

UNIFOSA CORP.
PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2023 AND 2022 AND
INDEPENDENT AUDITORS' REPORT

Address: 3F., No. 5, Alley 22, Lane 513, Jui Kuang Rd., Neihu Dist., Taipei City
Office Number: +886 2 8797 1108

UNIFOSA CORP.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
§TABLE OF CONTENTS§

Contents	<u>Page No.</u>
1、Cover	-
2、Table of Contents	-
3、Independent Auditors' Auditor Report	-
4、Parent company only Balance Sheets	1
5、Parent company only Statements of Comprehensive Income	2~3
6、Parent company only Statements of Changes in Equity	4
7、Parent company only Statements of Cash Flows	5~6
8、Notes to Parent Company only Financial Statements	
(1) General	7
(2) The date and procedures of authorization of financial statements	7
(3) Application of new and revised standards and interpretations	7~8
(4) Summary of significant accounting policies	8~17
(5) Critical accounting judgements and key sources of estimation and uncertainty	17~18
(6) Explanation of significant accounts	18~36
(7) Related parties transactions	36~38
(8) Assets pledged as collateral	38
(9) Material Contingent Liabilities and Unrecognized Contractual Commitments	38
(10) Significant Disaster Loss	38
(11) Significant events after the Balance Sheet Date	38
(12) Other Matters	38~44
(13) Separately disclosed items	
A. Information on significant transactions	44
B. Information on investees	44
C. Information on investment in Mainland China	44
D. Information on major shareholders	44
(14) Segment Information	44
9、List of major account tiles	45~62

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Unifosa Corp.

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial status of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its cash flow for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The Recognition of Sales Revenue

Taiwan's Standards on Auditing (TWSA) presupposes that there is a higher innate risk of fraud that revenue recognition carries, and there may be pressure on management to achieve expected financial goals, resulting in a higher risk of congenital fraud in revenue recognition. In 2023, the sales revenue of the top ten sales customers of Unifosa Corp. accounted for 50.77% of the annual net operating income, which has a relatively significant impact on the parent company only financial statements, therefore, we consider it a key audit matter.

We address the above-mentioned matter by taking main audit procedures as follows:

1. Understand the internal control systems related to such sales transactions, and evaluate the effectiveness of its design and implementation.
2. Understand the customer's background and obtain basic information to assess whether the transaction amount and credit limit are reasonable with the size of the company.
3. Conduct audit tests on customers' purchasing orders and shipping orders, at the same time, check and verify with external shipping documents, receivables write-off records and certificates of receipts and other relevant information to assess whether they meet the conditions for revenue recognition.

The Evaluation of Impairment for Investment Using Equity Method (including goodwill and intangible assets)

Unifosa Corp. acquired the control of MORELINK TECHNOLOGY CORPORATION in 2020. As of December 31, 2023, the balance of the investment using equity method of this merger and acquisition the Company has is NT\$43,134 thousand (including goodwill at \$19,800 thousand and intangible assets of 5,773 thousand).

For Unifosa Corp., Morelink Technology Corporation is an independent cash generating unit, and the recoverable amount of investments (including goodwill and intangible assets) using the equity method is measured according to its future operating cash flows. As these assumptions involve management's subjective judgment and may be affected by future industrial and economic outlooks, and are highly uncertain, the Evaluation of impairment of investments using the equity method is listed as a key audit matter. For details of investments using the equity method, please refer to Notes 4, 5 and 6 (5) to the Parent Company Only Financial Statements.

We address the above-mentioned matter by taking main audit procedures as follows:

1. Understand and assess management's procedures for identifying signs of impairment of such assets.
2. Assess the professional competence, competency and objectivity of external evaluation experts commissioned by management. Discuss with management the terms of reference of the evaluation expert and review the terms of his appointment to confirm that there are no matters affecting his objectivity or limiting his scope of work, and that the methodology used by the evaluation expert is consistent with International Accounting Standards and its industry norms.
3. Understand the process and basis for management's estimation of the financial data forecast of the cash generating units belonging to such assets from the future operating outlook.

Evaluation for Allowance for Inventory Valuation and Obsolescence Losses

The inventory business content of Unifosa Corp. is divided into memory business group and storage business group, which may affect management's estimation of net realization value and judgment of inventory obsolescence due to fluctuations in market demands and rapid technological changes, so it is listed as a key audit matter. For the valuation of inventory allowances against price declines and obsolete losses, please refer to notes 4, 5 and 6 (4) to the Parent Company Only Financial Statements.

We address the above-mentioned matter by taking main audit procedures as follows:

1. Assess whether the provision policy adopted by management to provide for the allowance for the loss for market price decline and obsolete and slow-moving inventories is reasonable and appropriate.
2. Obtain the breakdown of inventory price declines prepared by management, verify whether it is measured by cost and net realizable value whichever is lower, through sampling, and assess the reasonableness of the net realizable value basis used.
3. Obtain inventory aging analysis reports, evaluate inventory status through sample selection, testing of relevant certificates and by participating in and observing year-end inventory takes, so as to assess the adequacy of the allowance for inventory obsolescence loss.

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope

and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Chuan Chang and Chin-Feng Lin. FSC approval number: Financial Management Certificate Examination No.1050001113

Crowe (TW) CPAs

Taipei, Taiwan
Republic of China

March 8, 2024

Notice to Readers

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

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

UNIFOSA CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

ASSETS		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
CURRENT ASSETS					
Cash and cash equivalents	Note 6(1)	\$ 107,084	18	\$ 150,797	25
Notes receivable from unrelated parties, net	Note 6(3) and (12)	480	-	772	-
Accounts receivable from unrelated parties, net	Note 6(3)	33,415	6	26,417	4
Other accounts receivable	Note 6(3) and 7	132	-	105	-
Current tax assets	Note 6(15)	65	-	16	-
Inventories, net	Note 6(4)	24,821	4	39,247	7
Prepayments		1,314	-	741	-
Other current assets		11	-	2	-
Total current assets		<u>167,322</u>	<u>28</u>	<u>218,097</u>	<u>36</u>
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income	Note 6(2)	4,350	-	4,575	1
Investments accounted for using the equity method	Note 6(5)	135,289	24	96,620	16
Property, plant and equipment	Note 6(6) and 8	262,386	44	265,054	43
Right-of-use assets	Note 6(7)	7,403	1	5,402	1
Deferred tax assets	Note 6(15)	11	-	141	-
Net defined benefit assets	Note 6(10)	12,288	2	11,730	2
Other non-current assets		8,049	1	6,825	1
Total non-current assets		<u>429,776</u>	<u>72</u>	<u>390,347</u>	<u>64</u>
TOTAL ASSETS		\$ 597,098	100	\$ 608,444	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Contract liabilities	Note 6(12)	\$ 2,530	-	\$ 2,047	-
Accounts payable to unrelated parties		20,437	4	21,629	4
Other payables	Note 6(9)	16,861	3	15,982	3
Lease liabilities	Note 6(7)	1,845	-	1,312	-
Other current liabilities		381	-	374	-
Total current liabilities		<u>42,054</u>	<u>7</u>	<u>41,344</u>	<u>7</u>
NONCURRENT LIABILITIES					
Deferred tax liabilities	Note 6(15)	2,728	-	2,677	-
Lease liabilities	Note 6(7)	5,629	1	4,097	1
Deposits received		738	-	738	-
Total non-current liabilities		<u>9,095</u>	<u>1</u>	<u>7,512</u>	<u>1</u>
Total liabilities		<u>51,149</u>	<u>8</u>	<u>48,856</u>	<u>8</u>
EQUITY					
Share capital	Note 6(11)	916,288	154	916,288	151
Additional paid-in capital	Note 6(11)	60,849	10	6,998	1
Retained earnings	Note 6(11)				
Legal reserve		7,306	1	7,306	1
Accumulated deficit		(427,800)	(71)	(360,579)	(59)
Total retained earnings		<u>(420,494)</u>	<u>(70)</u>	<u>(353,273)</u>	<u>(58)</u>
Other equity interest	Note 6(11)	(10,694)	(2)	(10,425)	(2)
Total equity		<u>545,949</u>	<u>92</u>	<u>559,588</u>	<u>92</u>
TOTAL LIABILITIES AND EQUITY		\$ 597,098	100	\$ 608,444	100

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

UNIFOSA CORP.

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

		2023		2022	
		Amount	%	Amount	%
OPERATING REVENUE	Note 6(12) and 7	\$ 194,599	100	\$ 302,089	100
OPERATING COSTS	Note 6(4 and 13)	(152,648)	(79)	(262,517)	(87)
Gross profit from operations		41,951	21	39,572	13
Unrealized gain (loss) from sale	Note 6(5)	(9)	-	(9)	-
Realized loss from sale	Note 6(5)	9	-	(150)	-
GROSS PROFIT, NET		41,951	21	39,413	13
OPERATING EXPENSES	Note 6(13) and 7				
Selling and marketing expenses		(18,522)	(9)	(20,113)	(7)
General and administrative expenses		(37,441)	(19)	(38,272)	(12)
Research and development expenses		(14,819)	(8)	(14,513)	(5)
Total operating expenses		(70,782)	(36)	(72,898)	(24)
LOSS FROM OPERATIONS		(28,831)	(15)	(33,485)	(11)
NON-OPERATING INCOME AND EXPENSES					
Interest income		1,081	-	611	-
Other gains and losses	Note 6(14) and 7	11,159	6	15,053	5
Finance costs		(167)	-	(34)	-
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using the equity method	Note 6(5)	(50,538)	(26)	(38,299)	(13)
Total non-operating income and expenses		(38,465)	(20)	(22,669)	(8)
LOSS BEFORE INCOME TAX		(67,296)	(35)	(56,154)	(19)
INCOME TAX (EXPENSE) BENEFIT	Note 6(15)	(130)	-	99	-
NET LOSS		(67,426)	(35)	(56,055)	(19)

(Continued)

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	Note 6(10)	256	-	6,367	2
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	Note 6(11)	(225)	-	(855)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	Note 6(15)	(51)	-	(1,273)	-
		<u>(20)</u>		<u>4,239</u>	<u>2</u>
Items that will be reclassified subsequently to profit or loss:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	Note 6(11)	(44)	-	-	-
Income tax relating to items that will be reclassified subsequently to profit or loss	Note 6(15)	-	-	-	-
		<u>(44)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year (net of income tax)		<u>(64)</u>	<u>-</u>	<u>4,239</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ (67,490)</u>	<u>(35)</u>	<u>\$ (51,816)</u>	<u>(17)</u>
EARNINGS PER SHARE					
Basic earnings per share	Note 6(16)	<u>\$ (0.74)</u>		<u>\$ (0.61)</u>	
Diluted earnings per share		<u>\$ (0.74)</u>		<u>\$ (0.61)</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

UNIFOSA CORP.

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

	Share Capital	Additional paid-in capital	Retained Earnings		Other Equity Items		Total Equity
			Legal Reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized losses on financial assets measured at fair value through other comprehensive income	
BALANCE, JANUARY 1, 2022	\$ 916,288	\$ 6,998	\$ 7,306	\$ (298,490)	\$ -	\$ (9,570)	\$ 622,532
Net loss for the year ended December 31, 2022	-	-	-	(56,055)	-	-	(56,055)
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	5,094	-	(855)	4,239
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	(50,961)	-	(855)	(51,816)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	(11,128)	-	-	(11,128)
BALANCE, DECEMBER 31, 2022	916,288	6,998	7,306	(360,579)	-	(10,425)	559,588
Changes in equity of associates and joint ventures accounted for using the equity method	-	53,587	-	-	-	-	53,587
Net loss for the year ended December 31, 2023	-	-	-	(67,426)	-	-	(67,426)
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	205	(44)	(225)	(64)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	(67,221)	(44)	(225)	(67,490)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	264	-	-	-	-	264
BALANCE, DECEMBER 31, 2023	\$ 916,288	\$ 60,849	\$ 7,306	\$ (427,800)	\$ (44)	\$ (10,650)	\$ 545,949

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

UNIFOSA CORP.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (67,296)	\$ (56,154)
Adjustments for:		
Depreciation expenses	4,594	4,325
Interest expenses	167	34
Interest income	(1,081)	(611)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	50,538	38,299
Unrealized gain from sale	9	9
Realized loss (gain) from sale	(9)	150
Net movements in operating assets		
Decrease (increase) in notes receivable from unrelated parties, net	292	(428)
Decrease (increase) in accounts receivable from unrelated parties, net	(6,998)	5,894
Decrease in accounts receivable from related parties, net	-	920
Decrease (increase) in other accounts receivable	(27)	26
Decrease (increase) in inventory, net	14,309	(11,379)
Increase in prepayments	(573)	(26)
Decrease (increase) in other current assets	(9)	14
Decrease (increase) in other operating assets	(302)	3,370
Net movements in operating liabilities		
Increase in contract liabilities	483	1,847
Decrease in accounts payable to unrelated parties	(1,192)	(2,057)
Decrease (increase) in other payable	879	(1,396)
Increase in other current liabilities	7	50
Cash outflow from operations	(6,209)	(17,113)
Interest received	1,081	611
Interest paid	(167)	(34)
Income tax refund (paid)	(49)	22
Net cash outflows in operating activities	(5,344)	(16,514)

(Continued)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(35,400)	(33,813)
Increase in other non-current assets	(1,224)	-
Decrease in other non-current assets	-	2,462
Net cash outflows in investing activities	<u>(36,624)</u>	<u>(31,351)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits received	-	52
Repayment of principal portion of lease liabilities	(1,745)	(1,508)
Net cash outflows in financing activities	<u>(1,745)</u>	<u>(1,456)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,713)	(49,321)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	150,797	200,118
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 107,084</u>	<u>\$ 150,797</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

UNIFOSA CORP.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Unifosa Corp. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China on May 16, 1994, which engages mainly in the manufacture of office machinery, data storage and processing equipment, electronic components, etc. and the wholesale, retail and international trade of office machinery and equipment. On December 27, 2004, Unifosa Corp.’s shares were listed in the over-the-counter market on Taipei Exchange (TPEX) for trading.

The Company merged with Proware Technology Co., Ltd. (hereinafter referred to as Proware Technology) on January 1, 2013, which is the reference date specified for the merger/consolidation; and the Company became the surviving company after the merger.

2. THE DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved by the Board of Directors and issued on March 8, 2024.

3. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

- (1) 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).

The new/revised/amended IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2023 :

New / Revised / Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 Definition of Accounting Estimates	January 1, 2023 (Note 2)
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 3)
Amendments to IAS 12 International Tax Reform Pillar Two Module Rules	January 1, 2023 (Note 4)

Note 1: This amendment will apply to annual reporting periods beginning on or after January 1, 2023.

Note 2: This modification applies to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning on or after January 1, 2023.

Note 3: Subject to additional provisions regarding temporary differences related to leases and decommissioning obligations, this modification applies to transactions occurring after the earliest expressed comparative period start date (January 1, 2022).

Note 4: Amended by International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12). The amendments introduce an exception to the requirements in the standard that an entity does not recognize and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes; an entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments; the remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023.

Application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- (2) The IFRSs announced by IASB and endorsed by the Financial Supervisory Commission (FSC) for application starting from 2024.

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

Note 1: The seller and lessee shall apply the contents of this amendment retrospectively to the sale and leaseback transactions signed after the date of initial application of IFRS 16 in accordance with the provisions of IAS 8.

Note 2: This amendment provides certain amount of transitional reliefs, upon first application, entities are not required to disclose comparative information and interim period information, as well as the initial indicative information as required by paragraph 44H(b)(ii)-(iii).

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the Evaluation is completed.

- (3) New IFRSs in issue by the IASB but not yet endorsed and issued into effect by the FSC

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

As of the date the parent company only financial statements were authorized for issue, the Company is continuously evaluating the possible impact that the application of above standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impact when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of the Company’s significant accounting policies are as follows:

(1) Statement of compliance

These parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

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

When preparing the parent company only financial statements, the Company account for subsidiaries and associates by using the equity method. The current profit and loss, other comprehensive profit and loss and equity in the parent company only report are the same as the current profit and loss, other comprehensive profit and loss and equity attributable to the owner of the company in the company's consolidated financial report. There is no difference in the basis of accounting treatment between the parent company only and the consolidated reports.

(3) Foreign Currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in a foreign currency and measured at historical cost are stated at the reporting currency as originally translated from the foreign currency.

When preparing parent company only financial statements, the assets and liabilities of the Company's foreign operating institutions are converted into NT dollars at the exchange rate at the end of each reporting period; income and expense items are converted at the current average exchange rate, the resulting exchange differences are recognized in other comprehensive profit or loss and properly attributed to the owners and non-controlling interests of the Company.

When disposing of a foreign operating institution constitutes a loss of control, joint control or significant influence on the foreign operating institution, all interests attributable to the owner of the Company related to the foreign operating institution will be reclassified as profit or loss.

When part of the disposal of a subsidiary included in a foreign operating institution does not constitute a loss of control over the subsidiary, the accumulated exchange difference recognized in other comprehensive profit or loss is re-attributed to the non-controlling interest of the subsidiary in proportion and is not recognized as profit or loss. In the case of any other partial disposal of foreign operating institutions, the Company's ownership interests in associates or jointly controlled entities have decreased but no significant influence or joint control has been lost. Accumulated exchange differences recognized in other comprehensive profit or loss are reclassified to profit or loss in proportion to the disposal.

(4) Classification of Current and Non-Current Assets and Liabilities

Current assets include cash and cash equivalents, and are held primarily for the purpose of trading, and due to be settled within twelve months after the reporting period, excluding those restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are held primarily for the purpose of trading, including those due to be settled within twelve months after the reporting period, and those which do have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

(5) Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits and short-term and highly liquid investments (including time deposits with an original maturity date of three months) that can be converted into fixed cash at any time with little risk of change in value.

(6) Financial Instruments

Financial assets and financial liabilities are recognized on parent company only balance sheets when a group entity becomes a party to the contractual provisions of the instruments.

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

(7) Financial Assets

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

a. Measurement category

The Company's financial assets are classified into the following categories:

(a) Investments in equity instruments at FVTOCI

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

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

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

(b) Financial assets at amortized cost

Financial assets that meet the following two conditions are subsequently 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, including cash and cash equivalents, notes and trade receivables and other financial assets are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

b. Impairment of financial and contractual assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables), investment on debt instrument measured through other comprehensive profit or loss at fair value, lease and receivables and contractual assets.

The Company always recognizes the loss allowance by lifetime Expected Credit Loss (i.e. ECL) for notes and accounts receivable. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month ECL.

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. De-recognition of financial assets

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

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

in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

(8) Financial Liability and Equity Instruments

The obligations and equity instruments issued by the company are classified as financial liabilities based on the substance of the joint agreement and the definition of financial liabilities and equity instruments.

1. Equity Instruments

An equity instrument is any contract that recognizes the Company's residual interest in assets less all liabilities. The equity instruments issued by the Company are recognized at the proceeds obtained after deducting the direct issuance costs.

The reacquired equity instruments of the Company are recognized and deducted under equity items. The purchase, sale, issuance or write-down of the Company's own equity instruments are not recognized in profit or loss.

2. Financial Liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method or at fair value through profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value and any gain or loss arising from the remeasurement is recognized in profit or loss.

Financial liabilities other than held-for-trading and designated at fair value through profit or loss are measured at amortized cost using the effective interest method.

3. Derecognition of Financial Liabilities

The Company derecognizes financial liabilities only when the obligation is released, canceled or expires. When derecognizing a financial liability, the difference between its carrying amount and the consideration paid is recognized in profit or loss.

(9) Inventories

The Company's inventory includes raw materials, work-in-progress, semi-finished products, finished products and commodities, etc., which are recorded on the basis of actual purchase costs, and the weighted average method is used for cost calculation.

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriated to group similar or related items. The net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale under normal situations.

(10) Investment accounted for using the Equity Method

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

Investments in Subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

When the Company's share of losses to a subsidiary equals or exceeds its interest in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term interests that are substantially part of the Company's net investment in the subsidiary), losses continue to be recognized on a pro rata basis.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the control of a subsidiary is lost, the Company measures its remaining investments in the former subsidiary at the fair value of the date of loss of control, and the difference between the fair value of the remaining investments and the price of any disposition and the carrying amount of the investments at the date of loss of control is included in profit or loss for the year. In addition, all amounts recognized in other comprehensive gains and losses relating to the subsidiary are accounted for on the same basis as the Company must follow for the direct disposition of the relevant assets or liabilities.

The remaining investment in the former subsidiary is the cost of the original recognized investment in the associate at the fair value at the date of loss of control.

Unrealized gains and losses on downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial statements. Profits and losses arising from countercurrent and side stream transactions between the Company and its subsidiaries are recognized in the parent company only financial statements to the extent unrelated to the Company's interests in subsidiaries.

Investments in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the company's share of the profit or loss and other comprehensive income of the associate and the distribution received. The Company also recognizes the changes in the equity of associates attributable to the Company.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

When the associate issues new shares, and the Company subscribes at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to additional paid-in capital. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. When the adjustment should be debited to additional paid-in capital, but the additional paid-in capital recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. If the investment of associates becomes the investment of joint ventures, or vice versa, the Company will continue to evaluate investment accounted for by the equity method, other than remeasuring retained equities. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Profits and losses, resulting from upstream, downstream, and side stream transactions between the Company and associates, are recognized on parent company only financial statements in the scope of the Company's equities that are not relevant to its associates.

(11) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss. The cost includes incremental costs that are directly attributable to the acquisition or construction of assets.

Real estate, plant and equipment under construction are recognized at cost less accumulated impairment losses. Upon completion and in their intended state of use, the assets are classified into the appropriate categories of real estate, plant and equipment and depreciation commences.

There is no mention of depreciation on owned land.

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

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.

(12) Leases

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

For contracts consisting of leased and non-leased components, the Company apportioned the consideration in the contract on a relative price basis and treated it separately.

A. The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

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, and less any lease incentives received, 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 impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. If ownership of the underlying asset will be acquired at the end of the lease term, or if the cost of the right-of-use asset reflects the exercise of a purchase option, depreciation is provided from the lease commencement date to the end of the useful life of the underlying asset.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rates.

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 or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

B. The Company 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.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

(13) Intangible Assets

A. Acquired Separately

Intangible assets with finite useful lives that are acquired separately 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 with the useful life. The estimated useful life, residual value, and amortization method are reviewed at least at the end of each reporting period by the company, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

B. Incurred Internally – R & D Expense

The company's expenditures in the research stage are recognized as expenses when incurred, and only when meeting the specified conditions will the expenses be recognized as intangible assets in the stage of the internal plan development:

The cost of internally incurred intangible assets is recognized as the sum of expenditures incurred since the date when the specified conditions are met and is subsequently measured by the amount after deducting accumulated amortization and accumulated impairment losses from the cost.

C. Derecognition

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

(14) Impairment of tangible and Intangible Assets

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

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

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash generating unit is adjusted to the revised recoverable amount provided that the increased carrying amount does not exceed the carrying amount determined if the asset or cash generating unit had not recognized the impairment loss in the previous year. The reversal of impairment losses is recognized in profit or loss.

(15) Provision

The Company recognizes a liability provision when it has present obligations due to past events and is likely to have to discharge such obligations and the amount of such obligations can be reliably estimated.

The amount recognized as a liability provision is a best estimate of the expenditure required to liquidate the obligation at the end of the reporting period, taking into account the risk and uncertainty of the obligation. If the provision for liabilities is measured by the estimated cash flows to meet the present obligation, the carrying amount is the present value of such cash flows.

(16) Employee Benefit

A. Short-term employee benefits.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

B. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost as well as previous service cost, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Net defined benefit assets may not exceed the present value of contributions refunded from the scheme or reduced in future contributions.

The cost of retirement benefits for the interim period is calculated on an actuarial basis from the beginning of the year to the end of the current period, using the actuarial cost rate determined by the end of the previous year, and adjusted for major market fluctuations in the current period, major plan amendments, liquidations or other major one-off events.

C. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as for determining a benefit retirement plan, except that the relevant remeasures are recognized in profit and loss.

D. Termination benefits

The Company recognizes the liability for separation benefits when it is no longer able to withdraw the offer of separation benefits or recognize the related restructuring costs, whichever occurs first.

(17) Revenue Recognition

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

The transaction price shall not be adjusted for the material financial component of a contract for which the time interval between the transfer of goods or services and the receipt of consideration is less than 1 year.

A. Revenue from sale of goods

The Company outsourced the manufacture and sale of goods and recognizes revenue when the promised goods are delivered to the client and the customer obtains its control (i.e., the customer's ability to control the use of the goods and obtain almost all of the residual benefits of the goods). The main products are memory modules, flash memory cards, random access memory and RAID products, and revenue is recognized on the basis of the price stated in the contract.

At the time of dematerialization, the control of the ownership of the processed products is not transferred, and the income is not recognized at the time of dematerialization.

The warranty provided by the company is based on the guarantee that the goods provided will operate as expected by the customer and are handled in accordance with the provisions of IAS37.

The credit period of the company's sales commodity transaction is 30~90 days, and most contracts recognize accounts receivable when the commodity transfer control and the right to receive consideration unconditionally, such accounts receivable are usually short in period and do not have a material financial component; However, in some contracts, part of the consideration is charged to the customer before the transfer of the goods, and the Company is required to bear the obligation to transfer the commodities subsequently, it is hence recognized as a contractual liability.

B. Service Revenue

The services provided by the Company are mainly recognized as income according to the progress of the completion of the contract.

The Company's contractual agreement price is received in accordance with the payment period specified in the contract, and when it has the right to transfer the services to the customer but has not yet unconditionally received the consideration, the contract assets are recognized, and the contract assets are also subject to allowance impairment measured by the amount of expected credit loss during the existence period in accordance with IFRS9. However, in some contracts, part of the consideration is charged to the customer at the time of signing, and the Company assumes the obligation to provide services in the future, it is hence recognized as a contractual liability.

The period for which the Company's aforesaid contractual liabilities are converted to revenue normally does not exceed one year and does not result in the creation of material financial components.

(18) Share-based Payment

The share-based payment agreement for equity delivery is based on the fair value of the goods to which the equity is granted, and the employee services obtained are recognized as compensation costs during the vested period and adjusted to equity relative to the vested period. The fair value of the equity commodity should reflect the impact of the acquired and non-vested conditions of the market price. The cost of compensation recognized is adjusted according to the amount of compensation that is expected to meet the conditions of service and non-market vested conditions, until the final recognition amount is recognized on the vested date.

Share-based payment agreements settled in cash are recognized as compensation costs and liabilities during vested periods based on the fair value of the liabilities assumed, and measured at the fair value of the commodities to which the equity is given at each balance sheet date and delivery date, and any changes are recognized as profit or loss for the current period.

(19) Taxation

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

A. Current tax

Current income tax is calculated based on the country in which the Company operates and generates its chargeable income, using the rate that has been legislated or substantially legislated at the end of the reporting period.

Income tax on unappropriated earnings is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated according to Taiwan's Income Tax Act.

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development expenses to the extent that it

is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

C. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

The Company has taken into account the economic impact of the Covid epidemic into its material accounting estimates, and the estimates and underlying assumptions are reviewed on an ongoing basis by the management. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The critical accounting judgments and key sources of estimation and uncertainty are as follows:

(1) Impairment Evaluation of tangible and intangible assets (excluding goodwill)

In the process of assessing asset impairment, the Company needs to rely on subjective judgments and determine the independent cash flow of specific asset groups, the useful life of the asset, and the possible future income and expenses based on asset usage patterns and industry characteristics. Changes in estimates brought about by changes or corporate strategies may result in material impairments or reversals of recognized impairment losses in the future.

(2) Valuation of Inventory

As inventories must be valued at the lower of cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of inventories at the end of the financial reporting period.

Due to the rapid changes in technology, the Company evaluates the amount of inventory due to normal wear and tear, obsolescence, or no market sales value at the end of the financial reporting period, and writes down the inventory cost to the net realizable value. This inventory valuation is mainly based on the estimated demand for products in a specific period in the future, therefore, there may be material changes.

(3) Impairment Evaluation for Investments Using Equity Method (including goodwill and other intangible assets)

The management of the Company evaluates the impairment based on the future cash flow forecast of the investee company, including the operating cash flow estimated by the internal management team of the investee company that may be generated in the future, and determines the appropriate discount rate used to calculate the present value. The Company also considers the current conditions of relevant markets and industries to determine the rationality of its relevant assumptions.

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 100	\$ 100
Demand deposits	56,984	100,697
Time deposits	<u>50,000</u>	<u>50,000</u>
	<u>\$ 107,084</u>	<u>\$ 150,797</u>

As of December 31, 2023 and 2022, the above mentioned bank deposits were not used as pledged assets and/or under any other circumstances of restricted uses.

(2) Financial Assets at Fair value through other comprehensive income

	<u>31 December, 2023</u>	<u>31 December, 2022</u>
<u>Investments in equity instruments - non-current</u>		
Domestic unlisted shares	<u>\$ 4,350</u>	<u>\$ 4,575</u>

A. The Company invests in the ordinary shares of the companies listed above for medium and long-term strategic purposes, and expects to make profits through long-term investment. The Company's management believes that if the short-term fair value fluctuations of these investments are included in profit or loss, it is not consistent with the aforementioned long-term investment plan, therefore, these investments are designated to be measured at fair value through other comprehensive income by choice.

B. As of December 31, 2023 and 2022, the above-mentioned financial assets measured at fair value through other comprehensive profit and loss were not used as pledged assets and/or under any other circumstances of restricted uses.

(3) Notes Receivable, Trade Receivable and Other Receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable		
Notes receivable from operating activities	\$ 480	\$ 772
Notes receivable not from operating activities	—	—
Less: Allowance for bad debts		
	<u>\$ 480</u>	<u>\$ 772</u>

Trade receivable				
Trade receivable	\$	33,415	\$	26,417
Less: Allowance for bad debts		—		—
	\$	<u>33,415</u>	\$	<u>26,417</u>
Other receivable, current				
Service Fee receivable	\$	132	\$	105
Less: Allowance for bad debts		—		—
	\$	<u>132</u>	\$	<u>105</u>

A. The Company adopts the simplified method of IFRS 9 to recognize the allowance loss of trade receivable based on the expected credit loss during the duration. The expected credit loss during the duration is calculated using a provision matrix, which takes into account the customer's past default history, current financial situation and industry economic situation. As the company's credit loss historical experience shows that there is no significant difference in the loss patterns of different customer groups, the provision matrix does not further distinguish customer groups, and only determines the expected credit loss rate based on the number of days that trade receivables are overdue.

B. The Company's loss allowance for trade and other receivables based on provision matrix.

	31 December, 2023					
	Not overdue	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days	Overdue more than 270 days	Total
Total book value	\$ 33,469	\$ 78	\$ —	\$ —	\$ —	\$ 33,547
Expected credit loss rate	0%	0%	0%	0%	100%	
Loss Allowance (lifetime expected credit losses)	—	—	—	—	—	—
Amortized cost	<u>\$ 33,469</u>	<u>\$ 78</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33,547</u>

	31 December, 2022					
	Not overdue	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days	Overdue more than 270 days	Total
Total book value	\$ 26,440	\$ 82	\$ —	\$ —	\$ —	\$ 26,522
Expected credit loss rate	0%	0%	0%	0%	100%	
Loss Allowance (lifetime expected credit losses)	—	—	—	—	—	—
Amortized cost	<u>\$ 26,440</u>	<u>\$ 82</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 26,522</u>

C. As of December 31, 2023 and 2022, the above-mentioned notes and accounts receivables were not used as pledged assets and/or under any other circumstances of restricted uses.

(4) Inventory

	<u>31 December, 2023</u>	<u>31 December, 2022</u>
Merchandise	\$ 4,517	\$ 16,564
Finished goods	1,494	3,917
Semi-finished goods	11,306	10,360
Work-in-process	2,368	1,886
Raw Material	<u>5,136</u>	<u>6,520</u>
	<u>\$ 24,821</u>	<u>\$ 39,247</u>

A. Inventory-related profits and losses recognized as cost of sales in the current period are as follows:

	<u>2023</u>	<u>2022</u>
Cost of inventory sales	\$ 144,427	\$ 257,500
Loss for market price decline and obsolete and slow-moving inventory (Gain from price recovery of inventory)	4,001	(243)
Others	<u>4,220</u>	<u>5,260</u>
	<u>\$ 152,648</u>	<u>\$ 262,517</u>

B. As of December 31, 2023 and 2022, the above-mentioned inventory net value were not used as pledged assets and/or under any other circumstances of restricted uses.

(5) Investments using Equity Method

	<u>31 December, 2023</u>	<u>31 December, 2022</u>
Subsidiaries	\$ 74,574	\$ 96,620
Associates	<u>60,715</u>	<u>—</u>
	<u>\$ 135,289</u>	<u>\$ 96,620</u>

A. Subsidiary

a. The subsidiaries of the Company are as follows:

<u>Investee</u>	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Amount</u>	<u>Ownership Stake</u>	<u>Amount</u>	<u>Ownership Stake</u>
Morelink Technology Corporation (hereinafter as Morelink Tech.)	\$ 43,134	47.61%	\$ 66,730	47.95%
Phoenix Innovative Materials Inc. (hereinafter as Phoenix Materials)	<u>\$31,440</u>	98.75%	<u>\$ 29,890</u>	98.57%
	<u>\$ 74,574</u>		<u>\$ 96,620</u>	

In October, 2023, the Company participated in the cash capital increase of Phoenix Materials with 19,800 thousands. As of December 31, 2023, the Company's shareholding ratio was 98.75%.

- b. For relevant information about the Company's subsidiaries, please refer to the 2023 consolidated financial report.

B. Associates

- a. The associates of the Company are listed as follows:

<u>Investee</u>	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Amount</u>	<u>Ownership</u>	<u>Amount</u>	<u>Ownership</u>
		<u>Stake</u>		<u>Stake</u>
Foresight Energy Technology Co., Ltd.	<u>\$ 60,715</u>	9.04%	<u>\$ —</u>	16.39%

As of December 31, 2023, the Company's shareholding ratio in Foresight Energy Technology Co., Ltd. (hereinafter referred to as Foresight Energy) was 9.04%. Although the Company's shareholding ratio in Foresight Energy did not reach 20%, the Company, however, has significant influence on Foresight Energy, hence the equity method is adopted for evaluation.

- b. The consolidated financial information of the associates of the Company is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total assets	<u>\$ 782,503</u>	<u>\$ 95,065</u>
Total liabilities	<u>\$ 110,873</u>	<u>\$ 113,981</u>
	<u>2023</u>	<u>2022</u>
Operating revenue	<u>\$ 118,792</u>	<u>\$ 84,816</u>
Net loss	<u>\$ (45,370)</u>	<u>\$ (51,314)</u>
other comprehensive income	<u>\$ (484)</u>	<u>\$ —</u>

- c. The associates' profit and loss and other comprehensive profit and loss shares recognized using the equity method in 2023 and 2022 were recognized based on the financial statements of each associate that had been audited by accountants for the same period.

- C. As of 31 December 2023 and 2022, the above mentioned investments using equity method were not used as pledged assets and/or under any other circumstances of restricted uses.

(6) Property, Plant and Equipment

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Self-use	<u>\$ 201,784</u>	<u>\$ 208,180</u>
Operating lease	<u>60,602</u>	<u>56,874</u>
	<u>\$ 262,386</u>	<u>\$ 265,054</u>

A. Self-use

	Land	Building	Office equipment	Other equipment	Total
<u>Costs and revaluation reserve</u>					
Jan. 1, 2023 balance	\$ 168,990	\$ 79,052	\$ 2,831	\$ —	\$ 250,873
Increase	—	—	—	117	117
Disposal	—	—	(111)	—	(111)
Assets reclassified as held for operating lease	(2,905)	(1,251)	—	—	(4,156)
Dec. 31, 2023 balance	<u>\$ 166,085</u>	<u>\$ 77,801</u>	<u>\$ 2,720</u>	<u>\$ 117</u>	<u>\$ 246,723</u>
Jan. 1, 2022 balance	\$ 168,990	\$ 79,237	\$ 2,831	\$ —	\$ 251,058
Increase	—	—	—	—	—
Disposal	—	(185)	—	—	(185)
Dec. 31, 2022 balance	<u>\$ 168,990</u>	<u>\$ 79,052</u>	<u>\$ 2,831</u>	<u>\$ —</u>	<u>\$ 250,873</u>
<u>Accumulated depreciation / impairment</u>					
Jan. 1, 2023 balance	\$ —	\$ 40,626	\$ 2,067	\$ —	\$ 42,693
Depreciation	—	2,111	333	12	2,456
Disposal	—	—	(111)	—	(111)
Assets reclassified as held for operating lease	—	(99)	—	—	(99)
Dec. 31, 2023 balance	<u>\$ —</u>	<u>\$ 42,638</u>	<u>\$ 2,289</u>	<u>\$ 12</u>	<u>\$ 44,939</u>
Jan. 1, 2022 balance	\$ —	\$ 38,653	\$ 1,707	\$ —	\$ 40,360
Depreciation	—	2,158	360	—	2,518
Disposal	—	(185)	—	—	(185)
Dec. 31, 2022 balance	<u>\$ —</u>	<u>\$ 40,626</u>	<u>\$ 2,067</u>	<u>\$ —</u>	<u>\$ 42,693</u>

B. Operating lease

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Costs and revaluation reserve</u>			
Jan. 1, 2023 balance	\$ 44,552	\$ 14,667	\$ 59,219
Increase	—	—	—
Disposal	—	—	—
From self-use assets	2,905	1,251	4,156
Dec. 31, 2023 balance	<u>\$ 47,457</u>	<u>\$ 15,918</u>	<u>\$ 63,375</u>
Jan. 1, 2022 balance	\$ 44,552	\$ 14,667	\$ 59,219
Increase	—	—	—
Disposal	—	—	—
Dec. 31, 2022 balance	<u>\$ 44,552</u>	<u>\$ 14,667</u>	<u>\$ 59,219</u>
<u>Accumulated depreciation / impairment</u>			
Jan. 1, 2023 balance	\$ —	\$ 2,345	\$ 2,345
Depreciation	—	329	329
Disposal	—	—	—
From self-use assets	—	99	99
Dec. 31, 2023 balance	<u>\$ —</u>	<u>\$ 2,773</u>	<u>\$ 2,773</u>
Jan. 1, 2022 balance	\$ —	\$ 2,057	\$ 2,057
Depreciation	—	288	288
Disposal	—	—	—
Dec. 31, 2022 balance	<u>\$ —</u>	<u>\$ 2,345</u>	<u>\$ 2,345</u>

The company leases land and buildings under operating leases, and the lease period is 2 to 3 years. At the end of the lease period, the lessee has no preferential purchase of such assets.

The total amount of lease payments to be received in the future for leasing out self-owned real estate, plant and equipment under operating leases is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
1st year	\$ 2,686	\$ 4,040
2nd year	112	2,374
3rd year	—	34
	<u>\$ 2,798</u>	<u>\$ 6,448</u>

C. The company's property, plant and equipment are depreciated on a straight-line basis over the following useful years :

Buildings	35~50 years
Office equipment	5~10 years
Other equipment	2 years

D. Please refer to Notes 6 (8) and 8 for details of the company's provision of land and buildings as collateral for loans as of December 31, 2023 and 2022.

(7) Right-of-Use Assets

A. Right-of-Use Assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Book value of right-of-use-assets		
Transportation equipment	<u>\$ 7,403</u>	<u>\$ 5,402</u>
		<u>Transportation equipment</u>
<u>Costs and revaluation reserve</u>		
Jan. 1, 2023 balance		\$ 6,134
Increase		3,810
Disposal		<u>(850)</u>
Dec. 31, 2023 balance		<u>\$ 9,094</u>
Jan. 1, 2022 balance		\$ 2,998
Increase		5,284
Disposal		<u>(2,148)</u>
Dec. 31, 2022 balance		<u>\$ 6,134</u>
<u>Accumulated depreciation / impairment</u>		
Jan. 1, 2023 balance		
Depreciation		\$ 732
Disposal		1,809
Dec. 31, 2023 balance		<u>(850)</u>
		<u>\$ 1,691</u>

Jan. 1, 2022 balance	\$	1,064
Depreciation	\$	1,519
Disposal		(1,851)
Dec. 31, 2022 balance	\$	<u>732</u>

B. Lease Liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Book value of lease liabilities</u>		
current	\$ 1,845	\$ 1,312
Non-current	<u>5,629</u>	<u>4,097</u>
	<u>\$ 7,474</u>	<u>\$ 5,409</u>

Range of discount rate for book value of lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Transportation equipment	<u>1.62%~3.12%</u>	<u>1.62%</u>

C. Important Leasing Activities and Terms

The Company leases some transportation equipment for office use, and the lease period is 2 to 5 years. At the end of the lease period, the Company has no preferential right to purchase the leased transportation equipment.

D. Information on other leases

	<u>2023</u>	<u>2022</u>
Rental expenses for low-value assets	\$ <u>242</u>	\$ <u>228</u>
Cash outflow for lease payments	\$ <u>(1,987)</u>	\$ <u>(1,736)</u>

The Company chooses to apply the recognition exemption for leases that match short-term leases and low-value asset leases, and does not recognize the relevant right-of-use assets and lease liabilities for these leases.

(8) Short-term Debt

- A. Please refer to Note 6(6) and 8 for details of the Company's provision of assets as collateral for loans as of December 31, 2023 and 2022
- B. As of December 31, 2023 and 2022, the undrawn loan facilities granted to the Company by financial institutions were both at 130,000 thousand.

(9) Other Payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued payroll & bonus	\$ 10,707	\$ 9,891
Accrued professional service fees	3,285	3,372
Others	<u>2,869</u>	<u>2,719</u>
	<u>\$ 16,861</u>	<u>\$ 15,982</u>

(10) Retirement Benefits Plans

A. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the “Act”) is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee’s monthly payroll to employees’ pension accounts.

The amount that should be allocated in accordance with the specified proportion in the defined contribution plan has been recognized in the profit and loss statement of the parent company only report in 2023 and 2022. The total recognized expenses are 2,531 thousand and 2,587 thousand respectively. As of December 31, 2023 and 2022, the due appropriations that have not yet been paid to the contribution plan are 636 thousand and 628 thousand respectively, and these amounts have been paid after the balance sheet date.

B. Defined benefit plans

Unifosa Corp. has defined benefit plans under the R.O.C. Labor Standards Act that provide benefits based on an employee’s length of service and average monthly payroll for the six-month period prior to retirement. The Company contributes an amount equal to 4% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by designated government bureau, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans in the parent company only balance sheets were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 11,058	\$ 11,058
Fair value of plan assets	<u>(23,346)</u>	<u>(22,788)</u>
Defined benefit assets, net	<u>\$ (12,288)</u>	<u>\$ (11,730)</u>

Changes in the present value of defined benefit obligation are as follows:

	<u>2023</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Defined benefit assets, net</u>
Jan. 1, 2023 balance	\$ 11,058	\$ (22,788)	\$ (11,730)
Service costs			
Service costs for current year	—	—	—
Interest expenses (income)	97	(399)	(302)

Recognized in income statement	97	(399)	(302)
Remeasurements			
Return on plan assets	—	(159)	(159)
Actuarial loss (gain)			
Changes in demographic assumptions	—	—	—
Changes in financial assumptions	—	—	—
Experience adjustments	(97)	—	(97)
Recognized in other comprehensive income	(97)	(159)	(256)
Participant contributions to the plan	—	—	—
Benefit payments	—	—	—
Dec. 31, 2023 balance	<u>\$ 11,058</u>	<u>\$ (23,346)</u>	<u>\$ (12,288)</u>
	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Defined benefit assets, net</u>
Jan. 1, 2022 balance	\$ 37,381	\$ (46,114)	\$ (8,733)
Service costs			
Service costs for current year	—	—	—
Interest expenses (income)	211	(266)	(55)
Settlement loss (income)	(23,667)	27,092	3,425
Recognized in income statement	(23,456)	26,826	3,370
Remeasurements			
Return on plan assets	—	(3,500)	(3,500)
Actuarial loss (gain)			
Changes in demographic assumptions	—	—	—
Changes in financial assumptions	(2,808)	—	(2,808)
Experience adjustments	(59)	—	(59)
Recognized in other comprehensive income	(2,867)	(3,500)	(6,367)
Participant contributions to the	—	—	—

plan

Benefit payments	—	—	—
Dec. 31, 2022 balance	<u>\$ 11,058</u>	<u>\$ (22,788)</u>	<u>\$ (11,730)</u>

The above defined benefit plans recognized in the gain or loss of pension are listed in the individual items below:

	<u>2023</u>	<u>2022</u>
Operating costs	\$ (49)	\$ 549
Selling and marketing expenses	(47)	526
General and administrative expenses	(125)	1,391
Research & development expenses	<u>(81)</u>	<u>904</u>
Total	<u>\$ (302)</u>	<u>\$ 3,370</u>

Through the pension system under the R.O.C. Labor Standards Act, the Company is exposed to the following risks:

- a. Investment risk: The pension funds are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Act, the rate of return on the Company's assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
- c. Payroll risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the payroll of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions at the measurement date were as follows:

	<u>Measurement date</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	<u>1.75%</u>	<u>1.75%</u>
Rate of payroll increase	<u>1.00%</u>	<u>1.00%</u>
Expected duration of defined benefit obligation	<u>1 year</u>	<u>1 year</u>

If main actuarial assumptions vary within a reasonable extent, as for other assumption remaining unchanged, the present value of defined benefit obligation increases (decreases) shall be as follows:

	Measurement date	
	December 31, 2023	December 31, 2022
Discount rate		
Increase 0.25%	\$ —	\$ —
Decrease 0.25%	\$ —	\$ —
Rate of payroll increase		
Increase 0.25%	\$ —	\$ —
Decrease 0.25%	\$ —	\$ —

As actuarial assumptions may be correlative with one another, it is less likely that only one single assumption will be changed, the above sensitive analysis cannot indicate actual changes of the present value of defined benefit obligation.

In addition, in the aforementioned sensitivity analysis, the present value of the determined benefit obligation at the end of the reporting period was calculated using the estimated unit benefit method and measured on the same basis as the determination of benefit liability.

The Company expects to allocate 0 thousand to the defined benefit plan within one year after December 31, 2023.

(11) Equity

A. Capital- ordinary shares

	December 31, 2023	December 31, 2022
Shares (in thousands)	200,000	200,000
Share capital	\$ 2,000,000	\$ 2,000,000
Issued and fully paid-in shares (in thousands)	91,628.8	91,628.8
Issued capital	\$ 916,288	\$ 916,288

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

B. Additional paid-in capital

	December 31, 2023	December 31, 2022
<u>Only to be used to offset losses</u>		
Recognition of changes in equity interests in subsidiaries	\$ 264	\$ —
Changes in equity in associates and joint ventures accounted for using the equity method	\$ 60,585	\$ 6,998
	<u>\$ 60,849</u>	<u>\$ 6,998</u>

Such additional paid-in capital refers to the impact of equity transactions recognized by changes in the equity of the company and its associates when the Company has not actually acquired or disposed of the equity of subsidiaries and associates, or the adjustment of the additional paid-in capital of subsidiaries and associates recognized by the Company using the equity method.

C. Retained earnings and dividend policy

In accordance with Unifosa's Articles of Incorporation, when allocating the net profits for each fiscal year, Unifosa shall first pay taxes and offset its losses in previous years and then set aside the legal capital reserve at 10% of the profits left over and allocate or reverse special reserves when necessary. However, if the legal reserves have reached the Company's paid-in capital, then the abovementioned does not apply. Any balance left over shall be added with the accumulated undistributed earnings of the previous year and be allocated according to the resolution provided from the board meeting based on the proposal of the dividends policy and the allocation of retained earnings. If the planned execution is to be carried out in the form of issuing new shares, the proposal should be submitted and approved by the Shareholders' meeting before execution.

If the company distributes dividends and bonuses or all or part of legal reserves and paid-in capital reserve by issuing cash, it shall be reported to the shareholders meeting after authorizing the Board of which the quorum reaches two-third of the directors and obtaining the approvals from more than half of the attending directors.

Considering the environment and the growth period the Company is in, and in response to future capital needs and long-term financial planning, as well as to satisfy the needs of the shareholders' expectations of cash inflows, the Company appropriates more than 50% of the retained earnings to stockholders' dividends, of which the cash dividends should not be lower than twenty (20) percent of the sum of total dividends.

Since June 13, 2007, the Company no longer has supervisors, and the original supervisor's duties were performed by the Audit Committee.

The appropriation for legal reserve shall be made until the reserve equals to Unifosa's paid-in capital. The legal reserve may be used to offset a deficit or be distributed as dividends in cash for the portion in excess of 25% of the paid-in capital if Unifosa incurs no loss.

When distributing earnings, the Company must deduct the net amount of other equity items in accordance with laws and regulations (such as exchange differences in the translation of financial statements of foreign operating institutions, unrealized gains and losses of financial assets available for sale, and the cumulated balance of effective hedging tool benefits and losses in cash flow hedging) is set aside as a special reserve. If there is a subsequent reduction in the deduction amount of other equity items, the reduction amount can be transferred back to the undistributed earnings from special reserve.

The Company was in a state of accumulated losses in 2023 and 2022, hence there is no need to disclose dividend information per share.

With regards to the allocation of earnings approved by the Company's board of directors and resolved at the shareholders' meeting, please visit the websites such as the Market Observation Post System (MOPS) for further details.

D. Other Equity Items

a. Foreign exchange differences on translation of financial statements from Foreign Operations

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ —	\$ —
Share of other comprehensive income of	(44)	—

subsidiaries, associates, and joint ventures

accounted for using the equity method

Ending balance	<u>\$ (44)</u>	<u>\$ —</u>
----------------	----------------	-------------

The foreign exchange difference arising from the conversion of the net assets of the foreign operations from the functional currency to the presentation currency of the consolidated company is the exchange difference recognized directly as profit or loss of the translation of the financial statements of the foreign operations under other comprehensive income. Exchange differences previously accumulated in the financial statements of foreign operations are reclassified to profit or loss when disposing of foreign operations.

b. Unrealized gain (loss) from financial assets at fair value through other comprehensive income

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ (10,425)	\$ (9,570)
Unrealized gain (loss) from financial assets at fair value through other comprehensive income	<u>(225)</u>	<u>(855)</u>
Ending balance	<u>\$ (10,650)</u>	<u>\$ (10,425)</u>

Investments in equity instruments measured at fair value through other comprehensive gains and losses are measured at fair value, and subsequent changes in fair value are reported in other comprehensive gains and losses and accumulated in other equity. At the time of investment disposal, the accumulated profit and loss is directly transferred to the retained earnings and is not reclassified as profit or loss.

(12) Operating Revenue

	<u>2023</u>	<u>2022</u>
Customer contractual revenue		
Revenue from goods sold	\$ 185,995	\$ 299,172
Revenue from service provided	<u>8,604</u>	<u>2,917</u>
	<u>\$ 194,599</u>	<u>\$ 302,089</u>

The relevant information on customers' contractual revenue in 2023 and 2022 are as follows:

A. Further definition of revenue :

The Company's revenue is further defined based on the categories of main products and regions, please refer to Note 14 for relevant information. The details of the revenue recognition timing are further defined as follows:

	<u>2023</u>	<u>2022</u>
Revenue recognition timing		
at a point in time	\$ 185,995	\$ 299,172
Over time as progress is made	<u>8,604</u>	<u>2,917</u>
	<u>\$ 194,599</u>	<u>\$ 302,089</u>

B. Contract balance :

	December 31, 2023	December 31, 2022
Accounts receivable (note 6(3))	\$ <u>33,415</u>	\$ <u>26,417</u>
Contract liability, current		
Sales of goods	\$ <u>2,530</u>	\$ <u>2,047</u>

Changes in contractual liabilities are mainly due to differences between the time of satisfaction of the performance obligation and the point of payment by the customer.

The amount of contract liabilities recognized as income from the beginning of the year was 1,935 thousand and 71 thousand in 2023 and 2022 respectively.

C. Transaction price allocated to unfulfilled obligations :

As of December 31, 2023 and 2022, the Company's customer contracts for sales of goods and provision of services are all shorter than one year, hence there is no need to provide information about unfulfilled contractual obligations.

D. Assets recognized from the cost of self-acquiring or fulfilling customer contracts: None

(13) Additional information for Expenses

The number of employees of the Company in 2023 and 2022 was 66 and 65 respectively, of which the number of directors who were not concurrently employees were 6 and 5.

The company's current net loss includes the following items :

Nature	2023			2022		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee benefit expenses						
Payroll and bonus	\$ 7,935	\$ 41,958	\$ 49,893	\$ 7,398	\$ 41,855	\$ 49,253
Labor and health insurance	927	3,837	4,764	902	3,775	4,677
Pension						
Defined contribution plans	425	2,106	2,531	420	2,167	2,587
Defined benefit plans	(49)	(253)	(302)	549	2,821	3,370
Directors' compensation	—	525	525	—	630	630
Others	355	1,194	1,549	371	1,277	1,648
	<u>\$ 9,593</u>	<u>\$ 49,367</u>	<u>\$ 58,960</u>	<u>\$ 9,640</u>	<u>\$ 52,525</u>	<u>\$ 62,165</u>
Depreciation	<u>\$ 781</u>	<u>\$ 3,813</u>	<u>\$ 4,594</u>	<u>\$ 782</u>	<u>\$ 3,543</u>	<u>\$ 4,325</u>

According to the provisions of the Company Law and the Articles of Association, if the company makes a profit in the year, it should allocate 5% to 15% for employee compensation and not more than 2% for directors' compensation; employee compensation may be paid to employees of controlled or affiliated companies who meet certain conditions, which are determined by the Board of Directors. However, if the Company still has accumulated losses, it should retain the amount of compensation in advance, and then allocate employee compensation and directors' compensation according to the proportion of the aforementioned item.

The Company was in a deficit state in 2023 and 2022 and has yet to rectify, so the compensation of employees and directors is not assessed.

If there is a significant change in the amount approved ed by the board of directors before the date of the adoption of the parent company only financial statements, the change will be adjusted to the expenses of the original financial period, and if the amount remains changed after the date of the adoption of the annual parent company only financial statements, it will be treated according to the changes in accounting estimates and adjusted and recorded in the following year.

Information on employee and directors' compensation approved by the Board of Directors of the Company and resolved by the shareholders' meeting can be found on websites such as the Market Observation Post System (MOPS).

(14) Other Gains and Losses

	2023	2022
Other gains		
Rental income	\$ 4,454	\$ 4,371
Net exchange gain	884	4,554
Other income	5,823	6,128
	11,161	15,053
Other loss		
Other expenditure	(2)	—
	(2)	—
	\$ 11,159	\$ 15,053

(15) Income Tax

A. Main components of income tax expense (benefit)

a. Income tax recognized in profit or loss:

	2023	2022
Current year income tax		
Current period incurred	\$ —	\$ —
Deferred income tax		
Generation and reversal of		
temporary differences	\$ 130	\$ (99)
Income tax expense (benefit)		
recognized in profit or loss	\$ 130	\$ (99)

c. Income tax recognized in other comprehensive income:

	<u>2023</u>	<u>2022</u>
Deferred income tax		
Remeasurement of defined benefit plans	<u>\$ 51</u>	<u>\$ 1,273</u>

B. The adjustment of net loss before tax and income tax expense (benefit) recognized

in profit or loss:

	<u>2023</u>	<u>2022</u>
Income tax expense based on pre-tax net loss	\$ (13,459)	\$ (11,231)
Loss carryforward	2,681	3,489
Investment loss recognized through equity method	10,108	7,692
Loss for market price decline and obsolete and slow-moving inventory (Gain from price recovery of inventory)	800	(49)
Income tax expense (benefit) recognized in profit or loss	<u>\$ 130</u>	<u>\$ (99)</u>

C. Income tax assets and liabilities :

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Income tax assets		
Tax refund receivable	<u>\$ 65</u>	<u>\$ 16</u>

D. Deferred income tax :

The Company offsets certain deferred income tax assets and liabilities that meet the offsetting conditions. The analysis of deferred income tax assets and liabilities in the parent company only

balance sheet is as follows:

<u>Jan. to Dec. 2023</u>	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
Deferred income tax asset				
Unrealized exchange losses	\$ 47	\$ (36)	\$ —	\$ 11
Unrealized sales returns	<u>94</u>	<u>(94)</u>	<u>—</u>	<u>—</u>

subtotal	<u>\$ 141</u>	<u>\$ (130)</u>	<u>\$ —</u>	<u>\$ 11</u>
Deferred income tax liability				
Defined benefit actuarial				
gains and losses	<u>\$ 2,677</u>	<u>\$ —</u>	<u>\$ 51</u>	<u>\$ 2,728</u>
			Recognized in	
	Beginning	Recognized in	other	Ending
<u>Jan. to Dec. 2022</u>	<u>balance</u>	<u>profit or loss</u>	<u>comprehensive</u>	<u>balance</u>
Deferred income tax asset			income	
Unrealized exchange losses	\$ 42	\$ 5	\$ —	\$ 47
Unrealized sales returns	—	94	—	94
subtotal	<u>\$ 42</u>	<u>\$ 99</u>	<u>\$ —</u>	<u>\$ 141</u>
Deferred income tax liability				
Defined benefit actuarial				
gains and losses	<u>\$ 1,404</u>	<u>\$ —</u>	<u>\$ 1,273</u>	<u>\$ 2,677</u>

E. Relevant Information for investment tax credits, deficits offset and tax exemption:

As of December 31, 2023, the Company has no usable tax investment credits.

As of December 31, 2023, the amount of the Company's usable deficits offset was 508,625 thousand, and the last applicable year of offset period is in 2033.

F. Income Tax Evaluation

As of December 31, 2023, the Company's tax returns through 2021 had been approved by the tax authorities.

(16) Earnings per share

	<u>2023</u>	<u>2022</u>
Basic Earnings Per Share	\$ (0.74)	\$ (0.61)
Diluted Earnings Per Share	<u>\$ (0.74)</u>	<u>\$ (0.61)</u>

Earnings and weighted average number of ordinary shares used to calculate basic earnings per share:

	<u>2023</u>	<u>2022</u>
Net loss attributable to the owners of		
the parent company	<u>\$ (67,426)</u>	<u>\$ (56,055)</u>
Weighted average number of ordinary		
shares (in thousands) used to		
calculate basic earnings per share.	<u>91,629</u>	<u>91,629</u>

(17) Cash Flows Information

A. Non-cash transactions:

	<u>2023</u>	<u>2022</u>
Increase in property, plant, and equipment	\$ 117	\$ —
Change in advance payments for equipment	<u>(117)</u>	<u>—</u>
Cash paid for acquisition of property, plant, and equipment	<u>\$ —</u>	<u>\$ —</u>

B. Liability adjustments from financing activities :

<u>Jan. to Dec. 2023</u>	<u>Beginning</u> <u>balance</u>	<u>Cash flow</u>	<u>Non-cash</u> <u>changes</u> <u>Other</u>	<u>Ending</u> <u>balance</u>
Book value of lease obligation (current and non-current)	\$ 5,409	\$ (1,745)	\$ 3,810	\$ 7,474
Deposits received	<u>738</u>	<u>—</u>	<u>—</u>	<u>738</u>
Total liability from financing activities	<u>\$ 6,147</u>	<u>\$ (1,745)</u>	<u>\$ 3,810</u>	<u>\$ 8,212</u>

<u>Jan. to Dec. 2022</u>	<u>Beginning</u> <u>balance</u>	<u>Cash flow</u>	<u>Non-cash</u> <u>changes</u> <u>Other</u>	<u>Ending</u> <u>balance</u>
Book value of lease obligation (current and non-current)	\$ 1,930	\$ (1,508)	\$ 4,987	\$ 5,409
Deposits received	<u>686</u>	<u>52</u>	<u>—</u>	<u>738</u>
Total liability adjustments from financing activities	<u>\$ 2,616</u>	<u>\$ (1,456)</u>	<u>\$ 4,987</u>	<u>\$ 6,147</u>

7. RELATED PARTY TRANSACTION

Details of transactions between the Company and related parties are disclosed as follows:

(1) The names and relationships of the related parties

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Yao-Li Investment Co. Ltd.	Director of the Company

(hereinafter called as YL Investment)
Foresight Energy Technologies Co., Ltd
(hereinafter called as Foresight Energy)
Board of Directors, Supervisors, General
Manager, Deputy general manager

Associates

Management team

(2) Sales revenue

	<u>2023</u>	<u>2022</u>
Subsidiaries		
Morelink Tech.	\$ <u>3,388</u>	\$ <u>—</u>

(3) Others

	<u>Item</u>	<u>2023</u>	<u>2022</u>
Subsidiaries			
Phoenix Materials	Rental income	\$ <u>34</u>	\$ <u>34</u>
Morelink Tech.	Rental income	\$ <u>2,931</u>	\$ <u>2,928</u>
Phoenix Materials	Other income	\$ <u>3,841</u>	\$ <u>4,690</u>
Morelink Tech.	Other income	\$ <u>1,250</u>	\$ <u>1,250</u>

(4) Accounts Receivable and Accounts Payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables:		
Subsidiaries		
Morelink Tech.	\$ <u>128</u>	\$ <u>105</u>

(5) Increase in Equity

The Company's participation in the capital injection and increase in investments of the related parties is as follows:

Name of the related parties	<u>2023</u>				<u>2022</u>			
	<u>Investment Increase</u>		<u>Ownership Stake</u>		<u>Investment Increase</u>		<u>Ownership Stake</u>	
	Number of Shares (in thousands)	Amount	Before Capital Increase	After Capital Increase	Number of Shares (in thousands)	Amount	Before Capital Increase	After Capital Increase
Phoenix Materials	1,980	\$ 19,800	98.57%	98.75%	—	\$ —	—	—
Foresight Energy	600	15,600	16.39%	9.04%	—	—	—	—

Name of the related parties	2023				2022			
	Investment Increase		Ownership Stake		Investment Increase		Ownership Stake	
	Number of Shares (in thousands)	Amount	Before Capital Increase	After Capital Increase	Number of Shares (in thousands)	Amount	Before Capital Increase	After Capital Increase
Morelink Tech.	—	—	—	—	3,381	33,813	38.28%	47.97%
		<u>\$ 35,400</u>				<u>\$ 33,813</u>		

(6) Compensation for main management team

The sum of the payroll and compensation for directors and other main management team are as follows:

	2023	2022
Short-term benefits	\$ 7,748	\$ 7,570
post-employment benefits	205	205
	<u>\$ 7,953</u>	<u>\$ 7,775</u>

Please refer to the content of the Annual Report of the Shareholders' Meeting for the detailed information related to the above payroll and compensation for directors and management team.

8. PLEDGED ASSETS

As of December 31, 2023 and 2022, the details of the book value for the Company's assets used as collateral for loans to financial institutions are as follows:

Item	December 31, 2023	December 31, 2022
Land	\$ 62,862	\$ 62,862
Buildings	14,271	15,174
	<u>\$ 77,133</u>	<u>\$ 78,036</u>

9. MATERIAL CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS : None.

10. SINGIFICANT DISASTER LOSS : None.

11. SINGIFICANT EVENTS after the Balance Sheet Date : None.

12. Other Matters

(1) Capital Risk Management

The Company conducts capital management to ensure that the companies within the Group are able to maximize shareholder returns by optimizing debt and equity balances before going forward.

The Company's key management reviews the Group's capital structure on a quarterly basis, including consideration of the costs and associated risks of each type of capital. Based on the recommendations of

key management, the Company will balance its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new bonds or repaying old debts.

(2) Financial Instruments

A. Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Financial assets at fair value through other comprehensive income		
Equity investments	\$ 4,350	\$ 4,575
Financial assets measured at amortized cost		
(Note 1)	<u>149,160</u>	<u>184,916</u>
Total	<u>\$ 153,510</u>	<u>\$ 189,491</u>
<u>Financial Liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	<u>\$ 38,036</u>	<u>\$ 38,349</u>

Note 1: Cash and cash equivalents, financial assets measured at amortized cost, net accounts and notes receivable, other receivables, and deposits.

Note 2: Accounts and notes payable, other payables, long-term borrowings, and deposits received measured at amortized cost.

B. Fair Value Information

a. The definition of the three levels of fair value measurements:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, which can be acquired during measurement date;

(b) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(c) Level 3 inputs are unobservable inputs for the asset or liability.

b. Financial instruments that are not measured at fair value

The Company's management considers that the carrying amount of financial assets and financial liabilities not measured at fair value in the parent company only financial statements is approaching their fair value.

c. Financial instruments that are measured at fair value

The following table provides relevant analysis of financial instruments measured at fair value after original recognition:

	<u>December 31, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Unlisted shares	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,350</u>	<u>\$ 4,350</u>
	<u>December 31, 2022</u>			

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Unlisted shares	\$ —	\$ —	\$ 4,575	\$ 4,575

There are no transfers of fair value measurements between Level 1 and Level 2 in 2023 and 2022 respectively.

d. Valuation Techniques and Assumptions Used to Measure Fair Values

The fair value of the Company's financial assets and financial liabilities is determined using the following methods and assumptions:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in the active market is determined by reference to market quotations (including listed corporate bonds, government agency bonds, stocks of listed (OTC) companies and government bonds).

The fair value of unlisted (over-the-counter) stocks without active markets is estimated using the market method and asset-based method, and its judgment is based on recent fundraising activities, evaluation of companies of the same type, technological development of the company, market conditions and other economic indicators.

e. Repetitive Changes in Level 3 of the Fair Value Hierarchy

The repetitive changes in the assets and liabilities of the company's repetitive fair value measurement that fall into Level 3 of the fair value hierarchy are listed below:

	2023	2022
Equity investments at fair value through other comprehensive income:		
Beginning balance	\$ 4,575	\$ 5,430
Recognized in other comprehensive income (unrealized gains or losses on financial assets at fair value through other comprehensive income)	(225)	(855)
Ending balance	\$ 4,350	\$ 4,575

f. Information for Significant Fair Value Level 3 Unobservable Inputs

The assets of the company's fair value level 3 repetitive fair value measurement, and the significant unobservable input values used for fair value measurement are listed as follows:

December 31, 2023 :

Financial assets

Financial assets at fair value through other comprehensive income

Valuation Technique	Significant Unobservable Input Value	Quantitative Information	Relationship between Input Value and Fair Value	The value and relationship of the sensitivity analysis between input values and fair

					values
Stocks	Asset-based approach	Lack of market liquidity and similar company stock P/B ratio	2.69-38.36	The higher the degree of illiquidity, the lower the fair value estimates	When the net value ratio of illiquid stocks increases (decreases) by 10%, the equity of the company will increase/decrease by 435 thousand dollars.

December 31, 2022 :

Financial assets

Financial assets at fair value through other comprehensive income

	Valuation Techniques	Significant Unobservable Input Value	Quantitative Information	Relationship between Input Value and Fair Value	The value and relationship of the sensitivity analysis between input values and fair values
Stocks	Asset-based approach	Lack of market liquidity and similar company stock P/B ratio	0.55-39.06	The higher the degree of illiquidity, the lower the fair value estimates	When the net value ratio of illiquid stocks increases (decreases) by 10%, the equity of the company will increase/decrease by 458 thousand dollars.

g. The Valuation process of Fair Value Level 3

The Company's finance department is responsible for conducting fair value verification, keeping evaluation results close to market conditions through independent source data, confirming that the sources are independent, reliable and consistent with other sources and representing executable prices, and analyzing changes in the value of assets and liabilities that are subject to remeasurement or revaluation at the end of each reporting period in accordance with the Group's accounting policies to ensure that the results are reasonable.

C. Financial Risk Management Objectives and Policies

The Company is committed to ensuring that the Company has sufficient and cost-effective working capital when necessary. The Company actively manages foreign currency exchange rate risk, interest rate risk, equity instrument price risk, credit risk and liquidity risk related to its operating activities to reduce the potential adverse impact of market uncertainty on the Company's financial performance.

The Company's significant financial plans have been reviewed by the Audit Committee and the Board of Directors in accordance with relevant norms and internal control systems. In implementing the financial plan, the financial department of the Company adheres to the relevant financial operating procedures regarding overall financial risk management and the division of rights and responsibilities.

D. Market Risk

The company's market risk is the risk of fluctuations in the fair value or cash flow of financial instruments due to changes in market prices, and market risks mainly include exchange rate risk

and interest rate risk.

a. Foreign Exchange Rates Risk

The Company's operating activities and net investments in foreign operating institutions are mainly traded in foreign currencies, so foreign currency exchange rate risk arises. The foreign currency receivables of the Company are in the same currency as some of the foreign currency payments payable, and certain parts will have a natural hedging effect; In addition, the net investment of foreign operating institutions is a strategic investment, so the Company has not hedged the foreign exchange rate risk.

The information of foreign currency assets and liabilities which have significant influence to the Company is as follows:

	In thousands				
	December 31, 2023		December 31, 2022		
	Foreign currency	Exchange rate	Foreign currency	Exchange rate	
(Foreign currency: functional currency)					
Financial Assets					
Monetary items					
US dollars: NT dollars	\$	179	30.705	\$ 1,575	30.710
Financial Liabilities					
Monetary items					
US dollars: NT dollars	\$	71	30.705	\$ 142	30.710

Note: The exchange rate is the amount per unit of foreign currency converted into New Taiwan Dollars

The sensitivity analysis of foreign currency exchange rate risk is mainly calculated based on the assets and liabilities of foreign currency risk management at the end of the reporting period. When NTD appreciates/depreciates against foreign currencies by 1%, the net loss of the Company in 2023 and 2022 will increase/decrease by 33 thousand and 440 thousand respectively.

b. Interest Rate Risk

The Company's short-term borrowings are volatile rate debts, and changes in market interest rates will cause changes in the effective interest rate of short-term borrowings, which in turn will cause future cash flows to fluctuate. As of December 31, 2023 and 2022, the Company had no short-term borrowings in its accounts.

E. Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The credit risk of the Company is mainly derived from receivables arising from operating activities, bank deposits, fixed income investments and other financial instruments arising from investment activities. Operational-related credit risk and financial credit risk are managed separately.

a. Operational related credit risk

In order to maintain the quality of accounts receivable, the Company has established procedures for credit risk management related to operations.

The risk Evaluation of individual customers takes into account a number of factors that may affect the customer's ability to pay, including the customer's financial status, credit rating

of credit rating agencies, the Company's internal credit rating, historical transaction records and current economic conditions. The Company may also use certain credit enhancement tools, such as prepayment and credit insurance, at appropriate times to reduce the credit risk of specific customers.

The Company's customer base is large and unrelated, so the concentration of credit risk is limited. As of December 31, 2023 and 2022, the total accounts receivable of the top ten customers accounted for 63% and 70% of the total accounts receivable of the Company, respectively.

b. Financial credit risk

The credit risk of bank deposits, fixed income investments and other financial instruments is measured and monitored by the Company's finance department. Since the company's transaction partners and performing parties are banks with good credit and financial institutions with investment grade and above, there are no major performance doubts, so there is no material credit risk.

F. Liquidity Risk

The Company's objective in managing liquidity risk is to maintain cash and cash equivalents, highly liquid marketable securities and sufficient bank financing facilities to ensure that the Company has sufficient financial flexibility.

The following table summarizes the analysis of the Company's financial liabilities for the agreed repayment period by maturity date and undiscounted maturity amount:

		December 31, 2023				
		1 year or less	2-3 years	4-5 years	Over 5 years	Total
Non-derivative financial liabilities						
Accounts payable	\$	20,437	\$ —	\$ —	\$ —	\$ 20,437
Other payables		16,861	—	—	—	16,861
Book value of lease obligation		1,845	3,611	2,018	—	7,474
	\$	<u>39,143</u>	<u>\$ 3,611</u>	<u>\$ 2,018</u>	<u>\$ —</u>	<u>\$ 44,772</u>

		December 31, 2022				
		1 year or less	2-3 years	4-5 years	Over 5 years	Total
Non-derivative financial liabilities						

Accounts payable	\$	21,629	\$	—	\$	—	\$	—	\$	21,629
Other payables		15,982		—		—		—		15,982
Book value of lease obligation		1,312		2,236		1,861		—		5,409
	\$	<u>38,923</u>	\$	<u>2,236</u>	\$	<u>1,861</u>	\$	<u>—</u>	\$	<u>43,020</u>

(3) Reclassification

Certain accounts of the Company's financial statements as at December 31, 2022 have been appropriately reclassified in conjunction with the financial statements of December 31, 2023, and the results have no material impact on the presentation of the financial statements.

13. SEPARATELY DISCLOSED ITEMS

(1) Significant Transactional Items

- A. Financing provided to others: None.
- B. Endorsements/guarantees provided: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- G. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- H. Trade receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Trading in derivative instruments: None.

(2) Information on investees: Please refer to Table 2.

(3) Information on investment in Mainland China : None.

(4) Information on major shareholder : List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 3.

14. SEGMENT INFORMATION

The Company has disclosed relevant segment information in the consolidated financial statements in accordance with the requirements.

UNIFOSA CORP.
MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2023
(NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

Table 1

Unit : Thousand Shares /In Thousands of New Taiwan Dollars

Marketable Securities	Name of the Marketable Securities	The relationship between the issuer of securities and the company	Financial Statement Account	December 31, 2023			
				Shares/ Units	Carrying Values	Percentage of Ownership (%)	Fair Value
Stock	Innorich Venture Capital Corp.	—	Financial assets at fair value through other comprehensive income	1,500	4,350	2.80%	4,350

UNIFOSA CORP.
INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 2

Unit : In Thousands of New Taiwan Dollars

Investor Company	Investee Company	Location	Main Businesses	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits/Losses of Investee
				December 31, 2023	December 31, 2022	Number of Ownership (thousand shares)	Percentage	Carrying Values		
Unifosa Corp.	Foresight Energy Technologies Co., Ltd.	Taiwan	Electronic components manufacturing, battery manufacturing, electrical appliance wholesale, electronic materials wholesale and retail	56,586	40,986	4,699	9.04%	60,715	(45,370)	(8,428)
Unifosa Corp.	Phoenix Innovative Materials Inc.	Taiwan	Plastic film and other high-tech chemical materials manufacturing	157,800	138,000	15,780	98.75%	31,440	(18,286)	(18,034)
Unifosa Corp.	Morelink Technology Corporation	Taiwan	Wireless communication machinery and equipment manufacturing, electronic components manufacturing, telecommunications equipment wholesale and retail, electronic materials wholesale and retail, telecommunications control radio frequency equipment input and international trade, etc.	105,643	105,643	9,556	47.61%	43,134	(48,350)	(24,076)

UNIFOSA CORP.
 INFORMATION ON MAJOR SHAREHOLDERS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Table 3

Unit : Thousand Shares

Major name of the shareholder	Number of shares	Number of Shares Holding	Shareholding Ratio
Yao-Li Investment Co. Ltd.		10,026	10.94%

Note 1: The information on major shareholders in this table is calculated by CHEP on the last business day at the end of the quarter as the total number of ordinary shares and special shares held by shareholders who have completed the non-physical registration delivery (including treasury shares) of the company with a total of more than 5%. The share capital recorded in the Company's parent company only financial statements and the actual number of shares delivered without physical registration may differ depending on the basis of preparation and calculation.

UNIFOSACORP.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Item	Description	Amount
Cash	Petty cash	\$ 100
Cash in banks	Checking deposits	
	Mega International Commercial Bank Nei Hu Branch #13668	4
	First Commercial Bank Nei hu Technology Park Branch #06226	46
	Subtotal	<u>50</u>
	Demand deposit	
	Mega International Commercial Bank Nei Hu Branch #006388	4,036
	Mega International Commercial Bank Nei Hu Branch #016618	5,787
	First Commercial Bank Nei hu Technology Park Branch #008266	879
	Chang Hwa Bank Chiang Tsui Branch #1086689	2,335
	Taipei Fubon Commercial Bank Hsin-Yi Branch #02250339	3
	Taiwan Cooperative Bank Baccio Branch #704984	40,656
	Subtotal	<u>53,696</u>
	Foreign currency deposit	
	Mega International Commercial Bank Nei Hu Branch (USD 73k at 30.705)	2,235
	Mega International Commercial Bank Nei Hu Branch (USD 12k at 30.705)	357
	First Commercial Bank Nei hu Technology Park Branch (USD 1k at 30.705)	31
	First Commercial Bank Hong Kong Branch (USD 2k at 30.705)	47
	Chang Hwa Bank Chiang Tsui Branch (USD 14k at 30.705)	438
	Taiwan Cooperative Bank Baccio Branch (USD 4k at 30.705)	130
	Subtotal	<u>3,238</u>
	Time deposits	
	Mega International Commercial Bank Nei Hu Branch (Nov. 15, 2023 -Jan. 15, 2024, interest rate 1.10%)	20,000
	First Commercial Bank Nei hu Technology Park Branch (Nov. 15, 2023-Jan.26, 2024, interest rate 1.10%)	20,000
	Taiwan Cooperative Bank Baccio Branch (Nov. 15, 2023 -Jan. 26,2024, interest rate 1.10%)	10,000
	Subtotal	<u>50,000</u>
		<u>\$ 107,084</u>

UNIFOSACORP.
STATEMENT OF
NOTES RECEIVABLE FROM UNRELATED PARTIES,
NET

DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Client	Description	Amount
C-122	Revenue from unrelated parties	\$ 199
C-123	Revenue from unrelated parties	134
C-124	Revenue from unrelated parties	147
Subtotal		480
Less: Allowance for bad debts		—
Net		\$ 480

UNIFOSACORP.
STATEMENT OF ACCOUNTS RECEIVABLE FROM
UNRELATED PARTIES, NET

DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Client	Description	Amount
C-105	Operating revenue from unrelated parties	\$ 5,093
C-120	Operating revenue from unrelated parties	3,500
C-125	Operating revenue from unrelated parties	2,560
C-126	Operating revenue from unrelated parties	1,968
C-127	Operating revenue from unrelated parties	1,781
Others (all less than 5% of the total balance)	Operating revenue from unrelated parties	18,513
Subtotal		33,415
Less: Allowance for bad debts		—
Net		\$ 33,415

UNIFOSACORP.

STATEMENT OF INVENTORIES, NET

DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value
Merchandise	\$ 4,517	\$ 4,668
Finished goods	1,494	2,460
Semi-finished goods	11,306	11,710
Work-in-process	2,368	2,748
Raw Material	5,136	5,247
Total	\$ 24,821	\$ 26,833

UNIFOSA CORP.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT

DECEMBER 31, 2023

In Thousands of New Taiwan Dollars/Thousand Shares

Name	Beginning balance		Addition		Decrease		Ending Balance		Accumulated impairment loss	Collateral /pledge	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount	Shares	Fair Value			
<u>Domestic unlisted shares</u>											
Innorich Venture Capital Corp.	1,500	\$ 4,575	—	\$ —	—	\$ (225)	1,500	\$ 4,530	\$ —	None	

UNIFOSA CORP.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED
FOR USING THE EQUITY METHOD

DECEMBER 31, 2023

In Thousands of New Taiwan Dollars/Thousand Shares

Name	Beginning Balance			Addition		Decrease		Investment gain or loss	The difference between the actual price of acquiring or disposing of a subsidiary's equity and its book value	Realized sales profit	Ending Balance			Collateral /pledge
	Shares	ownership stake	Amount	Shares	Amount	Shares	Amount				Shares	ownership stake	Amount	
Foresight Energy Technologies Co., Ltd.	4,099	16.39%	\$ —	600	\$ 15,600	—	\$ —	\$ (8,428)	\$ 53,587	\$ (44)	4,699	9.04%	\$ 60,715	None
Phoenix Innovative Materials Inc.	13,800	98.57%	29,890	1,980	19,800	—	—	(18,034)	(216)	—	15,780	98.75%	31,440	None
Morelink Technology Corporation	9,556	47.95%	66,730	—	—	—	—	(24,076)	480	—	9,556	47.61%	43,134	None
			<u>\$ 96,620</u>		<u>\$ 35,400</u>		<u>\$ —</u>	<u>\$ (50,538)</u>	<u>\$ 53,851</u>	<u>\$ (44)</u>			<u>\$ 135,289</u>	

UNIFOSACORP.

STATEMENT OF OTHER NON-CURRENT ASSETS

DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount
Refundable deposits	Bid bonds and performance bonds, etc.	\$ 8,049

UNIFOSACORP.
STATEMENT OF ACCOUNTS PAYABLE TO UNRELATED
PARTIES
DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Client	Description	Amount
V-87	Operating expenses to unrelated parties	\$ 2,973
V-49	Operating expenses to unrelated parties	2,826
V-88	Operating expenses to unrelated parties	2,000
V-89	Operating expenses to unrelated parties	1,866
V-48	Operating expenses to unrelated parties	1,282
Others (all less than 5% of the total balance)	Operating expenses to unrelated parties	9,487
		\$ 20,437

UNIFOSACORP.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Item	Description	Amount
Accrued Payroll	December payroll and 2023 bonus	\$ 10,707
Accrued Professional Service Fees	Audit fees, consulting fees and software services fees	3,285
Accrued Insurance Expense	Estimated amount for labor and health insurance expenses	762
Accrued Labor Pension	Pension expense for employees	636
Accrued Tax	December business tax	519
Others	Utility bills and miscellaneous expense	952
		<u>\$ 16,861</u>

UNIFOSACORP.
STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Item	Description	Amount
Receipts under custody	Withholding labor insurance, health insurance, and labor pension fees	\$ 381

UNIFOSACORP.
STATEMENT OF DEPOSITS RECEIVED
DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Item	Description	Amount
Deposits received	The rental security deposit and other fees collected for leasing office space	\$ 738

UNIFOSACORP.
STATEMENT OF NET OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Item	Quantity	Amount
Memory Business Group :		
Integrated Circuits (ICs)	98,360 pieces	\$ 9,563
		<u>9,563</u>
Storage Business Group :		
RAID-EP Series	591	36,583
Merchandise	2,557	80,968
RAID-Dataplum Series	34	653
Raw Materials and Components	23,137	57,761
RAID-other series	8,950	5,684
Total Sales Revenue		<u>181,649</u>
Repair Revenue		3,387
		<u>185,036</u>
Net Operating Revenue		<u>\$ 194,599</u>

UNIFOSACORP.
STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2023
In Thousands of New Taiwan Dollars

Items	Amount
Raw material	
Beginning inventory	\$ 84,610
Add: Net purchases of raw materials during the period	29,442
Ending inventory	(84,939)
Add: Transferred-in from semi-finished goods	1
Transferred-in from finished goods	29
Less: Direct sales	(13,775)
Transferred to expenses	(22)
Loss on physical inventory	(15)
Raw material used during the period	<u>15,331</u>
Semi-finished goods	
Beginning semi-finished goods	25,112
Add: Net raw material added during the period	32,137
Ending semi-finished goods	(26,794)
Add: Transferred-in from work-in-process	11,608
Transferred-in from finished goods	844
Transferred-in from expenses	73
Less: Direct sales	(23,842)
Disassembled and transferred to raw material	(1)
Semi-finished goods used during the period	<u>19,137</u>
Direct labor	4,396
Manufacturing overhead	<u>8,705</u>
Manufacturing cost	47,569
Beginning work-in-process	1,886
Ending work-in-process	(2,368)
Add: Transferred-in from Finished goods	36,692
Less: Disassembled and transferred to semi-finished goods	<u>(11,608)</u>
Cost of finished good	72,171
Beginning Finished goods	123,516
Ending Finished goods	(122,643)
Less: Transferred to work-in-process	(36,692)
Disassembled and transferred to raw materials	(29)
Disassembled and transferred to semi-finished goods	(844)
Transferred to expenses	(102)
Cost of production and marketing	<u>35,377</u>
Merchandise	
Beginning merchandise	17,429
Add: Net purchases during the period	59,387
Ending merchandise	<u>(5,383)</u>
Cost of procurement and sales	<u>71,433</u>
Service costs	4,220
Cost of direct sales	37,617
Loss for market price decline and obsolete and slow-moving inventories	4,001
Operating costs	<u>\$ 152,648</u>

UNIFOSACORP.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 202
In Thousands of New Taiwan Dollars

Item	Selling and marketing expenses	General and administrative expenses	Research & development expenses	Total
Payroll expenses	\$ 11,155	\$ 21,101	\$ 11,555	\$ 43,811
Travelling expense	875	1,118	87	2,080
Repair(s) and maintenance expense	49	555	22	626
Insurance expense	1,291	2,151	1,064	4,506
Depreciation expense	382	3,007	424	3,813
Professional service fees	1,946	3,053	5	5,004
Others	2,824	6,456	1,662	10,942
	<u>\$ 18,522</u>	<u>\$ 37,441</u>	<u>\$ 14,819</u>	<u>\$ 70,782</u>

Please refer to Note 6 (6) in the financial statements for statement of changes in property, plant, and equipment

Please refer to Note 6 (6) in the financial statements for statement of changes in accumulated depreciation of property, plant, and equipment.

Please refer to Note 6 (7) in the financial statements for statement of changes in right-of-use assets.

Please refer to Note 6 (7) in the financial statements for statement of changes in accumulated depreciation of right-of-use assets.

Please refer to Note 6 (15) in the financial statements for statement of deferred income tax assets.

Please refer to Note 6 (14) in the financial statements for statement of other gains and losses.

UNIFOSA CORP.
STATEMENT OF EMPLOYEE BENEFIT,
DEPRECIATION DEPLETION AND AMORTIZATION BY FUNCTION
In Thousands of New Taiwan Dollars

Nature	2023			2022		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee benefit expenses						
Payroll and bonus	\$ 7,935	\$ 41,958	\$ 49,893	\$ 7,398	\$ 41,855	\$ 49,253
Labor and health insurance	927	3,837	4,764	902	3,775	4,677
Pension						
Defined contribution plans	425	2,106	2,531	420	2,167	2,587
Defined benefit plans	(49)	(253)	(302)	549	2,821	3,370
Directors' compensation	—	525	525	—	630	630
Others	355	1,194	1,549	371	1,277	1,648
	\$ 9,593	\$ 49,367	\$ 58,960	\$ 9,640	\$ 52,525	\$ 62,165
Depreciation	\$ 781	\$ 3,813	\$ 4,594	\$ 782	\$ 3,543	\$ 4,325

Note 1. The number of employees of the Company in 2023 and 2022 was 66 and 65 respectively, of which the number of directors who were not concurrently employees were 6 and 5.

Note 2. The Company's average employee benefit expenses in 2023 and 2022 were 974 thousand and 1,026 thousand respectively. (Sum of employee benefit expenses-sum of compensation for directors) / (number of employees – number of directors who are not concurrently as employees)

Note 3. The Company's average employee payroll expenses in 2023 and 2022 were 832 thousand and 821 thousand respectively. (sum of payroll expenses / (number of employees – number of directors who are not concurrently as employees)

Note 4. The change in the adjustment of average employee payroll was 1.34%.

(the average expense of employee payroll of the current year – the average expense of employee payroll of the previous year) / the average expense of employee payroll of the previous year

Note 5. Payroll and Compensation policy

As stated in the Company's Articles of Incorporation, the Company should allocate 5% to 15% as employee compensation if it makes profits in the year. Payroll compensation policy is also clearly stipulated in the 'Payroll Management Guidelines' that year-end bonuses and bonus calculations are determined based on the Company's operating performance in the year. In addition, when implementing annual performance appraisals, the employee performance appraisal system is combined with corporate social responsibility policies, and depending on the Company's operating conditions for the year and comprehensive evaluation of individual salary, allowance, performance appraisal, rewards and disciplinary actions, term of employment and other factors, whether the actual payment is made or not is still flexibly adjusted according to the Company's operating conditions. There is also the 'Employee Reward and disciplinary Guidelines' that offers a basis for employees to follow, so as to establish a clear and effective reward and disciplinary system.