

**Alltop Technology Co., Ltd. and
Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates Alltop Technology Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Thus, Alltop Technology Co., Ltd. and subsidiaries did not prepare a separate set of consolidated financial statements of affiliated enterprises.

Very truly yours,

ALLTOP TECHNOLOGY CO., LTD.

Yu, Wayne
Chairman

March 5, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Alltop Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Alltop Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

For the year ended December 31, 2023, the consolidated revenue of the Group amounted to NT\$2,394,974 thousand. Among these, revenues from certain key customers, whose revenue growth rates exceed the change in consolidated revenue, are considered significant. Therefore, the occurrence of revenue recognition related to sales of these customers is listed as a key audit matter in the consolidated financial statements for the year ended December 31, 2023. Refer to Notes 4 (n) and 25 for the accounting policies and relevant disclosure information regarding revenue recognition.

The audit procedures for the key audit matter are the following:

1. We obtained an understanding of the Group's internal control and operating procedures for the sales cycle, designed corresponding audit procedures for revenue recognition and tested the effectiveness of the Group's internal control operations during sales transactions.
2. We performed substantive tests on sales revenue, selected samples from the Group's sales details, examined reconciliation data, invoices, shipping orders and confirmation documents from logistics companies. We also checked the recipient of fund transfers and the payment process, or employed other alternative audit procedures, to verify the occurrence of sales.

Other Matter

We have also audited the parent company only financial statements of Alltop Technology Co., Ltd. as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jui-Hsuan Ho and Keng-Hsi Chang.

Jui-Hsuan Ho Keng Hsi Chang

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | | 2022 | |
|--|---------------------|------------|---------------------|------------|
| ASSETS | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 1,043,497 | 24 | \$ 614,954 | 15 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | - | - | 568 | - |
| Financial assets at amortized cost - current (Notes 4, 8 and 9) | 849,045 | 19 | 377,494 | 9 |
| Notes receivable (Notes 4, 10 and 25) | 68,487 | 2 | 63,603 | 2 |
| Trade receivables (Notes 4, 10 and 25) | 911,386 | 21 | 773,287 | 19 |
| Trade receivables from related parties (Notes 4, 25 and 32) | 10 | - | 2 | - |
| Other receivables (Notes 4 and 10) | 85,701 | 2 | 46,632 | 1 |
| Other receivables from related parties (Notes 4 and 32) | 4,509 | - | 4,690 | - |
| Current tax assets (Notes 4 and 27) | 3,682 | - | 2,152 | - |
| Inventories (Notes 4 and 11) | 161,549 | 4 | 158,722 | 4 |
| Other current assets (Note 18) | 11,840 | - | 11,958 | - |
| Total current assets | 3,139,706 | 72 | 2,054,062 | 50 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at amortized cost - non-current (Notes 4, 8, 9 and 33) | 314,840 | 7 | 1,089,833 | 27 |
| Investment accounted for using equity method (Notes 4 and 13) | 7,889 | - | 9,935 | - |
| Property, plant and equipment (Notes 4, 14 and 32) | 802,767 | 18 | 861,886 | 21 |
| Right-of-use assets (Notes 4 and 15) | 40,141 | 1 | 27,396 | 1 |
| Goodwill (Notes 4 and 16) | 3,867 | - | 3,868 | - |
| Other intangible assets (Notes 4 and 17) | 8,681 | - | 9,458 | - |
| Deferred tax assets (Notes 4 and 27) | 47,475 | 1 | 29,646 | 1 |
| Net defined benefit assets - non-current (Notes 4 and 23) | 3,412 | - | 3,010 | - |
| Other non-current assets (Notes 4 and 18) | 22,268 | 1 | 6,970 | - |
| Total non-current assets | 1,251,340 | 28 | 2,042,002 | 50 |
| TOTAL | \$ 4,391,046 | 100 | \$ 4,096,064 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 4 and 19) | \$ 129,900 | 3 | \$ - | - |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | 1,120 | - | 9,040 | - |
| Contract liabilities - current (Notes 4 and 25) | 21,892 | 1 | 24,011 | 1 |
| Trade payables | 372,219 | 9 | 298,835 | 7 |
| Trade payables to related parties (Note 32) | 20,428 | - | 15,250 | - |
| Other payables (Notes 21 and 29) | 193,478 | 4 | 193,077 | 5 |
| Other payables to related parties (Notes 29 and 32) | 428 | - | 2,690 | - |
| Current tax liabilities (Notes 4 and 27) | 49,359 | 1 | 59,254 | 2 |
| Lease liabilities - current (Notes 4 and 15) | 5,916 | - | 124 | - |
| Current portion of bonds payable (Notes 4 and 20) | 154,737 | 4 | 161,982 | 4 |
| Other current liabilities (Notes 4 and 21) | 12,127 | - | 13,160 | - |
| Total current liabilities | 961,604 | 22 | 777,423 | 19 |
| NON-CURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 20) | 772,436 | 18 | 763,946 | 19 |
| Provision - non-current (Notes 4 and 22) | 1,606 | - | 1,816 | - |
| Deferred tax liabilities (Notes 4 and 27) | 36,055 | 1 | 35,983 | 1 |
| Lease liabilities - non-current (Notes 4 and 15) | 8,914 | - | - | - |
| Guarantee deposits | 578 | - | 542 | - |
| Total non-current liabilities | 819,589 | 19 | 802,287 | 20 |
| Total liabilities | 1,781,193 | 41 | 1,579,710 | 39 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 24) | | | | |
| Share capital | | | | |
| Ordinary shares | 590,909 | 13 | 589,978 | 14 |
| Capital collected in advance | 472 | - | - | - |
| Total share capital | 591,381 | 13 | 589,978 | 14 |
| Capital surplus | 652,028 | 15 | 753,628 | 18 |
| Retained earnings | | | | |
| Legal reserve | 498,021 | 11 | 442,504 | 11 |
| Special reserve | 87,295 | 2 | 118,821 | 3 |
| Unappropriated earnings | 920,455 | 21 | 698,718 | 17 |
| Total retained earnings | 1,505,771 | 34 | 1,260,043 | 31 |
| Other equity | (139,327) | (3) | (87,295) | (2) |
| Total equity attributable to owners of the Company | 2,609,853 | 59 | 2,516,354 | 61 |
| TOTAL | \$ 4,391,046 | 100 | \$ 4,096,064 | 100 |

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

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2023 | | 2022 | |
|--|--------------------|-------------|--------------------|-------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 25, 32 and 38) | | | | |
| Sales | \$ 2,394,974 | 100 | \$ 2,309,878 | 100 |
| OPERATING COSTS (Notes 11, 26 and 32) | | | | |
| Cost of goods sold | <u>(1,166,083)</u> | <u>(49)</u> | <u>(1,238,252)</u> | <u>(54)</u> |
| GROSS PROFIT | <u>1,228,891</u> | <u>51</u> | <u>1,071,626</u> | <u>46</u> |
| OPERATING EXPENSES (Note 26) | | | | |
| Selling and marketing expenses | (131,782) | (5) | (128,276) | (5) |
| General and administrative expenses | (288,705) | (12) | (278,805) | (12) |
| Research and development expenses | (63,550) | (3) | (72,627) | (3) |
| Expected credit loss (Notes 4 and 10) | <u>(10,594)</u> | <u>-</u> | <u>(14,497)</u> | <u>(1)</u> |
| Total operating expenses | <u>(494,631)</u> | <u>(20)</u> | <u>(494,205)</u> | <u>(21)</u> |
| PROFIT FROM OPERATIONS | <u>734,260</u> | <u>31</u> | <u>577,421</u> | <u>25</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Notes 4 and 26) | 73,851 | 3 | 52,092 | 2 |
| Other income (Notes 4, 26 and 32) | 15,548 | 1 | 10,835 | - |
| Other gains and losses (Notes 4 and 26) | (2,132) | - | 37,055 | 2 |
| Finance costs (Notes 4, 20 and 26) | (12,585) | (1) | (11,203) | - |
| Share of profit of associations (Notes 4 and 13) | <u>501</u> | <u>-</u> | <u>1,111</u> | <u>-</u> |
| Total non-operating income and expenses | <u>75,183</u> | <u>3</u> | <u>89,890</u> | <u>4</u> |
| PROFIT BEFORE INCOME TAX | 809,443 | 34 | 667,311 | 29 |
| INCOME TAX EXPENSE (Notes 4 and 27) | <u>(119,746)</u> | <u>(5)</u> | <u>(113,225)</u> | <u>(5)</u> |
| NET PROFIT FOR THE YEAR | <u>689,697</u> | <u>29</u> | <u>554,086</u> | <u>24</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| (Notes 4, 23, 24 and 27) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | 357 | - | 1,359 | - |
| Income tax related to items that will not be reclassified subsequently to profit or loss | <u>(72)</u> | <u>-</u> | <u>(272)</u> | <u>-</u> |
| | <u>285</u> | <u>-</u> | <u>1,087</u> | <u>-</u> |

(Continued)

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 | % |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating of the financial statements of foreign operations | \$ (63,665) | (3) | \$ 39,942 | 2 |
| Share of other comprehensive loss of associates accounted for using the equity method (Note 13) | (1,375) | - | (535) | - |
| Income tax related to items that may be reclassified subsequently to profit or loss | <u>13,008</u> | <u>1</u> | <u>(7,881)</u> | <u>(1)</u> |
| | <u>(52,032)</u> | <u>(2)</u> | <u>31,526</u> | <u>1</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(51,747)</u> | <u>(2)</u> | <u>32,613</u> | <u>1</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 637,950</u> | <u>27</u> | <u>\$ 586,699</u> | <u>25</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | <u>\$ 11.68</u> | | <u>\$ 9.41</u> | |
| Diluted | <u>\$ 10.52</u> | | <u>\$ 8.75</u> | |

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

(Concluded)

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| | Equity Attributable to Owner of the Company | | | | | | Other Equity | |
|---|---|------------------------------|-----------------|-------------------|-----------------|-------------------------|--|--------------|
| | Share Capital | | | Retained Earnings | | | Exchange Differences on Translating of the Financial Statement of Foreign Operations | Total Equity |
| | Ordinary Shares | Capital Collected in Advance | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | | |
| BALANCE AT JANUARY 1, 2022 | \$ 582,224 | \$ 2,853 | \$ 802,178 | \$ 378,207 | \$ 108,988 | \$ 741,905 | \$ (118,821) | \$ 2,497,534 |
| Appropriation of 2021 earnings (Note 24) | | | | | | | | |
| Legal reserve | - | - | - | 64,297 | - | (64,297) | - | - |
| Special reserve | - | - | - | - | 9,833 | (9,833) | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (524,230) | - | (524,230) |
| Equity component of convertible bonds issued by the Company (Notes 20 and 24) | - | - | 46,024 | - | - | - | - | 46,024 |
| Cash dividends distributed by capital surplus (Note 24) | - | - | (128,717) | - | - | - | - | (128,717) |
| Convertible bonds converted to ordinary shares (Notes 20 and 24) | 7,754 | (2,853) | 34,143 | - | - | - | - | 39,044 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | - | 554,086 | - | 554,086 |
| Other comprehensive income for the year ended December 31, 2022, net of income tax | - | - | - | - | - | 1,087 | 31,526 | 32,613 |
| Total comprehensive income for the year ended December 31, 2022 | - | - | - | - | - | 555,173 | 31,526 | 586,699 |
| BALANCE AT DECEMBER 31, 2022 | 589,978 | - | 753,628 | 442,504 | 118,821 | 698,718 | (87,295) | 2,516,354 |
| Appropriation of 2022 earnings (Note 24) | | | | | | | | |
| Legal reserve | - | - | - | 55,517 | - | (55,517) | - | - |
| Special reserve | - | - | - | - | (31,526) | 31,526 | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (444,254) | - | (444,254) |
| Cash dividends distributed by capital surplus (Note 24) | - | - | (110,326) | - | - | - | - | (110,326) |
| Convertible bonds converted to ordinary shares (Notes 20 and 24) | 931 | 472 | 8,726 | - | - | - | - | 10,129 |
| Net profit for the year ended December 31, 2023 | - | - | - | - | - | 689,697 | - | 689,697 |
| Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax | - | - | - | - | - | 285 | (52,032) | (51,747) |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | 689,982 | (52,032) | 637,950 |
| BALANCE AT DECEMBER 31, 2023 | \$ 590,909 | \$ 472 | \$ 652,028 | \$ 498,021 | \$ 87,295 | \$ 920,455 | \$ (139,327) | \$ 2,609,853 |

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

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 | | |
| Profit before income tax | \$ 809,443 | \$ 667,311 |
| Adjustments for: | | |
| Depreciation expenses | 146,398 | 166,914 |
| Amortization expenses | 4,001 | 3,743 |
| Expected credit loss recognized on trade receivables | 10,594 | 14,497 |
| Net (gain) loss on fair value changes of financial instruments at fair value through profit or loss | (7,354) | 29,160 |
| Finance costs | 12,585 | 11,203 |
| Interest income | (73,851) | (52,092) |
| Share of profit of associates | (501) | (1,111) |
| Loss on disposal of property, plant and equipment | 1,733 | 1,281 |
| Write-down of inventories | 32,545 | 26,805 |
| Net loss (gain) on foreign currency exchange | 7,344 | (15,182) |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | - | (19,684) |
| Notes receivable | (8,849) | (21,212) |
| Trade receivables | (171,871) | 236,814 |
| Trade receivables from related parties | (8) | 203 |
| Other receivables | (168) | 217 |
| Inventories | (37,638) | 39,200 |
| Other current assets | (613) | 5,123 |
| Contract liabilities | (1,752) | 10,502 |
| Trade payables | 80,027 | (104,767) |
| Trade payables to related parties | 5,526 | (7,860) |
| Other payables | 5,491 | (15,993) |
| Provisions | (210) | (582) |
| Other current liabilities | (1,033) | (713) |
| Net defined benefit assets - non-current | (45) | (1,410) |
| Cash generated from operations | 811,794 | 972,367 |
| Interest paid | (1,125) | (1,008) |
| Income tax paid | (135,664) | (125,735) |
| Net cash generated from operating activities | 675,005 | 845,624 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at amortized cost | (804,531) | (1,324,438) |
| Proceeds from sale of financial assets at amortized cost | 1,089,537 | 1,365,564 |
| Payments for property, plant and equipment | (99,985) | (100,842) |
| Proceeds from disposal of property, plant and equipment | 717 | 43 |
| Increase in refundable deposits | (3,053) | (28) |
| Decrease in refundable deposits | 20 | - |
| Decrease in other receivables from related parties | 172 | 98 |
| Payments for intangible assets | (3,330) | (2,188) |

(Continued)

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| | 2023 | 2022 |
|--|---------------------|-------------------|
| Increase in prepayments for equipment | \$ (17,745) | \$ (5,621) |
| Interest received | 33,522 | 22,195 |
| Dividends received from associates | <u>1,180</u> | <u>-</u> |
| Net cash generated from (used in) investing activities | <u>196,504</u> | <u>(45,217)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 149,900 | 69,000 |
| Repayments of short-term borrowings | (20,000) | (669,000) |
| Proceeds from issuance of convertible bonds | - | 808,000 |
| Proceeds from guarantee deposits received | 46 | - |
| Repayment of the principal portion of lease liabilities | (2,625) | (733) |
| Dividends paid to owners of the Company | (554,577) | (652,944) |
| Payments for transaction costs attributable to the issuance of debt instruments | <u>-</u> | <u>(5,158)</u> |
| Net cash used in financing activities | <u>(427,256)</u> | <u>(450,835)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | | |
| | <u>(15,710)</u> | <u>19,851</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 428,543 | 369,423 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>614,954</u> | <u>245,531</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,043,497</u> | <u>\$ 614,954</u> |

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

(Concluded)

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Alltop Technology Co., Ltd. (the “Company”) and the entities controlled by the Company (collectively referred to as the “Group”) were incorporated in the Republic of China (ROC) in November 1998 and commenced business in March 1999. The Company mainly manufactures, sells, researches and develops electronic connectors.

The shares of the Company have been listed on the Taipei Exchange (TPEX) Mainboard since November 2007. Due to the dispersed ownership, the Company has no ultimate parent company or ultimate controlling entity. The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 5, 2024.

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

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

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

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

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

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

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

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

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

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

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</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 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

- a. Statement of compliance

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

- b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

See Note 12, Tables 4 and 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity'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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

f. Inventories

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

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate 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 Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

When the Group'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 using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that 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 Group 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 the investment's 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. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

j. Intangible assets

1) Intangible assets 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. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial 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, trade receivables at amortized cost, and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

m. Provisions

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

n. Revenue recognition

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

Revenue from the sale of goods

Revenue comes from the sales of electronic connectors. Sales of electronic connectors are recognized as revenue when the goods are shipped, or when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and over the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been shipped or delivered to the customer.

Revenue from the sale of goods is measured at the fair value based on amounts received or receivable, net of estimated customer returns, discounts and other similar allowances. The Group, based on historical experience and considering various contract conditions, estimates potential sales returns and allowances, which are used to recognize refund liabilities (classified as other current liabilities).

o. Leases

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

1) The Group as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. 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 presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. 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 lessee's incremental borrowing rate will be used.

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, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the 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 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 Group 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 recognized only 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 such temporary differences 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

When developing material accounting estimates, the Group considers the possible impact of inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Based on the assessment of the Group's management, the accounting policies, estimates, and assumptions adopted by the Group have not been subject to material accounting judgements, estimates and assumptions uncertainty.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---------------------|-------------------|
| | 2023 | 2022 |
| Cash on hand | \$ 719 | \$ 1,427 |
| Checking accounts and demand deposits | 216,471 | 327,793 |
| Cash equivalents (investments with original maturities of 3 months or less) | | |
| Bank acceptances | 17,887 | 28,159 |
| Time deposits | <u>808,420</u> | <u>257,575</u> |
| | <u>\$ 1,043,497</u> | <u>\$ 614,954</u> |

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

| | December 31 | |
|-----------------------------------|--------------------|--------------|
| | 2023 | 2022 |
| Bank balance and cash equivalents | 0.001%-5.60% | 0.001%-4.26% |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|---|--------------------|-----------------|
| | 2023 | 2022 |
| <u>Financial assets at FVTPL - current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Derivative financial assets (not under hedge accounting) | | |
| Convertible options | <u>\$ -</u> | <u>\$ 568</u> |
| <u>Financial liabilities at FVTPL - current</u> | | |
| Financial liabilities held for trading | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| Convertible options | <u>\$ 1,120</u> | <u>\$ 9,040</u> |

8. FINANCIAL ASSETS AT AMORTIZED COST

| | December 31 | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Current</u> | | |
| Financial products (a) and (b) | \$ 85,974 | \$ 371,691 |
| Time deposits with original maturities of more than 3 months (b) and (c) | <u>763,071</u> | <u>5,803</u> |
| | <u>\$ 849,045</u> | <u>\$ 377,494</u> |

(Continued)

| | December 31 | |
|--|--------------------|---------------------|
| | 2023 | 2022 |
| <u>Non-current</u> | | |
| Time deposits with original maturities of more than 3 months (b) and (c) | \$ 312,237 | \$ 1,087,230 |
| Restricted assets - time deposits with original maturities of more than 3 months (b) and (c) | <u>2,603</u> | <u>2,603</u> |
| | <u>\$ 314,840</u> | <u>\$ 1,089,833</u> |
| | | (Concluded) |

- a. The financial product is a short-term guaranteed return financial product contract signed between the Group and the Bank.
- b. Refer to Note 9 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.
- c. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.575%-5.59% and 1.045%-3.9% per annum as of December 31, 2023 and 2022, respectively. Refer to Note 33 for information on assets pledged as collateral or for security.

9. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

| | December 31 | |
|-------------------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Gross carrying amount | \$ 1,163,885 | \$ 1,467,327 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| | <u>\$ 1,163,885</u> | <u>\$ 1,467,327</u> |

The policy adopted by the Group is to invest only in debt instruments issued by entities with good creditworthiness. The Group's exposure is continuously monitored. The Group reviews debtors' material information and other publicly available information and makes an assessment whether there was a significant increase in credit risk since the last period to the reporting date. In order to minimize credit risk, the Group collects relevant information to assess the default risk of debt instrument investments. The Group uses publicly available financial information to rate the debtors.

In determining the expected credit losses for debt instrument investments, the Group considers the historical default situation of debtors, the current financial condition of debtors, and the future prospects of the industries. As of December 31, 2023 and 2022, the Group assessed the expected credit loss rate of debt instrument investments as 0%.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount - operating | \$ 71,238 | \$ 63,603 |
| Less: Allowance for impairment loss | <u>(2,751)</u> | <u>-</u> |
| | <u>\$ 68,487</u> | <u>\$ 63,603</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 943,811 | \$ 798,303 |
| Less: Allowance for impairment loss | <u>(32,425)</u> | <u>(25,016)</u> |
| | <u>\$ 911,386</u> | <u>\$ 773,287</u> |
| <u>Other receivables</u> | | |
| Interest receivables | \$ 84,996 | \$ 46,205 |
| Tax refund receivables | 570 | 353 |
| Others | <u>135</u> | <u>74</u> |
| | <u>\$ 85,701</u> | <u>\$ 46,632</u> |

a. Notes receivable

The average collection period of notes receivable is 30 to 180 days. Historical data of the Group indicates a favorable collection performance. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on customer segments by credit rating and determines the expected credit loss rate by reference to the past default experience of the customer, the customer's current financial position, as well as forward-looking information.

The Group measures the loss allowance of notes receivable as follows:

December 31, 2023

| | Group A | Group B | Group C | Group D | Group E | Total |
|--------------------------------|------------------|----------------|------------------|------------------|-----------------|------------------|
| Expected credit loss rate | 0% | - | 0% | 0% | 57.13% | |
| Gross carrying amount | \$ 18,775 | \$ - | \$ 37,630 | \$ 10,018 | \$ 4,815 | \$ 71,238 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,751)</u> | <u>(2,751)</u> |
| Amortized cost | <u>\$ 18,775</u> | <u>\$ -</u> | <u>\$ 37,630</u> | <u>\$ 10,018</u> | <u>\$ 2,064</u> | <u>\$ 68,487</u> |

December 31, 2022

| | Group A | Group B | Group C | Group D | Group E | Total |
|--------------------------------|------------------|------------------|------------------|-----------------|---------------|------------------|
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | |
| Gross carrying amount | \$ 24,008 | \$ 15,542 | \$ 20,791 | \$ 2,526 | \$ 736 | \$ 63,603 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Amortized cost | <u>\$ 24,008</u> | <u>\$ 15,542</u> | <u>\$ 20,791</u> | <u>\$ 2,526</u> | <u>\$ 736</u> | <u>\$ 63,603</u> |

The aging analysis based on the accounts recognition date were as follows:

| | <u>December 31</u> | |
|----------------|--------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| 0 to 60 days | \$ 22,915 | \$ 28,963 |
| 61 to 90 days | 10,637 | 11,945 |
| 91 to 180 days | 34,935 | 22,254 |
| Over 181 days | <u>2,751</u> | <u>441</u> |
| | <u>\$ 71,238</u> | <u>\$ 63,603</u> |

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

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| Balance at January 1 | \$ - | \$ 467 |
| Add: Net remeasurement of loss allowance | 2,806 | - |
| Less: Net remeasurement of loss allowance reversed | - | (477) |
| Foreign exchange gains and losses | <u>(55)</u> | <u>10</u> |
| Balance at December 31 | <u>\$ 2,751</u> | <u>\$ -</u> |

b. Trade receivables

The average credit period of sales of goods is 30 to 180 days and no interest is charged on overdue trade receivables. When determining the recoverability of trade receivables, the Group considers any changes in credit quality of trade receivables from the original credit date to the balance sheet date. Historical experience indicates that the majority of accounts are recovered well.

Before accepting new customers, the Group evaluates the credit quality of potential customers and sets their credit limits through customer credit management procedures. After the credit rating of the customer is assessed through credit rating procedures by the Group, it is then evaluated by responsible supervisors who allocate credit limits.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on customer segments by credit rating, and determines the expected credit loss rate by reference to the past default experience of the customer, the customer's current financial position, as well as forward-looking information.

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

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

December 31, 2023

| | Group A | Group B | Group C | Group D | Group E | Total |
|--------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|
| Expected credit loss rate | 0.11% | 0.50% | 2.39% | 29.47% | 43.42% | |
| Gross carrying amount | \$ 526,289 | \$ 145,935 | \$ 197,828 | \$ 40,231 | \$ 33,528 | \$ 943,811 |
| Loss allowance (Lifetime ECLs) | <u>(564)</u> | <u>(725)</u> | <u>(4,722)</u> | <u>(11,855)</u> | <u>(14,559)</u> | <u>(32,425)</u> |
| Amortized cost | <u>\$ 525,725</u> | <u>\$ 145,210</u> | <u>\$ 193,106</u> | <u>\$ 28,376</u> | <u>\$ 18,969</u> | <u>\$ 911,386</u> |

December 31, 2022

| | Group A | Group B | Group C | Group D | Group E | Total |
|--------------------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|
| Expected credit loss rate | 0.11% | 0.58% | 2.47% | 10.46% | 36.22% | |
| Gross carrying amount | \$ 464,197 | \$ 84,497 | \$ 168,276 | \$ 37,177 | \$ 44,156 | \$ 798,303 |
| Loss allowance (Lifetime ECLs) | <u>(497)</u> | <u>(486)</u> | <u>(4,152)</u> | <u>(3,888)</u> | <u>(15,993)</u> | <u>(25,016)</u> |
| Amortized cost | <u>\$ 463,700</u> | <u>\$ 84,011</u> | <u>\$ 164,124</u> | <u>\$ 33,289</u> | <u>\$ 28,163</u> | <u>\$ 773,287</u> |

The aging analysis based on the accounts recognition date were as follows:

| | December 31 | |
|----------------|--------------------|-------------------|
| | 2023 | 2022 |
| 0 to 60 days | \$ 497,080 | \$ 401,004 |
| 61 to 90 days | 186,799 | 171,552 |
| 91 to 180 days | 213,716 | 180,418 |
| Over 181 days | <u>46,216</u> | <u>45,329</u> |
| | <u>\$ 943,811</u> | <u>\$ 798,303</u> |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ 25,016 | \$ 10,025 |
| Add: Net remeasurement of loss allowance | 7,788 | 14,974 |
| Foreign exchange gains and losses | <u>(379)</u> | <u>17</u> |
| Balance at December 31 | <u>\$ 32,425</u> | <u>\$ 25,016</u> |

b. Other receivables

Other receivables mainly contain interest receivables. The Group adopted a policy of only dealing with entities of good credit standing. The Group continuously monitors and assesses the credit risk of other receivables by tracking and analyzing the past default records of counterparties as well as their current financial condition since the original recognition, to evaluate whether there has been a significant increase in credit risk and to measure expected credit losses. As of December 31, 2023 and 2022, the Group assessed the expected credit loss of other receivables as 0%.

11. INVENTORIES

| | December 31 | |
|----------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Finished goods | \$ 90,006 | \$ 93,672 |
| Work in progress | 23,991 | 19,250 |
| Raw materials and supplies | <u>47,552</u> | <u>45,800</u> |
| | <u>\$ 161,549</u> | <u>\$ 158,722</u> |

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

| | For the Year Ended December 31 | |
|--------------------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Cost of inventories sold | \$ 1,133,538 | \$ 1,211,447 |
| Inventory write-downs | <u>32,545</u> | <u>26,805</u> |
| | <u>\$ 1,166,083</u> | <u>\$ 1,238,252</u> |

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

| Investor | Investee | Nature of Activities | Proportion of Ownership (%) | | Remark |
|-----------------------------|---------------------------------------|---|------------------------------------|-------------|---|
| | | | December 31 | | |
| | | | 2023 | 2022 | |
| The Company | A-LIST International Ltd. | Holding company | 100.0 | 100.0 | Foreign exchange risk is the major operational risk |
| | Alltop Technology (Vietnam) Co., Ltd. | Manufacturing and selling of electronic components | 100.0 (Note) | - | Foreign exchange risk is the major operational risk |
| A-LIST International Ltd. | Topwise Technology Ltd. | Holding company | 100.0 | 100.0 | Foreign exchange risk is the major operational risk |
| | Alltop Holding Ltd. | Holding company | 100.0 | 100.0 | Foreign exchange risk is the major operational risk |
| Alltop Holding Ltd. | Alltop Electronic (Suzhou) Ltd. | Manufacturing, selling and R&D of electronic components | 100.0 | 100.0 | Political, foreign exchange, and market risks are major operational risks |
| | Mettle Enterprise Co., Ltd. | Holding company | 29.4 | 29.4 | Foreign exchange risk is the major operational risk |
| Topwise Technology Ltd. | Mettle Enterprise Co., Ltd. | Holding company | 70.6 | 70.6 | Foreign exchange risk is the major operational risk |
| Mettle Enterprise Co., Ltd. | Liquan Technology (Taicang) Co., Ltd. | Manufacturing and selling of electronic components | 100.0 | 100.0 | Political, foreign exchange, and market risks are major operational risks |

Note: Alltop Technology (Vietnam) Co., Ltd. was incorporated in Vietnam on June 20, 2023, and the Group invested US\$2,000 thousand in July 2023.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associate

| | December 31 | |
|---|--------------------|-----------------|
| | 2023 | 2022 |
| Associate that is not individually material | \$ <u>7,889</u> | \$ <u>9,935</u> |

Aggregate information of associates that are not individually material

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------|
| | 2023 | 2022 |
| The Group's share of | | |
| Profit for the year | \$ 501 | \$ 1,111 |
| Other comprehensive loss | <u>(1,375)</u> | <u>(535)</u> |
| Total comprehensive (loss) income for the year | \$ <u>(874)</u> | \$ <u>576</u> |

Investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income are recognized based on the audited financial statements of associates for the same periods.

14. PROPERTY, PLANT AND EQUIPMENT - USED BY THE GROUP

| | Land | Buildings | Machinery and Equipment | Mold Equipment | Transportation Equipment | Office Equipment | Other Equipment | Total |
|---|------------------|-------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ 32,000 | \$ 721,009 | \$ 578,086 | \$ 374,407 | \$ 14,043 | \$ 14,941 | \$ 109,380 | \$ 1,843,866 |
| Additions | - | - | 41,845 | 32,805 | 2,609 | 1,704 | 14,477 | 93,440 |
| Disposals | - | - | (9,523) | (4,928) | (3,624) | (3,452) | (2,962) | (24,489) |
| Reclassification (Note) | - | - | 1,335 | 2,547 | - | - | 425 | 4,307 |
| Effect of foreign currency exchange differences | - | (11,009) | (9,980) | (6,745) | (278) | (181) | (1,919) | (30,112) |
| Balance at December 31, 2023 | \$ <u>32,000</u> | \$ <u>710,000</u> | \$ <u>601,763</u> | \$ <u>398,086</u> | \$ <u>12,750</u> | \$ <u>13,012</u> | \$ <u>119,401</u> | \$ <u>1,887,012</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ - | \$ 166,055 | \$ 440,332 | \$ 294,354 | \$ 11,081 | \$ 11,868 | \$ 58,290 | \$ 981,980 |
| Depreciation expenses | - | 32,020 | 47,427 | 44,363 | 861 | 792 | 16,709 | 142,172 |
| Disposals | - | - | (7,950) | (4,872) | (3,243) | (3,108) | (2,866) | (22,039) |
| Effect of foreign currency exchange differences | - | (3,006) | (7,867) | (5,607) | (143) | (124) | (1,121) | (17,868) |
| Balance at December 31, 2023 | \$ <u>-</u> | \$ <u>195,069</u> | \$ <u>471,942</u> | \$ <u>328,238</u> | \$ <u>8,556</u> | \$ <u>9,428</u> | \$ <u>71,012</u> | \$ <u>1,084,245</u> |
| Carrying amounts at December 31, 2023 | \$ <u>32,000</u> | \$ <u>514,931</u> | \$ <u>129,821</u> | \$ <u>69,848</u> | \$ <u>4,194</u> | \$ <u>3,584</u> | \$ <u>48,389</u> | \$ <u>802,767</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 32,000 | \$ 710,431 | \$ 537,372 | \$ 337,198 | \$ 15,657 | \$ 14,750 | \$ 107,912 | \$ 1,755,320 |
| Additions | - | 119 | 28,908 | 41,097 | 603 | 721 | 4,095 | 75,543 |
| Disposals | - | - | (6,085) | (10,730) | (2,481) | (728) | (4,164) | (24,188) |
| Reclassification (Note) | - | - | 9,734 | 2,010 | - | - | - | 11,744 |
| Effect of foreign currency exchange differences | - | 10,459 | 8,157 | 4,832 | 264 | 198 | 1,537 | 25,447 |
| Balance at December 31, 2022 | \$ <u>32,000</u> | \$ <u>721,009</u> | \$ <u>578,086</u> | \$ <u>374,407</u> | \$ <u>14,043</u> | \$ <u>14,941</u> | \$ <u>109,380</u> | \$ <u>1,843,866</u> |

(Continued)

| | Land | Buildings | Machinery and Equipment | Mold Equipment | Transportation Equipment | Office Equipment | Other Equipment | Total |
|---|------------------|-------------------|-------------------------|-------------------|--------------------------|------------------|------------------|-------------------|
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 132,301 | \$ 383,970 | \$ 242,212 | \$ 11,810 | \$ 11,580 | \$ 45,921 | \$ 827,794 |
| Depreciation expenses | - | 32,108 | 56,054 | 59,587 | 1,292 | 686 | 15,813 | 165,540 |
| Disposals | - | - | (5,396) | (10,730) | (2,214) | (555) | (3,969) | (22,864) |
| Effect of foreign currency exchange differences | - | 1,646 | 5,704 | 3,285 | 193 | 157 | 525 | 11,510 |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 166,055</u> | <u>\$ 440,332</u> | <u>\$ 294,354</u> | <u>\$ 11,081</u> | <u>\$ 11,868</u> | <u>\$ 58,290</u> | <u>\$ 981,980</u> |
| Carrying amounts at December 31, 2022 | <u>\$ 32,000</u> | <u>\$ 554,954</u> | <u>\$ 137,754</u> | <u>\$ 80,053</u> | <u>\$ 2,962</u> | <u>\$ 3,073</u> | <u>\$ 51,090</u> | <u>\$ 861,886</u> |

(Concluded)

Note: Reclassification from other non-current assets - prepayments for equipment.

There were no significant impairments in the Group's property, plant and equipment for the years ended December 31, 2023 and 2022.

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

Buildings

| | |
|--------------------------|---------------|
| Main buildings | 20-43 years |
| Attachment to buildings | 15.5-20 years |
| Machinery and equipment | 2-10 years |
| Mold equipment | 2-5 years |
| Transportation equipment | 4-5 years |
| Office equipment | 3-5 years |
| Other equipment | 2-10 years |

15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Carrying amounts</u> | | |
| Land use rights | \$ 26,196 | \$ 27,275 |
| Buildings | <u>13,945</u> | <u>121</u> |
| | <u>\$ 40,141</u> | <u>\$ 27,396</u> |
| Additions to right-of-use assets | | |
| Buildings | <u>\$ 18,493</u> | <u>\$ -</u> |
| Depreciation charge for right-of-use assets | | |
| Land use rights | \$ 645 | \$ 646 |
| Buildings | <u>3,581</u> | <u>728</u> |
| | <u>\$ 4,226</u> | <u>\$ 1,374</u> |

Except for the additions and depreciation expenses listed above, there were no significant sublease or impairment of the right-of-use assets of the Group for the years ended December 31, 2023 and 2022.

b. Lease liabilities

| | December 31 | |
|-------------------------|--------------------|-------------|
| | 2023 | 2022 |
| <u>Carrying amounts</u> | | |
| Current | \$ 5,916 | \$ 124 |
| Non-current | \$ 8,914 | \$ - |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|-----------|--------------------|-------------|
| | 2023 | 2022 |
| Buildings | 1.60%-5.25% | 2.20% |

c. Material leasing activities and terms

The right-of-use assets include land use rights with a lease term of 50 years, which are for land located in mainland China. The Group leases buildings for the use of warehouses and production lines with lease terms of 2 to 3 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------|
| | 2023 | 2022 |
| Expenses relating to short-term leases | \$ 3,465 | \$ 3,400 |
| Total cash outflow for leases | \$ (6,529) | \$ (4,143) |

The Group's leases of certain office equipment and staff dormitories qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. GOODWILL

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------|
| | 2023 | 2022 |
| <u>Cost</u> | | |
| Balance at January 1 | \$ 3,868 | \$ 3,487 |
| Effect of foreign currency exchange differences | (1) | 381 |
| Balance at December 31 | \$ 3,867 | \$ 3,868 |

In 2010 and 2011, the Group acquired Mettle Enterprise Co., Ltd. and recognized goodwill in relation to investments costs over the fair value of identifiable assets and assumed liabilities.

17. OTHER INTANGIBLE ASSETS

Computer Software

Cost

| | |
|---|------------------|
| Balance at January 1, 2023 | \$ 23,923 |
| Additions | 3,234 |
| Disposals | (2,602) |
| Effect of foreign currency exchange differences | <u>(29)</u> |
| Balance at December 31, 2023 | <u>\$ 24,526</u> |

Accumulated amortization

| | |
|---|------------------|
| Balance at January 1, 2023 | \$ 14,465 |
| Amortization expenses | 4,001 |
| Disposals | (2,602) |
| Effect of foreign currency exchange differences | <u>(19)</u> |
| Balance at December 31, 2023 | <u>\$ 15,845</u> |

| | |
|---------------------------------------|-----------------|
| Carrying amounts at December 31, 2023 | <u>\$ 8,681</u> |
|---------------------------------------|-----------------|

Cost

| | |
|---|------------------|
| Balance at January 1, 2022 | \$ 21,641 |
| Additions | 2,284 |
| Disposals | (13) |
| Effect of foreign currency exchange differences | <u>11</u> |
| Balance at December 31, 2022 | <u>\$ 23,923</u> |

Accumulated amortization

| | |
|---|------------------|
| Balance at January 1, 2022 | \$ 10,731 |
| Amortization expenses | 3,743 |
| Disposals | (13) |
| Effect of foreign currency exchange differences | <u>4</u> |
| Balance at December 31, 2022 | <u>\$ 14,465</u> |

| | |
|---------------------------------------|-----------------|
| Carrying amounts at December 31, 2022 | <u>\$ 9,458</u> |
|---------------------------------------|-----------------|

There was no significant impairments in the Group's other intangible assets for the years ended December 31, 2023 and 2022.

Computer software is amortized on a straight-line basis over the estimated useful lives of five years.

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2023 | 2022 |
| An analysis of depreciation by functions | | |
| General and administrative expenses | \$ 3,069 | \$ 2,024 |
| Research and development expenses | <u>932</u> | <u>1,719</u> |
| | <u>\$ 4,001</u> | <u>\$ 3,743</u> |

18. OTHER ASSETS

| | December 31 | |
|---------------------------|--------------------|------------------|
| | 2023 | 2022 |
| <u>Current</u> | | |
| Prepayments | \$ 11,659 | \$ 11,872 |
| Others | <u>181</u> | <u>86</u> |
| | <u>\$ 11,840</u> | <u>\$ 11,958</u> |
| <u>Non-current</u> | | |
| Prepayments for equipment | \$ 18,276 | \$ 5,765 |
| Refundable deposits | 3,949 | 1,162 |
| Others | <u>43</u> | <u>43</u> |
| | <u>\$ 22,268</u> | <u>\$ 6,970</u> |

19. SHORT-TERM BORROWINGS

| | December 31 | |
|-----------------------------|--------------------|-------------|
| | 2023 | 2022 |
| <u>Unsecured borrowings</u> | | |
| Bank loans | \$ 129,900 | \$ <u>-</u> |

The range of interest rates on bank loans was 1.67%-1.68% per annum at December 31, 2023.

20. BONDS PAYABLE

| | December 31 | |
|--------------------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Unsecured domestic convertible bonds | \$ 927,173 | \$ 925,928 |
| Less: Current portion | <u>(154,737)</u> | <u>(161,982)</u> |
| | <u>\$ 772,436</u> | <u>\$ 763,946</u> |

a. Fifth unsecured domestic convertible bonds

On February 14, 2022, the Company issued 8,000 units of NTD-denominated unsecured convertible bonds in Taiwan, with an interest rate of 0%, priced at 101% of the face value and the aggregate principal amount is \$800,000 thousand. The bonds have a maturity period of five years, expiring on February 14, 2027.

Except for cases when the bonds are converted to the Company's shares, bondholders will exercise their resale options and the Company will redeem the bonds before maturity, or when the Company repurchases the bonds from securities firms and cancels them, the bonds will be paid at par in cash at maturity.

Each holder of the bonds has the right during the conversion period, from May 15, 2022 (3 months after the issue date) to February 14, 2027 (the maturity date), to convert its bonds into ordinary shares through their securities broker, by notifying Taiwan Depository & Clearing Corporation (TDCC) and contacting the Company's Shareholder Services Department. Except for the following periods: (i) the period during which the Company may be required to close its share transfer books under the applicable laws and regulations; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of shares or cash dividends, the subscription of new shares due to a capital increase until the date ending on such record date; (iii) the period beginning on the date of a capital reduction until one day prior to the trading day on which the shares of the Company are reissued after such reduction; (iv) the period from the commencement of the conversion suspension date due to the change in the par value of the shares until the day before the start of trading of the new shares issued in exchange.

The price used by the Company in determining the number of ordinary shares to be issued upon conversion was initially NT\$207.3 per share starting on July 30, 2023, the conversion price was adjusted to NT\$179.6 per share.

The dates on which the convertible bonds were issued for three and four years (February 14, 2025 and February 14, 2026), serve as the base dates for bondholders to exercise their redemption rights. The Company shall notify the bondholders 40 days prior to the redemption base date (January 5, 2025 and January 5, 2026), and request the Taipei Exchange to announce the exercise of the bondholders' redemption rights.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the capital surplus - options. The effective interest rate of the liability component was 1.12% per annum on initial recognition. In 2023, convertible bonds with a face value of \$100 thousand were converted, resulting in an increasing in ordinary shares capital of \$6 thousand. Due to the exercise of the conversion right, the capital surplus - convertible bonds originally recognized decreased by \$6 thousand, the discount on bonds payable decreased by \$3 thousand, and the excess of the net conversion over the face value of ordinary shares was transferred to the capital surplus - conversion of bonds, amounting to \$97 thousand.

| | |
|---|-------------------|
| Proceeds from issuance (less transaction costs of \$5,158 thousand) | \$ 802,842 |
| Resale/redemption option component at the date of issue | (320) |
| Equity component | <u>(46,024)</u> |
| Liability component at the date of issue | 756,498 |
| Interest charged at an effective interest rate of 1.12% | <u>7,448</u> |
| Liability component at December 31, 2022 | 763,946 |
| Interest charged at an effective interest rate of 1.12% | 8,587 |
| Convertible bonds converted into ordinary shares | <u>(97)</u> |
| Liability component at December 31, 2023 | <u>\$ 772,436</u> |

b. Fourth unsecured domestic convertible bonds

On September 30, 2019, the Company issued 6,000 units of NTD-denominated unsecured convertible bonds in Taiwan, with an interest rate of 0%, priced at 101% of the face value and the aggregate principal amount is \$600,000 thousand. The bonds have a maturity period of five years, expiring on September 30, 2024.

Except for cases when the bonds are converted to the Company's shares, bondholders will exercise their resale options and the Company will redeem the bonds before maturity, or when the Company repurchases the bonds from securities firms and cancels them, the bonds will be paid at par in cash at maturity.

Each holder of the bonds has the right during the conversion period, from December 31, 2019 (3 months after the issue date) to September 30, 2024 (the maturity date), to convert its bonds into ordinary shares through their securities broker, by notifying TDCC and contacting the Company's Shareholder Services Department, except for the following periods: (i) the period during which the Company may be required to close its share transfer books under the applicable laws and regulations; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of shares or cash dividends, the subscription of new shares due to a capital increase until the date ending on such record date; (iii) the period beginning on the date of a capital reduction until one day prior to the trading day on which the shares of the Company are reissued after such reduction.

The price used by the Company in determining the number of ordinary shares to be issued upon conversion was initially NT\$73 per share starting on July 30, 2023, the conversion price was adjusted to NT\$73 per share.

The dates on which the convertible bonds were issued for three and four years (September 30, 2022, and September 30, 2023) serve as the base dates for bondholders to exercise their redemption rights. The Company shall notify the bondholders 40 days prior to the redemption base date (August 21, 2022, and August 21, 2023) and request the Taipei Exchange to announce the exercise of the bondholders' redemption rights.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the capital surplus - options. The effective interest rate of the liability component was 1.70% per annum on initial recognition. In 2023 and 2022, the convertible bonds with face values of \$10,200 thousand and \$40,900 thousand were converted, resulting in an increase in ordinary shares of \$1,397 thousand and \$4,901 thousand, respectively. Due to the exercise of the conversion right, the capital surplus - convertible bonds originally recognized decreased by \$759 thousand and \$3,045 thousand, respectively, and the discount on bonds payable decreased by \$166 thousand and \$1,621 thousand, respectively. There was a decrease of \$2 thousand and \$235 thousand in financial assets at fair value through profit or loss, respectively, and the excess of the net conversion over the face value of ordinary shares was transferred to the capital surplus - conversion of bonds, amounting to \$9,394 thousand and \$37,188 thousand, respectively.

| | |
|---|-------------------|
| Proceeds from issuance (less transaction costs of \$5,197 thousand) | \$ 600,803 |
| Resale/redemption option component at the date of issue | (4,620) |
| Equity component | <u>44,671</u> |
| Liability component at the date of issue | 551,512 |
| Interest charged at an effective interest rate of 1.70% | 20,407 |
| Convertible bonds converted into ordinary shares | <u>(409,937)</u> |
| Liability component at December 31, 2022 | 161,982 |
| Interest charged at an effective interest rate of 1.70% | 2,789 |
| Convertible bonds converted into ordinary shares | <u>(10,034)</u> |
| Liability component at December 31, 2023 | <u>\$ 154,737</u> |

21. OTHER LIABILITIES

| | December 31 | |
|---|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Current</u> | | |
| Other payables | | |
| Payables for salaries and bonuses (including compensation of employees and remuneration of directors) | \$ 133,603 | \$ 123,124 |
| Payables for purchases of equipment and intangible asset (Note 29) | 18,175 | 22,555 |
| Payables for technical service | 9,105 | 10,662 |
| Payables for insurance | 4,406 | 4,450 |
| Payables for royalties | 4,316 | 3,305 |
| Payables for pension | 3,694 | 3,749 |
| Payables for professional service fees | 2,394 | 2,199 |
| Payables for warehousing | 1,664 | 1,551 |
| Payables for VAT | 797 | 5,447 |
| Payables for interest | 84 | - |
| Payables for dividends (Note 29) | 26 | 23 |
| Others | <u>15,214</u> | <u>16,012</u> |
| | <u>\$ 193,478</u> | <u>\$ 193,077</u> |
| Other liabilities | | |
| Refund liabilities | \$ 11,121 | \$ 12,584 |
| Others | <u>1,006</u> | <u>576</u> |
| | <u>\$ 12,127</u> | <u>\$ 13,160</u> |

22. PROVISIONS

| | December 31 | |
|------------------------------|--------------------|--------------------------|
| | 2023 | 2022 |
| <u>Non-current</u> | | |
| Employee benefits | <u>\$ 1,606</u> | <u>\$ 1,816</u> |
| | | Employee Benefits |
| Balance at January 1, 2023 | | \$ 1,816 |
| Decrease for the year | | <u>(210)</u> |
| Balance at December 31, 2023 | | <u>\$ 1,606</u> |
| Balance at January 1, 2022 | | \$ 2,398 |
| Decrease for the year | | <u>(582)</u> |
| Balance at December 31, 2022 | | <u>\$ 1,816</u> |

The provision for employee benefits represents accrual of long-term disability benefits for employees.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiary in China and Vietnam are members of state-managed retirement benefit plans operated by the government of China and Vietnam. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The Company has reported to the Supervisory Committee of Labor Retirement Reserve in April 2023 and April 2022 that the contributions to employees' retirement funds were suspended from April 2023 to March 2024 and from April 2022 to March 2023, respectively, and were approved by the relevant regulatory authorities.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

| | December 31 | |
|---|--------------------|-------------------|
| | 2023 | 2022 |
| Present value of defined benefit obligation | \$ 5,173 | \$ 5,396 |
| Fair value of plan assets | <u>(8,585)</u> | <u>(8,406)</u> |
| Net defined benefit assets | <u>\$ (3,412)</u> | <u>\$ (3,010)</u> |

Movements in net defined benefit assets were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Assets |
|---|--|--|---------------------------------------|
| Balance at January 1, 2023 | \$ 5,396 | \$ (8,406) | \$ (3,010) |
| Net interest expense (income) | 81 | (126) | (45) |
| Recognized in profit or loss | 81 | (126) | (45) |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (53) | (53) |
| Actuarial gain | | | |
| Changes in financial assumptions | (80) | - | (80) |
| Experience adjustments | (224) | - | (224) |
| Recognized in other comprehensive income | (304) | (53) | (357) |
| Balance at December 31, 2023 | \$ 5,173 | \$ (8,585) | \$ (3,412) |
| Balance at January 1, 2022 | \$ 7,500 | \$ (7,741) | \$ (241) |
| Net interest expense (income) | 37 | (39) | (2) |
| Recognized in profit or loss | 37 | (39) | (2) |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (626) | (626) |
| Actuarial (gain) loss | | | |
| Changes in financial assumptions | (836) | - | (836) |
| Experience adjustments | 103 | - | 103 |
| Recognized in other comprehensive income | (733) | (626) | (1,359) |
| Benefits paid | (1,408) | - | (1,408) |
| Balance at December 31, 2022 | \$ 5,396 | \$ (8,406) | \$ (3,010) |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| General and administrative expenses | \$ (45) | \$ (2) |

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the 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 plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

| | December 31 | |
|----------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Discount rate | 1.38% | 1.50% |
| Expected rate of salary increase | 3.50% | 3.75% |

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

| | December 31 | |
|----------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Discount rate | | |
| 0.25% increase | \$ (168) | \$ (188) |
| 0.25% decrease | \$ 174 | \$ 196 |
| Expected rate of salary increase | | |
| 0.25% increase | \$ 168 | \$ 189 |
| 0.25% decrease | \$ (162) | \$ (182) |

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

The analysis of the average duration of the defined benefit obligation was as follows:

| | December 31 | |
|---|--------------------|-------------|
| | 2023 | 2022 |
| Expected contributions to the plans for the next year | \$ - | \$ - |
| Average duration of the defined benefit obligation | 13.2 years | 14.2 years |

24. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| Shares authorized (in thousands of shares) | <u>120,000</u> | <u>120,000</u> |
| Share authorized (in thousands of dollars) | <u>\$ 1,200,000</u> | <u>\$ 1,200,000</u> |
| Shares issued and fully paid (in thousands of shares) | <u>59,091</u> | <u>58,998</u> |
| Share issued and fully paid (in thousands of dollars) | <u>\$ 590,909</u> | <u>\$ 589,978</u> |

The authorized shares include 2,000 thousand shares allocated for the exercise of employee share options, preferred shares with options or corporate bonds with equity options.

Ordinary shares issued, which have a par value of NT\$10, carry one vote per share and a right to dividends.

The change in the Company's share is due to the ordinary shares converted from convertible bonds.

In 2022, \$4,901 thousand of ordinary shares were converted by the convertible bondholders. The subscription base dates were determined by the board of directors to be June 23, 2022, and November 4, 2022, respectively, coinciding with the dates of the board meetings, and registered on July 26, 2022, and November 15, 2022, respectively.

From August 15, 2023, to September 11, 2023, \$931 thousand of ordinary shares were converted by the convertible bondholders. The subscription base date was determined by the board of directors to be November 3, 2023, coinciding with the dates of the board meetings, and registered on November 24, 2023.

From October 17, 2023, to December 26, 2023, \$471 thousand of ordinary shares were converted by the convertible bondholders, and it was recognized as capital collected in advance. As of December 31, 2023, the change of registration has not yet been completed.

b. Capital surplus

A reconciliation to capital surplus is as follows:

| | Paid-In Capital Arising from Issuance of Ordinary Shares | Paid-in Capital Arising from Bonds | Share Options | Others | Total |
|---|---|---|----------------------|------------------|-------------------|
| Balance at January 1, 2023 | \$ 20,479 | \$ 651,144 | \$ 58,457 | \$ 23,548 | \$ 753,628 |
| Conversion of bonds | - | 9,491 | (765) | - | 8,726 |
| Cash dividends distributed by capital surplus | - | (110,326) | - | - | (110,326) |
| Balance at December 31, 2023 | <u>\$ 20,479</u> | <u>\$ 550,309</u> | <u>\$ 57,692</u> | <u>\$ 23,548</u> | <u>\$ 652,028</u> |
| Balance at January 1, 2022 | \$ 20,479 | \$ 742,673 | \$ 15,478 | \$ 23,548 | \$ 802,178 |
| Equity component of convertible bonds | - | - | 46,024 | - | 46,024 |
| Conversion of bonds | - | 37,188 | (3,045) | - | 34,143 |
| Cash dividends distributed by capital surplus | - | (128,717) | - | - | (128,717) |
| Balance at December 31, 2022 | <u>\$ 20,479</u> | <u>\$ 651,144</u> | <u>\$ 58,457</u> | <u>\$ 23,548</u> | <u>\$ 753,628</u> |

| | December 31 | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u> | | |
| Issuance of ordinary shares | \$ 20,479 | \$ 20,479 |
| Conversion of bonds | 550,309 | 651,144 |
| Settlement of convertible bonds | 23,438 | 23,438 |
| <u>May be used to offset a deficit only</u> | | |
| Share of changes in capital surplus of associates accounted for using equity method (2) | 110 | 110 |
| <u>May not be used for any purpose</u> | | |
| Share options | <u>57,692</u> | <u>58,457</u> |
| | <u>\$ 652,028</u> | <u>\$ 753,628</u> |

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus).
- 2) It is the change in the net assets of associates accounted for using equity method and it could only be used to offset a deficit since there is no cash inflow from such capital surplus.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit shall be distributed preferentially to preferred shares for dividends declared. Any balance left over together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

For the policies on the distribution of compensation of employees and remuneration of directors, please refer to Note 26(g).

In accordance with the Company's Articles, the Company's dividend policy is based on its current and future development plans, consideration of the investment environment, capital requirements, domestic and international competition and shareholders' interests. Each year, no less than 50% of the distributable earnings may be contributed to the distribution of shareholders' bonuses. Dividends may be distributed to shareholders in cash or in shares, with cash dividends being no less than 10% of the total dividends.

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

The Company sets aside or reverses special reserve in accordance with Rule No. 1090150022 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders’ meetings on June 21, 2023 and June 23, 2022, respectively, were as follows:

| | Appropriation of Earnings | |
|--|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| Legal reserve | \$ 55,517 | \$ 64,297 |
| Special reserve | \$ (31,526) | \$ 9,833 |
| Cash dividends | \$ 444,254 | \$ 524,230 |
| Cash Dividends per share (NT\$) (Note) | \$ 7.53 | \$ 8.89 |

Note: The cash dividend per share for 2021 was adjusted from \$8.96 to \$8.89 due to changes in the outstanding shares resulting from the conversion of convertible bonds into ordinary shares.

The shareholders’ meeting also resolved a cash distribution from the capital surplus, totaling \$110,326 thousand and \$128,717 thousand, with a distribution of \$1.87 and \$2.20 per share, respectively. The per-share cash distribution amount determined at the shareholders’ meeting on June 23, 2022, was adjusted from \$2.20 to \$2.18 due to changes in the outstanding shares resulting from the conversion of convertible bonds into ordinary shares.

The appropriation of earnings for 2023, which were proposed by the Company’s board of directors on March 5, 2024, were as follows:

| | For the Year Ended December 31, 2023 |
|---------------------------------|---|
| Legal reserve | \$ 68,999 |
| Special reserve | \$ 52,032 |
| Cash dividends | \$ 552,942 |
| Cash Dividends per share (NT\$) | \$ 9.35 |

Additionally, on March 5, 2024, the board of directors proposed a cash distribution from the capital surplus, totaling \$133,061 thousand, with a distribution of \$2.25 per share.

The above appropriation for per-share cash dividends is calculated based on the total outstanding ordinary shares and capital collected in advance as of December 31, 2023, totaling 59,138 thousand shares.

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held in 2024.

d. Special reserve

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Appropriations in respect of | | |
| Provided according to Article 41 of Securities and Exchange Act | \$ 56,790 | \$ 88,316 |
| First-time adoption of IFRS Accounting Standards | <u>30,505</u> | <u>30,505</u> |
| | <u>\$ 87,295</u> | <u>\$ 118,821</u> |

e. Other equity items

Exchange differences on the translation of the financial statements of foreign operations

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ (87,295) | \$ (118,821) |
| Recognized for the year | | |
| Exchange differences on the translation of the financial statements of foreign operations | (63,665) | 39,942 |
| Share from associates accounted for using the equity method | (1,375) | (535) |
| Related income tax | <u>13,008</u> | <u>(7,881)</u> |
| Other comprehensive income recognized for the year | <u>(52,032)</u> | <u>31,526</u> |
| Balance at December 31 | <u>\$ (139,327)</u> | <u>\$ (87,295)</u> |

25. REVENUE

a. Description of customer contract - revenue from sales of goods

The Group's main operating revenue is from selling electronic connectors. As new products are frequently launched in the market and prices are highly volatile, the expected amount of discount is estimated using the expected value method, taking into consideration the range of discount previously given. All other goods are sold at their respective fixed amounts as agreed in the contracts.

b. Contract balance

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|--|------------------------------|------------------------------|------------------------|
| Notes receivable and trade receivables (related parties included) (Notes 10 and 32) | <u>\$ 979,883</u> | <u>\$ 836,892</u> | <u>\$ 1,065,711</u> |
| Contract liabilities | | | |
| Sale of goods | <u>\$ 21,892</u> | <u>\$ 24,011</u> | <u>\$ 13,353</u> |

Revenue recognized from the contract liability balance at the beginning of the year for the years ended December 31, 2023 and 2022 was \$24,011 thousand and \$13,353 thousand, respectively.

- c. Sales detail of customer contract

Refer to Note 38 for information on the detail of revenue classification.

26. NET PROFIT

- a. Interest income

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Bank deposits | \$ 67,244 | \$ 39,713 |
| Wealth management products | <u>6,607</u> | <u>12,379</u> |
| | <u>\$ 73,851</u> | <u>\$ 52,092</u> |

- b. Other income

| | For the Year Ended December 31 | |
|-------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Rental income | \$ 1,110 | \$ 1,390 |
| Government grants | 5,271 | 2,175 |
| Others | <u>9,167</u> | <u>7,270</u> |
| | <u>\$ 15,548</u> | <u>\$ 10,835</u> |

- c. Other gains and losses

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2023 | 2022 |
| Loss on disposal of property, plant and equipment | \$ (1,733) | \$ (1,281) |
| Net foreign exchange gains | 6,590 | 69,227 |
| Gain/(loss) on financial assets/liabilities | 7,354 | (29,160) |
| Loss on product compensation | (13,138) | - |
| Others | <u>(1,205)</u> | <u>(1,731)</u> |
| | <u>\$ (2,132)</u> | <u>\$ 37,055</u> |

- d. Finance costs

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Interest on bank loans | \$ 770 | \$ 849 |
| Interest on convertible bonds | 11,376 | 10,344 |
| Interest on lease liabilities | <u>439</u> | <u>10</u> |
| | <u>\$ 12,585</u> | <u>\$ 11,203</u> |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| An analysis of deprecation by function | | |
| Operating costs | \$ 102,020 | \$ 125,251 |
| Operating expenses | <u>44,378</u> | <u>41,663</u> |
| | <u>\$ 146,398</u> | <u>\$ 166,914</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 4,001</u> | <u>\$ 3,743</u> |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Post-employment benefits | | |
| Defined contribution plans | \$ 24,414 | \$ 25,336 |
| Defined benefit plans | <u>(45)</u> | <u>(2)</u> |
| | 24,369 | 25,334 |
| Other employee benefits | <u>466,040</u> | <u>475,053</u> |
| Total employee benefits expense | <u>\$ 490,409</u> | <u>\$ 500,387</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 191,996 | \$ 206,034 |
| Operating expenses | <u>298,413</u> | <u>294,353</u> |
| | <u>\$ 490,409</u> | <u>\$ 500,387</u> |

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at rates of 4% - 10% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on March 5, 2024 and March 3, 2023, respectively, are as follows:

Accrual rate

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| Compensation of employees | 7.00% | 7.49% |
| Remuneration of directors | 1.98% | 1.98% |

Amount

| | For the Year Ended December 31 | |
|---------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| | Cash | Cash |
| Compensation of employees | \$ 55,833 | \$ 51,080 |
| Remuneration of directors | \$ 15,792 | \$ 13,485 |

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

h. Gain or loss on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-----------------|
| | 2023 | 2022 |
| Foreign exchange gains | \$ 74,607 | \$ 113,791 |
| Foreign exchange losses | <u>(68,017)</u> | <u>(44,564)</u> |
| | \$ 6,590 | \$ 69,227 |

27. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current year | \$ 125,617 | \$ 125,130 |
| Income tax on unappropriated earnings | 4,346 | 2,230 |
| Adjustment for prior year | <u>(5,164)</u> | <u>(7,235)</u> |
| | 124,799 | 120,125 |
| Deferred tax | | |
| In respect of the current year | <u>(5,053)</u> | <u>(6,900)</u> |
| Income tax expense recognized in profit or loss | \$ 119,746 | \$ 113,225 |

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Profit before income tax | <u>\$ 809,443</u> | <u>\$ 667,311</u> |
| Income tax expense calculated at the statutory rate (20%) | \$ 161,889 | \$ 133,462 |
| Nondeductible expenses in determining taxable income | 805 | 3,965 |
| Income tax on unappropriated earnings | 4,346 | 2,230 |
| Deferred tax effect of earnings of subsidiaries | (115,894) | (68,466) |
| Effect of different tax rates of group entities operating in other jurisdictions | 73,764 | 49,269 |
| Adjustments for prior years' tax | <u>(5,164)</u> | <u>(7,235)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 119,746</u> | <u>\$ 113,225</u> |

Alltop Electronic (Suzhou) Ltd. is a high-tech enterprise in accordance with the Enterprise Income Tax Law and Implementation Regulations of the People's Republic of China and was approved by the State Administration of Taxation of China with a low tax rate of 15%.

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2023 | 2022 |
| <u>Deferred tax</u> | | |
| In respect of the current year: | | |
| Translation of foreign operations | \$ (13,008) | \$ 7,881 |
| Remeasurement of defined benefit plans | <u>72</u> | <u>272</u> |
| Total income tax recognized in other comprehensive income | <u>\$ (12,936)</u> | <u>\$ 8,153</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Current tax assets | | |
| Tax refund receivable | <u>\$ 3,682</u> | <u>\$ 2,152</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 49,359</u> | <u>\$ 59,254</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Difference | Closing Balance |
|--|------------------|------------------------------|--|---------------------|------------------|
| Temporary differences | | | | | |
| Allowance for impairment loss | \$ 2,014 | \$ 2,182 | \$ - | \$ (54) | \$ 4,142 |
| Provision for impairment loss and obsolescence of inventory | 9,731 | 2,326 | - | (178) | 11,879 |
| Refund liabilities | 2,517 | (293) | - | - | 2,224 |
| Bonds issuance costs | 942 | (257) | - | - | 685 |
| Exchange differences on translating the financial statements of foreign operations | 13,960 | - | 13,008 | - | 26,968 |
| Unrealized foreign exchange gain or loss | 482 | 1,095 | - | - | 1,577 |
| | <u>\$ 29,646</u> | <u>\$ 5,053</u> | <u>\$ 13,008</u> | <u>\$ (232)</u> | <u>\$ 47,475</u> |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Difference | Closing Balance |
|-------------------------------------|------------------|------------------------------|--|---------------------|------------------|
| Temporary differences | | | | | |
| Share of the profit of associations | \$ 35,852 | \$ - | \$ - | \$ - | \$ 35,852 |
| Defined benefit obligations | 131 | - | 72 | - | 203 |
| | <u>\$ 35,983</u> | <u>\$ -</u> | <u>\$ 72</u> | <u>\$ -</u> | <u>\$ 36,055</u> |

For the year ended December 31, 2022

| Deferred Tax Assets | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Difference | Closing Balance |
|--|------------------|------------------------------|--|---------------------|------------------|
| Temporary differences | | | | | |
| Allowance for impairment loss | \$ 441 | \$ 1,575 | \$ - | \$ (2) | \$ 2,014 |
| Provision for impairment loss and obsolescence of inventory | 5,286 | 4,407 | - | 38 | 9,731 |
| Refund liabilities | 2,513 | 4 | - | - | 2,517 |
| Bonds issuance costs | 190 | 752 | - | - | 942 |
| Exchange differences on translating the financial statements of foreign operations | 21,841 | - | (7,881) | - | 13,960 |
| Defined benefit obligations | 141 | - | (141) | - | - |
| Unrealized foreign exchange loss | 320 | 162 | - | - | 482 |
| | <u>\$ 30,732</u> | <u>\$ 6,900</u> | <u>\$ (8,022)</u> | <u>\$ 36</u> | <u>\$ 29,646</u> |

| Deferred Tax Liabilities | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Difference | Closing Balance |
|-------------------------------------|------------------|------------------------------|--|---------------------|------------------|
| Temporary differences | | | | | |
| Share of the profit of associations | \$ 35,852 | \$ - | \$ - | \$ - | \$ 35,852 |
| Defined benefit obligations | - | - | 131 | - | 131 |
| | <u>\$ 35,852</u> | <u>\$ -</u> | <u>\$ 131</u> | <u>\$ -</u> | <u>\$ 35,983</u> |

- e. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

| | December 31 | |
|---|--------------------|------------------|
| | 2023 | 2022 |
| Deductible temporary differences | | |
| Allowance for impairment loss | \$ 5,187 | \$ 9,004 |
| Provision for impairment loss and obsolescence of inventory | <u>16,736</u> | <u>32,212</u> |
| | <u>\$ 21,923</u> | <u>\$ 41,216</u> |

- f. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2023 and 2022, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$2,758,346 thousand and \$2,178,875 thousand, respectively.

- g. Income tax assessments

The income tax returns through 2021 have been assessed by the tax authorities, and there is no unresolved litigation in dispute as of December 31, 2023.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|----------------|
| | 2023 | 2022 |
| Basic earnings per share | <u>\$ 11.68</u> | <u>\$ 9.41</u> |
| Diluted earnings per share | <u>\$ 10.52</u> | <u>\$ 8.75</u> |

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

Net Profit for the Year

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Profit for the year attributable to owners of the Company | <u>\$ 689,697</u> | <u>\$ 554,086</u> |
| Earnings used in the computation of basic earnings per share | \$ 689,697 | \$ 554,086 |
| Effect of potentially dilutive ordinary shares | | |
| Interest and valuation loss on convertible bonds (after tax) | <u>1,745</u> | <u>17,753</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 691,442</u> | <u>\$ 571,839</u> |

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------|
| | 2023 | 2022 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 59,035 | 58,853 |
| Effect of potentially dilutive ordinary shares | | |
| Convertible bonds | 6,323 | 5,988 |
| Compensation of employees | <u>353</u> | <u>495</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>65,711</u> | <u>65,336</u> |

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

29. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2023 and 2022:

- 1) As of December 31, 2023 and 2022, the amounts unpaid for acquiring property, plant, equipment and intangible assets were \$18,175 thousand and \$22,555 thousand, respectively, which were included in other payables (refer to Note 21). Additionally, as of December 31, 2023 and 2022, the amounts of \$428 thousand and \$2,690 thousand, respectively, remained unpaid and were included in other payables - related parties (refer to Note 32).
- 2) The cash dividends approved in the shareholders' meetings were not yet distributed as of December 31, 2023 and 2022, which were included in other payables (refer to Note 21).
- 3) For the years ended December 31, 2023 and 2022, convertible bonds with a par value of \$10,200 thousand and \$40,900 thousand were exercised by the bondholders in the fourth convertible bond issued by the Group. Additionally, for the years ended December 31, 2023 and 2022, convertible bonds with a par value of \$100 thousand were exercised by the bondholders in the fifth convertible bond issued by the Group (refer to Note 20).

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2023

| | | | Non-cash Changes | | | | |
|-----------------------|-------------------|-------------------|------------------|------------------|--|--------------------|---------------------|
| | Operating Balance | Cash Flows | Finance Cost | New Leases | Exchange Differences on Translating the Financial Statements | Others (Note 1) | Closing Balance |
| Short-term borrowings | \$ - | \$ 129,900 | \$ - | \$ - | \$ - | \$ - | \$ 129,900 |
| Bonds payable | 925,928 | - | 11,376 | - | - | (10,131) | 927,173 |
| Deposits received | 542 | 46 | - | - | (10) | - | 578 |
| Lease liabilities | 124 | (2,625) | 439 | 18,493 | (1,162) | (439) | 14,830 |
| | <u>\$ 926,594</u> | <u>\$ 127,321</u> | <u>\$ 11,815</u> | <u>\$ 18,493</u> | <u>\$ (1,172)</u> | <u>\$ (10,570)</u> | <u>\$ 1,072,481</u> |

Note 1: The conversion of bonds into ordinary shares amounted to \$10,131 thousand and interest on lease liabilities amounted to \$439 thousand. Refer to Note 20 for the convertible bonds.

For the year ended December 31, 2022

| | | | Non-cash Changes | | | | |
|-----------------------|-------------------|-------------------|------------------|-------------|--|--------------------|-------------------|
| | Operating Balance | Cash Flows | Finance Cost | New Leases | Exchange Differences on Translating the Financial Statements | Others (Note 2) | Closing Balance |
| Short-term borrowings | \$ 600,000 | \$ (600,000) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bonds payable | 198,365 | 802,842 | 10,344 | - | - | (85,623) | 925,928 |
| Deposits received | 533 | - | - | - | 9 | - | 542 |
| Lease liabilities | 857 | (733) | 10 | - | - | (10) | 124 |
| | <u>\$ 799,755</u> | <u>\$ 202,109</u> | <u>\$ 10,354</u> | <u>\$ -</u> | <u>\$ 9</u> | <u>\$ (85,633)</u> | <u>\$ 926,594</u> |

Note 2: The recognition of the liability and equity components from the convertible bonds amounted to \$46,344 thousand, conversion of convertible bonds into ordinary shares amounted to \$39,279 thousand and interest on lease liabilities amounted to \$10 thousand. Refer to Note 20 for the convertible bonds.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a periodic basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the issuance of convertible bonds.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2023

| | Carrying Amount | Fair Value | | | |
|--|--------------------|------------|---------|------------|------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Convertible bonds | \$ 927,173 | \$ - | \$ - | \$ 919,347 | \$ 919,347 |

December 31, 2022

| | Carrying Amount | Fair Value | | | |
|--|--------------------|------------|---------|------------|------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Convertible bonds | \$ 925,928 | \$ - | \$ - | \$ 913,827 | \$ 913,827 |

Assuming that the convertible bonds will be redeemed at maturity, the fair values of the financial liabilities included in the Level 3 categories above have been determined in accordance with the risk discount rate, and the risk discount rate is based on the borrowing rate of the same industry chain company.

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

1) Fair value hierarchy

December 31, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------|---------|----------|----------|
| <u>Financial liabilities at FVTPL</u> | | | | |
| Derivatives | | | | |
| Convertible bond options | \$ - | \$ - | \$ 1,120 | \$ 1,120 |

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------|---------|---------|--------|
| <u>Financial assets at FVTPL</u> | | | | |
| Derivatives | | | | |
| Convertible bond options | \$ - | \$ - | \$ 568 | \$ 568 |

Financial liabilities at FVTPL

| | | | | |
|--------------------------|------|------|----------|----------|
| Derivatives | | | | |
| Convertible bond options | \$ - | \$ - | \$ 9,040 | \$ 9,040 |

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------------|
| | 2023 | 2022 |
| | Derivatives | Derivatives |
| <u>Financial assets at FVTPL</u> | | |
| Balance at January 1 | \$ 568 | \$ 1,559 |
| Recognized in profit or loss (included in other gains and losses) | (566) | (756) |
| Conversion exercised | <u>(2)</u> | <u>(235)</u> |
| Balance at December 31 | <u>\$ -</u> | <u>\$ 568</u> |
| <u>Financial liabilities at FVTPL</u> | | |
| Balance at January 1 | \$ (9,040) | \$ - |
| Option of convertible bonds issued | - | (320) |
| Recognized in profit or loss (included in other gains and losses) | <u>7,920</u> | <u>(8,720)</u> |
| Balance at December 31 | <u>\$ (1,120)</u> | <u>\$ (9,040)</u> |

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

The fair values of convertible bond options are determined using option pricing models.

c. Categories of financial instruments

| | December 31 | |
|--|--------------------|-------------|
| | 2023 | 2022 |
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | \$ - | \$ 568 |
| Financial assets at amortized cost (1) | 3,280,854 | 2,971,304 |
| <u>Financial liabilities</u> | | |
| FVTPL | | |
| Held for trading | 1,120 | 9,040 |
| Amortized cost (2) | 1,501,678 | 1,299,529 |

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, trade receivables - related parties, other receivables (excluding tax refund receivable), other receivables - related parties, refundable deposits.

- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, trade payables - related parties, other payables (excluding salaries, bonuses (including employee's compensation and remuneration of directors), dividend payable, business tax payable, insurance payable, pension payable), other payables - related parties, bonds payable (including current portion of bonds payable) and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, financial assets at amortized cost, financial assets and liabilities at FVTPL, receivables, short-term borrowings, payables, convertible bonds.

Financial risks related to Group's operation include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports regularly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

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

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are mainly hedged by net exchange position and managed within approved policy parameters utilizing foreign exchange forward contracts as a supplement.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the year are set out in Note 36.

Sensitivity analysis

The Group is mainly exposed to the currency USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates.

A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

| | U.S. Dollar Impact | |
|----------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Profit or loss | \$ 12,963 | \$ 7,517 |

The result was mainly attributable to the exposure on outstanding receivables and payables and foreign currency bank deposits in USD that were not hedged at the end of the year.

The Group's sensitivity to changes in the US dollar exchange rate decreased during the current year, primarily due to the decrease in net assets denominated in US dollars.

b) Interest rate risk

The Group is exposed to interest rate related to its deposits, financial assets at amortized cost, short-term borrowings, convertible bonds and lease liabilities at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2023 | 2022 |
| Fair value interest rate risk | | |
| Financial assets | \$ 1,928,937 | \$ 1,680,812 |
| Financial liabilities | 1,071,903 | 926,052 |
| Cash flow interest rate risk | | |
| Financial assets | 259,839 | 371,878 |

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the year. For floating rate assets, the analysis was prepared assuming the amount of each asset outstanding at the end of year was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pretax profits for the years ended December 31, 2023 and 2022 would have increased/decreased by \$2,598 thousand and \$3,719 thousand, respectively, which was mainly a result of the Group's exposure to interest rates on its variable-rate bank deposits.

The Group's sensitivity to interest rate decreased during the current year mainly due to the decrease in floating-rate assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group rates the credit quality of major customers through customer credit management procedures which include establishing complete customer information files, obtaining other publicly available financial information, and maintaining transaction records with each other. The Group continues to monitor its credit exposure and the credit ratings of its counterparties. Credit exposure is controlled by setting a counterparty credit limit, which is approved and periodically reviewed by the risk management committee.

To minimize credit risk, management of the Group has delegated a team to be responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. Thus, management believes the Group's credit risk was significantly reduced.

The Group's concentration of credit risk of 44% and 40% of total trade receivables as of December 31, 2023 and 2022, respectively, was related to the Group's largest ten customers.

3) Liquidity risk

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

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

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

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

December 31, 2023

| | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|-------------------|-------------------------------|-------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Non-interest bearing | \$ 309,569 | \$ 134,484 | \$ 578 |
| Lease liabilities | 1,592 | 4,847 | 10,719 |
| Fixed interest rate liabilities | <u>130,115</u> | <u>156,800</u> | <u>799,900</u> |
| | <u>\$ 441,276</u> | <u>\$ 296,131</u> | <u>\$ 811,197</u> |

December 31, 2022

| | 1-3 Months | 3 Months to 1 Year | 1-5 Years |
|---|-------------------|-------------------------------|-------------------|
| <u>Non-derivative financial liabilities</u> | | | |
| Non-interest bearing | \$ 262,395 | \$ 110,687 | \$ 542 |
| Lease liabilities | 124 | - | - |
| Fixed interest rate liabilities | <u>-</u> | <u>167,000</u> | <u>800,000</u> |
| | <u>\$ 262,519</u> | <u>\$ 277,687</u> | <u>\$ 800,542</u> |

b) Financing facilities

| | December 31 | |
|---|--------------------|-------------------|
| | 2023 | 2022 |
| Unsecured bank loan facilities (reviewed annually): | | |
| Amount used | \$ 129,900 | \$ - |
| Amount unused | <u>816,863</u> | <u>746,775</u> |
| | <u>\$ 946,763</u> | <u>\$ 746,775</u> |

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and the other related parties are disclosed below.

a. Related party name and category

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|--|-------------------------------|
| Prosper Radiant Ltd. | Associate |
| SanKag Electronic Technology (Taicang) Co., Ltd. | Associate's subsidiary |

b. Sales of goods

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|------------------|------------------------------------|---------------------------------------|---------------|
| | | 2023 | 2022 |
| Sales | Associate's subsidiary - SanKag | <u>\$ 32</u> | <u>\$ 110</u> |

The payment terms to related parties are T/T 90 days, the price and other transaction conditions are not significantly different from regular sales.

c. Purchases of goods

| Related Party Category/Name | For the Year Ended December 31 | |
|---------------------------------|--------------------------------|------------------|
| | 2023 | 2022 |
| Associate's subsidiary - SanKag | \$ <u>48,818</u> | \$ <u>45,111</u> |

The payment terms to related parties of purchase are T/T 120 days, the price and other transaction conditions are not significantly different from regular sales.

d. Receivables from related parties

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|--|-----------------|-----------------|
| | | 2023 | 2022 |
| Trade receivables | Associate's subsidiary - SanKag | \$ <u>10</u> | \$ <u>2</u> |
| Other receivables | Associate's subsidiary - SanKag - collection and payment on behalf | \$ - | \$ 171 |
| | Associates - Prosper Radiant - reduction of capital (Note) | <u>4,509</u> | <u>4,519</u> |
| | | \$ <u>4,509</u> | \$ <u>4,690</u> |

Note: Prosper Radiant Ltd. completed the capital reduction change registration on December 11, 2021. It is the amount that has not been collected as of December 31, 2023 and 2022. The company does not collect the guarantee for outstanding amounts receivable from related parties. No allowance for losses was made for amounts receivable from related parties in 2023 and 2022.

e. Payables to related parties

| Line Item | Related Party Category/Name | December 31 | |
|--------------------------|--|------------------|------------------|
| | | 2023 | 2022 |
| Trade payables | Associate's subsidiary- SanKag - goods payment | \$ <u>20,428</u> | \$ <u>15,250</u> |
| Other payables (Note 29) | Associate's subsidiary - SanKag - asset trades | \$ <u>428</u> | \$ <u>2,690</u> |

The outstanding trade payables to related parties are unsecured.

f. Acquisition of property, plant and equipment

| Related Party Category/Name | Purchase Price For the Year Ended December 31 | |
|--------------------------------|--|-----------------|
| | 2023 | 2022 |
| Associate's subsidiary- SanKag | \$ <u>3,473</u> | \$ <u>7,545</u> |

g. Lease arrangements

Business lease rental

The Group leases out the factory buildings to its associate - SanKag under operating lease with lease term of 5 years. The lessee does not have the preferential right to purchase the real estate at the end of the lease period. The rent is based on a contract signed based on general market conditions, and the rent is charged on a monthly basis.

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

| | December 31 | |
|-------------|--------------------|-----------------|
| | 2023 | 2022 |
| First year | \$ 430 | \$ 1,113 |
| Second year | <u>-</u> | <u>431</u> |
| | <u>\$ 430</u> | <u>\$ 1,544</u> |

The rental revenue recognized in 2023 and 2022 were \$1,110 thousand and \$1,390 thousand dollars.

h. Compensation of key management personnel

| | December 31 | |
|------------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Short-term employee benefits | \$ 47,327 | \$ 41,732 |
| Post-employment benefits | <u>216</u> | <u>1,624</u> |
| | <u>\$ 47,543</u> | <u>\$ 43,356</u> |

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for tariff guarantee for imported raw material:

| | December 31 | |
|--|--------------------|-----------------|
| | 2023 | 2022 |
| Financial assets at amortized cost - non-current | | |
| Time deposits with original maturities of more than 3 months | <u>\$ 2,603</u> | <u>\$ 2,603</u> |

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

Significant Commitments

Unrecognized commitments were as follows:

| | December 31 | |
|--|------------------|------------------|
| | 2023 | 2022 |
| Acquisition of property, plant and equipment | <u>\$ 11,514</u> | <u>\$ 10,283</u> |

35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. \$4,800 thousand were exercised by the bondholders in the fourth convertible bond issued by the Company. The conversion price is \$73 with 65,750 ordinary shares converted.
- b. In order to repay bank loans and bolster operating funds, on November 3, 2023, the board of directors resolved to issue the sixth unsecured convertible bond. The total issuance amount is \$1,000,000 thousand, with no physical issuance, each with a face value of \$100 thousand and a five-year issuance period. The bonds are issued at par value, and the conversion price for the convertible bonds is set at \$223.2 per share. The case was notified to the Financial Supervisory Commission (FSC) and became effective on January 15, 2024. The aforementioned bonds have been traded on Taipei Exchange since January 29, 2024.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2023

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|------------------|--------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 14,829 | 30.705 (USD:NTD) | \$ 455,336 |
| USD | 39,869 | 7.0827 (USD:RMB) | 1,224,172 |
| Non-monetary items | | | |
| Investment in associates accounted for using equity method | | | |
| USD | 257 | 30.705 (USD:NTD) | 7,889 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 11,377 | 30.705 (USD:NTD) | 349,327 |
| USD | 1,102 | 7.0827 (USD:RMB) | 33,843 |

December 31, 2022

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|------------------|--------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 19,669 | 30.710 (USD:NTD) | \$ 604,024 |
| USD | 13,202 | 6.9646 (USD:RMB) | 405,448 |
| Non-monetary items | | | |
| Investment in associates accounted for using equity method | | | |
| USD | 324 | 30.710 (USD:NTD) | 9,935 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 7,210 | 30.710 (USD:NTD) | 221,414 |
| USD | 1,186 | 6.9646 (USD:RMB) | 36,408 |

For the years ended December 31, 2023 and 2022, net foreign exchange gains, including realized and unrealized, were \$6,590 thousand and \$69,227 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (none)
- 2) Endorsements/guarantees provided (none)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (none)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (none)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (none)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 1)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)

- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 3)
- b. Information on investees (Table 4)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 6):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

38. SEGMENT INFORMATION

- a. The connector manufacturing segment includes a number of connector production and sales units in various regions, each of which is considered separate operating segment by the chief operating decision maker. Operational segment information is not inapplicable because of the financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment while the Group takes into account the following factors:
 - 1) The nature of the products and production processes are similar;
 - 2) The pricing strategy of the products are similar;
 - 3) The methods used to distribute the products to the customers are the same.

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

| | For the Year Ended December 31 | |
|------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Connectors | <u>\$ 2,394,974</u> | <u>\$ 2,309,878</u> |

c. Geographical information

The Group majorly operates in Taiwan and China.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

| | Revenue from External Customers | | Non-current Assets | |
|------------------|--|---------------------|---------------------------|-------------------|
| | For the Year Ended December 31 | | December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Taiwan and China | <u>\$ 2,394,974</u> | <u>\$ 2,309,878</u> | <u>\$ 873,775</u> | <u>\$ 908,416</u> |

Non-current assets exclude investments accounted for using the equity method, financial instruments, deferred tax assets, net defined benefit assets, and refundable deposits.

d. Information about major customers

Single customers contributed 10% or more to the Group's revenue are as follows:

| | For the Year Ended December 31 | |
|---------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Group A | (Note) | <u>\$ 296,107</u> |

Note: The revenue does not exceed 10% of the total revenue of the Group.

TABLE 1

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---------------------------------------|---------------------------------------|---------------------------|---------------------|------------|---------------------------|---------------------------|----------------------|---------------|--|---------------------------|--------|
| | | | Purchase/ Sale | Amount | % of Total (Note 1) | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total (Note 1) | |
| Alltop Technology Co., Ltd. | Alltop Electronics (Suzhou) Ltd. | Subsidiary | Purchase | \$ 771,545 | 98 | T/T 270 days | Note 2 | Note 2 | \$ (333,819) | (98) | Note 3 |
| Alltop Electronics (Suzhou) Ltd. | Alltop Technology Co., Ltd. | Parent company | Sale | (771,545) | (40) | T/T 270 days | Note 2 | Note 2 | 333,819 | 36 | Note 3 |
| | Liquan technology (Taicang) Co., Ltd. | Under same parent company | Purchase | 104,838 | 15 | Monthly payment: 120 days | Note 2 | Note 2 | (37,451) | (9) | Note 3 |
| Liquan technology (Taicang) Co., Ltd. | Alltop Electronics (Suzhou) Ltd. | Under same parent company | Sale | (104,838) | (64) | Monthly payment: 120 days | Note 2 | Note 2 | 37,451 | 100 | Note 3 |

Note 1: Computed based on the amount or balance of the transactions with each seller and purchaser.

Note 2: Open account of 30-180 days for non-related parties.

Note 3: The transactions were eliminated in the consolidated financial statements.

TABLE 2

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| Company Name | Related Party | Relationship | Ending Balance (Note 2) | Turnover Rate | Overdue | | Amount Received in Subsequent Period (Note 1) | Allowance for Impairment Loss |
|----------------------------------|-----------------------------|----------------|--------------------------------------|------------------|----------------|---------------|---|-------------------------------------|
| | | | | | Amount | Actions Taken | | |
| Alltop Electronics (Suzhou) Ltd. | Alltop Technology Co., Ltd. | Parent company | Trade receivables \$ 333,819 | 2.88 | \$ - | - | \$ 157,990 | \$ - |

Note 1: The amount recovered from January 1, 2024 to March 5, 2024.

Note 2: The transactions were eliminated in the consolidated financial statements.

TABLE 3

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | |
|-----------------|----------------------------------|---------------------------------------|--------------------------|--|--------------------|---|---|
| | | | | Financial Statement Accounts | Amount (Note 4) | Payment Terms | % of Total Sales or Assets (Note 3) |
| 0 | Alltop Technology Co., Ltd. | Alltop Electronics (Suzhou) Ltd. | a | Sale | \$ 4,682 | Monthly payment: 150 days | - |
| | | | | Service revenue | 30,746 | Collected 30 days after approval by the local government | 1 |
| | | Alltop Technology (Vietnam) Co., Ltd. | a | Purchase | 771,545 | T/T 270 days | 32 |
| | | | | Trade receivables | 33,416 | - | 1 |
| | | | | Trade payables | 333,819 | - | 8 |
| 1 | Alltop Electronics (Suzhou) Ltd. | Liquan technology (Taicang) Co., Ltd. | c | Investment accounted for using equity method | 62,318 | - | 1 |
| | | | | Purchase | 104,838 | Monthly payment: 120 days | 4 |
| | | | | Trade payables | 37,451 | - | 1 |

Intercompany relationships:

Alltop Technology Co., Ltd. and Alltop Electronics (Suzhou) Ltd. mainly engages in manufacturing, selling, and developing electronic component; Liquan technology (Taicang) Co., Ltd. and Alltop Technology (Vietnam) Co., Ltd. mainly engages in manufacturing and selling electronic component. A-LIST International Ltd., Topwise Technology Ltd., Alltop Holding Ltd. and Mettle Enterprise Co., Ltd. are holding companies.

Note 1: Intercompany relationships should be notified in the No. Colum, the coding method is as follow:

- a. 0 for parent company.
- b. The rest subsidiaries coding from 1.

Note 2: The Intercompany relationships are as follow (If the transaction is the same between the parent company and subsidiaries or between subsidiaries, there is no need to redisclose. For example, transactions between parent company and subsidiaries, if the parent company has disclosed, the subsidiaries will not need to disclose; transactions between subsidiaries, if one of them has disclosed, the other will not need to disclose.

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The calculation of the percentage of the transaction accounts for total consolidated revenues or total assets. For the assets and liabilities subject, they are calculated by the ending balance divided by the consolidated total assets. For the revenue and expense subjects, they are calculated by the accumulated amount at the end of period divided by the consolidated total revenue.

Note 4: The transactions were eliminated in the consolidated financial statements.

TABLE 4

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|-----------------------------|---------------------------------------|------------------------|---|-----------------------------|-----------------------------|-------------------------|-------|-----------------|--------------------------------------|---------------------------|---------------------|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares | % | Carrying Amount | | | |
| Alltop Technology Co., Ltd. | A-LIST International Ltd. | Samoa | Holding company | \$ 689,856 (US\$ 21,141) | \$ 689,856 (US\$ 21,141) | - | 100.0 | \$ 3,500,939 | \$ 588,786 | \$ 583,228 | Notes 1, 3, 4 and 5 |
| | Alltop Technology (Vietnam) Co., Ltd. | Vietnam | Manufacturing and selling of electronic components | 62,318 (US\$ 2,000) | - | - | 100.0 | 55,020 | (3,757) | (3,757) | Notes 1, 3 and 4 |
| A-LIST International Ltd. | Topwise Technology Ltd. | Samoa | Holding company | 84,610 (US\$ 2,756) | 84,623 (US\$ 2,756) | - | 100.0 | 106,194 | 5,458 | 5,458 | Notes 1, 2, 3 and 4 |
| | Alltop Holding Ltd. | Hong Kong | Holding company | 517,705 (US\$ 16,861) | 517,789 (US\$ 16,861) | - | 100.0 | 3,414,470 | 582,770 | 582,770 | Notes 1, 2, 3 and 4 |
| Alltop Holding Ltd. | Mettle Enterprise Co., Ltd. | Republic of Seychelles | Holding company | 35,015 (US\$ 1,140) | 35,021 (US\$ 1,140) | - | 29.4 | 43,081 | 7,771 | 2,285 | Notes 1, 2, 3 and 4 |
| | Prosper Radiant Ltd. | Samoa | Holding company | 3,020 (US\$ 98) | 3,020 (US\$ 98) | - | 30.0 | 7,889 | 1,671 | 501 | Notes 1, 2 and 4 |
| Topwise Technology Ltd. | Mettle Enterprise Co., Ltd. | Republic of Seychelles | Holding company | 84,108 (US\$ 2,739) | 84,122 (US\$ 2,739) | - | 70.6 | 105,440 | 7,771 | 5,486 | Notes 1, 2, 3 and 4 |

- Note 1: No market price for reference. The book value on the reporting date is used as the fair value instead.
- Note 2: The amount of foreign currency investment was translated with the exchange rate on the reporting date.
- Note 3: The transactions were eliminated in the consolidated financial statements.
- Note 4: The recognition of investment gain and loss is recognized based on the financial statements of the investee company for the same period, as audited by the attesting CPA of parent company in Taiwan.
- Note 5: Unrealized gross profit of up-stream and side-stream transactions were considered.
- Note 6: For investments listed above, the highest ownership percentage indicated in the above table is equal to the ownership percentage as of December 31, 2023. In addition, such investments are not collateralized or secured.

TABLE 5

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

| Investee Company | Main Businesses and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2 b.(2)) | Carrying Amount as of December 31, 2023 (Note 4) | Accumulated Repatriation of Investment Income as of December 31, 2023 | Note |
|--|--|-----------------------------------|-------------------------------|---|---------------------|--------|---|-----------------------------------|--|---------------------------------------|--|---|--------|
| | | | | | Outward | Inward | | | | | | | |
| Alltop Electronics (Suzhou) Ltd. | Manufacturing and selling and developing electronic components | \$ 732,768 (US\$ 23,250) (Note 3) | b. (1) | \$ 509,988 (US\$ 15,950) | \$ - | \$ - | \$ 509,988 (US\$ 15,950) | \$ 579,947 | 100 | \$ 579,947 (Note 2 b.(2)) | \$ 3,350,666 | \$ - | Note 5 |
| Liquan Technology (Taicang) Co., Ltd. | Manufacturing and selling electronic components | 121,771 (US\$ 3,843) | b. (2) | 121,771 (US\$ 3,843) | - | - | 121,771 (US\$ 3,843) | 7,771 | 100 | 7,771 (Note 2 b.(2)) | 144,630 | - | Note 5 |
| Sankag Electronic Technology (Taicang) Co., Ltd. | Manufacturing and selling electronic components | 8,717 (US\$ 300) | b. (3) | 8,717 (US\$ 300) | - | - | 8,717 (US\$ 300) | 2,046 | 30 | 614 (Note 2 b.(2)) | 6,079 | - | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023 | Investment Amount Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| \$640,476 (US\$20,093) | \$863,256 (US\$27,393) (Note 3) | \$1,565,912 |

Note 1: Three methods of investing in mainland China are as follows:

- a. Directly invests in mainland China.
- b. Investments in mainland China through an existing company established in a third region:
 - 1) Investments in mainland China through an existing company established in a third region (A-LIST International Ltd. and Alltop Holding Ltd.)
 - 2) Investments in mainland China through an existing company established in a third region (A-LIST International Ltd., Alltop Holding Ltd., Topwise Technology Ltd. and Mettle Enterprise Co.)
 - 3) Investments in mainland China through an existing company established in a third region (A-LIST International Ltd., Alltop Holding Ltd. and Prosper Radiant Ltd.)
- c. Other methods.

Note 2 In the column of investment gain (loss):

- a. If the investment is still in preparation and there is no investment gain (loss), it will be specified.
- b. The basis for recognizing investment gain (loss) is as follows:
 - 1) The financial statement audited by the attesting CPA of international accounting firm in cooperation with an accounting firm in the ROC.
 - 2) The financial statement audited by the attesting CPA of parent company in Taiwan.
 - 3) Other.

(Continued)

- Note 3: Capital increase out of earnings US\$7,300 thousand dollars has included.
- Note 4: Includes the differences between the cost of investment and the net value of the equity.
- Note 5: The transactions were eliminated in the consolidated financial statements.
- Note 6: For investments listed above, the highest ownership percentage indicated in the above table is equal to the ownership percentage as of December 31, 2023. In addition, such investments are not collateralized or secured.

(Concluded)

ALLTOP TECHNOLOGY CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

- 1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period, and
- 2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

| Related Party | Type | Purchase (Sale) | | Price | Transaction Detail | | Notes/Accounts Receivable (Payable) | | Unrealized Gain/(Loss) | Note |
|----------------------------------|---|-----------------|------------|--------------|---|--------------------------------|-------------------------------------|------------|------------------------|---------------|
| | | Amount | % of Total | | Payment Terms | Compare to Normal Transactions | Ending Balance | % of Total | | |
| Alltop Electronics (Suzhou) Ltd. | Sale (technical service revenue included) | \$ (35,428) | (3) | Market price | Monthly payment: 150 days and Collected 30 days after approval by the local government. | Non-significant difference | \$ 33,416 | 1 | \$ - | Notes 2 and 4 |
| | Purchase | 771,545 | 98 | Market price | T/T 270 days | Note 1 | (333,819) | (8) | 15,868 | Notes 3 and 4 |

- 3. The amount of property transactions and the amount of the resultant gains or losses: Please refer to Note 32.
- 4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
- 5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
- 6. Other transactions that have a component effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Please refer to Note 32.

Note 1: The payment terms of non-related party are received in advance or from T/T 30 days to T/T 180 days.

Note 2: The transaction of Alltop Technology Co., Ltd. sales to Alltop Electronics (Suzhou) Ltd.

Note 3: The transaction of Alltop Electronics (Suzhou) Ltd. purchase from Alltop Technology Co., Ltd.

Note 4: The transactions were eliminated in the consolidated financial statements.

TABLE 7**ALLTOP TECHNOLOGY CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

| Name of Major Shareholder | Shares | |
|---------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| PANJIT INTERNATIONAL INC. | 11,315,009 | 19.13 |

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.