

GEOVISION Inc.
Consolidated financial statements
And Independent Auditors 'Report
For the Years Ended December 31, 2023 and 2022
(Stock Code: 3356)

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

GEOVISION INC.
DECEMBER 31, 2023, AND 2022 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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GEOVISION INC. AND SUBSIDIARIES

Declaration of Consolidated financial statements of Affiliated Enterprises

For the year ended December 31, 2023, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated financial statements of Affiliated Enterprises,” the entities that are required to be included in the consolidated financial statements of affiliates, are the same as the entities required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

GEOVISION Inc.
Tai, Kuang-Cheng
February 29, 2024

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of GEOVISION INC.

Opinion

We have audited the accompanying consolidated financial statements of GEOVISION Inc. and subsidiaries ("the Group") as of DECEMBER 31, 2023, AND 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group 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 Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Assessment of allowance for inventory valuation losses

Description

Please refer to Note 4(12) for the description of accounting policy, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for details of inventory. As of December 31, 2023, the Group's inventory and allowance for inventory valuation losses amounted to NT\$627,944 thousand and NT\$133,404 thousand, respectively.

The Group is engaged in manufacturing and selling digital surveillance systems. Due to the rapidly changing technology and stiff competition in the industry, and the cost of key components comprise a major part of the manufacturing cost, there is a higher risk of incurring inventory valuation loss or having obsolete inventory. The Group's inventories are measured at the lower of cost and net realizable value. The item by item approach is used in identifying the lower of cost and net realizable value which is used as basis in recognizing provision for loss on valuation of inventories that are over a certain age, obsolete or damaged. Given that the Group's inventory is significant, the items are voluminous and the evaluation of inventories is subject to management's judgement, we consider the estimation of the allowance for inventory valuation loss a key audit matter.

How our audit addressed the matter

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

1. Discussed with management to determine whether the provision policy and procedure of allowance for inventory valuation loss is consistently applied for the comparative periods in the financial statements.
2. Obtained an understanding on the warehouse management processes, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Verified the accuracy of inventory aging report and selected samples in last transaction date before the balance sheet date in order to calculate the accuracy of inventory aging interval.

Existence of revenue

Description

Please refer to Note 4(26) for accounting policy on revenue recognition. The Group has two types of sales customers: distributors and retail. Because the Group has a large number of customers located in various locations, there is a higher risk of existence of sales customers and high probability of uncollectible accounts. Therefore, we consider the existence of sales customers a key audit matter

How our audit addressed the matter

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

1. Evaluated the internal controls over customers' credit check which were designed and performed by management, and reviewed the related credit evaluation documents of customers to determine whether these were properly approved.
2. Selected samples and checked the consistency of transaction details against supporting documents for high-growth customers.
3. Sent out accounts receivable confirmations to major customers, verified the confirmation replies against company records and investigated differences, if any.

Other matter- Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for under the equity method of the Group, which were audited by other auditors.

For the year ended December 31, 2023 and 2022, the assets (including investment using equity method) in the Group's financial statements amounted to NT\$ 160,187 thousand and NT\$ 204,021 thousand, constituting 6.46 % and 9.11 % of the Group's total assets. For the year ended December 31, 2023 and 2022, the operating revenue amounted to NT\$ 213,732 thousand and NT\$ 196,083 thousand, constituting 16.91% and 14.87% of the Group's consolidated operating revenue.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of GeoVision Inc., in other matter paragraph as at and for the year ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards in 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 consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in 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 Consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Jie-Ru Hsu

Yung-Chien Hsu.

For and on behalf of PricewaterhouseCoopers, Taiwan
February 29, 2024

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

GEOVISION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 901,673	36	\$ 516,441	23
1110	Financial assets at fair value through profit or loss - current	6(2) and 8	637,632	26	460,696	20
1136	Financial assets at amortized cost - current	6(3) and 8	10,757	1	58,345	3
1170	Accounts receivable, net	6(4) and 7	130,264	5	125,034	6
130X	Inventories	6(5)	494,540	20	807,358	36
1470	Other current assets		23,782	1	17,845	1
11XX	Current Assets		2,198,648	89	1,985,719	89
Non-current assets						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	1,956	-	2,165	-
1550	Investments accounted for under the equity method	6(6)	10,501	-	7,493	-
1600	Property, plant and equipment		1,317	-	2,643	-
1755	Right-of-use assets	6(7)	111,601	4	59,333	3
1780	Intangible assets		1,207	-	1,688	-
1840	Deferred income tax assets	6(22)	137,984	6	164,955	7
1900	Other non-current assets	6(11)	14,636	1	14,362	1
15XX	Non-current assets		279,202	11	252,639	11
1XXX	Total assets		\$ 2,477,850	100	\$ 2,238,358	100

(Continued)

GEOVISION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022			
			AMOUNT	%	AMOUNT	%		
Current liabilities								
2100	Short-term borrowings	6(8)	\$	95,000	4	\$	19,626	1
2120	Financial liabilities at fair value – current	6(2)		-	-		3,960	-
2170	Accounts payable			56,941	2		75,293	3
2200	Other payables	6(9)		60,647	3		58,321	3
2230	Current income tax liabilities			74,488	3		105,434	5
2280	Lease liabilities - current			32,694	1		26,544	1
2399	Other current liabilities - other	6(17)		31,391	1		23,469	1
21XX	Current Liabilities			351,161	14		312,647	14
Non-current liabilities								
2540	Long-term borrowings	6(10)		-	-		1,361	-
2570	Deferred income tax liabilities	6(22)		973	-		7,827	-
2580	Lease liabilities - non-current			82,065	4		35,029	2
25XX	Non-current liabilities			83,038	4		44,217	2
2XXX	Total Liabilities			434,199	18		356,864	16
Equity attributable to owners of parent								
	Share capital	6(12)						
3110	Common stock			898,221	36		898,221	40
	Capital surplus							
3200	Capital surplus	6(13)		225,409	9		225,409	10
	Retained earnings	6(14)						
3310	Legal reserve			547,570	22		536,759	24
3320	Special reserve			10,781	-		51,664	2
3350	Unappropriated retained earnings			351,011	14		160,294	7
	Other equity interest							
3400	Other equity interest	6(15)	(	10,890)	-	(	10,781)	-
31XX	Equity attributable to owners of parent			2,022,102	81		1,861,566	83
36XX	Non-controlling interests	6(16)		21,549	1		19,928	1
3XXX	Total equity			2,043,651	82		1,881,494	84
3X2X	Total liabilities and equity		\$	2,477,850	100	\$	2,238,358	100

GEOVISION INC. AND SUBSIDIARIES

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(17) and 7	\$ 1,264,094	100	\$ 1,318,625	100
5000	Operating Cost	6(5)	(660,348)	(52)	(703,715)	(53)
5900	Gross profit		603,746	48	614,910	47
	Operating expenses					
6100	Selling expenses		(242,694)	(19)	(218,926)	(17)
6200	General & administrative expenses		(95,811)	(8)	(97,160)	(7)
6300	Research and development expenses		(129,749)	(10)	(138,101)	(11)
6450	Expected credit impairment (loss) gain	12(2)	-	-	(3,075)	-
6000	Total operating expenses		(468,254)	(37)	(457,262)	(35)
6900	Operating profit		135,492	11	157,648	12
	Non-operating income and expenses					
7100	Interest income		20,185	1	3,577	-
7010	Other income	6(18)	16,987	1	30,489	2
7020	Other gains and losses	6(19)	161,971	13	19,880	2
7050	Financial costs		(4,784)	-	(3,765)	-
7070	Share of profit of associates and joint ventures accounted for using equity method		130	-	(913)	-
7000	Non-operating revenue and expenses		194,489	15	49,268	4
7900	Profit before income tax		329,981	26	206,916	16
7950	Income tax expense	6(22)	(37,244)	(3)	(92,428)	(7)
8200	Profit for the period		\$ 292,737	23	\$ 114,488	9

(Continued)

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

GEOVISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		Year ended December 31				
		2023		2022		
Items	Notes	AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss) Components of other comprehensive income (loss) that will not be reclassified to profit or loss						
8311	Gain (losses) on re-measurement of defined benefit plans	6(11)	(\$ 978)	-	\$ 1,458	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	196	-	(292)	-
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss		(782)	-	1,166	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(15)(16)	(71)	-	40,905	3
8370	Other comprehensive income of subsidiaries, affiliated and joint ventures that using the equity method – will be reclassified to profit or loss	6(6)(15)	(120)	-	130	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(191)	-	41,035	3
8300	Total other comprehensive profit (net)		(\$ 973)	-	\$ 42,201	3
8500	Total comprehensive income for the period		\$ 291,764	23	\$ 156,689	12
Profit (loss), attributable to:						
8610	Owners of the parent		\$ 287,177	23	\$ 106,940	8
8620	Non-controlling interest		5,560	-	7,548	1
			\$ 292,737	23	\$ 114,488	9
Comprehensive profit (loss), attributable to:						
8710	Owners of the parent		\$ 286,286	23	\$ 148,989	11
8720	Non-controlling interest		5,478	-	7,700	1
			\$ 291,764	23	\$ 156,689	12
Earnings per share						
9750	Basic	6(23)	\$ 3.20		1.19	
Diluted earnings per share						
9850	Diluted		\$ 3.18		1.18	

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

GEOVISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent									
Note	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earning	Exchange differences on transaction of foreign financial statement	Total	Non-controlling interest	Total equity
Year 2022									
Balance at January 1, 2022	\$ 898,221	\$ 225,409	\$ 519,030	\$ 35,558	\$ 193,810	(\$ 51,664)	\$ 1,820,364	\$ 13,392	\$ 1,833,756
Profit (loss) for the year	-	-	-	-	106,940	-	106,940	7,548	114,488
Other comprehensive (loss) income	6(15)(16)	-	-	-	1,166	40,883	42,049	152	42,201
Total comprehensive income (loss)	-	-	-	-	108,106	40,883	148,989	7,700	156,689
Appropriation and distribution of retained earnings in 2021: 6(14)									
Legal reserve appropriated	-	-	17,729	-	(17,729)	-	-	-	-
Special reserve appropriated	-	-	-	16,106	(16,106)	-	-	-	-
Cash dividends	-	-	-	-	(107,787)	-	(107,787)	-	(107,787)
Decrease on non-controlling interest	6(16)	-	-	-	-	-	-	(1,164)	(1,164)
Balance at December 31, 2022	\$ 898,221	\$ 225,409	\$ 536,759	\$ 51,664	\$ 160,294	(\$ 10,781)	\$ 1,861,566	\$ 19,928	\$ 1,881,494
Year 2023									
Balance at January 1, 2023	\$ 898,221	\$ 225,409	\$ 536,759	\$ 51,664	\$ 160,294	(\$ 10,781)	\$ 1,861,566	\$ 19,928	\$ 1,881,494
Profit for the year	-	-	-	-	287,177	-	287,177	5,560	292,737
Other comprehensive (loss) income	6(15)(16)	-	-	-	(782)	(109)	(891)	(82)	(973)
Total comprehensive income (loss)	-	-	-	-	286,395	(109)	286,286	5,478	291,764
Appropriation and distribution of retained earnings in 2022: 6(14)									
Legal reserve appropriated	-	-	10,811	-	(10,811)	-	-	-	-
Special reserve appropriated	-	-	-	(40,883)	40,883	-	-	-	-
Cash dividends	-	-	-	-	(125,750)	-	(125,750)	-	(125,750)
Decrease on non-controlling interest	6(16)	-	-	-	-	-	-	(3,857)	(3,857)
Balance at December 31, 2023	\$ 898,221	\$ 225,409	\$ 547,570	\$ 10,781	\$ 351,011	(\$ 10,890)	\$ 2,022,102	\$ 21,549	\$ 2,043,651

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

GEOVISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 329,981	\$ 206,916
Adjustments to reconcile profit (loss)			
Depreciation	6(20)	40,037	38,575
Amortization	6(20)	472	834
Expected credit loss (gain)	12(2)	-	3,075
Net loss on financial assets at fair value through profit or loss	6(19)	(141,334)	114,507
Interest expense		4,784	3,765
Income from government subvention		-	(12,483)
Interest income		(20,185)	(3,577)
Dividend income	6(18)	(12,281)	(13,867)
Loss on investments accounted for using equity method	6(6)	(130)	913
Loss (income) on disposal of property, plant and equipment	6(19)	-	35
Gain on disposal of investment		-	(2,821)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Financial assets or liabilities at fair value through profit or loss		9,257	35,508
Accounts receivable		(8,900)	(46,986)
Accounts receivable - related parties		3,235	1,025
Inventories		312,818	46,888
Other current assets		(5,073)	13,064
Defined benefit asset, net		(53)	(536)
Changes in operating liabilities			
Accounts payable		(18,352)	(247,312)
Other payables		5,690	(10,984)
Other current liabilities		7,922	4,919
Cash (outflow) inflow generated from operations		<u>507,888</u>	<u>131,458</u>
Interest received		19,321	3,609
Interest paid		(4,664)	(7,305)
Income tax paid		(47,158)	(50,022)
Net cash flows (used in) from operating activities		<u>475,387</u>	<u>77,740</u>

(Continued)

GEOVISION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<u>CASH FLOWS FROM INVESTMENT ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 84,090)	(\$ 82,562)
Disposal of financial assets at fair value through profit or loss		35,480	61,859
Acquisition of financial assets at amortization cost - current		(10,757)	(58,345)
Decreasing of financial assets at amortization cost - current		58,345	357,201
Acquisition of investment using equity method		(3,036)	(1,333)
Acquisition of property, plant and equipment		(201)	(673)
Disposal of property, plant and equipment		-	80
Acquisition of intangible assets		-	(82)
Increase on refundable deposits		(1,198)	422
Dividend received		12,281	13,867
Net cash flows from (used in) investing activities		<u>6,824</u>	<u>290,434</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans		(129,626)	(275,236)
Increasing of short-term debts		205,000	-
Repayment of long-term debts		(1,361)	-
Repayment of lease principal		(41,072)	(38,833)
Cash dividend paid	6(14)	(125,750)	(107,787)
Cash dividends paid to non-controlling interests	6(16)	(3,857)	(1,161)
Net cash flows from (used in) financing activities		<u>(96,666)</u>	<u>(423,017)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(313)</u>	<u>45,969</u>
Net increase (decrease) in cash and cash equivalents		385,232	(8,874)
Cash and cash equivalents at beginning of the year		516,441	525,315
Cash and cash equivalents at end of the year		<u>\$ 901,673</u>	<u>\$ 516,441</u>

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

GEOVISION INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. History and Organization

GeoVision Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the R&D, sales and after-sales service of remote digital monitoring system.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 29, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standard Board
Amendments to IAS 1, ‘Disclosure of Accounting Policy’	January 1, 2023
Amendments to IAS 8, ‘Definition of Accounting	January 1, 2023
Amendments to IAS 12, ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’	January 1, 2023
Amendments to IAS 12, ‘International Tax Reform — Pillar Two Model Rules’	May 23, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standard Board
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024
Amendments to IAS 1, “Classifying 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

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) Effect of IFRSs issued by IASB but not yet endorsed by the FSC

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standard Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21 'Lack of Exchangeability'	January 1, 2025

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

(a) Financial assets at fair value through profit or loss.

(b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group re-measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31,2023	December 31, 2022	
GeoVision Inc.,	USA Vision System Inc.	Operating digital surveillance system business	100	100	
GeoVision Inc.,	GeoVision Japan Inc.,	Operating digital surveillance system business	95	95	
GeoVision Inc.,	Europe Vision System s.r.o	Operating digital surveillance system business	100	100	
GeoVision Inc.,	IDI Signage Inc.	R & D of electronic digital panel	51	51	
GeoVision Inc.,	Cyber Surveillance Co., Ltd	Investment Company	100	100	
GeoVision Inc.,	GeoVision Vietnam Systems Co., Ltd	Operating digital surveillance system business	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	December 31,2022	December 31, 2022	Description
Cyber Surveillance Co., Ltd	GeoVision Technology (Shanghai) Co., Ltd	Operating digital surveillance system business	100	100	
USA Vision System Inc.	GeoVision Surveillance Canada Inc.	Operating digital surveillance system business	100	100	
USA Vision System Inc.	GVInstall, LLC	Operating digital surveillance system business	88	88	

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Group's functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The Group classifies all assets that do not meet the above conditions as non-current.

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

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all liabilities that do not meet the above conditions as non-current

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

For financial assets at amortized cost at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

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

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as

appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. Except for the useful lives of house and building is 39 years, The other estimated useful lives as follows:

Office equipment	5 years
Other equipment	2~8 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payment includes:
- (a) Fixed payments, less any lease incentives receivable;
 - (b) Variable lease payments that depend on an index or rate;

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any original direct costs incurred; and

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is re-measured, the amount of re-measurement is recognized as an

adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and re-measure the lease liability to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(16) Intangible assets

Computer software are stated initially at its cost and amortized on a straight-line basis over their estimated useful lives of 3 ~ 5 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

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

(19) Accounts and notes payable

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

(20) Financial liabilities at fair value through profit or loss

- A. It is incurred principally for the purpose of repurchasing it in the near term and derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- B. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(21) Derecognizing of financial liabilities

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

(22) Non-Hedging derivative and embedded derivatives

- A. Derivatives that are not hedging instruments are measured at fair value on the date of signing the contract at the time of initial recognition, and are accounted for as financial assets or liabilities measured at fair value through profit or loss, and are subsequently measured at fair value, with the benefit or loss recognized in profit or loss.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are benefits provided when the employee's employment is terminated before the normal retirement date or when the employee decides to accept the company's welfare offer in exchange for the termination of employment. The Group recognizes an expense when it is no longer possible to withdraw the offer of termination benefits or when the related restructuring costs are recognized, whichever is earlier. Benefits that are not expected to be fully settled within 12 months after the balance sheet date are discounted.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees'

compensation is distributed by shares, the basis for calculating the number of shares is to evaluate the fair value by means of evaluation techniques and other methods in accordance with the provisions of IFRS No. 2 "Share-Based Compensation".

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are resolved by the shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

- A. The Group manufactures and sells webcam, video servers and components. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from sales is recognized based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(28) Operating department

The Group's operating department information is reported in a consistent manner with the internal management reports provided to the main operating decision makers. The Chief Operating Decision Maker is responsible for allocating resources to operating departments and evaluating their performance which is the Board of Directors of the Group.

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

The preparation of these CONSOLIDATED FINANCIAL STATEMENTS requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events; and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for products within the specified period in the future. Therefore, there might be material changes to the evaluation. The inventory amount on December 31, 2023, is \$494,540 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 344	\$ 287
Checking accounts and demand deposits	601,237	385,458
Certificate of deposit	135,228	68,744
Repurchase bond	164,864	61,952
Total	<u>\$ 901,673</u>	<u>\$ 516,441</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group reclassified the pledged bank deposits and time deposits with more than three months maturity to "Financial assets at amortized cost", please refer to Notes 6(3) for the details.

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

Assets items	December 31, 2023	December 31, 2022
Current items:		
Equity instrument	\$ 637,632	\$ 460,179
Derivatives	-	517
Total	<u>\$ 637,632</u>	<u>\$ 460,696</u>
Non-current		
Equity instrument	<u>\$ 1,956</u>	<u>\$ 2,165</u>
Liability items	December 31, 2023	December 31, 2022
Current items:		
Derivatives	<u>\$ -</u>	<u>(\$ 3,960)</u>

A. The nature of financial assets and liabilities at fair value through profit or loss is as follows:

(a) Equity instrument: including listed and unlisted stocks.

(b) Derivatives: Swap contracts and options.

(c) Benefit certificate: open-end fund.

B. The details of financial assets and liability at fair value through profit or loss are recognized as follows:

	2023	2022
Equity instrument	\$ 142,140	(\$ 159,475)
Derivatives	(806)	43,493
Beneficiary certificate	-	1,475
Total	\$ 141,334	(\$ 114,507)

C. Hedging accounting (December 31, 2023: None)

December 31, 2022			
Financial liabilities	Contract amount (Principal)		Contract period
Current:			
Cross currency swap	USD (buy)	\$ 7,000	2022/11/19 – 2023/2/14
	NTD (sell)	219,081	

The Group signed the cross currency swap contract to meet the needs of fund scheduling. In terms of currency exchange, the principals of the two currencies are swapped at the same exchange rate at the beginning and end of the period to reduce exchange rate risk. In terms of interest exchange, the exchange of fixed interest rates between the two currencies is adopted to reduce the risk of interest rate fluctuations.

D. The Group use financial assets at fair value through profit or loss as pledged assets are provided in Note 8.

(3) Current financial assets at amortized cost

	December 31, 2023	December 31, 2022
Pledged bank deposits	\$ 10,757	\$ 24,566
Time deposits maturing over three months	-	33,779
	\$ 10,757	\$ 58,345

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	2023	2022
Interest income	\$ 496	\$ 1,838

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's financial assets at amortized cost were carrying amounts.

C. The details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

(4) Accounts receivable

	December 31, 2023	December 31, 2022
Account receivable	\$ 167,935	\$ 163,406
Minus: Allowance for losses	(37,671)	(38,372)
	<u>\$ 130,264</u>	<u>\$ 125,034</u>

A. There were no any collateral.

B. As at December 31, 2023 and 2022, accounts receivable were all from contracts with customers. And as at January 1, 2022, the balance of receivables from contracts with customers amounted to \$133,926

C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum hedge to credit risk in respect of the amount that best represents the Group's accounts receivable were carrying amounts.

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

(5) Inventories

	December 31, 2023	December 31, 2022
Raw material	\$ 76,811	\$ 111,633
Work in process	31,472	38,950
Finished goods and merchandise	<u>519,661</u>	<u>774,978</u>
	627,944	925,561
Minus: Allowance for inventory valuation losses	(133,404)	(118,203)
	<u>\$ 494,540</u>	<u>\$ 807,358</u>

The cost of inventories recognized as expense for the year:

	2023	2022
Cost of goods sold	\$ 651,002	\$ 684,909
Loss on market value decline inventories	15,626	20,281
Loss (gain) on physical inventory count and disposal	(6,280)	(1,475)
	<u>\$ 660,348</u>	<u>\$ 703,715</u>

(6) Investments accounted for using equity method

	2023	2022
Affiliated Enterprises		
Shanghai URight Technology Co., Ltd	\$ 6,213	\$ 6,204
GuardVision Monitoring	<u>4,288</u>	<u>1,289</u>
	<u>\$ 10,501</u>	<u>\$ 7,493</u>

The share of the operating results of individual insignificant related companies of the Group is summarized as follows:

	December 31, 2023	December 31, 2022
Net profit loss for the period from continuing operations	\$ 130	(\$ 913)
Other comprehensive income (net after tax)	(120)	130
Comprehensive income for current period	<u>\$ 10</u>	<u>(\$ 783)</u>

(7) Leasing arrangements - lessee

A. The Group leases assets including buildings. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The Group leases the partial office, office cars, and business mobile phone with a lease term of less than 12 months.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Book value</u>	<u>Book value</u>
Buildings	\$ <u>111,601</u>	\$ <u>59,333</u>
	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Buildings	\$ <u>38,508</u>	\$ <u>36,275</u>

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$90,539 and \$36,584, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,483	\$ 3,357
Expense on short-term lease contracts	1,998	1,342

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$46,553 and \$43,532, respectively.

(8) Short-term borrowings

<u>The nature of borrowings</u>	<u>December 31,2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Unsecured loan	\$ 35,000	0.5%	None
Secured loan	<u>60,000</u>	1.85%	Stock
	\$ <u>95,000</u>		
<u>The nature of borrowings</u>	<u>December 31,2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank loans			
Secured loan	\$ <u>19,626</u>	2.04%	Pledge deposit (note)

A. The credit line for short-term loans is jointly guaranteed by related parties, please refer to Note 7 for details.

B. Please refer to Note 8 for the pledge of the Group's short-term loans.

Note: Secured loans on December 31, 2023 and 2022 were partially guaranteed by the SME Credit Guarantee Fund, and related parties provided joint guarantees. Please refer to Note 7 for details.

(9) Other account payable

	<u>December 31,2022</u>	<u>December 31,2022</u>
Wage payable and bonus	\$ 47,262	\$ 45,075
Labor health insurance payable	2,298	2,244
Freight payable	1,199	-
Others	9,888	11,002
	<u>\$ 60,647</u>	<u>\$ 58,321</u>

(10) Long-term borrowings (December 31, 2023: None)

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>December 31, 2022</u>
Long-term bank loan			
Secured loan	May, 29, 2020 to December 31, 2025	0.00%	\$ <u>1,361</u>

(11) Pensions

A. Defined benefit plans

(a) The Group has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions to cover the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31,2023</u>	<u>December 31,2022</u>
Present value of defined benefit obligations	\$ 23,975	\$ 22,493
Fair value of plan assets	(26,855)	(26,298)
Net defined benefit liability		
(listed as other non-current liability)	<u>(\$ 2,880)</u>	<u>(\$ 3,805)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
2023			
At January 1	\$ 22,493	(\$ 26,298)	(\$ 3,805)
Interest (expense) income	315	(368)	(53)
	<u>22,808</u>	<u>(26,666)</u>	<u>(3,858)</u>
Re-measurements:			
Return on plan assets (Note)	-	(189)	(189)
Change in financial assumptions	305	-	305
Experience adjustments	862	-	862
	<u>1,167</u>	<u>(189)</u>	<u>978</u>
Pension fund contribution	-	-	-
At December 31	<u>\$ 23,975</u>	<u>(\$ 26,855)</u>	<u>(\$ 2,880)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
2022			
At January 1	\$ 21,979	(\$ 23,790)	(\$ 1,811)
Interest (expense) income	198	(217)	(19)
	<u>22,177</u>	<u>(24,007)</u>	<u>(1,830)</u>
Re-measurements:			
Return on plan assets (Note)	-	(1,774)	(1,774)
Change in financial assumptions	(1,496)	-	(1,496)
Experience adjustments	1,812	-	1,812
	<u>316</u>	<u>(1,744)</u>	<u>(1,458)</u>
Pension fund contribution	-	(517)	(517)
At December 31	<u>\$ 22,493</u>	<u>(\$ 26,298)</u>	<u>(\$ 3,805)</u>

Note: It does not include the amounts of interest income or expense.

(d) The Bank of Taiwan was commissioned to manage the Fund of the Group's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Group and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph

142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	2023	2022
Discount rate	1.30%	1.40%
Future salary increasing rate	2.50%	2.50%

Assumptions about future mortality rates are based on published statistics and experience estimates from various countries.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 771)	\$ 803	\$ 3,279	(\$ 2,848)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 755)	\$ 788	\$ 3,226	(\$ 2,785)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending 2024 amount to \$0.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 13 years.

B. Defined contribution plans

(a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) According to USA Vision Systems Inc., employee pension plan, the Company contributes a certain percentage of the employee's salary to the employee's special account of the financial institution every month.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022, were \$9,277 and \$9,608, respectively.

(12) Share capital

A. As of December 31, 2023, the share capital of the Group is \$1,300,000, paid in capital is \$898,221, which is 89,822 thousand shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. The Group's beginning and ending outstanding common stock adjustment are as follows (unit: thousand shares):

	2023	2022
At January 1 (as December 31)	89,822	89,826

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Group has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2023			
	Issued at premium	Recognition of changes in net equity value of investments using the equity method	Donated surplus	Total
January 1 (as December 31)	\$ 221,602	\$ 3,783	\$ 24	\$ 225,409
	2022			
	Issued at premium	Recognition of changes in net equity value of investments using the equity method	Donated surplus	Total
January 1 (as December 31)	\$ 221,602	\$ 3,783	\$ 24	\$ 225,409

(14) Retained earnings

A. Under the Group's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve, unless accumulated legal reserve has reached an amount equal to the Group's paid-in capital. Also, special reserve shall be set aside or reversed according to the laws or regulations. The remaining amount plus accumulated retained earnings in prior years are the distributable earnings. The Board of Directors shall retain a part of the distributable earnings depending on the operational needs, and propose an earnings distribution to the shareholders' meeting for approval.

- B. In accordance with Article 241 of the Group Law, the Group authorizes the board of directors to distribute dividends and bonuses or the provisions of Article 240 of the Group Law with the attendance of more than two-thirds of the directors and the resolution of more than half of the directors present. All or part of the statutory surplus reserve and capital reserve shall be distributed in cash and reported to the shareholders' meeting. The provisions of the preceding paragraph that shall be resolved by the shareholders' meeting shall not apply.
- C. The Group's dividend policy is based on the Group's current year and previous year's earnings, taking into account the Group's profitability, capital structure, and future operating needs. After deducting the appropriation required by the Group's articles of association, the board of directors draws up a distribution plan and submits it to the shareholders' meeting for approval. The amount of surplus to be distributed in the current year shall not be less than 20% of the accumulated distributable surplus. Shareholder dividends shall be paid in cash or stock, of which cash dividends shall not be less than 10% of the total dividends
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.
- E. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings
- F. The appropriations of 2022 and 2021 earnings had been approved by the shareholders during their meeting on May 30, 2023 and May 26, 2022, respectively. Details are summarized below:

	2022		2021	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 10,811		\$ 17,729	
Special reserve	(40,883)		16,106	
Cash dividends	125,750	\$ 1.40	107,787	\$ 1.20
Total	<u>\$ 95,678</u>		<u>\$ 141,622</u>	

Information about the earnings appropriation resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

G. The appropriations of 2023 earnings had been approved by the Board of Directors on February 29, 2024. Details are summarized below:

	2023	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 28,640	
Special reserve	109	
Cash dividends	260,484	\$ 2.90
Total	<u>\$ 289,233</u>	

H. The information on employee remuneration and remuneration of directors and supervisors are provided in Note 6(21).

(15) Other equity items

	2023	2022
At January 1	(\$ 10,781)	(\$ 51,664)
Currency exchange differences – Conversion of foreign operating institutions	11	40,753
Currency exchange differences – Subsidiaries and affiliated companies	(120)	130
At December 31	<u>(\$ 10,890)</u>	<u>(\$ 10,781)</u>

(16) Non-controlling equity

	2023	2022
At January 1	\$ 19,928	\$ 13,392
Share attributable to non-controlling interests:		
Net profit for the period	5,560	7,548
Exchange differences on translation of foreign financial statements	(82)	152
Cash dividend paid	(3,857)	(1,161)
Disposal of subsidiaries	-	(3)
At December 31	<u>\$ 21,549</u>	<u>\$ 19,928</u>

(17) Operating revenue

	2023	2022
Revenue from contracts with customers		
Digital surveillance system and related products	<u>\$ 1,264,094</u>	<u>\$ 1,318,625</u>

A. The Group derives revenue from the transfer of goods and services over time and at a point in time.

B. The Group recognized revenue from contracts with customers that related to contracts liability (listed in “other current liabilities”) as follows:

	December 31, 2023	December 31, 2022	January 1, 2022
Refund liability - sale discount and return	\$ 4,982	\$ 4,565	\$ 5,205
Contracts liability - receipts in advance	<u>\$ 7,450</u>	<u>\$ 8,781</u>	<u>\$ 9,161</u>

C. The beginning contract liabilities recognized as current period revenue:

	2023	2022
Digital surveillance system and related products	\$ 2,429	\$ 169

(18) Other income

	2023	2022
Dividend income	\$ 12,281	\$ 13,867
Government grant revenue	-	12,483
Other income - other	4,706	4,139
Total	\$ 16,987	\$ 30,489

(19) Other gains and losses

	2023	2022
Net profit (loss) on Financial assets at fair value through profit or loss	\$ 141,334	(\$ 114,507)
Net profit (loss) on Currency exchange	20,643	131,608
Net profit (loss) from disposal of property, plant and equipment	-	(35)
Other gains and losses	(6)	2,814
	\$ 161,971	\$ 19,880

(20) Expenses by nature

	2023	2022
Employee benefit expense	\$ 312,411	\$ 319,692
Depreciation expenses (including right-of-use assets)	40,037	38,575
Amortization expense	472	834
Operating cost and expense	\$ 352,920	\$ 359,101

(21) Employee benefit expense

	2023	2022
Wages and salaries expense	\$ 273,448	\$ 280,160
Labor and health insurance fees	25,367	25,433
Pension costs	9,224	9,589
Other personnel expenses	4,372	4,510
	\$ 312,411	\$ 319,692

A. According to the Articles of Incorporation of the Group, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. For the years ended December 31, 2023 and 2022, the Group's employees' compensation was accrued at \$15,000 and \$17,200, respectively; while directors' remuneration was accrued at \$0. The aforementioned amounts were recognized in salary expenses and was estimated based on the current profit situation.

By the resolution of the board of directors, the 2022 employees' compensation and the directors' remuneration are consistent with the amounts recognized in the 2022 financial report. Relevant information about the employees' compensation and directors' remuneration approved by the board of directors can be inquired at the public information observation station. "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense:

(a) Components of income tax (benefit) expense:

	2023	2022
Current tax:		
Current tax on profits for the year	\$ 26,871	\$ 78,150
5% income tax on undistributed earnings	-	1,783
Prior year income tax (over) under estimation	(9,940)	1,538
Total current taxes	<u>16,931</u>	<u>81,471</u>
Deferred taxes:		
Origination and reversal of temporary differences	<u>20,313</u>	<u>10,957</u>
Total deferred taxes	<u>20,313</u>	<u>10,957</u>
Income taxes (benefit) expenses	<u>\$ 37,244</u>	<u>\$ 92,428</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2023	2022
Re-measurement of defined benefit obligations	\$ <u>196</u>	(\$ <u>292</u>)

B. Reconciliation between income tax expense and accounting profit:

	2023	2022
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 51,646	\$ 61,880
Effect from items off-book adjusted in accordance with tax regulation	(10,287)	23,542
5% income tax on undistributed earnings	-	1,783
Temporary differences not recognized as deferred tax assets	5,825	3,685
Prior year income tax (over) under estimation	(9,940)	1,538
Income taxes (benefit) expenses	<u>\$ 37,244</u>	<u>\$ 92,428</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets as a result of temporary differences are as follows:

		2023				
		January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect on exchange rate	December 31
Deferred tax assets:						
-Temporary differences:						
Unrealized gross profit	\$	107,299	(\$ 15,353)	\$ -	\$ -	\$ 91,946
Unrealized exchange loss		-	1,703	-	-	1,703
Loss on allowance for inventory		31,696	(1,167)	-	-	30,529
Allowance for bad debts exceeded		8,491	(4,099)	-	-	4,392
Loss on investment using equity method		6,874	-	-	-	6,874
Valuation loss on unrealized financial assets		3,152	(3,152)	-	-	-
Actuarial gains and losses on pension		1,863	-	196	-	2,059
Other		5,580	(5,099)	-	-	481
Total	\$	<u>164,955</u>	<u>(\$ 27,167)</u>	<u>\$ 196</u>	<u>\$ -</u>	<u>\$ 137,984</u>
Deferred tax liabilities:						
-Temporary differences:						
Valuation gain on unrealized financial assets	\$	-	(\$ 973)	\$ -	\$ -	(\$ 973)
Unrealized exchange gain		(7,827)	(7,827)	-	-	-
Total	(\$	<u>7,827)</u>	<u>\$ 6,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 973)</u>

		2022				
		January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect on exchange rate	December 31
Deferred tax assets:						
-Temporary differences:						
Unrealized gross profit	\$	92,598	\$ 14,701	\$ -	\$ -	\$ 107,299
Unrealized exchange loss		26,242	(26,242)	-	-	-
Loss on allowance for inventory		26,928	4,768	-	-	31,696
Allowance for bad debts exceeded		6,214	2,277	-	-	8,491
Loss on investment using equity method		6,874	-	-	-	6,874
Valuation loss on unrealized financial assets		-	3,152	-	-	3,152
Actuarial gains and losses on pension		1,967	188	(292)	-	1,853
Other		9,424	(3,844)	-	-	5,580
Total	\$	<u>170,247</u>	<u>(\$ 5,000)</u>	<u>(\$ 292)</u>	<u>\$ -</u>	<u>\$ 164,955</u>
Deferred tax liabilities:						
-Temporary differences:						
Valuation gain on unrealized financial assets	(\$	1,870)	\$ 1,870	\$ -	\$ -	\$ -
Unrealized exchange gain		-	(7,827)	-	-	(7,827)
Total	(\$	<u>1,870)</u>	<u>(\$ 5,957)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 7,827)</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017	\$ <u>57,370</u>	\$ <u>937</u>	\$ <u>937</u>	2027

December 31, 2022				
Year incurred	Amount filed /assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2017	\$ <u>57,370</u>	\$ <u>937</u>	\$ <u>937</u>	2027

E. Deductible temporary differences not recognized as deferred tax assets: are as follows:

	December 31, 2023	December 31, 2022
Temporary differences can be deducted	\$ <u>533,026</u>	\$ <u>567,486</u>

The above-mentioned deductible temporary difference is the temporary difference between the book value of the long-term equity investment and the tax basis of the Group's assessment of investment in subsidiaries. The deferred income tax assets are not yet recognized, due to there will be no branch companies or repatriated profits in the foreseeable future.

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

(23) Earnings per share

	2023		
	Amount after taxes	Weighted average number of ordinary share outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net income for the period	\$ <u>287,177</u>	89,822	\$ <u>3.20</u>
<u>Diluted earnings per share</u>			
Net income for the period	287,177		
Assumed conversion of all dilutive potential ordinary shares:			
- Employees' compensation	-	462	
Net income plus assumed conversion of all dilutive potential ordinary shares	\$ <u>287,177</u>	<u>90,284</u>	\$ <u>3.18</u>

	2022		
	Amount after taxes	Weighted average number of ordinary share outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Net income for the period	\$ 106,940	89,822	\$ 1.19
<u>Diluted earnings per share</u>			
Net income for the period	106,940		
Assumed conversion of all dilutive potential ordinary shares:			
- Employees' compensation	-	444	
Net income plus assumed conversion of all dilutive potential ordinary shares	\$ 106,940	90,266	\$ 1.18

(24) Changes in liabilities from financing activities

For the Group's 2023 and 2022 changes in liabilities arising from financing activities, short-term borrowings, long-term borrowing (including current portion) and lease principal repayments, please refer to the impact of the cash flow statement.

7. Related Party Transactions

(1) Names and relationship of related parties

Names of related parties	Relationship with the Group
XVision Technology Inc.	Other related party
Shanghai URight Technology Co., Ltd	Affiliated companies
Kuang-Cheng Tai	CEO of the Group

(2) Significant transactions and balances with related parties

A. Operating revenue

	2023	2022
Sales of goods:		
- Other related party	\$ 30,574	46,493
- Affiliated company	739	507
	\$ 31,313	\$ 47,000

Transactions with the above-mentioned related parties are handled according to the agreed sales price and conditions.

B. Receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Account receivable:		
- Other related party	8,671	11,928
- Affiliated company	26	4
	<u>\$ 8,697</u>	<u>\$ 11,932</u>

The collection period for the above-mentioned related parties is 45-60 days after the sale of the goods, which is considered market condition, therefore the collection period is longer than the average collection period of 0-30 days for general customers.

C. Endorsement guarantee

As of December 31, 2023 and 2022, the Group's CEO serves as the joint guarantor for the Group's short-term loans.

(3) Key management compensation

	<u>2023</u>	<u>2022</u>
Salaries and other short term employees; benefit	\$ 18,851	\$ 22,069
Post-employment benefits	585	698
Total	<u>\$ 19,436</u>	<u>\$ 22,767</u>

8. Pledged Assets

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

<u>Assets items</u>	<u>Book Value</u>		<u>Pledge purpose</u>
	<u>December 31,2023</u>	<u>December 31, 2022</u>	
Financial assets measured at amortized cost - pledged deposits	\$ 24,566	\$ 24,566	Bank guaranteed borrowings
Financial assets measured at fair value - stocks	118,600	-	Bank guaranteed borrowings
Financial assets measured at amortized cost - pledged deposits	3,074	-	Options guaranteed borrowings
	<u>\$ 129,357</u>	<u>\$ 24,566</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

A. Contingencies

None.

B. Commitment

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The profit distribution plan for 2023 was passed by the board of directors of the Group on February 29, 2024. Please refer to Note 6 (14).

12. Others

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

The types of the Group's financial instruments include cash and cash equivalents, financial assets and liabilities measured at fair value through profit and loss, financial assets measured at amortized cost, accounts receivable, other receivables, deposits, short-term borrowing, accounts payable and other payables. The related amounts and information, please refer to Note 6 and the consolidated balance sheet.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programmer focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a finance department under policies approved by the Board of Directors. Company finance department identifies, evaluates and hedges financial risks in close co-operation with the operating units.

(c) For information on undertaking derivatives to avoid financial risks, please refer to Note 6 (2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Group in various functional currency primarily with respect to the USD and EUR. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. Every company should hedge against the overall exchange rate risk through the Group's finance department. The exchange rate risk is measured through the expected transactions of highly probable US dollar expenditures and the use of forward foreign exchange contracts to reduce the impact of exchange rate fluctuations on the expected cost of purchasing inventories.

- iii. The Group use forward exchange rate transactions to avoid exchange rate risk, but this does not apply hedging accounting. For the detail of financial assets or liabilities at fair value through profit or loss, please refer to Note 6 (2).
- iv. The Group's businesses involve some non-functional currency operations (the Company and some subsidiaries' functional currency is NTD, some subsidiaries' functional currency is USD, CZK and JPY.) The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	23,472	30.74 \$	721,412
EUR:NTD	5,566	34.01	189,300
<u>Non-monetary items</u>			
<u>Foreign operating organizations</u>			
USD:NTD	12,676	30.74 \$	389,597

(Foreign currency: functional currency)	December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	34,513	30.71 \$	1,059,894
EUR:NTD	5,600	32.71	183,176
<u>Non-monetary items</u>			
<u>Foreign operating organizations</u>			
USD:NTD	13,652	30.71 \$	419,232

- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 7,214	-
EUR:NTD	1%	1,893	-

(Foreign currency: functional currency)	2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 10,599	\$ -
EUR:NTD	1%	1,832	-

vi. In 2023 and 2022, due to the significant impact of exchange rate fluctuations, the total exchange gains and losses (including realized and unrealized) recognized by the Group's monetary items are \$20,643 and 131,608, respectively.

Price risk

- i. The equity instruments that the Group is exposed to price risk are financial assets held at fair value through profit or loss. In order to manage the price risk of equity instrument investment, the Group disperses its investment portfolio, and the diversification method is based on the limit set by the Group.
- ii. The Group mainly invests in equity instruments and open-end funds issued by domestic companies. The prices of these equity instruments will be affected by the uncertainty of the future value of the investment target. If the prices of these equity instruments increase or decrease by 1%, and all other factors remain unchanged, the losses for 2023 and 2022 will increase or decrease by \$5,117 and \$3,699, respectively.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk comes from short-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk, part of which is offset by cash and cash equivalents held at floating rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- ii. If the NTD and USD borrowing rate increases or decreases by 1%, and all other factors remain unchanged, the net profit after tax in 2023 and 2022 will decrease or increase by \$760 and \$168, respectively, mainly due to changes in interest expenses due to borrowings with floating rates.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. When the Group conducts daily sales transactions, The transactions are usually in the form of advance payment or cash collection for new customers and most existing customers; If there is a need for a transaction credit line, in addition to considering the customer's past transaction records with the Group, external agencies are used to investigate or measure the current economic and financial conditions to reduce the credit risk of a specific customer.

iii. When the contract payment is more than 90 days overdue according to the agreed payment terms, the Group considers that the credit risk of the financial asset has increased significantly since the original recognition. When the contract payment is overdue for more than 365 days according to the agreed payment terms, it is deemed to have breached the contract.

iv. The Group evaluates the expected credit loss individually for the accounts receivable that have been individually materially breached; The rest of the amount uses a simplified method to estimate the expected credit loss based on the provision matrix, and incorporates the Taiwan Economic Research Institute's Prosperity Observation Report into future forward-looking considerations to adjust the loss rate established based on historical and current information for a specific period to estimate accounts receivable loss allowance. On December 31, 2023 and 2022, the estimated allowance loss of accounts receivable based on individual or reserve matrix is as follows:

	Individual	Not past due	1-90 days past due	91-180 days past due	181-360 days past due	Over 360 days past due	Total
<u>December 31, 2023</u>							
Expected loss rate	100%	0.05%~ 29.51%	0.05%~ 44%	0.05~ 85.92%	0.05%~ 100%	100%	
Total book value	\$ 6,150	\$ 100,114	\$ 48,933	\$ 7,738	\$ 3,343	\$ 1,657	\$ 167,935
Loss allowance	\$ 6,150	\$ 12,207	\$ 8,231	\$ 6,352	\$ 3,307	\$ 1,657	\$ 37,671
	Individual	Not past due	1-90 days past due	91-180 days past due	181-360 days past due	Over 360 days past due	Total
<u>December 31, 2022</u>							
Expected loss rate	100%	0.05%~ 25.23%	0.05%~ 26.43%	0.05~ 67.66%	0.50%~ 100%	100%	
Total book value	\$ 6,961	\$ 92,126	\$ 58,368	\$ 4,263	\$ 1,436	\$ 252	\$ 163,406
Loss allowance	\$ 6,961	\$ 16,466	\$ 11,117	\$ 2,249	\$ 1,327	\$ 252	\$ 38,372

v. The aging analysis of accounts receivable is as follows:

	December 31, 2023	December 31, 2022
Not past due	\$ 100,114	\$ 92,126
Within 90 days	48,933	58,368
91 – 181 days	7,738	4,263
181 – 360 days	3,343	1,436
Over 361 days	7,807	7,213
	<u>\$ 167,935</u>	<u>\$ 163,406</u>

Aging analysis based on the number of days overdue.

vi. The Group adopts the simplified method, which the table of changes in the allowance for losses of accounts receivable is as follows:

	2023
At January 1	\$ 38,372
Write-off	(733)
Effect on exchange rate	32
At December 31	\$ 37,671

	2022
At January 1	\$ 48,657
Provision for impairment loss	3,075
Write-off	(16,481)
Effect on exchange rate	3,121
At December 31	\$ 38,372

The amount mentioned above is the impairment loss recognized in the accounts receivable arising from the customer contract.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company finance department. Company finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities delivered on a net or gross basis, which are grouped according to the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date; Derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of other financial liabilities:

	Less than 1 year	Between 1 and 2 years	Between 2 to 5 years	Total
December 31, 2023				
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 35,491	\$ 32,602	\$ 51,365	\$ 119,458
December 31, 2022				
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 28,393	\$ 17,616	\$ 18,135	\$ 64,144
Long-term borrowing		-	1,361	1,361
	\$ 28,393	\$ 17,616	\$ 19,496	\$ 65,505

Except as stated above, the Group's non-derivative financial liabilities and derivative financial liabilities are all due within the next year.

- iii. The Group does not expect that the cash flow of maturity analysis will be significantly earlier, or the actual amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and investment property is included in Level 3.

B. For those financial instruments of the Group that are not measured by fair value, the book value is a reasonable approximation of the fair value. Please refer to Note 12(2) for details.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets is as follows:

December 31,2023	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
- Equity instrument	\$ 637,632	\$ -	\$ 1,956	\$ 639,588
December 31,2022	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
- Equity instrument	\$ 460,179	\$ -	\$ 2,165	\$ 462,344
- Derivatives	-	517	-	517
Total	\$ 460,179	\$ 517	\$ 2,165	\$ 462,861
Liabilities:	Level 1	Level 2	Level 3	Total
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
- Derivatives	\$ -	\$ 3,960	\$ -	\$ 3,960

(b) The methods and assumptions that the Group used to measure fair value are as follows:

- i. The Group adopts market quotations as fair prices (that is, Level 1), which are classified according to the characteristics of the instruments as follows:

	<u>Listed (OTC) stock</u>	<u>Open-end fund</u>
Market quotations	Closing price	Net value

- ii. Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained by evaluation techniques or referring to quotations from counterparties. The fair value obtained through evaluation techniques can refer to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method, or other evaluation techniques, including calculations based on the market information available on the consolidated balance sheet date using models (such as the reference yield curve of the counter shopping center, the average quotation of Reuters commercial paper interest rates).
- iii. When assessing non-standard and low-complexity financial instruments, such as exchange rate contract, the Group and its subsidiaries adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as discount method and option pricing model. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using the valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc... In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. There was no movement between Level 1 and Level 2 for the year of 2023 and 2022.

E. The movement of Level 3 in 2023 and 2022 is as follows:

	Equity Securities	
	2023	2022
At January 1	\$ 2,165	\$ 2,954
Recognized in current net income as profit or loss	(209)	(789)
At December 31	\$ 1,956	\$ 2,165

F. Company treasury and accounting segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

In addition, the financial and accounting department formulates the fair value evaluation policy and evaluation procedures of financial instruments and confirms whether it complies with the relevant international financial reporting standards.

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

	Fair value at December 31, 2023	Valuation technique	Significant unobservable	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments:					
Non listed, non OTC stocks	\$ 1,956	Comparable Listed OTC Companies Act	Price-to- book ratio multiplier	0.97~4.05 (2.208)	The higher the multiplier and control premium, the higher the fair value
			Lack of market liquidity discount	30%	The higher the discount for lack of market liquidity, the lower the fair value

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instruments:					
Non listed, non OTC stocks	\$ 2,165	Comparable Listed OTC Companies Act	Price-to-book ratio multiplier	0.9~5.17 (2.35)	The higher the multiplier and control premium, the higher the fair value
			Lack of market liquidity discount	30%	The higher the discount for lack of market liquidity, the lower the fair value

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

<u>Financial assets</u>	<u>Period</u>	<u>Input</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Equity instrument	December 31, 2023	Lack of market liquidity discount	±1%	\$ 28	(\$ 28)
Equity instrument	December 31, 2022	Lack of market liquidity discount	±1%	\$ 31	(\$ 31)

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to note 6(2)
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7

B. Significant transactions that occur directly or indirectly through enterprises in third regions and investee companies reinvested in mainland China: Neither the Group nor the invested company has this situation.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. Segment Information

(1) General information

The main business items of the Group are the research and development, sales and after-sales service of digital security monitoring systems. The operating decision-makers operate various businesses from the perspective of legal persons in each region, and develop differentiated products to expand business according to the market attributes and needs of each region. At present, mainly in Taiwan, the United States, the Czech Republic and Japan. Among them, Taiwan, the United States, and the Czech Republic are the departments that should be reported, while the subsidiaries in other regions are not separately disclosed because the operating scale has not reached the quantitative threshold of the departments that should be reported. The information of each operating department is prepared in accordance with the Group's accounting policies. The chief operating decision maker of the Group mainly uses the revenue and pre-tax profit and loss of each operating department as indicators for evaluating performance and allocating resources.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	<u>Taiwan</u>	<u>United States</u>	<u>Czech Republic</u>	<u>Total</u>
<u>Year of 2023</u>				
Revenue from external customers	\$ 168,508	\$ 874,650	\$ 178,328	\$ 1,221,486
Internal income	386,973	70,305	-	457,278
Segment income	<u>\$ 555,481</u>	<u>\$ 944,955</u>	<u>\$ 178,328</u>	<u>\$ 1,678,764</u>
Segment loss	<u>\$ 367,546</u>	<u>(\$ 28,900)</u>	<u>(\$ 17,332)</u>	<u>\$ 321,314</u>
Depreciation and amortization	<u>\$ 19,739</u>	<u>\$ 11,214</u>	<u>\$ 4,877</u>	<u>\$ 35,830</u>

	Taiwan	United States	Czech Republic	Total
<u>Year of 2022</u>				
Revenue from external customers	\$ 203,994	\$ 893,740	\$ 164,440	\$ 1,262,174
Internal income	665,684	3,700	-	669,384
Segment income	\$ 869,678	\$ 897,440	\$ 164,440	\$ 1,931,558
Segment loss	\$ 143,093	\$ 80,246	(\$ 16,686)	\$ 206,652
Depreciation and amortization	\$ 20,108	\$ 10,841	\$ 4,082	\$ 35,031

(3) Reconciliation information for reportable segment income (loss)

The sales between each segment are carried out in accordance with the principle of fair value transactions. External revenue reported to the chief operating decision maker is measured in the same way as revenue in the income statement.

In 2023 and 2022, the profit and loss of the department and the pre-tax profit and loss of the continuing operation department are adjusted as follows:

Revenue	2023	2022
Total reportable segment income	\$ 1,678,764	\$ 1,931,558
Other operating segment income	79,182	77,404
Elimination of intersegment revenue	(493,852)	(690,337)
Total revenue	\$ 1,264,094	\$ 1,318,625
Profit (loss)	2023	2022
Reportable segment profit (loss)	\$ 321,314	\$ 206,652
Other operating segment profit (loss)	8,667	264
Profit (loss) before tax of continuing operations	\$ 329,981	\$ 206,916

(4) Information on products and services

The details of the income balance are as follows:

Profit (loss)	2023	2022
Digital surveillance system and related product	\$ 1,264,094	\$ 1,318,625

(5) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
United States	\$ 802,029	\$ 32,309	\$ 817,805	\$ 39,280
Taiwan	58,875	79,598	99,288	10,334
Japan	47,079	1,856	48,146	5,555
France	51,890	-	41,928	-
Other	304,221	10,863	311,458	15,988
Total	\$ 1,264,094	\$ 124,626	\$ 1,318,625	\$ 71,157

The Group's revenue by region is based on the country where the customers are located. Non-current assets refer to investments using the equity method, property, plant and equipment, right-of-use assets and intangible assets.

(6) Major customer information

The details of the Group's customers accounting for more than 10% of the operating income of the consolidated income statement in 2023 and 2022 are as follows:

	2023		2022	
	Revenue	Segment	Revenue	Segment
A customer	\$ <u>134,767</u>	United States	\$ <u>166,523</u>	United States

GeoVision Inc. and subsidiaries

Loans to others

Year Ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance for current period	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transaction with the borrower	Reason for shore-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (note 1)	Ceiling on total loans granted (note1)	Footnote
0	GeoVision Inc., Inc.,	GeoVision Japan Inc.,	Other receivables	Yes	\$ 13,266	\$ 13,038	\$ 13,038	2.1%	Business operation	\$ 16,448	None	\$ -	- None	\$ -	\$ 16,448	\$ 404,420	
0	GeoVision Inc., System s.r.o	Europe Vision	Other receivables	Yes	34,900	34,130	34,130	5.2%	Business operation	75,132	None	-	- None	-	75,132	404,420	
0	GeoVision Inc., Systems Co., Ltd	GeoVision Vietnam	Other receivables	Yes	3,048	-	3,010	1.0%	Business operation	8,403	None	-	- None	-	8,403	404,420	

Note 1: Fund loans to companies that need short-term financing, the Group’s ceiling on total amount of loans to others shall not exceed 20% of the Group’s net assets value; the limit on loans granted to a single party shall not exceed 10% of the Group’s net assets value.
Fund loans to companies with business contacts, the Group’s ceiling on total amount of loans to others shall not exceed 20% of the Group’s net assets value; the limit on loans granted to a single party shall not exceed the amount of business transactions between the two parties in the most recent year

Note 2: The interest rate is based on the current rate of the Group's transaction bank at the time of the actual loan

GeoVision Inc. and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year Ended December 31, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

		Relationship with the securities issuer	General ledger account	As at December 31, 2023				
Securities held by	Marketable securities			Number of shares	Book value	Ownership (%)	Fair value	Footnote
GeoVision Inc.,	Ultracker Technology Co., Ltd	None	Financial assets at fair value through profit or loss - non-current	460,000	\$ 1,956	2.46%	\$ 1,956	
	Taiwan Semiconductor Manufacturing Co., Ltd.	None	Financial assets at fair value through profit or loss - current					
GeoVision Inc.,	Listed company			930,000	551,490	-	551,490	
	ECOVE Environment Corporation,	None	Financial assets at fair value through profit or loss - current					
GeoVision Inc.,	Listed company			5,000	1,543	0.01%	1,543	
	Hon Hai Precision Industry Co., Ltd.	None	Financial assets at fair value through profit or loss - current					
GeoVision Inc.,	Listed company			50,000	5,225	-	5,225	
GeoVision Inc.,	China Petrochemical Corporation , H stock	None	Financial assets at fair value through profit or loss - current	440,000	7,079	-	7,079	
GeoVision Inc.,	Bank of China Limited, H stock	None	Financial assets at fair value through profit or loss - current	400,000	4,689	-	4,689	
	Ping An Insurance (Group) Company of China, Ltd., H stock	None	Financial assets at fair value through profit or loss - current	12,000	1,669	-	1,669	
GeoVision Inc.,	Tencent Holdings Limited, H stock	None	Financial assets at fair value through profit or loss - current	15,100	17,440	-	17,440	
GeoVision Inc.,	China Construction Bank Corporation, H stock	None	Financial assets at fair value through profit or loss - current	160,000	2,927	-	2,927	
GeoVision Inc.,	Apple Inc., US stock	None	Financial assets at fair value through profit or loss - current	2,200	12,552	-	12,552	
GeoVision Inc.,	Ganfeng Lithium Co.,Ltd., H stock	None	Financial assets at fair value through profit or loss - current	89,000	10,328	0.02%	10,328	
GeoVision Inc.,	Meituan Co. Ltd., H stock	None	Financial assets at fair value through profit or loss - current	180	58	-	58	
	China Overseas Land & Investment Ltd., H stock	None	Financial assets at fair value through profit or loss - current	95,000	5,142	-	5,142	
GeoVision Inc.,	Zijin Mining Group Co., Ltd.	None	Financial assets at fair value through profit or loss - current	18,000	901	-	901	
GeoVision Inc.,	JD.com, Inc. H stock	None	Financial assets at fair value through profit or loss - current	85	38	-	38	
GeoVision Inc.,	Alphabet Inc, US stock	None	Financial assets at fair value through profit or loss - current	1,750	7,432	-	7,432	
GeoVision Inc.,	Microsoft Corporation, US stock	None	Financial assets at fair value through profit or loss - current	800	9,119	-	9,119	

GeoVision Inc. and subsidiaries
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of the Group's paid-in capital or more
Year Ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction situation				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
GeoVision Inc.,	USA Vision System Inc.	Subsidiary of the Group	Sales	\$ 286,990	52%	90 days	Note 1	Note 2	\$ 398,796	79%	

Note 1: Considering the local operating cost of related parties, the business discount would be given according to performance achievement status, therefore, the selling price is lower than unrelated parties.

Note 2: Considering the local market condition, the receiving term may be extended as appropriate, therefore, receiving term is longer than the average term of 0-30 days for general customers.

GeoVision Inc. and subsidiaries
Receivables from related parties reaching \$100 million or 20% of the Group's paid-in capital or more
December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance of receivables from related parties	Turnover rate	Overdue receivables		Amount collected subsequent to the balance date	Allowance for doubtful accounts
					Amount	Action taken		
GeoVision Inc.,	USA Vision System Inc.	Subsidiary of the Group	\$ 398,796	0.55	\$ 352,385	Payments after the balance sheet date	\$ 49,452	\$ -

GeoVision Inc. and subsidiaries
Significant inter-company transactions during the reporting period
Year Ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Amount (Note 5)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account				
0	GeoVision Inc.,	USA Vision System Inc.	1	Sales revenue	\$	286,990	Note 4	23%
0	GeoVision Inc.,	USA Vision System Inc.	1	Accounts receivable		398,796	Note 4	16%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: There are three ways of relationship with the counterparty, represented by type

- (1) Parent to subsidiaries.
- (2) Subsidiaries to Parent.
- (3) Subsidiaries to Subsidiaries.

Note 3: The transaction amount is calculated as a percentage of the consolidated total revenue or total assets. If it is an asset-liability item, it is calculated as the ending balance in the consolidated total assets; if it is a profit and loss item, it is calculated as the accumulated amount in the consolidated total revenue.

Note 4: Considering the local operating cost of related parties, the business discount would be given according to performance achievement status, therefore, the selling price is lower than unrelated parties; Considering the local market condition, the receiving term may be extended as appropriate, therefore, receiving term is longer than the average term of 0-30 days for general customers.

Note 5: The disclosure requirement for the above disclosed amount of purchases and sales and receivables (payments) to related parties amount to NT\$50 million or 20% of the paid-in capital.

GeoVision Inc. and subsidiaries
Information on investees
Year Ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023					Net profit (loss) of the investee for current period	Investment income (loss) for current period	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value					
GeoVision Inc.,	USA Vision System Inc.	U.S.A.	Sales of digital surveillance system	\$ 448,135	\$ 448,135	1,450,645	100	\$ 53,246	(\$ 29,788)	(\$ 29,788)			
GeoVision Inc.,	Europe Vision System s.r.o	Czech Republic	Sales of digital surveillance system	101,523	101,523	-	100	(25,453)	(18,680)	(18,680)			Note 1
GeoVision Inc.,	GeoVision Japan Inc.,	Japan	Sales of digital surveillance system	21,663	21,663	2,280	95	(1,788)	77	73			
GeoVision Inc.,	Cyber Surveillance co., Ltd	Samoa	Investment company	48,197	48,197	1,460,000	100	6,765	109	109			
GeoVision Inc.,	GeoVision Vietnam Systems Co., Ltd	Vietnam	Sales of digital surveillance system	18,453	9,291	-	100	10,270	480	480			Note 1
GeoVision Inc.,	IDI Signage Inc.	Taiwan	R & D of electronic digital panel	33,941	33,941	2,040,000	51	18,846	7,887	4,022			
USA Vision System Inc.	GeoVision Surveillance Canada Inc.	Canada	Sales of digital surveillance system	62,694	62,694	2,593,650	100	6,845	(6,119)	(6,119)			
USA Vision System Inc.	GVInstall., LLC	U.S.A.	Sales of digital surveillance system	5,820	5,820	176,000	88	19,222	14,091	12,400			
USA Vision System Inc.	GuardVision Monitoring, LLC	U.S.A.	Sales of digital surveillance system	4,288	1,333	490	49	4,288	-	-			

Note 1: The investee company has not issued shares, so there is no number of shares held

GeoVision Inc. and subsidiaries
Information on investments in Mainland China
Year Ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Name of invested	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulate remittance of earnings in current period	Footnote
					Outflow	Inflow							
GeoVision Technology (Shanghai) Co., Ltd	Digital surveillance system	\$ 29,506	2	\$ 29,506	\$ -	\$ -	\$ 29,506	(\$ 22)	100	(\$ 22)	(\$ 65)	\$ -	Note 4
Shanghai URight Technology Co., Ltd	Digital surveillance system	26,003	2	14,302	-	-	14,302	289	45	130	6,213	-	Note 4

Note 1: There are three ways of investment methods, represented by type:

- (1) Directly invest in mainland China
- (2) Investing in the mainland through companies in another country(Specify the investment company in the third region)
- (3) Other methods

Note 2: The gains and losses of the Group's investment amounts in the current period are recognized according to the financial report audited by the CPA.

Note 3: Relevant figures in this table are expressed in NTD, and those involving foreign currencies are converted into NTD at the exchange rate on the financial reporting date.

Note 4: Transfer the investment through CYBER SURVEILLANCE CO., LTD.

Company name	Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
GeoVision Inc.,	\$ 43,808	\$ 43,808	\$ 1,213,261

GeoVision Inc. and subsidiaries
Major Shareholders Information
December 31, 2023

Table 8

Name of Major Shareholders	Number of shares hold	Ownership (%)
CHEN-YUAN Co., Ltd.	4,884,052	5.43

Note 1: The major shareholders information was from the data that the Group issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialized form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.