |
| Investments in debt instruments                     |             |             |                 |                 |
| Trade receivables                                   | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 242</u>   | <u>\$ 242</u>   |

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2023

| <b>Financial Assets</b>                  | <b>Financial Assets<br/>at FVTPL<br/>Non-derivative</b> | <b>Financial Assets<br/>at FVTOCI<br/>Equity<br/>Instruments</b> | <b>Total</b>     |
|------------------------------------------|---------------------------------------------------------|------------------------------------------------------------------|------------------|
| Balance at January 1, 2023               | \$ 55,215                                               | \$ 5,242                                                         | \$ 60,457        |
| Purchases                                | 29,263                                                  | 5,004                                                            | 34,267           |
| Recognized in profit or loss             | 5,895                                                   | -                                                                | 5,895            |
| Recognized in other comprehensive income | -                                                       | (5,000)                                                          | (5,000)          |
| Net changes in trade receivables         | <u>-</u>                                                | <u>1,406</u>                                                     | <u>1,406</u>     |
| Balance at December 31, 2023             | <u>\$ 90,373</u>                                        | <u>\$ 6,652</u>                                                  | <u>\$ 97,025</u> |

For the year ended December 31, 2022

| Financial Assets                 | Financial Assets | Financial Assets   | Total            |
|----------------------------------|------------------|--------------------|------------------|
|                                  | at FVTPL         | at FVTOCI          |                  |
|                                  | Non-derivative   | Equity Instruments |                  |
| Balance at January 1, 2022       | \$ 34,167        | \$ -               | \$ 34,167        |
| Purchases                        | 23,873           | 5,000              | 28,873           |
| Recognized in profit or loss     | (2,825)          | -                  | (2,825)          |
| Net changes in trade receivables | <u>-</u>         | <u>242</u>         | <u>242</u>       |
| Balance at December 31, 2022     | <u>\$ 55,215</u> | <u>\$ 5,242</u>    | <u>\$ 60,457</u> |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

Foreign unlisted shares were determined using the market approach. The comparable company method of market approach is based on the profitability at the end of the year to select the market multiplier of comparable companies. The redemption right of convertible corporate bonds was evaluated according to the binary tree model. The valuation method is chosen by the Company after careful evaluation. Therefore, the fair value measurement is reasonable. However, the use of different evaluation models or fair value may lead to different evaluation results.

c. Categories of financial instruments

|                                                 | December 31  |              |
|-------------------------------------------------|--------------|--------------|
|                                                 | 2023         | 2022         |
| <u>Financial assets</u>                         |              |              |
| Financial assets at amortized cost (1)          | \$ 4,418,737 | \$ 6,159,533 |
| FVTPL                                           |              |              |
| Mandatorily classified as at FVTPL - noncurrent | 90,373       | 55,215       |
| <u>Financial assets at FVTOCI</u>               |              |              |
| Investments in equity instruments               | 5,004        | 5,000        |
| Investments in debt instruments                 | 1,648        | 242          |
| <u>Financial liabilities</u>                    |              |              |
| Amortized cost (2)                              | 10,354,537   | 9,537,361    |

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial asset at amortized cost, trade receivables and other receivables.
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term bills payable, trade payables, other payables, current portion of long-term borrowings and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investment, trade receivables, trade payables, borrowings and short-term bills payable. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below).

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

The following table details the Company's sensitivity to a 3% increase and decrease in the New Taiwan dollar (the functional currency) against the U.S. dollars currencies. Sensitivity rate of 3% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items designated as cash flow hedges and their adjusted translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthen 3% against the relevant currency. For a 3% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

|                | <b>U.S. Dollars Impact</b>            |             |
|----------------|---------------------------------------|-------------|
|                | <b>For the Year Ended December 31</b> |             |
|                | <b>2023</b>                           | <b>2022</b> |
| Profit or loss | \$ (1,029)                            | \$ 28,970   |

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2023</b>        | <b>2022</b> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ -               | \$ 614,200  |
| Financial liabilities         | 5,884,650          | 4,576,024   |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 93,848             | 199,906     |
| Financial liabilities         | 250,705            | 100,000     |

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 20 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 20 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased/increased by \$(314) thousand and \$200 thousand, respectively.

#### c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Company does not actively trade these investments.

#### Sensitivity analysis

If equity prices had been 3% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$2,711 thousand and \$1,656 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI, and the pre-tax other comprehensive income for the year ended December 31, 2023 and 2022 would have both increased/decreased by \$150 thousand.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company's credit risk was mainly concentrated in the two largest customers, which both accounted for 44% of the total trade receivables as of December 31, 2023 and 2022, respectively.

Ongoing credit evaluation is performed on the financial condition of trade receivables.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized short-term bank loan facilities set out in (b) below.

#### a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2023

|                                             | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1 Year to<br/>5 Years</b> |
|---------------------------------------------|-----------------------------------------------|---------------------|-------------------------------|------------------------------|
| <u>Non-derivative financial liabilities</u> |                                               |                     |                               |                              |
| Non-interest bearing                        | \$ 3,306,460                                  | \$ 1,017,112        | \$ 818                        | \$ 24,726                    |
| Lease liabilities                           | 1,088                                         | 2,128               | 6,593                         | 568                          |
| Debt instruments                            | 2,730,707                                     | 758,305             | 1,187,790                     | 1,550,000                    |
| Financial guarantee contracts               | <u>792,373</u>                                | <u>-</u>            | <u>-</u>                      | <u>-</u>                     |
|                                             | <u>\$ 6,830,628</u>                           | <u>\$ 1,777,545</u> | <u>\$ 1,195,201</u>           | <u>\$ 1,575,294</u>          |

Additional information on the maturity analysis for lease liabilities:

|                   | <b>Less than<br/>1 Year</b> | <b>1-5 Years</b> |
|-------------------|-----------------------------|------------------|
| Lease liabilities | <u>\$ 9,809</u>             | <u>\$ 568</u>    |

December 31, 2022

|                                             | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1 Year to<br/>5 Years</b> |
|---------------------------------------------|-----------------------------------------------|---------------------|-------------------------------|------------------------------|
| <u>Non-derivative financial liabilities</u> |                                               |                     |                               |                              |
| Non-interest bearing                        | \$ 3,920,874                                  | \$ 1,104,447        | \$ 14,209                     | \$ 1,959                     |
| Lease liabilities                           | 1,053                                         | 2,107               | 7,916                         | 7,690                        |
| Debt instruments                            | 1,053,753                                     | 1,653,370           | 1,228,779                     | 220,000                      |
| Financial guarantee contracts               | <u>962,298</u>                                | <u>-</u>            | <u>-</u>                      | <u>-</u>                     |
|                                             | <u>\$ 5,937,978</u>                           | <u>\$ 2,759,924</u> | <u>\$ 1,250,904</u>           | <u>\$ 229,649</u>            |

Additional information on the maturity analysis for lease liabilities:

|                   | <b>Less than<br/>1 Year</b> | <b>1-5 Years</b> |
|-------------------|-----------------------------|------------------|
| Lease liabilities | <u>\$ 11,076</u>            | <u>\$ 7,690</u>  |

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

|                     | <b>December 31</b>  |                     |
|---------------------|---------------------|---------------------|
|                     | <b>2023</b>         | <b>2022</b>         |
| Secured borrowing   |                     |                     |
| Amount used         | \$ 2,450,000        | \$ 1,280,800        |
| Amount unused       | <u>2,309,275</u>    | <u>1,767,510</u>    |
|                     | <u>\$ 4,759,275</u> | <u>\$ 3,048,310</u> |
| Unsecured borrowing |                     |                     |
| Amount used         | \$ 3,599,205        | \$ 2,837,000        |
| Amount unused       | <u>1,763,358</u>    | <u>2,455,855</u>    |
|                     | <u>\$ 5,362,563</u> | <u>\$ 5,292,855</u> |

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2023 and 2022 were as follows:

| <b>Counterparties</b>  | <b>Receivables Sold</b> | <b>Amounts Reclassified from Accounts Receivable to Other Receivables (Note 10)</b> | <b>Amounts Not Yet Advanced</b> | <b>Advances Received</b> |
|------------------------|-------------------------|-------------------------------------------------------------------------------------|---------------------------------|--------------------------|
| <u>2023</u>            |                         |                                                                                     |                                 |                          |
| Financial institutions | <u>US\$ 200,591</u>     | <u>US\$ 78,737</u>                                                                  | <u>US\$ 43,782</u>              | <u>US\$ 121,854</u>      |
| <u>2022</u>            |                         |                                                                                     |                                 |                          |
| Financial institutions | <u>US\$ 147,654</u>     | <u>US\$ 40,589</u>                                                                  | <u>US\$ 26,061</u>              | <u>US\$ 107,065</u>      |

The above credit lines may be used on a revolving basis.

Pursuant to the Company's factoring agreements, losses from commercial disputes were borne by the Company, while losses from credit risk were borne by the banks.

As of December 31, 2023 and 2022, the interest rates on advances received were 1.83%-6.59% and 1.57%-5.52%, respectively.

As of December 31, 2023 and 2022, the credit line was US\$283,525 thousand and US\$236,796 thousand, respectively.

## 26. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of major transactions between the Company and other related parties are disclosed below.

a. Related party name and relationship

| <b>Related Party Name</b>           | <b>Relationship</b> |
|-------------------------------------|---------------------|
| All Plus Co., Ltd.                  | Subsidiary          |
| Alltek Technology (H.K.) Limited.   | Subsidiary          |
| Alltek Technology (Shenzhen) Ltd.   | Subsidiary          |
| YMY Co., Ltd.                       | Subsidiary          |
| Pantek Technology Corp.             | Subsidiary          |
| Pantek Global Corp.                 | Subsidiary          |
| Alltek Marine Electronics Corp.     | Subsidiary          |
| Alder Optomechanical Corp.          | Subsidiary          |
| Genral Life Biotechnology Co., Ltd. | Associate           |
| Yuban Technology Co., Ltd.          | Associate           |

b. Sales

| Line Item | Related Party Type               | For the Year Ended December 31 |                   |
|-----------|----------------------------------|--------------------------------|-------------------|
|           |                                  | 2023                           | 2022              |
| Sales     | Subsidiary                       |                                |                   |
|           | Alltek Technology (H.K.) Limited | \$ 536,181                     | \$ 158,170        |
|           | All Plus Co., Ltd.               | 30,014                         | 65,262            |
|           | Others                           | 1,474                          | 445               |
|           | Associates                       | <u>-</u>                       | <u>57</u>         |
|           |                                  | <u>\$ 567,669</u>              | <u>\$ 223,934</u> |

The selling price was made at cost plus a fixed profit for related parties.

c. Purchases

| Line Item | Related Party Type               | For the Year Ended December 31 |                  |
|-----------|----------------------------------|--------------------------------|------------------|
|           |                                  | 2023                           | 2022             |
| Purchases | Subsidiary                       |                                |                  |
|           | All Plus Co., Ltd.               | \$ 26,678                      | \$ 18,285        |
|           | Alltek Technology (H.K.) Limited | 9,252                          | 18,592           |
|           | Others                           | <u>1,735</u>                   | <u>485</u>       |
|           |                                  | <u>\$ 37,665</u>               | <u>\$ 37,362</u> |

The purchasing price was made at cost plus a fixed profit for related parties.

Terms of payment and purchasing prices for both related and third parties were similar.

d. Receivables from related parties (except loans to related parties)

| Line Item         | Related Party Type               | For the Year Ended December 31 |                   |
|-------------------|----------------------------------|--------------------------------|-------------------|
|                   |                                  | 2023                           | 2022              |
| Receivables       | Subsidiary                       |                                |                   |
|                   | Alltek Technology (H.K.) Limited | \$ -                           | \$ 5,943          |
|                   | All Plus Co., Ltd.               | -                              | 2,873             |
|                   | Others                           | <u>171</u>                     | <u>164</u>        |
|                   |                                  | <u>\$ 171</u>                  | <u>\$ 8,980</u>   |
| Other receivables | Subsidiary                       | \$ 2,166                       | \$ 843            |
|                   | Associates                       |                                |                   |
|                   | Yuban Technology Co., Ltd.       | <u>-</u>                       | <u>208,867</u>    |
|                   |                                  | <u>\$ 2,166</u>                | <u>\$ 209,710</u> |

Receivables from related parties were unsecured and did not recognize impairment losses.

- e. Payables to related parties (excluding loans from related parties)

| Line Item        | Related Party Type | For the Year Ended December 31 |          |
|------------------|--------------------|--------------------------------|----------|
|                  |                    | 2023                           | 2022     |
| Accounts payable | Subsidiary         | \$ 633                         | \$ -     |
| Other payables   | Associates         | \$ -                           | \$ 6,783 |

The outstanding trade payable from related parties are unsecured.

- f. Financing provided to others (recognized as other receivables)

| Related Party Category/Name | December 31 |           |
|-----------------------------|-------------|-----------|
|                             | 2023        | 2022      |
| Pantek Technology Corp.     | \$ -        | \$ 92,213 |

Interest revenue

| Related Party Category/Name | For the Year Ended December 31 |               |
|-----------------------------|--------------------------------|---------------|
|                             | 2023                           | 2022          |
| Pantek Technology Corp.     | \$ 819                         | \$ 504        |
| Alder Optomechanical Corp.  | 124                            | -             |
|                             | <u>\$ 943</u>                  | <u>\$ 504</u> |

The Company provided to its subsidiaries Pantek Technology Corp. and Alder Optomechanical Corp. with unsecured short-term loans at rates comparable to market interest rates.

- g. Loans from related parties (recognized as other payables)

| Related Party Category/Name      | For the Year Ended December 31 |             |
|----------------------------------|--------------------------------|-------------|
|                                  | 2023                           | 2022        |
| Alltek Technology (H.K.) Limited | \$ 1,162,618                   | \$ -        |
| All Plus Co., Ltd.               | 604,517                        | -           |
|                                  | <u>\$ 1,767,135</u>            | <u>\$ -</u> |

- h. Endorsements and guarantees: Refer to Table 2.

- i. Other transactions with related parties

| Related Parties Types | Transaction Type   | December 31 |      |
|-----------------------|--------------------|-------------|------|
|                       |                    | 2023        | 2022 |
| Subsidiaries          | Refund liabilities | \$ 254      | \$ - |

| Related Parties Types | Transaction Type     | For the Year Ended December 31 |           |
|-----------------------|----------------------|--------------------------------|-----------|
|                       |                      | 2023                           | 2022      |
| Subsidiaries          | Other expense        | \$ -                           | \$ 958    |
| Subsidiaries          | Rental revenue       | \$ 3,300                       | \$ 2,400  |
| Subsidiaries          | Miscellaneous income | \$ 4,110                       | \$ 3,352  |
| Associates            | Service costs        | \$ -                           | \$ 26,709 |
| Associates            | Miscellaneous income | \$ 1,320                       | \$ 12,688 |

Pantek Technology Co., Ltd. had leased the warehouse in Xizhi, New Taipei City. In 2023, the monthly rent is \$200 thousand from January to March, \$300 thousand from April to December and \$200 thousand per month in 2022.

j. Compensation of key management personnel

|                              | For the Year Ended December 31 |                  |
|------------------------------|--------------------------------|------------------|
|                              | 2023                           | 2022             |
| Short-term employee benefits | \$ 53,156                      | \$ 79,151        |
| Post-employment benefits     | <u>1,225</u>                   | <u>1,205</u>     |
|                              | <u>\$ 54,381</u>               | <u>\$ 80,356</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

|                                                                                    | December 31       |                   |
|------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                    | 2023              | 2022              |
| Pledged bank deposits (recognized as financial assets at amortized cost - current) | \$ 8,850          | \$ 615,493        |
| Property and plant, net                                                            | <u>550,350</u>    | <u>127,741</u>    |
|                                                                                    | <u>\$ 559,200</u> | <u>\$ 743,234</u> |

## 28. SIGNIFICANT CONTINGENT LIABILITIES

Although CKY Group Limited (CKY) filed a civil lawsuit in 2023 for the dispute over the amount of agency fees payable by the Company and some of its subsidiaries, the court challenged and required CKY to explain the contractual basis for the calculation method and payment ratio of the commission between the two parties according to the legal letter issued by the lawyer appointed by the Company and some of its subsidiaries. CKY requested the application to call witnesses during the trial was also rejected by the Court. Based on this, the Company and some of its subsidiaries believe that their application's unfavorable risk of judgment in this lawsuit filed by CKY Company is low.

## 29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

### December 31, 2023

|                                                                                   | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|-----------------------------------------------------------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u>                                                           |                             |                      |                            |
| Monetary items<br>USD                                                             | \$ 141,503                  | 30.705 (USD:NTD)     | <u>\$ 4,344,863</u>        |
| Non-monetary items<br>Investments accounted for using the<br>equity method<br>USD | 100,461                     | 30.705 (USD:NTD)     | <u>\$ 3,084,665</u>        |
| <u>Financial liabilities</u>                                                      |                             |                      |                            |
| Monetary items<br>USD                                                             | 142,621                     | 30.705 (USD:NTD)     | <u>\$ 4,379,170</u>        |

### December 31, 2022

|                                                                                   | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|-----------------------------------------------------------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u>                                                           |                             |                      |                            |
| Monetary items<br>USD                                                             | \$ 196,857                  | 30.71 (USD:NTD)      | <u>\$ 6,045,479</u>        |
| Non-monetary items<br>Investments accounted for using the<br>equity method<br>USD | 73,632                      | 30.71 (USD:NTD)      | <u>\$ 2,261,234</u>        |
| <u>Financial liabilities</u>                                                      |                             |                      |                            |
| Monetary items<br>USD                                                             | 165,412                     | 30.71 (USD:NTD)      | <u>\$ 5,079,805</u>        |

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

| <b>For the Year Ended December 31</b> |                      |                                                 |                      |                                                 |
|---------------------------------------|----------------------|-------------------------------------------------|----------------------|-------------------------------------------------|
| <b>2023</b>                           |                      | <b>2022</b>                                     |                      |                                                 |
| <b>Foreign<br/>Currency</b>           | <b>Exchange Rate</b> | <b>Net Foreign<br/>Exchange Gain<br/>(Loss)</b> | <b>Exchange Rate</b> | <b>Net Foreign<br/>Exchange Gain<br/>(Loss)</b> |
| NTD                                   | 1 (NTD:NTD)          | <u>\$ (10,496)</u>                              | 1 (NTD:NTD)          | <u>\$ 234,238</u>                               |

### 30. SEPARATELY DISCLOSED ITEMS

#### a. Information on significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (Table 4)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 6)

#### b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None)

TABLE 1

ALLTEK TECHNOLOGY CORP.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No.<br>(Note 1) | Lender                  | Borrower                   | Financial<br>Statement<br>Account     | Related<br>Parties | Highest<br>Balance for the<br>Period | Ending<br>Balance | Actual<br>Borrowing<br>Amount | Interest Rate                                             | Nature of<br>Financing    | Business<br>Transaction<br>Amounts | Reasons for<br>Short-term<br>Financing | Allowance for<br>Impairment<br>Loss | Collateral |       | Financing<br>Limit for Each<br>Borrower<br>(Note 2) | Aggregate<br>Financing<br>Limits<br>(Note 3) |
|-----------------|-------------------------|----------------------------|---------------------------------------|--------------------|--------------------------------------|-------------------|-------------------------------|-----------------------------------------------------------|---------------------------|------------------------------------|----------------------------------------|-------------------------------------|------------|-------|-----------------------------------------------------|----------------------------------------------|
|                 |                         |                            |                                       |                    |                                      |                   |                               |                                                           |                           |                                    |                                        |                                     | Item       | Value |                                                     |                                              |
| 0               | Alltek Technology Corp. | Pantek Technology Corp.    | Trade receivable from related parties | Yes                | \$ 150,000                           | \$ 150,000        | \$ -                          | The highest loan rate borrowed from financial institution | Short-term accommodations | \$ -                               | Operating turnover                     | \$ -                                | -          | -     | \$ 478,894 (Note 2)                                 | \$ 2,394,469                                 |
|                 |                         | Alder Optomechanical Corp. | Trade receivable from related parties | Yes                | 30,000                               | 30,000            | -                             | The highest loan rate borrowed from financial institution | Short-term accommodations | -                                  | Operating turnover                     | -                                   | -          | -     | 478,894 (Note 2)                                    | 2,394,469                                    |

Note 1: a. 0: Investors.  
b. The investee companies are numbered in order by company, starting with the Arabic number 1.

Note 2: The maximum amount for individual enterprise is \$4,788,938 (net worth as per latest financial report) × 10% = \$478,894.

Note 3: The aggregate financing limits is \$4,788,938 (net worth as per latest financial report) × 50% = \$2,394,469.

TABLE 2

ALLTEK TECHNOLOGY CORP.

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)

| No.<br>(Note 1) | Endorser/Guarantor      | Guarantee                       |              | Limits on<br>Endorsement/<br>Guarantee<br>Given on<br>Behalf of<br>Each Party<br>(Note 2) | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at<br>the End of the<br>Period | Actual<br>Borrowing<br>Amount | Amount<br>Endorsed/<br>Guaranteed by<br>Collaterals | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to<br>Net Equity in<br>Latest<br>Financial<br>Statements<br>(%) | Aggregate<br>Endorsement/<br>Guarantee<br>Limit<br>(Note 3) | Endorsement/<br>Guarantee<br>Given by<br>Parent on<br>Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee<br>Given by<br>Subsidiaries<br>on Behalf of<br>Parent | Endorsement/<br>Guarantee<br>Given on<br>Behalf of<br>Companies in<br>Mainland<br>China |
|-----------------|-------------------------|---------------------------------|--------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
|                 |                         | Name                            | Relationship |                                                                                           |                                                                      |                                                                         |                               |                                                     |                                                                                                                      |                                                             |                                                                                 |                                                                                 |                                                                                         |
| 0               | Alltek Technology Corp. | Alltek Technology (H.K) Limited | c            | \$ 11,972,345                                                                             | \$ 2,987,597                                                         | \$ 2,987,597                                                            | \$ 180,975                    | \$ -                                                | 63                                                                                                                   | \$ 14,366,814                                               | Y                                                                               | -                                                                               | -                                                                                       |
|                 |                         | All Plus Co., Ltd.              | c            | 11,972,345                                                                                | 337,755                                                              | 214,935                                                                 | -                             | -                                                   | 4                                                                                                                    | 14,366,814                                                  | Y                                                                               | -                                                                               | -                                                                                       |
|                 |                         | Pantek Technology Corp.         | b            | 11,972,345                                                                                | 1,968,200                                                            | 1,503,978                                                               | 611,398                       | -                                                   | 31                                                                                                                   | 14,366,814                                                  | Y                                                                               | -                                                                               | -                                                                                       |
|                 |                         | Alder Optomechanical Corp.      | b            | 11,972,345                                                                                | 30,000                                                               | 30,000                                                                  | -                             | -                                                   | 1                                                                                                                    | 14,366,814                                                  | Y                                                                               | -                                                                               | -                                                                                       |

Note 1: a. 0: Investors.  
b. The investee companies are numbered in order by company, starting with the Arabic number 1.

Note 2: a. Trading partner.  
b. Subsidiaries directly held over 50% equity.  
c. Company that directly or indirectly holds more 50% of the shares in investees.  
d. Company where investees directly or indirectly holds of or exceeding 50% of its voting shares.  
e. Guaranteed by the Company according to the construction contract.  
f. An investee company. The guarantees were provided based on the Company’s proportionate share in the investee company.  
g. Joint and several guaranteed by the Company according to the pre-construction contract.

Note 3: a. Endorsement/guarantee given on direct/indirect voting rights over fifty percent (50%). The maximum amount for endorsement guarantee is \$4,788,938 (net worth as per latest financial report) × 250% = \$11,972,345.  
b. The maximum amount for endorsement guarantee is \$4,788,938 (net worth as per latest financial report) × 300% = \$14,366,814.

TABLE 3

ALLTEK TECHNOLOGY CORP.

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)

| Holding Company Name    | Type and Name of Marketable Securities                                           | Relationship with the Holding Company | Financial Statement Account                                                   | December 31, 2023 |                 |                         |            | Note |
|-------------------------|----------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------|-------------------|-----------------|-------------------------|------------|------|
|                         |                                                                                  |                                       |                                                                               | Shares            | Carrying Amount | Percentage of Ownership | Fair Value |      |
| Alltek Technology Corp. | <u>Foreign private company convertible finance bill</u><br>icClarity, Inc.       | N                                     | Non-current financial assets at fair value through profit or loss             | -                 | \$ -            | -                       | \$ -       | -    |
|                         | <u>Foreign unlisted shares - preference shares</u><br>Kenron Holding Corporation | N                                     | Non-current financial assets at fair value through profit or loss             | 488,866           | 90,346          | -                       | 90,346     | -    |
|                         | <u>Domestic unlisted shares - ordinary shares</u><br>Weltronics CO., LTD.        | N                                     | Non-current financial assets at fair value through other comprehensive income | 500,000           | -               | 4                       | -          | -    |
|                         | Successful Advanced Materials CO., LTD.                                          | N                                     | Non-current financial assets at fair value through other comprehensive income | 417,000           | 5,004           | 6                       | 5,004      | -    |

Note: With respect to the information of subsidiaries, associates and joint ventures, please see Tables 6 and 7.

**TABLE 4**

**ALLTEK TECHNOLOGY CORP.**

**ACQUIRE OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

| Buyer                   | Property                                          | Event Date       | Transaction Amount | Payment Status | Counterparty                           | Relationship      | Information on Previous Title Transfer If Counterparty Is A Related Party |              |                  |        | Pricing Reference                                                                                        | Purpose of Acquisition            | Other Terms |
|-------------------------|---------------------------------------------------|------------------|--------------------|----------------|----------------------------------------|-------------------|---------------------------------------------------------------------------|--------------|------------------|--------|----------------------------------------------------------------------------------------------------------|-----------------------------------|-------------|
|                         |                                                   |                  |                    |                |                                        |                   | Property Owner                                                            | Relationship | Transaction Date | Amount |                                                                                                          |                                   |             |
| Alltek Technology Corp. | Land and buildings in Neihu District, Taipei City | November 9, 2023 | \$ 423,000         | Paid in full   | Taiho Development Enterprise CO., LTD. | Unrelated parties | None                                                                      | None         | None             | None   | Refer to professional appraisal<br>The report shall be decided after negotiation between the two parties | For operational development needs | None        |

**TABLE 5**

**ALLTEK TECHNOLOGY CORP.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name            | Related Party                     | Relationship | Transaction Details |            |               |               | Abnormal Transaction     |                            | Notes/Accounts Receivable (Payable) |               | Note |
|-------------------------|-----------------------------------|--------------|---------------------|------------|---------------|---------------|--------------------------|----------------------------|-------------------------------------|---------------|------|
|                         |                                   |              | Purchase/<br>Sale   | Amount     | % to<br>Total | Payment Terms | Unit Price               | Payment Terms              | Ending Balance                      | % to<br>Total |      |
| Alltek Technology Corp. | Alltek Technology (H.K.) Limited. | Subsidiary   | Sales               | \$ 536,181 | 2             | 180 days      | Cost plus a fixed profit | No significant differences | Trade receivable<br>\$ -            | -             | -    |

TABLE 6

ALLTEK TECHNOLOGY CORP.

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company        | Investee Company                     | Location               | Main Businesses and Products                                                     | Original Investment Amount |                         | Balance as of December 31, 2023 |     |                 | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note               |
|-------------------------|--------------------------------------|------------------------|----------------------------------------------------------------------------------|----------------------------|-------------------------|---------------------------------|-----|-----------------|-----------------------------------|-------------------------|--------------------|
|                         |                                      |                        |                                                                                  | December 31, 2023          | December 31, 2022       | Shares                          | %   | Carrying Amount |                                   |                         |                    |
| Alltek Technology Corp. | Pantek Technology Corp.              | Taiwan                 | Selling and marketing of communication components                                | \$ 588,132                 | \$ 588,132              | 53,200                          | 100 | \$ 645,238      | \$ 3,467                          | \$ 3,467                | Subsidiary         |
|                         | Alltek Marine Electronics Corp.      | Taiwan                 | Designing and manufacturing of high quality AIS products                         | 171,622                    | 171,622                 | 10,429                          | 53  | 140,132         | 35,352                            | 18,833                  | Subsidiary         |
|                         | General Life Biotechnology Co., Ltd. | Taiwan                 | BeneCheck develops and manufactures in-vitro diagnostic biosensors               | 70,072                     | 70,072                  | 6,923                           | 23  | 124,242         | 50,433                            | 10,067                  | Associate          |
|                         | Alltek Technology (S) Pte. Ltd.      | Singapore              | Selling and marketing of communication components                                | 3,570                      | 3,570                   | 200                             | 40  | 2,781           | 6,935                             | 1,908                   | Associate          |
|                         | Alder Optomechanical Corp.           | Taiwan                 | Selling and manufacturing lighting devices                                       | 101,200                    | 101,200                 | 8,872                           | 51  | 66,513          | (26,984)                          | (13,790)                | Subsidiary         |
|                         | Alltek Group Corp.                   | Seychelles             | Investments                                                                      | 71,477                     | 621,839                 | 1,000                           | 100 | 1,820,071       | 108,660                           | 108,660                 | Subsidiary         |
|                         | Yuban Technology Co., Ltd.           | Taiwan                 | Electrical appliance, telecommunication equipment and information software, etc. | 191,862                    | 191,862                 | 9,157                           | 15  | 209,274         | 80,294                            | 11,194                  | Associate          |
|                         | Alltek Technology (H.K.) Limited     | Hong Kong              | Selling and marketing of communication components                                | US\$ 28,759                | -                       | 222,450                         | 100 | 1,256,805       | 192,711                           | 82,748                  | Subsidiary (Note2) |
|                         |                                      |                        |                                                                                  |                            |                         |                                 |     |                 |                                   |                         |                    |
| Pantek Technology Corp. | Pantek Global Corp.                  | Seychelles             | Selling and marketing of communication components                                | US\$ 4,750 (\$ 145,849)    | US\$ 4,750 (\$ 145,873) | -                               | 100 | 163,781         | (8,893)                           | N/A                     | Subsidiary         |
|                         | Yuban Technology Co., Ltd.           | Taiwan                 | Electrical appliance, telecommunication equipment and information software, etc. | 127,908                    | 127,908                 | 6,105                           | 10  | 139,516         | 80,294                            | 7,462                   | Associate          |
| Alltek Group Corp.      | Alltek Technology (H.K.) Limited     | Hong Kong              | Selling and marketing of communication components                                | -                          | US\$ 28,759             | -                               | -   | -               | 192,711                           | N/A                     | Subsidiary (Note2) |
|                         | All Plus Co., Ltd.                   | British Virgin Islands | Selling and marketing of communication components                                | US\$ 251                   | US\$ 251                | 50                              | 100 | US\$ 38,078     | US\$ 240                          | N/A                     | Subsidiary         |
|                         | All Pan Co., Ltd.                    | Seychelles             | Investments                                                                      | US\$ 750                   | US\$ 750                | 750                             | 100 | US\$ 707        | US\$ (305)                        | N/A                     | Subsidiary         |

Note 1: With respect to the information of investee company in mainland China, please refer to Table 7.

Note 2: The Company directly held all the equity interests in Alltek Technology (H.K.) Limited in April 2023 in response to the organizational restructuring of the Group.

**TABLE 7**

**ALLTEK TECHNOLOGY CORP.**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name            | Investee Company                  | Main Businesses and Products                      | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2023 | Accumulated Repatriation of Investment Income as of December 31, 2023 |
|-------------------------|-----------------------------------|---------------------------------------------------|-----------------|----------------------|---------------------------------------------------------------------------------|---------------------|--------|-----------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|------------------------|-----------------------------------------|-----------------------------------------------------------------------|
|                         |                                   |                                                   |                 |                      |                                                                                 | Outward             | Inward |                                                                                   |                                   |                                              |                        |                                         |                                                                       |
| Alltek Technology Corp. | Alltek Technology (Shenzhen) Ltd. | Selling and marketing of communication components | RMB 13,270      | Note 1               | US\$ 250<br>(\$ 7,678)                                                          | \$ -                | \$ -   | US\$ 250<br>(\$ 7,676)                                                            | \$ 9,823                          | 100                                          | \$ 9,823               | \$ (18,072)                             | \$ -                                                                  |
|                         | YMY Co., Ltd.                     | Selling and marketing of communication components | US\$ 750        | Note 2               | US\$ 500<br>(\$ 15,355)                                                         | -                   | -      | US\$ 500<br>(\$ 15,353)                                                           | (6,287)                           | 100                                          | (6,287)                | 21,688                                  | -                                                                     |

| Investor Company        | Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2) |
|-------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Alltek Technology Corp. | US\$ 750<br>(\$ 23,029)                                                                 | US\$ 2,506<br>(\$ 76,947)                                    | \$ 2,873,363                                                                               |

Note 1: Investment types are classified as follows:

- a. Reinvested by Alltek Technology (H.K.) Limited.
- b. Reinvested by All Pan Co., Ltd.

Note 2: The investment income is recognized based on the financial statements of the visa certified by the visa accountant of the parent company in Taiwan.

Note 3: The total amount invested in mainland China shall not exceed 60% of the net worth of Alltek Technology Corp. partners.  
\$4,788,938 × 60% = \$2,873,363.