

HiTi Digital Inc.
Parent Company Only Financial Statements
For the Years Ended December 31, 2023 and 2022
With Independent Auditor's Report

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Independent Auditors' Report

To the Board of Directors and Shareholders of HiTi Digital Inc:

Opinion

We have audited the parent company only financial statements of HiTi Digital Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2023 and 2022, the parent company only statements of comprehensive income, parent company only statements of changes in equity, and parent company only statements of cash flows for the years ended December 31, 2023 and 2022, and notes to the parent company only 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 of December 31, 2023 and 2022, 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 (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 consolidated financial statements for the year ended December 31, CY. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion therein, we do not provide a separate opinion on these matters.

Key audit matters for this parent company only financial statement for the year ended December 31, 2023 are stated as follows:

Valuation of inventory

Explanation for key auditing item:

Inventory at HiTi Digital Inc. as of the date of authorization of its financial statement was

12% of total assets. Additionally, the value of its inventory may be affected by market demand for related products, creating risks of its inventory costs exceeding its net realizable value. Hence, inventory valuation was one of our key audit matters for this financial report. For related accounting policy, critical accounting judgments and major sources of estimation and assumption uncertainty, please see section 四(七) , 五(一) , and 六(四) .

How the matter was addressed in our audit:

1. Evaluate the soundness of policies for inventory depreciation or slow-moving categorization
2. Examine stock age data and analyze changes in stock age in the past two years to determine major abnormalities
3. Evaluate if inventory cost reduction is properly implemented according to existing policy, and to examine the viability of the implemented sales price, to determine if the rate of inventory depreciation is appropriate.

Write off of equity method investment and technology shares

Explanation for key auditing item:

HiTi Digital Inc. purchase CHC Technology Inc. shares at a premium, and categorized the difference in purchase price and net value as technology shares, thus recognizing it as equity method investment. This has a major impact on the financial report of HiTi Digital Inc. as a whole. Under international accounting standards, if equity method investments show signs of requiring write-off, management should evaluate whether the recoverable amount of said asset would be lower than book value.

When management evaluates the recoverable amount of an equity method investment, they must estimate the usage value of the cash generating unit. To calculate usage value, management should estimate predicted future cash flow from the cash generating unit, and thereby decide on an appropriate discount rate for calculating current value. As such estimates involve subjective decisions, and can be affected by future market or economic circumstances; it involves a high degree of uncertainty. Hence, the write-off of equity method investment and technology shares is listed as a key audit matter. For related accounting policy, critical accounting judgments and major sources of estimation and assumption uncertainty, please see sections 四 (八) , 五 (三) , and 六 (五) .

The audit procedures performed by the auditor are as follows:

1. Understand the process and basis by which management estimates the future operating outlook of CHC Technology Inc., including the forecasted sales growth rate and profit margin.
2. Review whether the estimated future operating cash flows are consistent with the future operating plan and inquire about the future sales growth rate and profit margin prepared by CHC Technology Inc., considering recent operating results, historical trends, and the overall industry situation.

Revenue Recognition

Key Audit Matters Explanation

Revenue is the fundamental business activity for the sustainable operation of a company, and it is crucial for the operational performance of the company. There is a general pressure in management to achieve projected financial or business performance targets. Therefore,

auditing standards presuppose that revenue recognition carries significant risk. Hence, this accountant considers the timing of the transfer of control of the sales product and the recognition of sales revenue as one of the key audit matters.

Please refer to Section 四(十六) and 六(十六) for related accounting policies and relevant disclosure information.

Audit procedures carried out are as follows:

1. Evaluate whether the revenue recognition accounting policy complies with relevant bulletin regulations.
2. Test the design and implementation of internal control systems related to revenue recognition.
3. Analyze changes in the top ten customers, compare actual figures with the same period last year to understand whether there are significant changes and abnormal situations.
4. Select a period before and after the financial reporting date, verify revenue transactions and various vouchers, to evaluate the appropriate cut-off of business income records.

Other Matters

HiTi Digital Inc. has prepared individual financial reports for 2022 and 2021, and this accountant has issued unqualified audit reports, which are available for reference.

Consolidated Financial Statement for HiTi Digital Inc and its subsidiary for year 2022 was audited by other accountant and issued unqualified audit reports on March 23, 2023.

Responsibility of Management and Governing Units for the Consolidated Financial Statements

The responsibility of management is to prepare consolidated financial statements that fairly represent the financial position in accordance with the financial reporting preparation standards for securities issuers, and to maintain necessary internal controls related to the preparation of the consolidated financial statements to ensure that they do not contain materially misstated due to fraud or error.

When preparing the consolidated financial statements, management's responsibilities also include assessing the ability of HiTi Digital Inc. and its subsidiaries to continue operations, disclosing relevant matters, and adopting the going concern accounting basis, unless management intends to liquidate HiTi Digital Inc. and its subsidiaries or cease operations, or unless there is no other feasible alternative except liquidation or cessation of operations.

The governance units (including the audit committee) of HiTi Digital Inc. and its subsidiaries are responsible for supervising the financial reporting process.

Responsibility of the Auditor for the Audit of the Consolidated Financial Statements

The purpose of this auditor's audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report. Reasonable assurance is a high level of assurance, but an audit performed in accordance with auditing standards cannot guarantee that all material misstatements in the consolidated financial statements will be detected. Misstatements may result from fraud or error. If the individual or aggregate amount of the misstatement can reasonably be expected to affect the

economic decisions of the users of the consolidated financial statements, it is considered material.

When conducting an audit in accordance with auditing standards, this accountant exercises professional judgment and professional skepticism. This accountant also performs the following work:

1. Identify and assess the risks of material misstatement in the consolidated financial statements due to fraud or error; design and implement appropriate responses to the assessed risks; and obtain sufficient and appropriate audit evidence as the basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit to design appropriate audit procedures under the circumstances, but not to express an opinion on the effectiveness of HiTi Digital Inc. and its subsidiaries' internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, and the reasonableness of their accounting estimates and related disclosures.
4. Based on the obtained audit evidence, conclude on the appropriateness of management's use of the going concern basis of accounting, and whether a significant uncertainty exists that may cast significant doubt on HiTi Digital Inc. and its subsidiaries' ability to continue as a going concern. If the auditor believes such events or circumstances present significant uncertainty, they must alert the users of the consolidated financial statements in the audit report to the related disclosures in the consolidated financial statements or amend the audit opinion if these disclosures are inappropriate. The auditor's conclusion is based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances could lead to HiTi Digital Inc. and its subsidiaries no longer being able to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including related notes), and whether the consolidated financial statements adequately represent the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence about the financial information of the entities within the HiTi Digital Inc. group to express an opinion on the consolidated financial statements. The auditor is responsible for directing, supervising, and performing the group audit and for forming the group audit opinion.

The auditor communicates with the governance entity on matters including the planned scope and timing of the audit, and significant audit findings (including significant deficiencies in internal control identified during the audit).

The auditor also provides the governance entity with a statement from the firm's personnel, who are subject to the independence rules, stating that they have complied with the relevant independence requirements of the Code of Ethics for Professional Accountants, and communicates all relationships and other matters that may reasonably be thought to bear on the auditor's independence (including related safeguards).

From matters communicated with the governance entity, the auditor determines the key audit matters to be included in the audit report for the consolidated financial statements of HiTi Digital Inc. and its subsidiaries for the year 2023. The auditor describes these matters in the audit report, unless a law or regulation precludes public disclosure of the matter, or in extremely rare circumstances when the auditor determines that a matter should not be

communicated in the report because the adverse consequences of doing so would outweigh the public interest benefits.

ShineWing Taiwan CPA

CPAs: Yao Yu-Lin

Wu Jia-Hong

Securities and Futures Bureau, Financial Supervisory Commission

Approval No: (2018) Jin-Guan-Zheng-Shen-Zi No.1070342733

(2018) Jin-Guan-Zheng-Shen-Zi No.1070342733

March 27, 2024

HiTi Digital Inc.
Parent Company Only Balance Sheets
At December 31, 2023 and 2022

		(In thousands of New Taiwan Dollars)			
Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note (6)1)	\$ 7,059	1	\$ 41,552	3
1150	Net notes receivable (Note (6)2)	3	-	3	-
1170	Net accounts receivable (Note (6)3)	17,420	1	12,314	1
1180	Net accounts receivable from related parties (Note (7))	17,384	1	40,973	3
1200	Other receivables	1,088	-	3,840	-
1210	Other receivables from related parties (Note (7))	59,956	4	81,627	6
1220	Current tax assets	20	-	21	-
1310	Inventories (Note (7) 4, (9))	167,774	12	201,404	14
1410	Prepayments	23,288	2	6,152	-
1476	Other financial assets – current (Note (9))	27,414	2	22,257	2
1479	Other current assets	1,525	-	142	-
11xx	Total current assets	410,285	23	410,285	29
	Noncurrent Assets				
1550	Investment accounted for using the equity method (Note (6) 5)	269,710	19	186,705	13
1600	Property, plant and equipment (Note (6) 6, (8))	582,978	42	617,536	43
1755	Right-of-use assets (Note (6)7)	42,463	3	42,315	3
1780	Intangible assets (Note (6)8)	1,988	-	7,714	1
1840	Deferred tax assets (Note (6)21)	54,161	4	54,161	4
1915	Prepayment for equipment (Note (7))	63,191	5	62,900	4
1920	Refundable deposit (Note (8))	51,957	4	38,005	3
15xx	Total noncurrent assets	1,066,448	71	1,009,336	71
1xxx	Total assets	\$ 1,419,621	100	\$ 1,419,621	100

Code	Liabilities and Equity	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term loans (Note (6) 9)	\$ 118,304	9	\$ 89,146	7
2130	Notes payable	1,672	-	-	-
2150	Notes payable	3,119	-	1,708	-
2170	Accounts payable	72,972	-	74,852	5
2180	Accounts payable to related parties (Note (7))		5	-	-
2200	Other payables	65,932	5	69,020	5
2220	Other payables to related parties (Note (7))	38,910	3	38,406	3
2280	Lease liabilities – current (Note (6)7)	4,575	-	2,823	-
2399	Other current liabilities	53,776	4	58,049	4
2320	Long term borrowings with terms under one fiscal year (Note (6)10)	493,307	36	16,951	1
21xx	Total current liabilities	350,955	25	350,955	25
	Noncurrent liabilities				
2540	Long term loans (Note (6)10)	43,557	3	506,238	36
2570	Deferred income tax liabilities (Note (6)21)	420	-	420	-
2580	Lease liabilities – noncurrent (Note (6)7)	39,783	3	41,072	3
2645	Deposits received	3,067	-	1,837	-
2670	Other noncurrent liabilities (Note (6)5)	-	-	-	-
25xx	Total noncurrent liabilities	86,827	6	549,567	39
2xxx	Total liabilities	939,394	68	900,522	64
	Equity				
3100	Share capital (Note (6)12)				
3110	Ordinary shares	1,440,000	104	1,240,000	87
3200	Capital surplus (Note (6)13)	12,765	1	33,017	2
3300	Retained earnings (Note (6)14)				
3350	Unappropriated retained earnings	(973,057)	(51)	(722,902)	(51)
3400	Other equity interests (Note (6)15)	(29,724)	(2)	(31,016)	(2)
3xxx	Total equity	449,984	32	519,099	36
	Total liabilities and equity	\$ 1,389,378	100	\$ 1,419,621	100

(The accompanying notes are an integral part of the consolidated financial statements)

Chairman: HUANG, FU

CEO: HUANG, KUAN-CHIH

Accounting Manager: SUN, MING-HUNG

HiTi Digital Inc.
Individual Statement of Comprehensive Income
Years ended December 31, 2023 and 2021

(In thousands of New Taiwan Dollars)

Code	Item	2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note (6)16)	\$ 548,549	100	\$ 569,175	100
5000	Operating cost (Note (6)4, 17)	(640,438)	(99)	(565,165)	(99)
5900	Gross profit (loss) from operations	8,111	1	4,010	1
5910	Unrealized operating loss and profit	7,776	1	5,312	1
5950	Gross operating income (loss)	15,887	2	9,322	2
	Operating expenses				
6100	Marketing expenses	(39,741)	(6)	(58,546)	(10)
6200	Administrative expenses	(82,485)	(13)	(94,754)	(17)
6300	Research expenses	(29,296)	(5)	(31,142)	(5)
6450	Expected credit losses (reversal) (Note (6)3)	-	-	(3,378)	(1)
6000	Total operating expenses	(151,522)	(24)	(187,820)	(33)
6900	Net operating income (loss)	(135,635)	(22)	(178,498)	(31)
	Non-operating income and expenses				
7100	Interest income	1,296	-	891	-
7010	Other income (Note (6)18)	24,332	4	22,824	4
7020	Other gains and losses (Note (6)19)	(1,139)	-	7,102	1
7050	Finance costs (Note (6)20)	(33,197)	(5)	(17,259)	(3)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method	(59,647)	(9)	(71,523)	(12)
7000	Total non-operating income and expenses	(68,355)	(10)	(57,965)	(10)
7900	Income (loss) before income tax	(203,990)	(41)	(236,463)	(41)
7950	Income tax expense (Note (6)21)	-	-	-	-
8200	Net income (loss)	(203,990)	(32)	(236,463)	(41)
	Other comprehensive income (loss) (Note (6)22)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation	-	-	-	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences arising from translation of foreign operations	1,292	-	(10,475)	(2)
8300	Other comprehensive income (loss) for the year, net of income tax	1,292	-	(10,475)	(2)
8500	Total Comprehensive Income (loss) for the year	(\$ 202,698)	(32)	(\$ 246,938)	(43)
	Earnings per share				
9750	Basic Earnings per share (Note (6)23)	(\$ 1.52)		(\$ 1.94)	

(The accompanying notes are an integral part of the consolidated financial statements)

Chairman: HUANG, FU

CEO: HUANG, KUAN-CHIH

Accounting Manager: SUN, MING-HUNG

HiTi Digital Inc.
Individual Entity Statement of Changes in Equity
Years Ended December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Item	Common stock	Capital surplus	Retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance, January 1, 2022	\$ 1,200,000	\$ 12,765	(\$ 486,439)	(\$ 20,541)	\$ 705,785
Special reserve used to offset accumulated deficits	-	-	(236,463)	-	(236,463)
Net profit (loss)	-	-	-	(10,475)	(10,475)
Other comprehensive income (loss), net of tax	40,000	-	-	-	40,000
Capital Reduction	-	20,252	-	-	20,252
Balance, December 31, 2022	\$ 1,240,000	\$ 33,017	(\$ 722,902)	(\$ 31,016)	\$ 519,099
Net profit (loss)	-	-	(203,990)	-	(203,990)
Other comprehensive income (loss), net of tax	-	-	-	1,292	1,292
Cash capital increase	200,000	-	-	-	200,000
Changes in percentage of ownership interests in subsidiaries	-	(20,252)	(46,165)	-	(66,417)
Balance, December 31, 2023	<u>\$ 1,440,000</u>	<u>\$ 33,017</u>	<u>(\$ 973,057)</u>	<u>(\$ 29,724)</u>	<u>\$ 449,984</u>

(The accompanying notes are an integral part of the consolidated financial statements)

Chairman: HUANG, FU

CEO: HUANG, KUAN-CHIH

Accounting Manager: SUN, MING-HUNG

HiTi Digital Inc.
Individual Statements of Cashflow
Years Ended December 31, 2022 and 2021

Item	(In Thousands of New Taiwan Dollars)	
	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(\$ 203,990)	(\$ 236,463)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	41,955	56,731
Amortization expense	5,726	7,277
Expected credit loss (reversal)	-	3,378
Devaluation of stock (reversal)	(3,645)	
Interest expense	33,197	17,259
Interest income	(1,296)	(891)
Share of loss (profit) of associates and joint ventures accounted for using equity method	59,647	71,523
Property, plant and equipment transferred to expenses	-	1
Unrealized profit (loss) from sales	(7,776)	(5,312)
Liquidation debt income	-	-
Leasehold improvements	94	(845)
Total Loss after adjustments	127,902	149,121
Changes in operating assets		
Net changes in assets from operating activities		
Decrease (increase) in notes receivable	1	2
Increase (decrease) in accounts receivable	(5,106)	(8,647)
Decrease (increase) in accounts receivable to related parties	23,589	(33,793)
Decrease (increase) in other accounts receivable	2,752	(3,803)
Decrease (increase) in other accounts receivable from related parties	21,671	(23,634)
Decrease (increase) in inventories	37,332	(37,747)
Decrease (increase) in prepayment	(17,136)	6,486
Decrease (increase) in advanced payment	1,672	-
Decrease in other liquid assets	(1,383)	664
Increase in other financial assets	(5,157)	(11,793)
Decrease (increase) in net defined benefit assets	-	404
Increase in notes payable	1,411	1,160
Increase (decrease) in accounts payable	(1,880)	35,245
Decrease in accounts payable to related parties	-	(510)
Increase (decrease) in other accounts payable	(3,088)	10,860
Increase (decrease) in other accounts payable to related parties	504	(9,901)
Increase (decrease) in other liabilities	(4,273)	25,742
Decrease in net defined benefit liabilities	-	-
Total net changes in operating assets and liabilities	(50,909)	(49,265)

Item	2023	2022
Total Adjustments	\$ 178,811	\$ 99,856
Cash generated from operations	(25,179)	(136,607)
Interest received	1,296	891
Interest paid	(33,292)	(17,259)
Income tax refund (paid)	-	132
Net cash flow from (used in) operating activities	(57,175)	(152,843)
CASH FLOWS FROM INVESTING ACTIVITIES		
Stocks returned from investment company due to capital reduction under equity method	(200,000)	-
Acquisition of property, plant and equipment	(4,104)	(3,270)
Disposal of property, plant and equipment	828	-
Increase in refundable deposits	(13,952)	(30,594)
Decrease (increase) in other accounts receivable from related parties	-	16,541
Increase in intangible assets	-	-
Decrease in prepayment for equipment	(291)	(62,525)
Received dividend	-	20,881
Net cash flows from investing activities	(217,519)	(58,967)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short term loans	29,158	(20,854)
Initiation of long term loans	29,810	440,000
Repayment of long term loans	(16,135)	(201,896)
Increase (decrease) in refundable deposits	1,230	(291)
Payment of capital lease principal	(3,862)	(7,537)
Cash capital increase	200,000	40,000
Net cash flows from financing activities	240,201	249,422
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,493)	37,612
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,552	3,940
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,059	\$ 41,552

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

Chairman: HUANG, FU

CEO: HUANG, KUAN-CHIH

Accounting Manager: SUN, MING-HUNG

HiTi Digital Inc

Notes to Individual Financial Statements

For the Years Ended December 31, 2023 and 2022

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

一、General Information

HiTi Digital Inc. (the “Company”) was founded in February 2001. The Company primarily engages in development, manufacturing, distribution, retail and investment in printers, cameras and related peripherals. The Company is the group’s ultimate parent company.

Since December 2007 the company has been listed on the Taiwan stock exchange.

- (一) The consolidated financial statements are presented in the Group's functional currency, New Taiwan Dollars.

二、The Authorization of the Consolidated Financial Statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 23, 2023

三、Application of New Standards, Amendments, and Interpretations

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

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

New Standards, Amendments, and Interpretations	Amendments	Effective Date Announced by IASB
• Amendments to IAS 1 “Disclosure of Accounting Policies”	This amendment requires companies to disclose information about their significant accounting policies, rather than just the policies themselves. It clarifies how companies should identify significant accounting policy information and provides examples of considerations for determining what may constitute significant accounting policy information.	January 1, 2023
• Amendments to IAS 8 “Definition of Accounting Estimates”	The amendment clarifies how companies should distinguish between changes in accounting policies and changes in accounting estimates. It also clarifies that changes in accounting estimates resulting from new information or new developments are not corrections of errors. Additionally, it states that changes in inputs or measurement techniques used in developing accounting estimates, if not due to correcting prior period errors, are considered changes in accounting estimates.	January 1, 2023
• Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendment requires companies to recognize deferred tax assets and liabilities for specific transactions that give rise to equal amounts of taxable and deductible temporary differences at initial recognition.	January 1, 2023
• Amendments to IAS 12 “International Tax Reform -- Pillar Two Model Rules”	Finally, the amendment provides a temporary exception from recognizing or disclosing deferred tax arising from legislation enacted or substantively enacted to implement the Organization for Economic Co-operation and Development's (OECD) Pillar Two model rules. Companies should not recognize deferred tax assets and liabilities related to Pillar Two income taxes nor disclose related information.	May 23, 2023

2. Based on the Group’s assessment, the New IFRSs above have no significant effect on the Group’s financial position and financial performance.

- (二) Not yet adopted new and admended international financial reporting stardard recognized by the Financial Supervisory Commission (FSC)

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

New Standards, Amendments, and Interpretations	Amendments	Effective Date Announced by IASB
• Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	This amendment clarifies that in a sale and leaseback transaction, when lease payments include amounts that do not depend on an index or rate, the seller-lessee should determine the subsequent measurement of the right-of-use asset and lease liability. The seller-lessee should also determine the lease payments or revised lease payments in a manner that does not recognize any gain or loss related to the retained use rights. Additionally, new illustrative examples are provided.	January 1, 2024
• Amendments to IAS 1 “Non-current Liabilities with Covenants”	The amendment clarifies that the classification of liabilities is based on the rights existing at the end of the reporting period. If an entity does not have the right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period, the liability should be classified as current. Furthermore, the amendment defines "settlement" as extinguishing a liability through cash, other economic resources, or an entity's own equity instruments. For liabilities with terms that may result in settlement through the transfer of the entity's own equity instruments, such terms do not affect the classification of the liability as current or non-current if the option is classified as an equity instrument and is part of a compound financial instrument's equity component.	January 1, 2024
• Amendments to IAS 1 “Non-current Liabilities with Covenants”	The amendment also clarifies that contractual terms that come into effect after the end of the reporting period do not affect the classification of liabilities as current or non-current. Additionally, it enhances disclosure requirements for non-current liabilities subject to conditions.	January 1, 2024
• Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	The amendment introduces new disclosure requirements for supplier financing arrangements, including their impact on changes in liabilities from financing activities and the quantification of liquidity risk disclosures.	January 1, 2024

2. Based on the Group's assessment, the New IFRSs above have no significant effect on the Group's financial position and financial performance.

(三) The international financial reporting standards issued by The International Accounting Standards Board (IASB) but not yet not yet been approved by the Financial Supervisory Commission (FSC):

1. The following new standards and amendments have been issued by the IASB but have not yet been incorporated into internationally recognized financial reporting standards approved by the Financial Supervisory Commission:

New Standards, Amendments, and Interpretations	Amendments	Effective Date Announced by IASB
• Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	This amendment addresses the inconsistency between the current IFRS 10 and IAS 28. It specifies that when an investor sells (contributes) assets to its associate or joint venture, the recognition of the full or partial gain on disposal depends on the nature of the asset sold (contributed): - When the asset sold (contributed) constitutes a "business," the full gain on disposal is recognized. - When the asset sold (contributed) does not constitute a "business," only the portion of the gain related to the interests of unrelated investors in the associate or joint venture is recognized.	Waiting IASB decision
• IFRS 17 “ Insurance Contracts”	This new standard replaces IFRS 4 and sets rules for recognizing, measuring, presenting, and disclosing insurance contracts. It applies to insurance and reinsurance contracts, as well as certain investment contracts. Companies must group contracts into three categories: loss-making, not likely to become loss-making, and others. They must use a current measurement model, updating estimates each period. This involves using discounted cash flows, a risk adjustment, and unearned profit. For some contracts, a simpler method can be used. Revenue is recognized over the coverage period, and losses are recognized immediately if contracts become loss-making. Companies need to report insurance revenue, expenses, and finance income separately and disclose related amounts, judgments, and risk information..	January 1, 2023

• Amendments to IFRS 17 “Insurance Contracts”	The amendment includes a deferral of the effective date, expected recovery of insurance acquisition cash flows, the contractual service margin attributable to investment services, recovery of losses on reinsurance contracts held, among other amendments, which do not change the fundamental principles of the standard.	January 1, 2023
• Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	This amendment allows entities to apply the classification overlay approach to comparative periods presented on initial application of IFRS 17. This option allows entities to classify all financial assets, including those not held in connection with contracts within the scope of IFRS 17, on an instrument-by-instrument basis during the comparative period, based on the expected classification at the initial application date of IFRS 9. Entities that have already applied IFRS 9 or are applying both IFRS 9 and IFRS 17 for the first time may choose to apply the classification overlay approach.	January 1, 2023
Amendments to IAS21 “Lack of Exchangeability”	The amendment provides specific guidance on when currencies are exchangeable and how to determine the exchange rate when they are not exchangeable.	January 1, 2025

- As of the date of issuance of these consolidated financial statements, the Group is still assessing the impact of these standards and interpretations on the Group's financial condition and performance. The related impacts will be disclosed upon completion of the assessment.

四、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.

(一) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC.

(二) Basis of Preparation

- Other than Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- The preparation of financial statements in conformity with the 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 Section 5.

(三) Foreign Currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is the Company's functional currency.

1. Foreign Currency Transactions and Balances

- Foreign currency transactions are translated into the functional currency at the spot exchange rate on the transaction date or the measurement date. The resulting exchange differences are recognized in profit or loss for the period.
- Foreign currency monetary assets and liabilities are revalued at the spot exchange rate on the balance sheet date, with the resulting exchange differences recognized in profit or loss for the period.
- Foreign currency non-monetary assets and liabilities measured at fair value through profit or loss are revalued at the spot exchange rate on the balance sheet date, with the resulting exchange differences recognized in profit or loss for the period. Non-monetary assets and liabilities measured at fair value through other comprehensive income are revalued at the spot exchange rate on the balance sheet date, with the resulting exchange differences recognized in other comprehensive income. Non-monetary assets and liabilities not

measured at fair value are translated at the historical exchange rate on the transaction date.

2. Translation of Foreign Operations

- (1) For all subsidiaries, associates, and jointly controlled entities with a functional currency different from the presentation currency, their results and financial positions are translated into the presentation currency as follows:
 - A. Assets and liabilities are translated at the closing exchange rate on the balance sheet date.
 - B. Income and expenses are translated at the average exchange rate for the period.
 - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When partially disposing of or selling an interest in a foreign operation that is an associate or joint venture, the portion of the exchange differences in other comprehensive income is reclassified to profit or loss as part of the gain or loss on disposal. If the company loses significant influence or joint control over the foreign operation, it is treated as a complete disposal.
- (3) When partially disposing of or selling a foreign subsidiary, the portion of exchange differences in other comprehensive income is attributed to the non-controlling interests. If the company loses control over the foreign subsidiary, it is treated as a complete disposal.

(四) Classification of Current and Noncurrent Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (1) Assets that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (2) Assets held mainly for trading purposes;
 - (3) Assets that are expected to be realised within twelve months from the balance sheet date; or
 - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The Company categorized all assets not meet aforementioned criteria as non-current asset.

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

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be settled within twelve months from the balance sheet date, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- (4) 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 Company categorized all liabilities not meet aforementioned criteria as non-current liabilities.

(五) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and 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 (including the original maturity of the time deposits within three months.)

(六) Financial instruments

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

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

(1) Measurement categories

All regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

Financial assets are classified into the following categories: Financial assets measured at FVTPL, financial assets measured at amortized cost, debt investments measured at FVTOCI, and equity investments measured at FVTOCI.

A. Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- (A) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- (B) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

(2) Impairment of financial assets

- A. The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost (including accounts receivable), debt investments measured at FVTOCI, operating lease receivables, and contract assets.
- B. The Company recognizes loss allowances at an amount equal to lifetime expected credit losses (i.e. ECLs) for accounts receivable, contract assets, and operating lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs for which there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.
- C. Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date..
- D. The Company recognizes impairment losses in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

(3) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The Company neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it does not retained control of the financial

asset.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt investment measured at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an equity investment at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without being recycled to profit or loss.

2. Equity Instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by entity are recognized at the proceeds received, net of direct issue costs.

3. Financial Liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

The Group derecognizes a financial liability when, and only when, it is extinguished—i.e., when the obligation is discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument. If the renegotiation or modification results in requirements for derecognition of that financial instrument, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Group applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

(七) Inventories

Inventories, under a perpetual system, are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity), excluding borrowing costs. The item-by-item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(八) Investments accounted for using the equity method—associates

1. 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 initially recognised

at cost and are accounted for using the equity method.

2. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised 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.
3. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
4. Upon loss of significant influence over an associate, the Group remeasures any retained investment in the former associate at its fair value. Any difference between the fair value and carrying amount is recognised in profit or loss.
5. When the Group disposes its investment in an associate, if it loses significant influence over the associate, the Group shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. If the it still retains significant influence over the associate, then the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.
6. When the Group disposes its investment in an associate, if it loses significant influence over the associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over the associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(九) Property, Plant and Equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
2. 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 repair and maintenance expenses are recognized in profit or loss as incurred.
3. 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. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each end of reporting year. 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 accounting estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	20-50 Years
Machinery	5~21 Years
Lease Improvement	Duration of Lease

Other Equipment 3~5 Years

4. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(十) Leases

1. At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately. However, for the lease in which the Group is a lessee and maintenance service is provided by a lessor, the Group elects to account for the lease and non-lease components as a single lease component.

(1) The Group as lessee

Except for short-term leases and leases of low-value asset where lease payments are recognized as expenses on a [straight-line basis/XX basis] over the lease terms, the Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease.

Right-of-use assets

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

Right-of-use assets are presented as a separate line item in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, please refer to Note X for the accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if the ownership of the underlying assets is transferred to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities

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

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

(2) The Group as lessor

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

When a lease includes both land and buildings elements, the Group assesses the classification of each element as a finance lease or an operating lease separately, allocating lease payments (including any lump-sum upfront payments) between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the

land element and buildings element of the lease at the inception date. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(十一) Intangible assets

Separately acquired intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the estimated lives as follows:

	Design Fee	Computer Software
Useful Years	5 Years	1~5 Years
Depreciation Method	Straight Line Depreciation over duration of possession	Straight Line Depreciation over duration of possession
Obtained Source	Obtained Externally	Obtained Externally

The estimated useful life and amortization method for an intangible asset are reviewed at each financial year-end. Any changes in estimates are accounted for on a prospective basis. An intangible asset is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal of the assets is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

(十二) Impairment of non-financial assets

The Group assesses at the end of reporting period 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 and its value in use. When the indication of impairment loss recognized in prior years for an asset other than goodwill no longer exists, the impairment loss is reversed to the extent of the loss previously recognized in profit or loss.

(十三) Employee benefits

1. 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 recognised as expenses in that period when the employees render service.

2. Pensions

(1) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis.

(2) Employees' compensation and directors' and supervisors' remuneration

Employee compensation and remuneration of directors and supervisors are recognized as expenses and liabilities when there is a legal or constructive obligation and the amount can be reliably estimated. If the actual distribution amount decided differs from the estimated amount, it is treated as a change in accounting estimate.

(3) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognises expense when it can no longer withdraw an offer of termination benefits or when it recognises related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date are discounted to their present value.

(十四) Share capital

Ordinary shares are classified as equity. The classification of preferred stocks is based on the special rights entitled to preference shares based on the substance of the contract and the definition of financial liabilities and equity instruments.

(十五) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity, respectively.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company 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 calculated in accordance with Income Tax Act of the Republic of China is levied on the unappropriated retained earnings and is recorded as income tax expense in the subsequent year when the stockholders approve to distribute retain earnings.
3. Deferred income tax is recognised, 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 neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, 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 realised or the deferred tax liability is settled.
4. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses, and unused tax credits can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
5. 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income 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 realise the asset and settle the liability simultaneously.
6. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employee training, and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(十六) Revenue Recognition

The Group applies the following steps for revenue recognition:

1. Identifying the contract;
2. Identifying performance obligations;
3. Determine the transaction price;

4. Allocating the transaction price to performance obligations; and
5. Recognizing revenue when (or as) a performance obligation is satisfied.

The Group identifies performance obligations in a contract with the customer, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods.

Revenue from the sale of goods comes from sales of leisure goods and electronic equipment. Revenue for sales of leisure goods and electronic equipment are recognized when the goods are delivered to the location specified by the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivables are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to accounts receivables when the remaining obligations are performed.

The company recognised accounts receivable at point of product delivery because the company has the right for collection of equal value.

(十七) Government grants

Government grants are recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs is recognised in profit or loss of the period in which it becomes receivable.

Government loans received at below-market rates of interest is treated as a government grant and is measured as the difference between the proceeds received and the fair value of the loan at the market rate.

五、Critical Accounting Judgments and Major Sources of Estimation and Assumption Uncertainty

In the preparation of the consolidated financial statements, the critical accounting judgments the Group has made and the major sources of estimation and assumption uncertainty are described as follows:

(一) Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group needs to exercise judgments and estimates the net realizable value of inventory for obsolescence and unmarketable items on balance sheet date due to the rapid technology changes and writes down inventories to the net realisable value. Such an evaluation of inventories is mainly based on the demand for the products within a specified period in the future. Therefore, there might be material changes to the evaluation.

(二) Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. The Group's management assesses the realisability of deferred tax assets by making critical accounting judgements and significant estimates of expected future revenue growth rate, gross profit rate, the tax exemption period, available income tax credits, and tax planning, etc. Changes in global economic environment, industrial environment, and laws and regulations might result in material adjustments to deferred tax assets.

(三) Impairment assessment of investments accounted for using the equity method

The Group assesses the impairment of an investment accounted for using the equity method once there is any indication that it might have been impaired and its carrying amount is not recoverable. The Group assesses the recoverable amounts of an investment accounted for using the equity method based on the present value of the Group's share of expected future cash flows of the investee or the present value of expected cash dividends receivable from the investee and expected future cash flows from disposal of the investment, analyzing the reasonableness of related assumptions.

(四) Real estate, factory buildings, and equipment useful life

After considering the company's experience with of similar assets in the past, appraisal company

valuation's report, and taking into account the usage of similar assets by industry peers, our board of directors decided in March 2023 to extend the useful life of certain buildings and equipment items. This change will take effect from April 1, 2023 and is expected to reduce depreciation expenses by NT\$2,769 thousand for the period from January to December 2023.

六、Description of Significant Account

(一) Cash and cash equivalents

Item	December 31, 2023	December 31, 2022
Cash	\$ 795	\$ 451
Deposits in transit	-	3,270
Cheques and demand deposits	6,264	37,831
Total	\$ 7,059	\$ 41,552

1. The Group deposits its cash and cash equivalents at several financial institutions that have high credit quality to diversify its risk. Therefore, the Group considers its cash and cash equivalents to have low credit risk.
2. The Group has no cash and cash equivalents pledged to others.

(二) Notes receivable, net

Item	December 31, 2023	December 31, 2022
Notes receivable	\$ 2	\$ 3
Less: Loss allowance	-	-
Notes receivable, net	\$ 2	\$ 3

1. The Group has no notes receivable pledged as collateral or guarantees.
2. For information on loss allowance of notes receivable, please refer to the Accounts receivable note below.

(三) Accounts receivable, net

Item	December 31, 2023	December 31, 2022
Accounts receivable	\$ 17,869	\$ 12,763
Less: loss allowance	(449)	(449)
Accounts receivable, net	\$ 17,420	\$ 12,314

1. The average credit period of sales of goods ranges from 0 to 90 days, which is determined by reference to the credit granting policy based on the counterparties' industrial characteristics, operation scales and profitability.
2. For more information on the management and evaluation of related credit risk, see Section 十二.
3. The Group using the simplified approach to recognize the loss allowance at an amount equal to lifetime expected credit losses (i.e. ECLs) for notes receivables and accounts receivables. The expected credit losses are calculated based on loss rates estimated by reference to past default experience and the current financial position of the debtor, adjusted for current and forecast economic conditions of the industry in which the debtors operate as well as for external credit rating. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the following provision matrix for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The loss allowances of notes receivable and accounts receivable, including those from related parties, were detailed below:

December 31, 2023	Expected credit loss rate	Gross carrying amount	Loss allowance (Lifetime ECL)	Amortized cost
Not past due	–	\$ 2, 245	\$ –	\$ 22, 245
1 – 30 days	–	12, 151	–	12, 151
31 – 90 days	–	326	–	326
91 – 120 days	–	–	–	–
Over 121 days	84%	533	449	84
Total		<u>\$ 35, 255</u>	<u>\$ 449</u>	<u>\$ 34, 806</u>

December 31, 2022	Expected credit loss rate	Gross carrying amount	Loss allowance (Lifetime ECL)	Amortized cost
Not past due	–	\$ 33, 847	\$ –	\$ 33, 847
1 – 30 days	–	2, 990	–	2, 990
31 – 90 days	–	16, 442	–	16, 442
91 – 120 days	–	–	–	–
Over 121 days	98%	460	449	11
Total		<u>\$ 53, 739</u>	<u>\$ 449</u>	<u>\$ 53, 290</u>

4. The movements of the loss allowances of notes receivable and accounts receivable, including those from related parties, were as follows:

Item	2023	2022
Balance at January 1	\$ 449	\$ 1, 872
Add: Recognition of impairment losses	–	3, 378
Less: Reversal of impairment losses	–	–
Less: Amounts written off	–	(4, 801)
Balance at December 31	<u>\$ 449</u>	<u>\$ 449</u>

The Group did not hold any collateral or other credit enhancements for these accounts receivable.

5. The impairment losses (gains) on receivables of the company in 2023 and 2022 were NT\$0 thousand and NT\$3,378 thousand, respectively.
6. For information on accounts receivable pledged as collateral or guarantees, please refer to Section 八.

(四) Inventories and cost of goods sold

Item	December 31, 2023	December 31, 2022
Raw materials	\$ 30, 000	\$ 37, 990
Work in process	61, 461	59, 491
Finished goods and merchandise	76, 313	103, 923
Total	<u>\$ 167, 774</u>	<u>\$ 201, 404</u>

1. The cost of inventories recognized as expense for 2023 and 2022:

Item	2023	2022
Cost of goods sold	\$ 542, 747	\$ 470, 705
Loss (Gain) on decline in value of inventories	(3, 645)	(2, 063)
Unallocated overheads Loss	101, 336	86, 066

Inventory shrinkage	–	5
Scrap sales	–	10,452
Total operating costs	<u>\$ 640,438</u>	<u>\$ 565,165</u>

2. The Company's gain on reversal in market value of inventories and partial liquidation of inventories, or the write-down of inventories to net cash value was NT\$3,645 thousand and NT\$2,063 thousand in 2023 and 2022, respectively °

3. For inventory pledged as collateral please see section 8.

(五) Investments accounted for using the equity method

Subsidiaries	December 31, 2023	December 31, 2022
HiTi Digital (Suzhou) Co.	\$ 2,302	\$ 11,021
HiTi Digital America, Inc.	23,284	19,475
HiTi Digital Singapore PTE LTD.	18,434	6,849
Hiti de Mexico, S. de R.L. de C.V.	7,345	11,431
CHC Technology Inc.	218,345	137,929
Subtotal	<u>\$ 269,710</u>	<u>\$ 186,705</u>

1. Subsidiary:

For information about the Company's subsidiaries, please refer to the Company's consolidated Financial Report, Section (四)3.

2. Impairment Loss:

The Company identified the difference between the investment cost and equity net value of CHC Technology Inc. as a Research & Development (R&D) Technology; as of December 31, 2023 and 2022, the differences were NT\$83,004 thousand and NT\$67,162 respectively. The Company conducted an impairment assessment for the recoverable amount of the said R&D Technology Right as of December 31, 2022 and 2021. The Company's assessment of its recoverable amount was based on its use value. Based on the assessments as of December 31, 2022 and 2021, since the carrying amount is lower than its recoverable amount, the impairment loss recognized was zero.

3. As of December 31, 2023 and 2022, none of the Company's equity-method investments had been pledged, guaranteed, or restricted.

4. Changes in Ownership Interests in Subsidiaries

The subsidiary - CHC Technology Inc. increased its capital by NT\$150,000 thousand through debt conversion on November 8, 2022. The Company did not participate in the capital increase in proportion to its shareholding, which resulted in a decrease in the Company's equity interest in CHC Technology Inc. from 30.65% to 24.01%. Since September 2023, the Company has purchased CHC Technology Inc stock from related party, GuanFeng Investment Co, and GuoQian, effectively increase stock ownership from 24.01% to 65.31%.

The changes in ownership interests in the above subsidiary affected the equity attributable to the parent company's owners as follows:

	2023	2022
Reduced equity in the subsidiary after changing the shareholding ratio	(\$ 66,417)	\$ 20,252
Capital surplus - change in subsidiary equity	(\$ 20,252)	\$ 20,252
Retained earnings - changes in subsidiary equity	(\$ 46,165)	\$ -

5. Hi-Touch Imaging Technologies and Hua Shan Investments Limited went through liquidation during the year and transferred their equity investments in HiTi Digital (Suzhou) Co. to the

Company. The case was approved by the Investment Review Committee of the Ministry of Economic Affairs on June 29, 2021.

6. The subsidiary - HiTi Digital Mexico, S.de R.L. de C.V (abbreviated as HMC) increased its capital by US\$4,473 thousand and MX\$6,100 thousand (equivalent to NT\$144,581 thousand) through debt conversion in 2022. The Company subscribed in proportion to its shareholding, maintaining the Company's shareholding ratio in HMC at 100%.

(六) Property, plant and equipment

Item	December 31, 2023	December 31, 2022
Housing & Construction	\$ 671,912	\$ 671,665
Machinery & Equipment	249,907	250,242
Leasehold improvements	1,250	-
Other Equipment	62,504	63,165
Outstanding work and equipment awaiting inspection	-	828
Total cost	985,573	985,900
Less: Accumulated depreciation and impairment	(402,595)	(368,364)
Total	\$ 582,978	\$ 617,536

Costs	House and Building	Machinery and equipment	Leasehold improvements	Other equipment	Outstanding works and equipment to be inspected	Total
2023.1.1-balance	\$ 671,665	\$ 250,242	\$ -	\$ 63,165	\$ 828	\$ 985,900
Add	247	1,788	1,250	819	-	4,104
Disposal	-	-	-	(1,480)	-	(1,480)
Reclassification	-	(2,123)	-	-	(828)	(2,951)
2023.12.31-balance	\$ 671,912	\$ 249,907	\$ 1,250	\$ 62,504	\$ -	\$ 985,573

Accumulated depreciation and impairment	House and Building	Machinery and equipment	Leasehold improvements	Other equipment	Outstanding works and equipment to be inspected	Total
2023.1.1-balance	\$ 210,634	\$ 108,902	\$ -	\$ 48,828	\$ -	\$ 368,364
Depreciation expenses	14,060	13,816	359	9,543	-	37,778
Disposal	-	-	-	(1,480)	-	(1,480)
Reclassification	-	(2,067)	-	-	-	(2,067)
2023.12.31-balance	\$ 224,694	\$ 120,651	\$ 359	\$ 56,891	\$ -	\$ 402,595
2023. 12. 31 淨額	\$ 447,218	\$ 129,256	\$ 891	\$ 5,613	\$ -	\$ 582,978

Costs	House and Building	Machinery and equipment	Leasehold improvements	Other equipment	Outstanding works and equipment to be inspected	Total
2022.1.1-balance	\$ 671,271	\$ 360,396	\$ -	\$ 70,224	\$ 828	\$ 1,102,719
Add	394	351	-	2,525	-	3,270
Disposal	-	(100,237)	-	(9,584)	-	(109,821)
Reclassification	-	(10,268)	-	-	-	(10,268)
2022.12.31-balance	\$ 671,665	\$ 250,242	\$ -	\$ 63,165	\$ 828	\$ 985,900

Accumulated depreciation and impairment	House and Building	Machinery and equipment	Leasehold improvements	Other equipment	Outstanding works and equipment to be inspected	Total
2022.1.1-balance	\$ 196,711	\$ 194,044	\$ -	\$ 47,956	\$ -	\$ 438,711
Depreciation expenses	13,923	24,896	-	10,455	-	49,274
Disposal	-	(100,237)	-	(9,583)	-	(109,820)
Reclassification	-	(9,801)	-	-	-	(9,801)
2022.12.31-balance	\$ 210,634	\$ 108,902	\$ -	\$ 48,828	\$ -	\$ 368,364
2022. 12. 31 淨額	\$ 461,031	\$ 141,340	\$ -	\$ 14,337	\$ 828	\$ 617,536

1. The Company's real estate, plants, and equipment are primarily for self-use.
2. The addition this period and the adjustment of real estate, plant, and equipment acquisition in the cash flow statement are as follows:

Item	2023	2022
Increase in property, plant and equipment	\$ 4,104	\$ 3,270
Reclassification of prepaid equipment beginning balance	-	-
Cash paid	\$ 4,104	\$ 3,270

3. The capitalized interest amount for real estate, plants, and equipment in 2023 and 2022 was NT\$0 thousand.
4. Recognition (reversal) of impairment loss on property, plant, and equipment: None.
5. For information about the property, plant, and equipment used to provide collateral, please refer to Section 八.

(七) Lease Agreement

1. Right-of-use Assets

	December 31, 2023	December 31, 2022
Right-of-use Assets Book Value		
Land	\$ 52,331	\$ 52,331
Housing & Construction	3,891	-
Transport equipment	2,799	2,365
Total	\$ 59,021	\$ 54,696
Right-of-use Assets Accumulated Depreciation		
Land	\$ 13,192	\$ 10,554
Housing & Construction	973	-
Transport equipment	2,393	1,827
Total	\$ 16,558	\$ 12,381
Right-of-use, net	\$ 42,463	\$ 42,315

Costs	Land	House and Building	Transport equipment	Total
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2023.1.1-balance	\$ 52,331	\$ -	\$ 2,365	\$ 54,696
Increase during the period	-	3,891	434	4,325
Decrease during the period	-	-	-	-
2023.12.31-balance	<u>\$ 52,331</u>	<u>\$ 3,891</u>	<u>\$ 2,799</u>	<u>\$ 59,021</u>

Accumulated depreciation	Land	House and Building	Transport equipment	Total
2023.1.1-balance	\$ 10,554	\$ -	\$ 1,827	\$ 12,381
Depreciation expense	2,638	973	566	4,177
Decrease during the period	-	-	-	-
2023.12.31-balance	<u>\$ 13,192</u>	<u>\$ 973</u>	<u>\$ 2,393</u>	<u>\$ 16,558</u>

Costs	Land	House and Building	Transport equipment	Total
2022.1.1-balance	\$ 52,331	\$ 57,022	\$ 2,365	\$ 11,718
Increase during the period	-	-	-	-
Decrease during the period	-	(57,022)	-	(57,022)
2022.1.1-balance	<u>\$ 52,331</u>	<u>\$ -</u>	<u>\$ 2,365</u>	<u>\$ 4,696</u>

Accumulated depreciation	Land	House and Building	Transport equipment	Total
2023.1.1-balance	\$ 7,916	\$ 37,531	\$ 954	\$ 46,401
Depreciation expense	2,638	3,946	873	7,457
Decrease during the period	-	(41,477)	-	(41,477)
2022.1.1-balance	<u>\$ 10,554</u>	<u>\$ -</u>	<u>\$,827</u>	<u>\$ 12,381</u>

2. Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	\$ 4,575	\$ 2,823
Non-current	<u>\$ 39,783</u>	<u>\$ 41,072</u>

Discount rate for lease liabilities

	December 31, 2023	December 31, 2022
Plant, property, and equipment	<u>1.96%~5%</u>	<u>1.96%</u>

Other lease information:

- (1) In 2023 and 2022, the Company chose to apply exemptions for short-term leases and low-value asset leases, not recognizing the related right-of-use assets and lease liabilities for such leases.
- (2) Lease-related cost information for this period is as follows:

	2023	2022
Short-term lease charges	\$ 2,103	\$ –
Lease charges for low value assets	\$ 145	\$ 189
Total cash outflow from leases	\$ 3,862	\$ 8,816

(八) Intangible assets

Item	December 31, 2023	December 31, 2022
Design fee	\$ 31,805	\$ 31,805
Computer Software	4,500	4,500
Total cost	36,305	36,305
Less: Accumulated amortisation and impairment	(34,317)	(28,591)
Total	\$ 1,988	\$ 7,714

Costs	Design fee	Computer Software	Total
2023.1.1-balance	\$ 31,805	\$ 4,500	\$ 36,305
Add	–	–	–
Disposal	–	–	–
2023.12.31-balance	\$ 31,805	\$ 4,500	\$ 36,305
Accumulated amortisation and impairment			
2023.1.1-balance	\$ 26,761	\$ 1,830	\$ 28,591
Amortisation charges	4,826	900	5,726
Disposal	–	–	–
2023.12.31-balance	\$ 31,587	\$ 2,730	\$ 34,317
2023.12.31-balance, net	\$ 218	\$ 1,770	\$ 1,988
Costs	Design fee	Computer Software	Total
2022.1.1-balance	\$ 31,805	\$ 4,760	\$ 36,565
Add	–	–	–
Disposal	–	(260)	(260)
2022.12.31-balance	\$ 31,805	\$ 4,500	\$ 36,305
Accumulated amortisation and impairment			
2022.1.1-balance	\$ 20,401	\$ 1,173	\$ 21,574
Amortisation charges	6,360	917	7,277
Disposal	–	(260)	(260)

2022.12.31-balance	\$ 26,761	\$ 1,830	\$ 28,591
2022.12.31-balance, net	\$ 5,044	\$ 2,670	\$ 7,714

(九) Short-term borrowings

Nature of Borrowing	December 31, 2023	December 31, 2022
Borrowing	\$ 58,304	\$ 29,146
Credit Borrowing	60,000	60,000
Secured borrowings	\$ 118,304	\$ 89,146
Total	2%~7.68%	5%~6.77%

For short-term loans, the Company provides some assets as collateral for the loans. For details, please refer to Section 八.

(十) Long-term Loans and Long-term Liabilities Due within One Year or One Operating Cycle

Item	December 31, 2023	December 31, 2022
Other guaranteed bank loans	\$ 36,854	\$ 43,189
Hotai Finance Co., Ltd.	9,764	-
Capital Bank Leasing Co.	460,000	460,000
Risheng Taisun Leasing Co.	10,200	20,000
Fina Finance & Trading Co., Ltd	20,046	-
Less: Long-term liabilities due within one year	(493,307)	(16,951)
Long-term borrowings, net	\$ 43,557	\$ 5,06,238
Interest rate band	2.403%~7.648%	2.15%~5.00%

1. Collateral for loans:

- (1) The group signed a post-sale buyback contract with Capital Bank Leasing Co., Ltd; secured by real estate and plant and machinery. As of December 31, 2023, for details of the collateral provided by the Company for bank loans, please refer to Section 八.
- (2) The group signed a post-sale buyback contract with Capital Bank Leasing Co., Ltd; secured by inventory. As of December 31, 2023, for details of the collateral provided by the Company for bank loans, please refer to Section 八.
- (3) The inventory buy-back contract signed by the Group with Fina Finance & Trading Co., Ltd, in 2023 is secured by a performance guarantee deposit and inventory. As of December 31, 2023, for details of the collateral provided by the Company for bank loans, please refer to Section 八.
- (4) The inventory buy-back contract signed by the Group with Hotai Finance Co., Ltd, in 2023 is secured by a performance guarantee deposit and inventory. As of December 31, 2023, for details of the collateral provided by the Company for bank loans, please refer to Section 八.

(十一) Retirement Benefit Plan

(1) Defined Contribution Plan

1. The company has established a defined contribution retirement plan according to "Labor Pension Act," which applies to employees of Taiwanese nationality. Regarding the portion of the labor retirement pension system that employees choose to apply, the company deducts 6% of their monthly salary to contribute to the labor retirement pension to the employee's individual account at the Labor Insurance Bureau. The payment of employees' retirement pension is based on the amount in the employee's individual retirement account and accumulated earnings, and can be received either as monthly stipend or as a lump-sum retirement payment.
2. The total expenses recognized in the individual comprehensive income statement in 2023 and 2022 according to the amount that should be contributed at the specified rate in the defined contribution plan were 12,406 thousand and 9,101 thousands, respectively.

(2) Defined Benefit Plan

Our company's defined benefit plan was approved and settled by the New Taipei Prefecture with the number 1111497532 in September 2022.

(十二) Stock

1. The number of common shares of the company in circulation and the adjustment of the amount at the beginning and the end of the period are as follows:

	2023		2022	
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
January 1	124,000	\$ 1,240,000	120,000	\$ 1,200,000
Capital increase in cash	20,000	200,000	4,000	40,000
December 31	144,000	\$ 1,440,000	124,000	\$ 1,240,000

2. As of December 31, 2023, the company's authorized capital is 2,500,000 thousand dollars, divided into 250,000 thousand shares. As of December 31, 2023, and 2022, the paid-up share capital is 1,440,000 thousand dollars and 1,240,000 thousand dollars respectively, issuing 144,000 thousand and 124,000 thousand shares respectively.
3. On July 20, 2021, our company resolved at the shareholders' meeting to issue common shares via private placement within a quota of 150 million shares. On July 19, 2022, our company issued 4 million common shares through private placement, with a par value of NT\$10 per share and a total private placement amount of NT\$40 million. The change registration was completed on August 25, 2022. The remaining quota will not be used. The rights and obligations of the common shares issued in this private placement are the same as those of the other issued common shares, except that they are subject to transfer restrictions under the Securities and Exchange Act and can only be applied for listing and trading after three years from the delivery date and completion of the public offering procedures.
4. On June 19th, 2023, the company resolved at the shareholders' meeting to privately issue common shares within the limit of 60,000 thousand shares. The company issued 20,000 thousand shares of privately placed common stock on June 19th, 2023, with a par value of 10 yuan per share and a private placement amount of 200,000 thousand yuan. June 30th, 2023, was the date of capital increase, and the change registration was completed on August 23rd, 2023. Apart from the restrictions on transferability and the requirement to wait three years from the delivery date and conduct public offering before applying for listing and trading, the rights and obligations of this private placement of common stock are the same as those of other common stock already issued.

(十三) Capital Reserve

	December 31, 2023	December 31, 2022
Recognised changes in ownership interest in subsidiaries	\$ –	\$ 20,252
Lapse of share options	12,765	12,765
Sub-total	\$ 12,765	\$ 33,017

(十四) Retained Earnings

1. According to the company's dividend distribution policy stipulated in its articles of incorporation, if there is a profit in the annual financial statements, after paying taxes and dues and offsetting accumulated losses, 10% is set aside as statutory earnings reserve. However, if the statutory earnings reserve has reached the paid-in capital of the company, it need not be set aside further. The remaining amount is set aside or reversed as special earnings reserve in accordance with legal provisions. If there is a remaining balance, it will be combined with the accumulated undistributed profits, and the board of directors will propose a profit distribution proposal, and the shareholders' meeting will resolve to distribute dividends to shareholders.

2. Legal reserve profits, other than covering company losses and issuing new shares or cash according to the proportion of original shares held by shareholders, cannot be used. However, the part of the reserve that exceeds 25% of the actual capital received can be used for issuing new shares or cash.
3. The company's shareholder meeting in June 2023 and June 2022 resolved the profit distribution plan for the fiscal year 2022 and fiscal year 2021. As both years were in loss, no distribution was made.
4. For information on the profit distribution proposal of the board of directors and the resolution of the shareholders' meeting, please visit the "Public Information Observation Station" of the Taiwan Stock Exchange.

(十五) Other equity

Item	Exchange differences on translation of financial statements of foreign operating entities
2023.1.1-balance	(\$ 31,016)
Translation differences arising on translation of financial statements of foreign operating entities	1,292
2023.12.31-balance	(\$ 29,724)
Item	Exchange differences on translation of financial statements of foreign operating entities
2022.1.1-balance	(\$ 20,541)
Translation differences arising on translation of financial statements of foreign operating entities	(10,475)
2022.12.31-balance	(\$ 31,016)

(十六) Operating income

	2023				
	Single sheet feeding printing department	Roll feeding printing department	Card printing department	Other Departments	Total
Main regional markets:					
Asia	\$ 18,836	\$ 37,021	\$ 121,42	\$ 55,006	\$ 432,28
America	3,052	52,509	2,220	173	57,95
Africa	8,502	1,678	2,385	531	13,096
Europe	3,713	115,724	22,465	185	142,087
Oceania	99	1,988	919	122	3,128
Total	\$ 58,728	\$ 316,840	\$ 127,349	\$ 37,386	\$ 540,303
Main product/service lines:					
Material consumption	\$ 58,034	\$ 293,808	\$ 107,161	\$ 34,276	\$ 493,279
Machinery	691	21,220	18,646	828	41,385
Components and others	3	1,812	1,542	2,282	5,639
Total	\$ 58,728	\$ 316,840	\$ 127,349	\$ 37,386	\$ 540,303

	2022				
	Single sheet feeding printing department	Roll feeding printing department	Card printing department	Other Departments	Total
Main regional markets:					
Asia	\$ 25,493	\$ 91,829	\$ 83,750	\$ 108,813	\$ 409,885
America	8,623	87,592	1,309	2,586	100,110
Africa	13,675	6,360	1,430	305	21,770
Europe	3,191	24,986	8,382	822	37,381
Oceania	4	–	–	25	29
Total	<u>\$ 50,986</u>	<u>\$ 310,767</u>	<u>\$ 94,871</u>	<u>\$ 112,551</u>	<u>\$ 569,175</u>
Main product/service lines:					
Material consumption	\$ 48,114	\$ 282,071	\$ 80,973	\$ 78,270	\$ 489,428
Machinery	535	26,974	13,547	547	41,603
Components and others	2,377	1,722	351	7,611	38,144
Total	<u>\$ 50,986</u>	<u>\$ 310,767</u>	<u>\$ 97,871</u>	<u>\$ 7,611</u>	<u>\$ 569,175</u>

(1) Contract balance

Item	December 31, 2023	December 31, 2022
Notes and accounts receivable (including related parties)	\$ 35,255	\$ 53,739
Less: Allowance for losses	(449)	(449)
Total	<u>\$ 34,806</u>	<u>\$ 53,290</u>

(十七) Other income

	2023	2022
Rental income	\$ 17,979	\$ 17,977
Royalty income	1,193	–
Government grants	258	251
Other income	4,902	4,596
Total	<u>\$ 24,332</u>	<u>\$ 22,824</u>

(十八) Other benefits and losses

	2023	2022
Net foreign currency exchange gain	\$ 1,713	\$ 10,076
Loss on disposal of property, plant and equipment	–	(1)
Compensation losses	–	(1,843)
Lease modification interest (loss)	(94)	845
Other losses	(2,758)	(1,975)
Total	<u>(\$ 1,139)</u>	<u>\$ 7,102</u>

(十九) Financial Costs

	2023	2022
Interest charges	\$ 32,270	\$ 16,169
Interest on lease liabilities	927	1,090
Finance costs	\$ 33,197	\$ 17,259

(二十) Staff benefits, depreciation and amortisation expenses

	2023		
By Nature	Operating Costs	Operating expenses	Total
Staff Welfare Costs			
Salary Costs	\$ 95,370	\$ 66,398	\$ 161,768
Health Insurance Costs	11,634	5,712	17,346
Pension costs	5,016	3,207	8,223
Directors' remuneration	–	90	90
Other staff benefit costs	5,365	267	5,632
Depreciation expenses	32,598	9,357	41,955
Amortisation charge	–	5,726	5,726

	2022		
By Nature	Operating Costs	Operating expenses	Total
Staff Welfare Costs			
Salary Costs	\$ 85,712	\$ 69,277	\$ 154,989
Health Insurance Costs	9,738	6,228	15,966
Pension costs	4,363	3,513	7,876
Directors' remuneration	–	150	150
Other staff benefit costs	4,092	2,329	6,421
Depreciation expenses	36,565	20,166	56,731
Amortisation charge	–	7,277	7,277

	2023	2022
Number of employees	175	214
Number of directors who are not also employees	3	4
Average employee benefit costs	\$ 1,122	\$ 883
Average staff salary costs	\$ 941	\$ 738
Adjustments to average staff salary costs	27.5%	4.09%
Supervisors' remuneration	\$ –	\$ –

Salary and remuneration policy (including directors, supervisors, managers, and employees):
Directors, Supervisors and Managers' Salaries

The structure of our company's general directors and supervisors' remuneration consists of an execution of duties reward and director remuneration distributed according to the company's articles of association. The execution of duties reward is a fixed salary paid monthly; the director remuneration is distributed monthly according to the company's articles of association at a rate not exceeding 3%. At the end of the year, an annual performance evaluation of the board of directors and its relevant members is conducted according to the "Board of Directors Performance Evaluation Method" of the company. The evaluation results are combined with the salary and

remuneration committee for consideration of director remuneration distribution, and then submitted to the board of directors for discussion.

Employee Compensation

The company's policy, standards, and combinations, procedures, and the relationship between the management's performance and future risks: the remuneration amount of the company's managers is determined based on their duties, contributions, the company's operating performance for the year, and consideration of the company's future risks, through the evaluation of the remuneration committee.

Our company is committed to providing employees with compensation and benefits above the average level of the industry. Under the premise of considering external competition, internal fairness, and legality, we offer diverse and competitive compensation systems, and adhere to the concept of sharing profits with employees, attracting, retaining, developing, and motivating our employees. The compensation of our company's employees includes monthly salaries and employee remuneration distributed based on the annual profitability of the company. According to Article 29 of the company's charter, 10% to 20% of annual profits are used as employee remuneration.

Annual employee remuneration is a way to give back to our employees, reward their contributions, and inspire them to continue their efforts, thereby linking employee benefits with shareholder interests to create a win-win situation for the company, shareholders, and employees. The company determines the total amount of cash bonuses and employee remuneration based on the company's operational results and the payment level of the domestic industry. The amount and distribution method are proposed by the Compensation Committee to the Board of Directors, and the employee remuneration is distributed after being approved by the board; the amount distributed to each employee depends on their position, contribution, and performance. Following the same concept, the compensation for the employees of the company's overseas subsidiaries, in addition to being set at competitive salary levels based on the local labor market conditions, also follows local laws, industry practices, and the overall operational performance of each subsidiary to distribute annual bonuses, encouraging long-term contributions and shared growth with the company. According to the company's regulations, if there are profits in the year, 10% to 20% should be set aside for employee remuneration, which is decided by the board of directors and distributed in stocks or cash. The distribution targets include employees of subsidiary companies who meet certain conditions; the company can set aside an amount not exceeding 3% of the profits for director and supervisor remuneration. However, when the company has accumulated losses, it should reserve an amount to offset the losses before setting aside employee and director and supervisor remuneration.

Both 2022 and 2021 were in a loss, and there was no plan to distribute employee and director and supervisor remuneration, so it is estimated that both are zero. However, if there are differences between the actual distributed amount and the estimated amount in the future, it will be regarded as a change in accounting estimates and will be listed as the income of the next fiscal year. In March 2022 and March 2021, the board of directors decided to distribute employee and director and supervisor remuneration for 2021 and 2020, both of which were zero, with no difference from the employee and director and supervisor remuneration recognized in the financial report.

For information on employee and director and supervisor remuneration decided by the board of directors, please check the Taiwan Stock Exchange "Public Information Observation Station".

Income tax

1. Income tax expense

(1) Income tax expense components:

	2023	2022
Total current year income tax	\$ —	\$ —
Deferred income tax expense (gain)	—	—
Income tax expense	\$ —	\$ —

(2) Income tax (expenses) benefits related to other comprehensive income: none

2. The adjustment of the year's accounting income and the recognized income tax expense is as follows:

2023	2022
------	------

Net loss before taxation	(\$ 203,990)	(\$ 236,463)
Tax on net profit before tax at statutory rate	(\$ 40,798)	(\$ 47,293)
Income tax adjustments:		
Dividend distribution from foreign subsidiaries	–	4,176
Change in unrecognized temporary differences	11,929	14,305
Assessed additional income tax for previous fiscal year.	25,316	31,526
Other	3,553	(2,714)
Income tax expense	\$ –	\$ –

The Group's individual tax rate under the Income Tax Act of the Republic of China is 20%, and the tax rate for undistributed earnings is 5%.

3. Deferred income tax assets or liabilities arising from temporary differences, loss carryforwards, and investment credits:

Item	2023			
	Beginning balance	Recognized in (loss) profit	Recognized in other comprehensive (loss) income	Ending balance
Deferred income tax assets.				
Temporary differences				
Unrealised gains between associates	\$ 10,481	(\$ 1,555)	\$ –	\$ 8,926
Loss carryforwards	24,288	2,627	–	26,915
Other	19,392	(1,072)	–	18,320
Subtotal	\$ 54,161	–	–	\$ 54,161
Deferred income tax liabilities.				
Temporary differences				
Unrealised exchange gain	\$ 420	\$ –	\$ –	\$ 420
Sub-total	\$ 420	\$ –	\$ –	\$ 420
Total	\$ 53,741	\$ –	\$ –	\$ 53,741

Item	2022			
	Beginning balance	Recognized in (loss) profit	Recognized in other comprehensive (loss) income	Ending balance
Deferred income tax assets.				
Temporary differences				
Unrealised gains between associates	\$ 11,543	(\$ 1,062)	\$ –	\$ 10,481
Loss carryforwards	23,591	697	–	24,288
Other	19,027	365	–	19,392

Subtotal	\$ 54,161	\$ –	\$ –	\$ 54,161
Deferred income tax liabilities.				
Temporary differences				
Unrealised exchange gain	\$ 420	\$ –	\$ –	\$ 420
Sub-total	\$ 420	\$ –	\$ –	\$ 420
Total	\$ 53,741	\$ –	\$ –	\$ 53,741

4. Items for which deferred income tax assets have not been recognized:

	December 31, 2023	December 31, 2022
Loss carryforwards	\$ 125,861	\$ 100,469

5. The Company's income tax business has been approved by the tax authorities until the year 2021.

(二十二) Other comprehensive profit or loss

Item	2023		
	Pre-tax	Income tax	Net after tax
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operating entities	\$ 1,292	\$ -	\$ 1,292
Item	2022		
	Pre-tax	Income tax	Net after tax
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operating entities	(\$ 10,475)	\$ -	(\$ 10,475)

Earnings per share

	2023	2022
Net loss for the period	(\$ 203,990)	(\$ 236,463)
Weighted average number of shares outstanding during the period (in thousands)	134,082	121,819
Basic earnings per share (after tax) (NT\$)	(\$ 1.52)	(\$ 1.94)

(二十三) Adjustments to liabilities arising from financing activities

	2023/01/01	Net change in financing cash flows	Effect of other non-cash movements	2023/12/31
Lease liabilities	\$ 43,895	(\$ 3,862)	\$ 4,325	\$ 44,358
Short-term borrowings	89,146	29,158	–	118,304
Long-term loans	523,189	13,675	–	536,864
Deposit Guarantee	1,837	1,230	–	3,067
Total	\$ 658,067	\$ 40,201	\$ 4,325	\$ 702,593
	2022/01/01	Net change in	Effect of other	2022/12/31

		financing cash flows	non-cash movements	
Lease liabilities	\$ 67,822	(\$ 7,537)	(\$ 16,390)	\$ 43,895
Short-term borrowings	110,000	(20,854)	–	89,146
Long-term loans	285,085	238,104	–	523,189
Deposit Guarantee	2,128	(291)	–	1,837
Total	\$ 465,035	\$ 209,422	(\$ 16,390)	\$ 658,067

七、Transactions with Related Parties

(一) Names and relationships of related parties

Name of related party	Relationship with the Company
Hiti Digital Singapore PTE LT.(HSU)	Subsidiary
HiTi Digital America, Inc. (HTA)	Subsidiary
HiTi de Mexico, S. de R.L. de C.V. (HMC)	Subsidiary
CHC Technology Inc. (CHC)	Subsidiary
HiTi Digital (Suzhou) Co. (HTS) (Note 1)	Subsidiary
HiTi Digital Europe Srl (HEU)	Sub-Subsidiary
KUO CHIEN LEASING CO., LTD	Substantial Related Party

Note 1: Hi-Touch Imaging Technologies and Hua Shan Investments Limited were liquidated this year and transferred their equity investments in HiTi Digital (Suzhou) Co. to the company. The case was approved by the Investment Review Committee of the Ministry of Economic Affairs on June 29, 2021.

(二) Significant transactions with related parties

1. Operating revenue

Type/Name of Related Party	2023	2022
HTS	\$ 34	\$ 2,378
HTA	56,134	84,852
HMC	901	14,915
HSU	52,910	91,258
HEU	50,796	37,013
CHC	40,640	82,255
Total	\$ 201,415	\$ 312,671

The company's selling price to its subsidiaries is decided according to their business models and capital requirements, and payments are collected from the subsidiaries based on their capital turnover situation. The credit period for non-related parties is 30-90 days from the end of the month.

Note: This has deducted the amount of processing by the company.

2. Purchase

The Company's purchases from related parties were as follows:

Type/Name of Related Party	2023	2022
CHC	\$ 222,499	\$ 230,085

Note: It has already deducted the processing amount of the company.

3. Amounts due from related parties (excluding loans to related parties)

Item	Type/Name of Related Party	December 31, 2023	December 31, 2022
Accounts receivable - related parties	HMC	\$ -	\$ 6,070
	CHC	5,233	26,794
	HEU	12,151	8,109
	Subtotal	17,384	40,973
Other Accounts receivable - related parties	HMC	-	1,404
	HEU	15,024	18,955
	CHC	3,733	8,390
	Subtotal	18,757	28,749
Total		\$ 36,141	\$ 69,722

4. Amounts due to related parties

Item	Type/Name of Related Party	December 31, 2023	December 31, 2022
Other payables	HSU	31,180	31,276
	Substantial Related Party	7,730	7,130
	Subtotal	38,910	38,406
Total		\$ 38,910	\$ 38,406

5. Borrowings to related parties (included in other receivables - related parties)

Type/Name of Related Party	December 31, 2023	December 31, 2022	Transaction
CHC	\$ 41,199	\$ 52,878	Interest
Interest Range	2%	2%	

The amounts of interest income in 2023 and 2022 are NT\$1,029 thousand and NT\$832 thousand.

6. Endorsement Guarantee

Type/Name of Related Party	December 31, 2023	December 31, 2022
CHC	\$ 55,000	\$ 66,250

7. Prepayments

Item	Type/Name of Related Party	December 31, 2023	December 31, 2022
Equipment Purchase	CHC	\$ 62,900	\$ 62,900

Inventory Purchase	CHC	\$ 9,747	\$ -
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8. Advanced Payment

Account Entry	Type/Name of Related Party	December 31, 2023	December 31, 2022
Advanced Payment	HMC	\$ 1,672	\$ -
	HTA	\$ 11,042	\$ -
Other Receivable	HSG	\$ 31,180	\$ -

9. Other

- (1) In September 2023, the Company purchased 28,571 thousand shares of CHC Technology Inc, a subsidiary, from related parties - GuoQian Leasing and Guanfeng Investment, at a price of 7 yuan per share, with a total transaction amount of NT\$200,000 thousand.
- (2) The company leased part of its factory to its subsidiary in 2023 and 2022. The rental income was NT\$16,155 thousand and NT\$16,145 thousands, respectively.
- (3) As of December 31, 2023, and 2022, the company's receivables from its subsidiary HMC were NT\$0 and NT\$1,404 thousand, respectively. As it exceeded the normal credit period (three months), the company transferred it as a loan, listed under "Other Receivables - Related Parties".
- (4) As of December 31, 2023, and 2022, the company's receivables from its subsidiary HEU were NT\$15,024 thousand and NT\$18,955 thousand, respectively. Since it exceeded the normal credit period (three months), the company transferred it as a loan, listed under "Other Receivables - Related Parties".
- (5) The company signed a contract to purchase a ROTOMECH gravure coating printer from its subsidiary, CHC Technology Inc., in September 2020 and completed the acceptance in August 2021. As of December 31, 2022, CHC Technology Inc. has not yet completed the setting up of bank guarantees for cancellation.

(三) Compensation information for major management levels

	2023	2022
Salaries and other short-term staff benefits	\$ 6,792	\$ 7,103
Post-employment benefits	319	4,834
Total	\$ 7,111	\$ 11,937

八、Pledged assets

The following assets have been provided as collateral for various loans and performance guarantees:

Item	December 31, 2023	December 31, 2022
Other financial assets - current	\$ 27,414	\$ 22,257
Property, plant and equipment (net)	468,726	575,222
Inventories (net)	167,774	201,404
Guarantee deposits on deposits	45,900	32,000
Accounts Receivable	18,249	-
Total	\$ 728,063	\$ 830,883

九、Significant contingent liabilities and unrecognized contractual commitments

- (一) The company's unrecognized commitments to acquire real estate, factories, equipment, and new construction projects are as follows:

Item	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	\$ 7,660	\$ 7,660

(二) Contingent liabilities

URA Engineering Co., Ltd. (hereinafter referred to as URA Engineering Co., Ltd.) contracted the automation equipment of the Group's Taichung factory in April 2014. Although URA Engineering Co., Ltd. has delivered the equipment, it could not fulfill the agreement of automation, hence it could not pass the factory inspection. The Group stopped payment of the final payment according to the agreement and filed a civil lawsuit with the Taichung District Court (hereinafter referred to as Taichung Court) at the end of 2016, demanding URA Engineering Co., Ltd. to refund the purchase price and related damages. On June 2, 2016, the Group deposited a guarantee deposit of NT\$5,000 thousand with the Taichung Court and applied for a provisional seizure of NT\$15,000 thousand assets of URA Engineering Co., Ltd. The Taichung Court has accepted the case and is under review. As of December 31, 2023, the amount paid by the Group was NT\$30,640 thousand, which was recorded under prepayment for equipment and a full impairment loss has been recognized in the fiscal year 2020. As of December 31, 2023, the unpaid final payment of the contract was NT\$7,660 thousand. URA Engineering Co., Ltd. requested the Group to pay according to the contract, but as of the date of approval for publication of these consolidated financial statements, the final result of the case could not be confirmed, and the possible compensation amount could not be estimated.

十、Significant disaster losses: none

十一、Significant post-event matters: none

十二、Others

(一) Sound operation plan

The net loss of our company for the fiscal year 2023 was NT\$203,990 thousand. The cumulative loss as of December 31, 2023, was NT\$973,057 thousand. Continuous operating losses have been incurred, and the financial statements as of December 31, 2023, were prepared under the going concern assumption. The management did not make adjustments due to the above situation. Our company expects to take the following measures to improve operating performance and financial status:

(1) In terms of business:

- A. Our sublimation photo business department will adopt a diversified approach to critical component and photographic paper suppliers to reduce production costs, shorten inventory time, and alleviate financial pressure, thereby increasing product price competitiveness.
- B. Our sublimation photo business department has successfully upgraded to the second-generation photographic paper process in the fiscal year 107. After the related production capacity stabilizes, it is expected to reduce manufacturing costs and improve product market competitiveness through fewer processes and more environmentally friendly production methods.

In conclusion, our company's future operational direction will focus on establishing a stable source of critical components, cooperating with lower production costs to expand the global market share of sublimation products, and it is expected to effectively increase operating income. The cash flow from future operating activities is expected to improve effectively.

(2) Finance:

- A. The company will adjust the sales and collection terms for global customers and reposition the subsidiaries to reduce related costs and expenditures.
- B. The company will actively negotiate with banks to renew short and medium-term loan credit limits to maintain short and medium-term operational capital requirements, improve the financial structure and ensure sufficient operational capital.
- C. The company will streamline the organizational structure and save on various costs and expenditures.
- D. Actively negotiate with banks to extend short-term loans and increase loan amounts.
- E. Plan to actively dispose of the company's idle assets.
- F. Actively seek strategic investment targets to enrich operating capital.
- G. Obtain a commitment letter from major shareholders for continued financial support to the company.
- H. Carry out capital reduction to cover losses, private placement of ordinary shares, and private placement of domestic secured convertible corporate bonds.

In summary, our product research and development team is actively developing a variety of software, system peripherals, payment systems, and other integrated systems designed to

meet different business application needs, and providing system integrators and distributors with more advantageous prices and quality, and more refined and thoughtful services.

In addition to the sublimation photo business department adopting a diversified approach to critical component and photographic paper suppliers to reduce production costs, shorten inventory time, and alleviate financial pressure, thereby increasing product price competitiveness, we also adjust the group investment structure and reposition the subsidiaries to save on related costs and expenditures; it is foreseeable that the future operation will improve and increase.

(二) Financial Instruments

1. Types of Financial Instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets measured at amortised cost		
Cash and cash equivalents	\$ 7,059	\$ 41,552
Notes and accounts receivable (including related parties)	34,806	53,290
Other receivables (including related parties)	61,044	85,467
Other financial assets - current	27,414	22,257
Guarantee deposits on deposit	51,957	38,005
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost		
Short-term borrowings	\$ 118,304	\$ 89,146
Notes and accounts payable (including related parties)	76,091	76,560
Other payables (including related parties)	104,842	107,426
Long-term loans (including those due within one year)	536,864	523,189
Deposits as security deposits	3,067	1,837

2. Financial Risk Management Policy

The Company's daily operations are influenced by various financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. To mitigate related financial risks, the Company is dedicated to identifying, evaluating, and avoiding market uncertainties to reduce the potential adverse impact of market fluctuations on the company's financial performance. Important financial activities of the Company are reviewed by the Board of Directors in accordance with relevant regulations and internal control systems. During the execution of financial plans, the Company must strictly adhere to the financial operation procedures related to overall financial risk management and responsibility division.

3. Nature and Extent of Significant Financial Risks

(1) Market Risk

A. Exchange Rate Risk

The business the Company engages in involves several non-functional currencies, so it is affected by exchange rate fluctuations. To mitigate related financial risks, the Company strives to identify, evaluate, and avoid market uncertainties to reduce the potential adverse impact of market fluctuations on financial performance. Exchange Rate Exposure and Sensitivity Analysis as followed:

	December 31, 2023
Book Value	Sensitivity Analysis

	Foreign currency	Exchange rate	NT\$	Degree of Variance	Gain/Loss Effect	Impact on Equity
(Foreign Currency : Functional Currency)						
<u>Financial assets:</u>						
<u>Monetary items</u>						
USD:NT\$	\$ 1,293	30.705	\$ 39,702	1%	\$ 397	-
EUR:NT\$	555	34.1255	18,940	1%	189	-
JPY:NT\$	46	0.2172	10	1%	-	-
CNY:NT\$	16	4.34	69	1%	1	-
MXN:NT\$	-	1.8176	-	1%	-	-
<u>Financial liabilities:</u>						
<u>Monetary items:</u>						
USD:NT\$	\$ 1,696	30.705	\$ 52,076	1%	\$ 521	-
EUR:NT\$	400	34.1255	13,650	1%	137	-
JPY:NT\$	48,901	0.2172	10,621	1%	106	-
MXN:NT\$	-	1.8176	-	1%	-	-
CNY:NT\$	220	4.34	955	1%	10	-

December 31, 2022						
	Foreign currency	Boook Value Exchange rate	NT\$	Sensitivity Analysis Degree of Variance	Gain/Loss Effect	Impact on Equity
(Foreign Currency : Functional Currency)						
<u>Financial assets:</u>						
<u>Monetary items</u>						
USD:NT\$	\$ 2,002	30.71	\$ 61,481	1%	\$ 615	\$ -
EUR:NT\$	939	32.7	30,705	1%	307	-
JPY:NT\$	46	0.23	11	1%	-	-
CNY:NT\$	16	4.41	71	1%	-	-
MXN:NT\$	2	1.59	3	1%	-	-
<u>Financial liabilities:</u>						
<u>Monetary items:</u>						
USD:NT\$	\$ 2,009	30.71	\$ 61,696	1%	\$ 617	-
EUR:NT\$	145	32.7	4,742	1%	47	-
JPY:NT\$	25,453	0.23	5,854	1%	59	-
MXN:NT\$	56	1.59	89	1%	-	-

The Group's exchange rate risk sensitivity analysis mainly targets the main foreign currency monetary items and non-monetary items at the end of the financial reporting period, and their related foreign currency appreciation/depreciation impact on the company's profit and loss and equity. The Group's exchange rate risk is mainly affected by USD exchange rate fluctuations. When the USD appreciates by 1%, the company's net profit after tax for 2023 and 2022 will decrease by NT\$124 thousands and NT\$2 thousands, respectively. The Group's monetary items do not have significant unrealized exchange losses due to exchange rate fluctuations.

B. Interest Rate Risk

The carrying amount of the company's financial assets and financial liabilities subject to interest rate risk on the reporting date is as follows:

Item	December 31, 2023	December 31, 2022
Fair value interest rate risk instruments:		
Financial assets	\$ 450	\$ 450

Financial liabilities		
Net	\$ 450	\$ 450

Item	December 31, 2023	December 31, 2022
Fair value interest rate risk instruments:		
Financial assets	\$ 23,148	\$ 62,908
Financial liabilities	(655,168)	(612,335)
Net	(\$ 632,020)	(\$ 549,427)

- (a) The Group has not classified any financial assets and liabilities with fixed interest rates as financial assets measured at fair value through profit or loss and through other comprehensive income. It also has not designated derivative instruments (interest rate swaps) as hedging instruments under the fair value hedge accounting model. Therefore, changes in the interest rate on the reporting date will not affect profit and loss, equity, and other comprehensive net income.
- (b) The Group's variable rate financial instruments are floating-rate assets (liabilities), so changes in market interest rates will cause their effective interest rate to change, causing fluctuations in future cash flows. Every 1% increase in the market interest rate will reduce the net income of 2023 and 2022 by NT\$6,316 thousand units and NT\$4,395 thousand units, respectively.

(2) Credit Risk

Credit risk refers to the risk that the counterparty violates the contractual obligation and causes financial loss to the Group. The Group's credit risk mainly comes from accounts receivable generated by operating activities and bank deposits and other financial instruments generated by investment activities. Operational credit risk and financial credit risk are managed separately.

A. Operational Related Credit Risk:

To maintain the quality of accounts receivable, the Group has established procedures for managing operational related credit risk. The risk assessment of individual customers considers factors that may affect the customer's ability to pay, including the customer's financial situation, the Group's internal credit rating, historical transaction records, and the current economic situation.

B. Financial Credit Risk:

The credit risk of bank deposits and other financial instruments is measured and monitored by our finance department. Since our counterparties and obligors are all banks and financial institutions with good credit ratings and investment-grade or above, corporate organizations, and government agencies, there are no significant doubts about their performance. Therefore, there is no significant credit risk. Furthermore, our Group does not have debt instrument investments measured at amortized cost and fair value through other comprehensive income.

(A) Concentration of Credit Risk

Our customer base is broad and unaffiliated, hence the concentration of credit risk is limited.

(B) Measurement of Expected Credit Loss

Receivables: The simplified method is adopted, please refer to Section 六(三). The basis for determining whether the credit risk has significantly increased: none. (Our Group does not have debt instrument investments measured at amortized cost and fair value through other comprehensive income)

(C) The financial assets held by our Group have not been guaranteed or otherwise secured to mitigate the credit risk of the financial assets.

(3) Liquidity Risk

(A) Liquidity Risk Management:

The goal of our Group's liquidity risk management is to maintain cash and cash equivalents, highly liquid securities, and sufficient bank financing to ensure that our Group has sufficient financial flexibility.

(B) Financial Liability Maturity Analysis

The table below shows the analysis of our Group's financial liabilities according to maturity date and the undiscounted amount due:

Non-derivative financial liabilities	December 31, 2023						Contract Cash Flow	Carrying amount
	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years			
Short-term borrowings	\$ 120,148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,148	\$ 118,304
Notes payable	3,119	-	-	-	-	-	3,119	3,119
Accounts payable (including related parties)	72,972	-	-	-	-	-	72,972	72,972
Other payables (including related parties)	104,842	-	-	-	-	-	104,842	104,842
Long-term borrowings (including due within one year)	31,042	483,093	18,809	27,276	-	-	560,220	536,864
Lease liabilities	2,771	2,688	4,396	9,545	31,285	-	50,685	44,358
Deposits for security deposits	3,067	-	-	-	-	-	3,067	3,067
Total	\$ 337,961	\$ 485,781	\$ 23,205	\$ 36,821	\$ 31,285	\$ -	\$ 915,053	\$ 883,526

Non-derivative financial liabilities	December 31, 2022						Contract Cash Flow	Carrying amount
	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years			
Short-term borrowings	\$ 98,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,780	\$ 89,146
Notes payable	1,708	-	-	-	-	-	1,708	1,708
Accounts payable (including related parties)	74,852	-	-	-	-	-	74,852	74,852
Other payables (including related parties)	107,426	-	-	-	-	-	107,426	107,426
Long-term borrowings (including due within one year)	20,968	20,768	494,995	32,130	-	-	568,861	523,189
Lease liabilities	1,882	1,770	3,264	6,363	37,648	-	50,927	43,895
Deposits for security deposits	1,837	-	-	-	-	-	1,837	1,837
Total	\$ 307,453	\$ 22,538	\$ 498,259	\$ 38,493	\$ 37,648	\$ -	\$ 904,391	\$ 842,053

Our Company does not anticipate any significant changes in the timing of the cash flow of the maturity date analysis or the actual amount.

(三) Fair Value Information:

1. Definitions of the three levels of fair value

Level 1:

The input values for this level are active market quotations for identical instruments in an active market. An active market refers to a market that meets all of the following conditions: homogeneous commodities are traded in the market; willing buyers and sellers can be found in the market at any time, and price information is available to the public.

Level 2:

This level's input values are observable prices other than active market quotations, including direct (such as prices) or indirect (derived from prices) observable inputs obtained from active markets.

Level 3:

The input values for this level are input parameters for measuring fair value that are not based on observable inputs available in the market.

2. Financial instruments not measured at fair value

For financial instruments not measured at fair value by our Group, except for those listed in the table below, other items such as cash and cash equivalents, receivables, other financial assets, security deposits, short-term loans, payables, lease liabilities (including current and non-current), long-term loans (including those due within a year or an operating cycle), and security deposits, their carrying amounts are a reasonable approximation of fair value.

十三、Supplementary Disclosures

(一) Information Related to Significant Transactions (Before consolidation elimination)

1. Lending funds to others: Annex 1.
2. Endorsing and guaranteeing for others: Annex 2.
3. Holding valuable securities at the end of the period: None.
4. The amount of accumulated purchases or sales of the same valuable securities reaches NT\$ 300 million or more than 20% of the actual paid-in capital: None.
5. The amount of acquisition of real estate reaches NT\$ 300 million or more than 20% of the actual paid-in capital: None.
6. The amount of disposal of real estate reaches NT\$ 300 million or more than 20% of the actual paid-in capital: None.
7. The amount of purchases and sales from related parties reaches NT\$ 100 million or more than 20% of the actual paid-in capital: Annex 3.
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
9. Engaging in derivative product transactions: None.

(二) Information related to reinvestment in businesses (not including investment in Mainland China): Annex 5.

(三) Information on investments in Mainland China (Before consolidation elimination): Annex 6.

(四) Major shareholder information: Annex 7.

十四、Department Information

The company has disclosed departmental information in the consolidated financial report, hence individual financial reports are not disclosed.

Annex 1

HiTi Digital Inc.
Lending of funds to others
2022/12/31

No. (Note 1)	Loan Funded Companies	Loan recipients	Previous Subjects	Is a related person	Maximum amount for the period	End of term balance	Actual expenditure for the period	Interest Rate Range	Funding and nature of loans	Amount of business transactions	There are reasons why short-term financing is necessary	Allowance Amount of doubtful debts	Collateral		Funding limits for individual targets	Capital Credits and Total Limits	Note
1	The company	HiTi de Mexico,S.de R.L.de C.V.	Other receivables	Y	\$ 4,679	\$ 4,679	\$ -	0%	1	\$ 12,427	Operational Turnaround	\$ -	—	\$ -	\$ 12,427	\$ 179,994	2, 5
2	The company	CHC	Other receivables	Y	60,000	45,000	41,199	2%	1	185,426	Operational Turnaround	-	—	-	44,998	179,994	-
2	The company	CHC	Other receivables	Y	60,000	55,000	-	2%	2	-	Operational Turnaround	-	—	-	44,998	179,994	-
3	The company	HiTi Digital Europe Srl	Other receivables	Y	25,898	25,898	15,024	0%	1	34,662	Operational Turnaround	-	—	-	34,662	179,994	2

Note1 : According to the company's "Procedures for Lending Funds to Others", when there are subsidiaries in need of short-term capital, the individual loan amount should not exceed 10% of the company's net worth, and the total amount of funds lent should not exceed 40% of the company's net worth. For foreign companies in which the company directly and indirectly holds 100% of the voting rights, or foreign companies that lend funds to the company, the total amount of loans and the limit for individual subjects should not exceed 100% of the net worth of the company.

Note 2 : As per the company's "Procedures for Lending Funds to Others", when the foreign companies in which the company directly and indirectly holds 100% of the voting rights lend funds, if there are business transactions, the funds lent to a single enterprise should not exceed the amount of business transactions. The so-called business transaction amount is determined by the higher of the actual average purchases and sales of both parties in the last two years, and it should not exceed 10% of the parent company's net worth. The total amount of funds lent should not exceed 40% of the company's net worth.

Note 3 : The method for filling in the nature of lending is as follows:

(1) Fill in 1 for those with business transactions.

(2) Fill in 2 for those in need of short-term financing.

Note 4 : The aforementioned transactions have been offset when preparing the consolidated financial statements.

Note 5: The subsidiary (HMC) has completed the registration process with the local government in Mexico in July 2022 to convert the loan into capital, thereby resolving the overdue loan situation.

HiTi Digital Inc. and its subsidiaries

Endorsement for others

December 31, 2023

Annex 二

No. (Note 1)	Name of the company endorsing the guarantor	Endorsed by		Guarantee limit for single enterprise endorsement (Note 3)	Maximum Endorsement Guarantee Balance for the period	Endorsement guarantee balance at the end of the period	Actual spending balance	Amount of guarantee by endorsement of property	Ratio of cumulative endorsement guarantee to net worth of most recent financial statements	Maximum Endorsement Guarantee (Note 4)	Parent company to subsidiary	Subsidiary endorsement of parent company	Guaranteed endorsement for Mainland China
		Company Name	Relationships (Note 2)										
0	The company	CHC Technology Inc.	1	\$ 134,995	\$ 66,250	\$ 55,000	\$ 38,907	\$ -	9.87%	\$ 202,493	Y	N	N

Note 1: The description of the column "Number" is as follows:

(1) Fill in 0 for the issuer.

(2) For invested companies, use Arabic numerals from 1 in sequence.

Note 2: The relationship between the guarantor and the guaranteed party is as follows:

(1) Companies with business transactions.

Note 3: The balance of endorsements and guarantees for a single enterprise by the Company is limited to not more than thirty percent of the Company's net value. Endorsements and guarantees are engaged due to business dealings, not exceeding the amount of business dealings between the two parties.

The so-called business dealings refer to the higher of the actual amount of purchases and sales between the two parties in the past two years, and not more than 30% of the company's net value.

Note 4: The calculation method of the maximum limit should not exceed 45% of the net value of the company's latest financial statements audited or reviewed by an accountant

HiTi Digital Inc. and its subsidiaries

Purchase or sale of goods with related parties amounting to at least NT\$100 million or 20% of the paid-in capital

December 31, 2023

Annex 三

(In thousands of New Taiwan Dollars)

Companies that buy and sell goods	Name of counterparty	Relationships	Transactions Details				Circumstances under which the terms of the transaction differ from those of a normal transaction		Bills receivable (paid), accounts payable	
			Sale/Purchase	Amount	Percentage of total imports (sales)	Credit period	Unit Price	Credit period	Balance	Percentage of total bills and accounts receivable (paid)
The Company	CHC Technology Inc.	subsidiary	Purchase	\$ 222,499	50.76%	charged according to their fund turnover	-	-	-	-

HiTi Digital Inc. and its subsidiaries

Information on the investment transfer (excluding Mainland China investee companies)

December 31, 2023

Annex 三

(In thousands of New Taiwan Dollars)

Name of Investment Company	Name of investee company	Location	Main Business Items	Original Investment Amount		Held at end of period			(Loss) profit for the period of the investee company	(Loss/Gain) on investments recognized in the period	Remark
				End of the period	End of last year	Number of shares	Proportion	Carrying amount			
The company	HSU	Singapore	Digital Printers Sales	\$ 9,185	\$ 9,185	300	100.00	\$ 18,434	\$ 11,652	\$ 11,652	subsidiary
The company	HTA	United States	Digital Printers Sales	86,311	86,311	2,600	100.00	23,285	3,002	3,002	subsidiary
The company	CHC Investment	Taiwan	Manufacture of paper products made of chemical materials	550,130	350,130	45,178	65.31	218,344	(91,328)	(58,084)	subsidiary
The company	HMC	Mexico	Digital Printers Sales	154,184	154,184	–	100.00	7,344	(7,078)	(7,078)	subsidiary
HSU	HEU	Italy	Digital Printers Sales	5,439	5,439	–	100.00	(10,084)	1,387	1,387	subsidiary

HiTi Digital Inc. and its subsidiaries

Mainland Investment Information

December 31, 2023

Annex 五

1. Details of investment:

(In thousands of New Taiwan Dollars)

Name of Mainland China investee company	Main Business Items	Paid-in capital	Investment Approach (Note 1)	Accumulated investments remitted from Taiwan at the beginning of the period	Amount of investment remitted or recovered during the period		Accumulated investments remitted from Taiwan at the end of the period	Percentage of the Company's shareholding in direct or indirect investments	Profit or Loss for the period of the investee company	Gains or losses on investments recognized during the period (Note 2)	Carrying amount of investments at the end of the period	Investment income remitted up to the period
					remit	Take back						
HiTi Digital (Suzhou) Co.	Digital Printers Sales	\$ 3,165 (USD 100)	(一)	\$ 32 (USD 1)	\$ -	\$ -	\$ 32 (USD 1)	(\$ 9,139)	100.00%	(\$ 9,139)	\$ 2,303	\$ -

Company Name	Cumulative amount of remittances from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission of the Ministry of Economic Affairs	Investment quota in Mainland China in accordance with the Investment Commission of the Ministry of Economic Affairs
本公司	NT\$32 (USD 1)	NT\$35,211 (USD 1,210)	NT\$269,990

Note: According to the regulations of the Investment Commission of the Ministry of Economic Affairs, if the net worth of a company is less than NT\$5 billion, the cumulative amount or proportion of its investment in China is capped at 60% of its net worth or NT\$80 million (whichever is higher).

Note 1: Investment methods are divided into the following three types, just mark the type:

- (一) Direct investment in Mainland China.
- (二) Reinvestment in Mainland China through a third-party regional company.
- (三) Other methods.

Note 2: It adopts the profit and loss recognized in the report audited and certified by an accountant.

2. Significant transactions directly or indirectly occurred with Mainland China investment companies through a third-party regional business:

For significant transactions directly or indirectly with invested companies in Mainland China in the fiscal year 2023 of our Group, please refer to the "Information on Significant Transactions" and "Business Relationship and Important Transactions between Parent and Subsidiaries" descriptions in the consolidated financial report.

HiTi Digital Inc. and its subsidiaries
Major Shareholder Information
December 31, 2023

Annex 六

NAME OF STOCKHOLDER	SHARES	
	Number of shares held	Shareholder ratio
GUO QIAN LEASING CO., LTD	15, 014, 430	10. 42%
GUAN FENG INVESTMENT LTD	12, 825, 687	8. 90%
HUANG, JIEN-HUA (NOTE)	11, 483, 855	7. 97%

Note: The estate is currently being registered for transfer.

Schedule of significant accounting items

Item	Index
Schedule of Assets, Liabilities and Equity	
Schedule of Cash and Cash Equivalents	Schedule (1)
Schedule of Accounts Receivable	Schedule (2)
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Schedule of changes in investments accounted for using the equity method	Schedule (4)
Schedule of changes in property, plant and equipment	Note (6) 6
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Schedule of Changes in Right-of-Use Assets	Note (6) 7
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Schedule of Deferred Income Tax Assets	Note (6) 21
Schedule of short-term borrowings	Schedule (5)
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Summary of employee benefits, depreciation and amortisation expenses incurred during the period by function	Note (6) 17

HiTi Digital Inc. and its subsidiaries

Cash and Cash Equivalents

December 31, 2023

Schedule (1)		(In thousands of New Taiwan Dollars)	
Item	Comment	Amount	Remark
Cash			
Cash on hand		\$ 710	
Petty Cash		85	
Deposits in Bank			
Deposits in transit			
Demand Deposits		5,486	
Foreign Currency	EUR0.1 thousand at 34.1255		
Deposits	EUR475 thousand at 30.71	778	
	CNY15 thousand at 4.3352		
	JPY30 thousand at 0.2172		
		<u>\$ 7,059</u>	

HiTi Digital Inc. and its subsidiaries
Schedule of Cash and Cash Equivalents
December 31, 2023

Schedule (2)

(In thousands of New Taiwan Dollars)

Name of Client	Amount	Remark
Company A	\$ 4,023	Debt balance of less than 5%
Company B	3,448	
Company C	4,377	
Company D	3,027	
Others	2,994	
subtotal	17,869	
Less: Allowance for losses	(449)	
Net	\$ 17,420	

HiTi Digital Inc. and its subsidiaries

Schedule of Inventory

December 31, 2023

Schedule (3)

(In thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realisable value
Raw Materials	\$ 67,376	\$ 63,399
Semi-finished and in-process products	76,642	82,450
Merchandise and finished goods	94,797	128,380
Subtotal	238,815	
Less: Allowance for loss on decline in value of inventories	(71,041)	274,229
Net	\$ 167,774	

HiTi Digital Inc. and its subsidiaries

Schedule of changes in investments accounted for using the equity method

December 31, 2023

Schedule (4)

(In thousands of New Taiwan Dollars)

Investee companies	Opening balance		Increase during the period (Note 1)		Decrease for the period		Gains or losses recognised using the equity method	Translation of financial statements of foreign operating entities	Others	End of term balance			Market value or net equity		Provision of guarantees or pledges	Remarks
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Ratio	Amount	Unit Price	Net Shareholding		
HiTi Digital (Suzhou) Co.	-	\$ 11,021	-				(\$ 9,139)	(\$ 22)	\$ 443	-	100.00	\$ 2,303	-	\$ 2,303	None	
HiTi de Mexico, S. de R.L. de C.V.	-	11,430	-				(7,078)	1,632	1,360	-	100.00	7,344	-	7,344	None	
Hiti Digital Singapore PTE LT.	300	6,850	-				11,652	(274)	206	300	100.00	18,434	-	20,163	None	
HiTi Digital America, Inc.	2,600	19,475	-				3,002	(44)	852	2,600	100.00	23,285	-	24,259	None	
CHC Technology Inc.	16,607	137,929	28,571	133,584			(58,084)		4,915	45,178	65.31	218,344	-	180,181	None	
Total		\$ 186,705		\$ 133,584		\$ -	(\$59,647)	\$ 1,292	\$ 7,776			\$ 269,710				

Note 1: This represents the purchase of shares in CHC Technology Inc for NT\$200,000 thousand (the impact of the increased shareholding is NT\$133,584 thousand).

Note 2: This represents unrealized profits among affiliated companies amounting to NT\$7,776 thousand.

HiTi Digital Inc. and its subsidiaries
Schedule of changes in investments accounted for using the equity method
December 31, 2023

Schedule (5)

(In thousands of New Taiwan Dollars)

Type	Borrowers	End of term balance	Term	Rate	Financing Limit	Pledges or guarantees	Remark
Guaranteed Loans	Jianghai Allianz	\$ 30,000	112. 12. 22~113. 03. 22	6. 00%	–	Equipment	
Guaranteed Loans	Jianghai Allianz	30,000	112. 12. 28~113. 03. 28	6. 00%	–	Equipment	
Borrowing for purchases	Bank of Shanghai	28,304	112. 10. 30~113. 10. 06	7. 68%	\$ 30,000	Utilize 50% of the deposit quota	
	Bank of Taichung	30,000	112. 05. 15~113. 05. 15	4. 12%		Allocate 10% of the deposit to the reserve fund	
合 計		\$ 118,304					

HiTi Digital Inc. and its subsidiaries
Schedule of Accountings Payable
December 31, 2023

Schedule (6) (In thousands of New Taiwan Dollars)

Name of Client	Amount	Remark
Company A	\$ 5, 276	Debt balance less than 5%者
Company B	3, 434	
Company C	1, 340	
Others	62, 922	
Total	\$ 72, 972	

HiTi Digital Inc. and its subsidiaries
Schedule of Other Payable
December 31, 2023

Schedule (6)

(In thousands of New Taiwan Dollars)

Summary	Amount	Remark
Salary payable	\$ 8,674	
Bonuses payable	14,119	
Employee benefits payable - paid leave	1,892	
Insurance premiums payable	15,296	
Pension costs payable	1,655	
Other	24,296	
Total	\$ 65,932	

HiTi Digital Inc. and its subsidiaries

Schedule of Long-term Loan

December 31, 2023

Schedule (8)

(In thousands of New Taiwan Dollars)

Types of Borrowings	Bank Name	End of term balance		Term	rate	Pledges or guarantees
		End of term balance	End of term balance			
Guaranteed Loans:	Capital Bank Leasing Co	\$ 460,000	\$ –	110.09.02~113.09.23	5%	Inventory, performance bond and plant
	Fina Finance & Trading Co., Ltd	9,450	10,596	112.03.30~115.03.30	4.05%	Inventory, performance bond and plant
	Risheng Taisun Leasing Co	10,200	–	111.12.30~113.12.30	4.52	Inventory, performance bond and plant
	Hotai Finance Co., Ltd.	7,229	2,535	111.04.06~114.04.06	7.648%	Inventory, performance bond and plant
	TCB Bank	4,028	6,226	110.06.15~115.06.15	2.403%	20% of deposit
	TCB Bank	2,400	24,200	111.07.15~116.07.15	2.403%	20% of deposit
Total		\$ 493,307	\$ 43,557			

HiTi Digital Inc. and its subsidiaries

Schedule of Operating Cost

December 31, 2023

Schedule (9)

(In thousands of New Taiwan Dollars)

Summary	Amount		Remark
	Sub	Total	
Raw material consumption		\$ 411,258	Schedule (10)
Opening stock	\$ 78,857		
Add: Current period's input	438,296		
Other	—		
Less: Raw materials at the end of the period	(67,376)		
Sale of raw materials	(36,474)		
Scrapping of raw materials	—		
Other	(2,045)		
Direct labour		38,442	
Manufacturing costs		37,591	
Cost of manufacture		487,291	
Add: Work in progress at the beginning of the period		73,486	
Less: Work in progress at the end of the period		(76,642)	
Sale of work in progress		(4,098)	
Scrapping of work in progress		—	
Other		(5,068)	
Cost of finished goods		474,969	
Add: Finished goods at beginning of period		123,745	
Purchased in the period		(216)	
Other		—	
Less: Finished goods at end of period		(94,797)	
Scrapping of finished goods		—	
Inventory loss on finished goods		—	
Other		(1,417)	
Production and marketing costs		502,284	
Other operating costs			
(Continue Next page)			

HiTi Digital Inc. and its subsidiaries
Schedule of Long-term Loan
December 31, 2023

Schedule (9)

(In thousands of New Taiwan Dollars)

(Continued from previous page)			
Add: Unallocated manufacturing costs		101,336	
Sale of raw materials and work in progress		40,572	
Loss on obsolescence of inventories		—	(Not reaching 5%)
Inventory losses		—	
Other		(109)	
Less: Gain on reversal of inventories		(3,645)	
Total operating costs		\$ 640,438	

HiTi Digital Inc. and its subsidiaries

Schedule of Manufacturing Cost

December 31, 2023

Schedule (10)

(In thousands of New Taiwan Dollars)

Item	Amount	Remark
Indirect labour	\$ 73,879	
Depreciation of all items	32,598	
Processing costs	9,997	
Other expenses (less than 5% of this account)	22,453	
Less: Unallocated manufacturing costs	(101,336)	
Total	\$ 37,591	

HiTi Digital Inc. and its subsidiaries

Schedule of Operating Expense

December 31, 2023

Schedule (11)

(In thousands of New Taiwan Dollars)

Item	Marketing Fees	Management fees	Research and development costs	Total
Salary	\$ 10,466	\$ 32,530	\$ 23,402	\$ 66,398
Pensions	474	1,563	1,170	3,207
Health premiums	831	3,094	1,787	5,712
Depreciation of all items	3,369	5,542	446	9,357
Amortisation of various items	4,825	901	–	5,726
Other expenses (less than 5% of this account)	19,776	38,855	2,491	61,122
Total	\$ 39,741	\$ 82,485	\$ 29,296	\$ 151,522