

ZINWELL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

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

ZINWELL CORPORATION

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2023, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Zinwell Corporation

Representative:

March 6, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Zinwell Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Zinwell Corporation and its subsidiaries (the “Group”) as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Accountants 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 judgement, were of most significance in our audit of the consolidated financial statements for 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, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

Valuation of inventory

Description

For the accounting policies of inventory, please refer to Note 4(13); and for the accounting estimates and assumption uncertainty of inventory, please refer to Note 5. For details of the allowance for inventory valuation losses, please refer to Note 6(5).

The Group is mainly engaged in sales of digital cable and communication products. Due to rapid technological innovation, the short lifecycle of electronic products and intense competition in the market, there is a higher risk of inventory losses due to market value decline or obsolescence. Since the valuation of obsolete and slow-moving inventory is subject to the management's judgement, we consider valuation of inventory as a key audit matter.

How our audit addressed the matter

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

1. Assessed the reasonableness of accounting policies and procedures in relation to inventory valuation, including the classification of aged, damaged and obsolete inventory.
2. Reviewed the Group's annual counting plan and conducted their physical counts on inventories to evaluate the control effectiveness on inventory classification.
3. Validated the inventory classification and the amount of net realisable value, including to obtain net realisable value reports of inventory, assess the computational logic of the system report, test related supporting documents, recalculate the loss of inventory and further evaluate the rationality.

Impairment assessment of accounts receivable

Description

For the accounting policies of accounting receivable, please refer to Note 4(9); and for the accounting estimates and assumptions uncertainty of impairment on accounts receivable, please refer to Note 5. For details of impairment on accounts receivable, please refer to Note 6(4).

The Group assessed the credit risk of accounts receivable under many factors, such as customers' financial position, internal rating criteria and historical transaction data. The management evaluated their expected credit impairment loss based on the result of the assessment. Since the above assessment is subjected to management's judgement, and accounts receivable and its valuation is significant to the consolidated financial statements, we consider impairment assessment of accounts receivable as a key audit matter.

How our audit addressed the matter

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

1. Obtained an understanding of and tested the management procedures over credit risk of the Group, including the assessment and management of the credit limits of customers and the assessment process of the expected credit impairment losses.
2. Regarding significant amount of overdue accounts receivable, investigated the reason for non-collection or tested the collection after balance sheet date.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Zinwell Corporation as at and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 judgement and maintain professional skepticism throughout the audit. We also:

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Yi-Chang Liang

Ya-Fang Wen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 6, 2024

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ZINWELL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,952,910	23	\$ 837,531	9
1136	Financial assets at amortised cost-current	6(3)	30,725	-	46,075	-
1150	Notes receivable, net	6(4)	148	-	414	-
1170	Accounts receivable, net	6(4)	1,639,697	19	1,904,545	21
1200	Other receivables		30,658	-	173,720	2
1220	Current income tax assets		3,638	-	267	-
130X	Inventories	6(5)	1,869,287	22	2,636,461	29
1410	Prepayments	6(6)	31,336	-	13,950	-
11XX	Total current assets		<u>5,558,399</u>	<u>64</u>	<u>5,612,963</u>	<u>61</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(2)	270	-	204	-
1550	Investments accounted for using the equity method		-	-	-	-
1600	Property, plant and equipment	6(7) and 8	2,472,874	29	2,665,723	29
1755	Right-of-use assets	6(8)	17,446	-	17,531	-
1760	Investment property	6(9)	180,367	2	184,959	2
1780	Intangible assets	6(10)	124,110	1	379,983	4
1840	Deferred income tax assets	6(24)	232,323	3	253,056	3
1900	Other non-current assets	6(11) and 8	67,408	1	106,575	1
15XX	Total non-current assets		<u>3,094,798</u>	<u>36</u>	<u>3,608,031</u>	<u>39</u>
1XXX	Total assets		<u>\$ 8,653,197</u>	<u>100</u>	<u>\$ 9,220,994</u>	<u>100</u>

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ZINWELL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 356,349	4	\$ 456,147	5
2130	Contract liabilities-current	6(18)	199,636	2	49,301	-
2150	Notes payable		118,603	2	114,101	1
2170	Accounts payable		1,131,376	13	1,436,974	16
2200	Other payables	6(13)	388,923	5	418,791	5
2230	Current income tax liabilities		-	-	16,980	-
2280	Current lease liabilities		4,071	-	2,520	-
2310	Receipts in advance		29,920	-	73,226	1
2399	Other current liabilities, others		8	-	8	-
21XX	Total current liabilities		<u>2,228,886</u>	<u>26</u>	<u>2,568,048</u>	<u>28</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(24)	55,001	-	59,392	1
2580	Non-current lease liabilities		707	-	1,655	-
2640	Net defined benefit liability, non- current	6(14)	79,880	1	94,659	1
2645	Guarantee deposits received		1,960	-	2,756	-
25XX	Total non-current liabilities		<u>137,548</u>	<u>1</u>	<u>158,462</u>	<u>2</u>
2XXX	Total liabilities		<u>2,366,434</u>	<u>27</u>	<u>2,726,510</u>	<u>30</u>
Equity attributable to owners of the parent						
Share capital						
		6(15)				
3110	Common stock		3,176,890	37	3,176,890	34
Capital surplus						
		6(16)				
3200	Capital surplus		549,692	6	562,860	6
Retained earnings						
		6(17)				
3310	Legal reserve		1,347,331	16	1,346,300	15
3320	Special reserve		133,156	1	117,161	1
3350	Undistributed retained earnings		1,028,174	12	1,121,579	12
Other equity interest						
3400	Other equity interest		(159,504)	(2)	(133,156)	(1)
31XX	Equity attributable to owners of the parent		<u>6,075,739</u>	<u>70</u>	<u>6,191,634</u>	<u>67</u>
36XX	Non-controlling interest		<u>211,024</u>	<u>3</u>	<u>302,850</u>	<u>3</u>
3XXX	Total equity		<u>6,286,763</u>	<u>73</u>	<u>6,494,484</u>	<u>70</u>
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		<u>\$ 8,653,197</u>	<u>100</u>	<u>\$ 9,220,994</u>	<u>100</u>

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

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

Items	Notes	Year ended December 31,			
		2023		2022	
		Amount	%	Amount	%
4000 Operating revenue	6(18)	\$ 5,816,835	100	\$ 6,582,035	100
5000 Operating costs	6(5)	(5,236,211)	(90)	(6,085,024)	(93)
5900 Gross profit		<u>580,624</u>	<u>10</u>	<u>497,011</u>	<u>7</u>
Operating expenses	6(23)				
6100 Selling expenses		(101,041)	(2)	(223,444)	(3)
6200 General and administrative expenses		(221,826)	(4)	(214,694)	(3)
6300 Research and development expenses		(387,411)	(7)	(325,180)	(5)
6450 Expected credit impairment (loss) gain	12(2)	(19,489)	-	11,940	-
6000 Total operating expenses		<u>(729,767)</u>	<u>(13)</u>	<u>(751,378)</u>	<u>(11)</u>
6900 Operating loss		<u>(149,143)</u>	<u>(3)</u>	<u>(254,367)</u>	<u>(4)</u>
Non-operating income and expenses					
7100 Interest income	6(19)	35,106	1	12,139	-
7010 Other income	6(20)	111,311	2	120,262	2
7020 Other gains and losses	6(21)	(256,983)	(5)	100,301	2
7050 Finance costs	6(22)	(9,669)	-	(557)	-
7000 Total non-operating income and expenses		<u>(120,235)</u>	<u>(2)</u>	<u>232,145</u>	<u>4</u>
7900 Loss before income tax		(269,378)	(5)	(22,222)	-
7950 Income tax expense	6(24)	(17,937)	-	(45,139)	(1)
8200 Loss for the year		<u>(\$ 287,315)</u>	<u>(5)</u>	<u>(\$ 67,361)</u>	<u>(1)</u>

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ZINWELL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except losses per share)

Items	Notes	Year ended December 31,				
		2023		2022		
		Amount	%	Amount	%	
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Gains (losses) on remeasurement of defined benefit plans	6(14)	(\$ 5,311)	-	\$ 12,412	-
8316	Unrealised gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	6(2)	66	-	(108)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	1,062	-	(2,482)	-
8310	Total components of other comprehensive (losses) income that will not be reclassified to profit or loss		(4,183)	-	9,822	-
Components of other comprehensive (loss) income that will be reclassified to profit or loss						
8361	Financial statement translation differences of foreign operations		(26,414)	-	21,016	-
8360	Total components of other comprehensive income that will be reclassified to profit or loss		(26,414)	-	21,016	-
8300	Other comprehensive (loss) income, net of tax		(\$ 30,597)	-	\$ 30,838	-
8500	Total comprehensive loss		(\$ 317,912)	(5)	(\$ 36,523)	(1)
Profit (loss) attributable to:						
8610	Owners of the parent		(\$ 72,130)	(1)	\$ 383	-
8602	Non-controlling interest		(215,185)	(4)	(67,744)	(1)
			(\$ 287,315)	(5)	(\$ 67,361)	(1)
Comprehensive income (loss) attributable to:						
8710	Owners of the parent		\$ 102,727	(1)	\$ 31,221	-
8720	Non-controlling interest		(215,185)	(4)	(67,744)	(1)
			(\$ 317,912)	(5)	(\$ 36,523)	(1)
9750	Basic (losses) earnings per share	6(25)	(\$ 0.23)		\$ -	
9850	Diluted (losses) earnings per share	6(25)	(\$ 0.23)		\$ -	

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

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

	Notes	Equity attributable to owners of the parent									
		Retained earnings					Other equity				
		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Financial statement translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
<u>Year ended December 31, 2022</u>											
Balance at January 1, 2022		\$ 3,176,890	\$ 565,423	\$ 1,346,300	\$ 117,161	\$ 1,111,266	(\$ 152,761)	(\$ 1,303)	\$ 6,162,976	\$ 246,852	\$ 6,409,828
Profit (loss) for the year		-	-	-	-	383	-	-	383	(67,744)	(67,361)
Other comprehensive income (loss) for the year		-	-	-	-	9,930	21,016	(108)	30,838	-	30,838
Total comprehensive income (loss)		-	-	-	-	10,313	21,016	(108)	31,221	(67,744)	(36,523)
Changes in ownership interests in subsidiaries	6(26)	-	(2,563)	-	-	-	-	-	(2,563)	-	(2,563)
Changes in non-controlling interests	6(26)	-	-	-	-	-	-	-	-	123,742	123,742
Balance at December 31, 2022		<u>\$ 3,176,890</u>	<u>\$ 562,860</u>	<u>\$ 1,346,300</u>	<u>\$ 117,161</u>	<u>\$ 1,121,579</u>	<u>(\$ 131,745)</u>	<u>(\$ 1,411)</u>	<u>\$ 6,191,634</u>	<u>\$ 302,850</u>	<u>\$ 6,494,484</u>
<u>Year ended December 31, 2023</u>											
Balance at January 1, 2023		\$ 3,176,890	\$ 562,860	\$ 1,346,300	\$ 117,161	\$ 1,121,579	(\$ 131,745)	(\$ 1,411)	\$ 6,191,634	\$ 302,850	\$ 6,494,484
Loss for the year		-	-	-	-	(72,130)	-	-	(72,130)	(215,185)	(287,315)
Other comprehensive income (loss) for the year		-	-	-	-	(4,249)	(26,414)	66	(30,597)	-	(30,597)
Total comprehensive income (loss)		-	-	-	-	(76,379)	(26,414)	66	(102,727)	(215,185)	(317,912)
Appropriation and distribution of retained earnings:	6(17)										
Legal reserve appropriated		-	-	1,031	-	(1,031)	-	-	-	-	-
Special reserve appropriated		-	-	-	15,995	(15,995)	-	-	-	-	-
Changes in ownership interests in subsidiaries	6(16)(26)	-	(13,168)	-	-	-	-	-	(13,168)	-	(13,168)
Changes in non-controlling interests	6(26)	-	-	-	-	-	-	-	-	123,359	123,359
Balance at December 31, 2023		<u>\$ 3,176,890</u>	<u>\$ 549,692</u>	<u>\$ 1,347,331</u>	<u>\$ 133,156</u>	<u>\$ 1,028,174</u>	<u>(\$ 158,159)</u>	<u>(\$ 1,345)</u>	<u>\$ 6,075,739</u>	<u>\$ 211,024</u>	<u>\$ 6,286,763</u>

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

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

	Notes	Year ended December 31,	
		2023	2022
<u>Cash flows from operating activities</u>			
Loss before tax		(\$ 269,378)	(\$ 22,222)
Adjustments			
Adjustments to reconcile profit (loss):			
Depreciation (including investment properties and right-of-use assets)	6(7)(8)(9)(23)	259,058	256,285
Amortization	6(23)	95,301	27,793
Expected credit impairment loss (gain)	12(2)	19,489 (11,940)
Interest expense	6(22)	9,669	557
Impairment loss on intangible assets	6(21)	244,586	-
Impairment loss on prepaid technology development expenses	6(21)	38,791	-
Interest income	6(19)	(35,106)	(12,139)
Dividend income	6(20)	(4)	(5)
(Gains) losses on disposals of property, plant and equipment	6(21)	(1,139)	883
Gains from reversal of litigation compensation payable	6(20)	(4,225)	-
Prepayments transferred to expenses	6(11)	47,103	17,568
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes and accounts receivable		245,625 (331,632)
Inventories		767,174 (662,457)
Other receivables		145,586 (32,512)
Prepayments		(17,386)	26,707
Net changes in liabilities relating to operating activities			
Contract liabilities-current		150,335 (88,172)
Notes and accounts payable		(301,096)	131,155
Other payables		16,177 (2,233)
Receipts in advance		(39,081)	18,919
Provisions for liabilities-non-current		-	20
Net defined benefit liability, non-current		(20,090)	(58,963)
Other current liabilities		-	(2)
Cash inflows (outflows) generated from operations		1,351,389 (742,430)
Interest paid		(9,669)	(557)
Interest received		32,581	12,139
Dividends received		4	5
Income taxes paid		(20,739)	(8,961)
Net cash flows from (used in) operating activities		<u>\$ 1,353,566</u>	<u>(\$ 739,804)</u>

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

	Notes	Year ended December 31,	
		2023	2022
<u>Cash flows from investing activities</u>			
Acquisition of property, plant and equipment	6(27)	(\$ 78,491)	(\$ 136,618)
Proceeds from disposal of property, plant and equipment		9,484	365
Increase in financial assets at amortised cost		-	(4,551)
Decrease in financial assets at amortised cost		15,350	-
Acquisition of intangible assets	6(27)	(130,271)	(104,159)
Increase in guarantee deposits paid		(850)	(2,347)
Decrease in guarantee deposits paid		1,714	2,414
Increase in other non-current assets		(37,678)	(63,587)
Net cash used in investing activities		(220,742)	(308,483)
<u>Cash flows from financing activities</u>			
Proceeds from short-term borrowings	6(28)	1,012,632	552,293
Payments of short-term borrowings	6(28)	(1,112,415)	(102,293)
Changes in non-controlling interests	6(26)	110,191	121,179
Payments of lease liabilities	6(28)	(4,997)	(4,349)
Increase in guarantee deposits received	6(28)	-	1,814
Decrease in guarantee deposits received	6(28)	(796)	-
Net cash flows from financing activities		4,615	568,644
Effects due to changes in exchange rate		(22,060)	16,027
Increase (decrease) in cash and cash equivalents		1,115,379	(463,616)
Cash and cash equivalents at beginning of year		837,531	1,301,147
Cash and cash equivalents at end of year		\$ 1,952,910	\$ 837,531

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

ZINWELL CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

- (1) Zinwell Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in 1981. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in research and development, manufacturing and sales of Digital Cable / Satellite / Terrestrial receiving equipment, Broadcast and Broadband Communication equipment, IPTV receiving equipment, Wireless equipment, etc.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since September 2001.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 6, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS[®]") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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

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

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and liabilities at fair value through other comprehensive income.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present

value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership(%)		Description
			December 31, 2023	December 31, 2022	
Zinwell Corporation	Zinwell Corporation (H.K.) Limited	General investment	100	100	
"	Zinwell Holding (Samoa) Corporation	General investment	100	100	
"	AkiraNET Co.	Information software service	54.40	47.92	Notes 1 and 2
Zinwell Holding (Samoa) Corporation	Zinwell Corporation (Shenzhen) Co., Ltd.	System accessories, low-noise block downconverter, digital set-top box, wireless communication system accessories, satellite TV ground receiving accessories, digital satellite TV set-top box and RF transmission accessories.	100	100	

Note 1: Because the Group can control the finance, operations and personnel policies of AkiraNET Co., under IAS 10 ‘Consolidated Financial Statements’, AkiraNET Co. is considered as a subsidiary and is included in the consolidated financial statements.

Note 2: On July 27, 2023, the Board of Directors of the consolidated subsidiary, AkiraNET Co., resolved to increase its cash capital with the effective date set on August 25, 2023. As the Company acquired 22,581 thousand shares in the amount of \$225,809 by cash, and the shareholding ratio increased to 54.40%, please refer to Note 6(26) for details.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in

the period in which they arise.

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations (including time deposits with contract period less than 3 months) are classified as cash equivalents.

(7) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant

increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

(12) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

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

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~55 years
Machinery and equipment	2~10 years
Research and development equipment	2~8 years
Office equipment	3~8 years
Miscellaneous equipment	3~10 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost which was the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the

commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

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

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 40~55 years.

(18) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1~6 years .

B. Intellectual property

Intellectual property is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(19) Impairment of non-financial assets

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

(20) Borrowings

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

(21) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

C. Termination benefits

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

D. Employees' and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as change in estimation. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(26) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Revenue recognition

Sales of goods

- A. The Group manufactures and sells digital cable and communication products. Sales are recognised when control of the products has transferred, being when the products are delivered to the buyer, the buyer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The sales usually are made with a credit term of 60-120 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.
- D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

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

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. Please refer to Note 6 for details of inventory valuation.

As of December 31, 2023, the carrying amount of inventories was \$1,869,287.

B. Impairment assessment of accounts receivable

The assessment of accounts receivable impairment relies on the Group's judgement and assumption about the recoverable amount of the accounts receivable in the future, taking into account various factors such as client's financial status, the Group's internal credit rating, transaction history and others which might affect the client's repayment ability. Where there is suspicion of recoverability, the Group needs to individually assess the possible recoverable amount and recognise reasonable impairment. The assessment of impairment depends on reasonable expectation about future events on the basis of the conditions existing at the balance sheet date. The estimation may differ from the actual result and may lead to material changes. Please refer to Note 6 for impairment assessment of accounts receivable.

As of December 31, 2023, the carrying amount of accounts receivable was \$1,639,697.

C. Impairment assessment of intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2023, the carrying amount of intangible assets was \$124,110.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 1,716	\$ 1,896
Checking accounts and demand deposits	1,228,983	835,635
Time deposits	<u>722,211</u>	<u>-</u>
	<u>\$ 1,952,910</u>	<u>\$ 837,531</u>

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

B. Details of the Group's time deposits pledged to others as collateral and reclassified as other non-current assets are provided in Note 8.

(2) Financial assets at fair value through other comprehensive income - non-current

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments		
Listed stocks	\$ 97	\$ 97
Unlisted stocks	1,518	1,518
Valuation adjustments	<u>(1,345)</u>	<u>(1,411)</u>
	<u>\$ 270</u>	<u>\$ 204</u>

A. The Group has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. As of December 31, 2023 and 2022, the fair value of such investments were \$270 and \$204, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 66</u>	<u>(\$ 108)</u>
Dividend income recognised in profit or loss held at end of period	<u>\$ 4</u>	<u>\$ 5</u>

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) Financial assets at amortised cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposits with maturity over three months	\$ 30,725	\$ 46,075

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

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income	\$ 1,313	\$ 596

B. As at December 31, 2023 and 2022, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were carrying amount.

C. The Group has no financial assets at amortised cost pledged to others as collateral.

(4) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 148	\$ 414
Accounts receivable	\$ 1,664,671	\$ 1,910,030
Less: Allowance for loss	(24,974)	(5,485)
	<u>\$ 1,639,697</u>	<u>\$ 1,904,545</u>

A. None of the Group's notes receivable are overdue. Accounts receivable ageing analysis was based on past due date. Please refer to Note 12(2) for details of related credit risk information.

B. As of December 31, 2023 and 2022, accounts and notes receivable were all from contracts with customers. As of January 1, 2022, the total amount of receivables from contracts with customers amounted to \$1,578,812, and the loss allowance amounted to \$17,425.

C. As of December 31, 2023 and 2022, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were \$1,639,845 and \$1,904,959, respectively.

D. The Group has no notes and accounts receivable pledged to others as collateral.

(5) Inventories

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials and supplies	\$ 1,796,119	(\$ 215,547)	\$ 1,580,572
Work in progress	308,070	(45,399)	262,671
Finished goods	34,258	(12,022)	22,236
Merchandise	231	(7)	224
Inventory in transit – raw materials and supplies	<u>3,584</u>	<u>-</u>	<u>3,584</u>
	<u>\$ 2,142,262</u>	<u>(\$ 272,975)</u>	<u>\$ 1,869,287</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials and supplies	\$ 2,145,573	(\$ 167,658)	\$ 1,977,915
Work in progress	574,949	(52,848)	522,101
Finished goods	99,380	(14,436)	84,944
Merchandise	7	(7)	-
Inventory in transit – raw materials and supplies	<u>51,501</u>	<u>-</u>	<u>51,501</u>
	<u>\$ 2,871,410</u>	<u>(\$ 234,949)</u>	<u>\$ 2,636,461</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2023	2022
Cost of goods sold	\$ 5,192,070	\$ 5,955,903
Losses on decline in market value	38,873	39,658
Losses on disposal of inventory	-	33,086
Others	(1,652)	(1,353)
	<u>\$ 5,229,291</u>	<u>\$ 6,027,294</u>

(6) Prepayments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Net Input VAT	\$ 23,039	\$ 5,660
Prepayment for purchases	232	1,258
Other prepaid expense	<u>8,065</u>	<u>7,032</u>
	<u>\$ 31,336</u>	<u>\$ 13,950</u>

(7) Property, plant and equipment

2023

	Land	Buildings and structures	Machinery and equipment	R&D Equipment	Office equipment	Molding and other equipment	Construction in progress and equipment under acceptance	Total
At January 1,								
Cost	\$ 728,663	\$ 1,715,652	\$ 1,540,671	\$ 311,608	\$ 65,765	\$ 260,345	\$ 9,032	\$ 4,631,736
Accumulated depreciation	-	(495,545)	(964,939)	(285,374)	(40,501)	(179,654)	-	(1,966,013)
	<u>\$ 728,663</u>	<u>\$ 1,220,107</u>	<u>\$ 575,732</u>	<u>\$ 26,234</u>	<u>\$ 25,264</u>	<u>\$ 80,691</u>	<u>\$ 9,032</u>	<u>\$ 2,665,723</u>
Opening net book amount	\$ 728,663	\$ 1,220,107	\$ 575,732	\$ 26,234	\$ 25,264	\$ 80,691	\$ 9,032	\$ 2,665,723
Additions	-	2,112	36,911	4,757	2,600	15,889	6,522	68,791
Transfer	-	-	11,516	-	-	4,038	(15,554)	-
Disposals	-	-	(6,125)	(33)	(1,993)	(194)	-	(8,345)
Depreciation charge	-	(86,796)	(127,710)	(7,741)	(5,224)	(21,551)	-	(249,022)
Net exchange differences	-	(1,446)	(2,235)	-	(4)	588	-	(4)
Closing net book amount	<u>\$ 728,663</u>	<u>\$ 1,133,977</u>	<u>\$ 488,089</u>	<u>\$ 23,217</u>	<u>\$ 20,643</u>	<u>\$ 78,285</u>	<u>\$ -</u>	<u>\$ 2,472,874</u>
At December 31,								
Cost	\$ 728,663	\$ 1,711,872	\$ 1,540,503	\$ 315,068	\$ 65,386	\$ 276,950	\$ -	\$ 4,638,442
Accumulated depreciation	-	(577,895)	(1,052,414)	(291,851)	(44,743)	(198,665)	-	(2,165,568)
	<u>\$ 728,663</u>	<u>\$ 1,133,977</u>	<u>\$ 488,089</u>	<u>\$ 23,217</u>	<u>\$ 20,643</u>	<u>\$ 78,285</u>	<u>\$ -</u>	<u>\$ 2,472,874</u>

2022

	Land	Buildings and structures	Machinery and equipment	R&D equipment	Office equipment	Molding and other equipment	Construction in progress and equipment under acceptance	Total
At January 1,								
Cost	\$ 814,670	\$ 1,274,676	\$ 1,412,126	\$ 340,919	\$ 54,716	\$ 250,358	\$ 626,829	\$ 4,774,294
Accumulated depreciation	-	(503,470)	(834,505)	(309,875)	(35,764)	(173,289)	-	(1,856,903)
	<u>\$ 814,670</u>	<u>\$ 771,206</u>	<u>\$ 577,621</u>	<u>\$ 31,044</u>	<u>\$ 18,952</u>	<u>\$ 77,069</u>	<u>\$ 626,829</u>	<u>\$ 2,917,391</u>
Opening net book amount	\$ 814,670	\$ 771,206	\$ 577,621	\$ 31,044	\$ 18,952	\$ 77,069	\$ 626,829	\$ 2,917,391
Additions	-	2,669	58,603	3,858	6,472	15,993	64,261	151,856
Transfer	-	595,859	73,120	-	4,966	8,113	(682,058)	-
Disposals	-	-	(607)	(74)	(7)	(560)	-	(1,248)
Reclassifications	(86,007)	(71,949)	-	-	-	-	-	(157,956)
Depreciation charge	-	(79,283)	(136,401)	(8,594)	(5,121)	(20,397)	-	(249,796)
Net exchange differences	-	1,605	3,396	-	2	473	-	5,476
Closing net book amount	<u>\$ 728,663</u>	<u>\$ 1,220,107</u>	<u>\$ 575,732</u>	<u>\$ 26,234</u>	<u>\$ 25,264</u>	<u>\$ 80,691</u>	<u>\$ 9,032</u>	<u>\$ 2,665,723</u>
At December 31,								
Cost	\$ 728,663	\$ 1,715,652	\$ 1,540,671	\$ 311,608	\$ 65,765	\$ 260,345	\$ 9,032	\$ 4,631,736
Accumulated depreciation	-	(495,545)	(964,939)	(285,374)	(40,501)	(179,654)	-	(1,966,013)
	<u>\$ 728,663</u>	<u>\$ 1,220,107</u>	<u>\$ 575,732</u>	<u>\$ 26,234</u>	<u>\$ 25,264</u>	<u>\$ 80,691</u>	<u>\$ 9,032</u>	<u>\$ 2,665,723</u>

Note 1: Considering the business operation, the Group leased certain plants to others since September 2022 and reclassified to the investment property amounting to \$157,956, please refer to Note 6(9) for details.

Note 2: Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements – lessee

- A. The Group leases various assets including land use right, buildings and business vehicles. Rental contracts are typically made for periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of no more than 12 months include certain dormitories and instruments.
- C. The movements of right-of-use assets of the Group are as follows:

	2023			
	<u>Land use right</u>	<u>Buildings</u>	<u>Business vehicles</u>	<u>Total</u>
At January 1	\$ 13,367	\$ 2,961	\$ 1,203	\$ 17,531
Additions	-	5,600	-	5,600
Depreciation charge	(420)	(4,573)	(451)	(5,444)
Net exchange differences	(241)	-	-	(241)
At December 31	<u>\$ 12,706</u>	<u>\$ 3,988</u>	<u>\$ 752</u>	<u>\$ 17,446</u>

	2022			
	<u>Land use right</u>	<u>Buildings</u>	<u>Business vehicles</u>	<u>Total</u>
At January 1	\$ 13,582	\$ 3,598	\$ -	\$ 17,180
Additions	-	3,560	1,353	4,913
Depreciation charge	(421)	(4,197)	(150)	(4,768)
Net exchange differences	<u>206</u>	<u>-</u>	<u>-</u>	<u>206</u>
At December 31	<u>\$ 13,367</u>	<u>\$ 2,961</u>	<u>\$ 1,203</u>	<u>\$ 17,531</u>

- D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31,	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 105	\$ 40
Expense on short-term lease contracts	1,653	1,538

- E. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$6,755 and \$5,927, respectively.

(9) Investment property

	2023		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1			
Cost	\$ 106,837	\$ 179,508	\$ 286,345
Accumulated depreciation	<u>-</u>	<u>(101,386)</u>	<u>(101,386)</u>
	<u>\$ 106,837</u>	<u>\$ 78,122</u>	<u>\$ 184,959</u>
Opening net book amount	\$ 106,837	\$ 78,122	\$ 184,959
Depreciation charge	<u>-</u>	<u>(4,592)</u>	<u>(4,592)</u>
Closing net book amount	<u>\$ 106,837</u>	<u>\$ 73,530</u>	<u>\$ 180,367</u>
At December 31			
Cost	\$ 106,837	\$ 179,508	\$ 286,345
Accumulated depreciation	<u>-</u>	<u>(105,978)</u>	<u>(105,978)</u>
	<u>\$ 106,837</u>	<u>\$ 73,530</u>	<u>\$ 180,367</u>
	2022		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1			
Cost	\$ 20,830	\$ 17,214	\$ 38,044
Accumulated depreciation	<u>-</u>	<u>(9,320)</u>	<u>(9,320)</u>
	<u>\$ 20,830</u>	<u>\$ 7,894</u>	<u>\$ 28,724</u>
Opening net book amount	\$ 20,830	\$ 7,894	\$ 28,724
Reclassifications	86,007	71,949	157,956
Depreciation charge	<u>-</u>	<u>(1,721)</u>	<u>(1,721)</u>
Closing net book amount	<u>\$ 106,837</u>	<u>\$ 78,122</u>	<u>\$ 184,959</u>
At December 31			
Cost	\$ 106,837	\$ 179,508	\$ 286,345
Accumulated depreciation	<u>-</u>	<u>(101,386)</u>	<u>(101,386)</u>
	<u>\$ 106,837</u>	<u>\$ 78,122</u>	<u>\$ 184,959</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31,	
	<u>2023</u>	<u>2022</u>
Rental income from investment property	<u>\$ 12,251</u>	<u>\$ 6,168</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 5,412</u>	<u>\$ 2,857</u>

B. The maturity analysis of the lease payments under the operating leases is as follows

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Year 2023	\$ -	\$ 10,884
Year 2024	12,711	12,683
Year 2025	11,802	11,802
Year 2026	<u>417</u>	<u>417</u>
	<u>\$ 24,930</u>	<u>\$ 35,786</u>

C. The fair value of the investment property held by the Group as at December 31, 2023 and 2022 were \$208,708 and \$209,906, respectively. The fair value of the investment property was estimated with reference to the market prices of the investment property in neighboring areas, which is categorised within Level 3 in the fair value hierarchy.

D. Information on investment property pledged to others as collateral is provided in Note 8.

(10) Intangible assets

	<u>2023</u>		
	<u>Computer software</u>	<u>Intellectual property</u>	<u>Total</u>
At January 1			
Cost	\$ 28,035	\$ 384,231	\$ 412,266
Accumulated amortization	(13,208)	(19,075)	(32,283)
	<u>\$ 14,827</u>	<u>\$ 365,156</u>	<u>\$ 379,983</u>
Opening net book amount	\$ 14,827	\$ 365,156	\$ 379,983
Additions	4,254	77,847	82,101
Amortisation charge	(6,610)	(86,778)	(93,388)
Impairment loss	<u>-</u>	<u>(244,586)</u>	<u>(244,586)</u>
Closing net book amount	<u>\$ 12,471</u>	<u>\$ 111,639</u>	<u>\$ 124,110</u>
At December 31			
Cost	\$ 32,289	\$ 462,078	\$ 494,367
Accumulated amortisation and impairment	(19,818)	(350,439)	(370,257)
	<u>\$ 12,471</u>	<u>\$ 111,639</u>	<u>\$ 124,110</u>

	2022		
	<u>Computer software</u>	<u>Intellectual property</u>	<u>Total</u>
At January 1			
Cost	\$ 18,175	\$ -	\$ 18,175
Accumulated amortization	(9,101)	-	(9,101)
	<u>\$ 9,074</u>	<u>\$ -</u>	<u>\$ 9,074</u>
Opening net book amount	\$ 9,074	\$ -	\$ 9,074
Additions	1,610	218,543	220,153
Transfer	8,250	165,688	173,938
Amortisation charge	(4,107)	(19,075)	(23,182)
Closing net book amount	<u>\$ 14,827</u>	<u>\$ 365,156</u>	<u>\$ 379,983</u>
At December 31			
Cost	\$ 28,035	\$ 384,231	\$ 412,266
Accumulated amortisation	(13,208)	(19,075)	(32,283)
	<u>\$ 14,827</u>	<u>\$ 365,156</u>	<u>\$ 379,983</u>

- A. Based on the key technologies in chip development, on May 29, 2023, the Board of Directors of the consolidated subsidiary, AkiraNET Co., resolved to enter into an intellectual property authorisation and cooperative purchasing contract with Performance Connectivity (Beijing Bolian Semiconductor Co., Ltd.), regarding the transmission and reception of Wi-Fi signals requiring wireless signal processing through a radio frequency integrated circuit (RFIC). It is expected that the chip transmission efficiency in the development plan will be improved by obtaining the source code of transmission chip. The total contract value was US\$2,000 thousand (approximately \$77,847). As of December 31, 2023, according to the contract, AkiraNET Co. had paid US\$1,800 thousand.
- B. In the third quarter of 2023, as the phased acceptance progress of software and chips development was not as expected as described in the Note 6(11), as well as in the fourth quarter of 2023, Coherent Logix Incorporated informed AkiraNET Co. that it was unable to continue to deliver the research and development results of software and chips based on the schedule agreed by both parties, which affected the future economic value of intellectual property. Therefore, the Group assessed the probabilities and its net cash flows of different future results of the project, and recognised impairment loss on intellectual property in the amount of \$244,586 by the carrying amount exceeds its recoverable amount.
- C. Details of amortization on intangible assets are as follows:

	Year ended December 31,	
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 381	\$ 472
Operating expenses	3,584	2,430
Research and development expenses	<u>89,423</u>	<u>20,280</u>
	<u>\$ 93,388</u>	<u>\$ 23,182</u>

- D. The Group has no pledged intangible assets to others as collateral.

(11) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepaid technology development expenses	\$ 37,686	\$ 85,894
Prepayment for equipment	21,768	9,943
Guarantee deposits paid	7,221	8,085
Others	<u>733</u>	<u>2,653</u>
	<u>\$ 67,408</u>	<u>\$ 106,575</u>

A. Considering the business strategy, on August 27, 2021, the Board of Directors of the consolidated subsidiary, AkiraNET Co., resolved to engage Coherent Logix Incorporated to develop software and chips and authorise relevant intellectual property. Consequently, on September 3, 2021, AkiraNET Co. entered into aforementioned technology development contract with Coherent Logix Incorporated, for a total contract value of US\$21,514 thousand, including cash payment of US\$17,963 thousand and share options of US\$7,000 thousand which could be exercised by Coherent Logix Incorporated (according to the appraisal report, the fair value was US\$3,551 thousand). Based on the best performance of the research project, they revised the contract content on October 6, 2022. total contract value after the revision was US\$13,953 thousand. The prepaid intellectual property included in the signing bonus originally paid by AkiraNET Co. amounting to US\$3,579 thousand (approximately \$99,412) had been refunded according to the contract.

As of December 31, 2023, according to the contract, AkiraNET Co. had paid a net amount of US\$6,772 thousand (approximately \$185,075) and granted share options. However, as Coherent Logix Incorporated did not fulfil its performance obligations as described in Note 6(10), AkiraNET Co. assessed that the low possibility of recovering the prepayments and recognised impairment loss on prepaid technology development expenses amounting to \$38,791 for the year ended December 31, 2023.

B. Due to the impact of the pandemic on the international semiconductor supply chain, the raw materials and supplies that AkiraNET Co. originally planned to use in the research and development of technologies were in shortage. In order to control the development cost and avoid delay in the research schedule of the project, AkiraNET Co. changed and engaged Socionext Inc. to develop certain chips in the projects. Socionext Inc. conducted the front-end design of the chips and the improvement, package and testing of back-end specification design of the chips according to the contract. The total contract value was US\$10,570 thousand. As of December 31, 2023, according to the contract, AkiraNET Co. paid US\$5,051 thousand (approximately \$156,118). However, as described in the above Note 6(10)B, it may affect the progress of ongoing research and development program which agreed between AkiraNET Co. and Socionext Inc. As of reporting date, the schedule has not yet gone into the next stage of the chips acceptance.

C. The authorisation of IP that AkiraNET Co. acquired from the project for the year ended December 31, 2022 had been reclassified as intangible assets amounting to \$165,688. In addition, research and development expense amounting to \$47,103 and \$64,835 were recognised for the nine months ended September 30, 2023 and for the year ended December 31, 2022, respectively, according to the phased acceptance results of chips and software development.

D. Details of the Group's financial assets pledged to others as collateral are provided in Note 8.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 350,000	1.76%	Note 8
Unsecured borrowings	<u>6,349</u>	6.13%	None
	<u>\$ 356,349</u>		

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 100,000	2.00%~2.06%	Note 8
Unsecured borrowings	<u>356,147</u>	1.90%~5.84%	None
	<u>\$ 456,147</u>		

(13) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued salaries and bonuses	\$ 224,590	\$ 205,233
Payables for technology development expenses	69,349	115,994
Commissions and royalties payable	21,656	22,274
Payables for service expenses	2,321	3,218
Equipment payable	2,713	2,113
Litigation compensation payable	-	4,225
Payables for employees' compensation	-	865
Others	<u>68,294</u>	<u>64,869</u>
	<u>\$ 388,923</u>	<u>\$ 418,791</u>

(14) Pensions

A. Defined benefits plans

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 179,523	\$ 234,510
Fair value of plan assets	(99,643)	(139,851)
Net defined benefit liability	<u>\$ 79,880</u>	<u>\$ 94,659</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1, 2023	\$ 234,510	(\$ 139,851)	\$ 94,659
Current service cost	573	-	573
Interest expense (income)	<u>3,049</u>	<u>(1,818)</u>	<u>1,231</u>
	<u>238,132</u>	<u>(141,669)</u>	<u>96,463</u>
Remeasurements:			
Change in demographic assumptions	-	-	-
Change in financial assumptions	1,134	-	1,134
Experience adjustments	<u>4,568</u>	<u>(391)</u>	<u>4,177</u>
	<u>5,702</u>	<u>(391)</u>	<u>5,311</u>
Pension fund contribution	-	(18,444)	(18,444)
Paid pension	<u>(64,311)</u>	<u>60,861</u>	<u>(3,450)</u>
Balance at December 31, 2023	<u>\$ 179,523</u>	<u>(\$ 99,643)</u>	<u>\$ 79,880</u>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1, 2022	\$ 246,863	(\$ 80,829)	\$ 166,034
Current service cost	633	-	633
Interest expense (income)	<u>1,728</u>	<u>(566)</u>	<u>1,162</u>
	<u>249,224</u>	<u>(81,395)</u>	<u>167,829</u>
Remeasurements:			
Change in demographic assumptions	-	-	-
Change in financial assumptions	<u>(11,169)</u>	-	<u>(11,169)</u>
Experience adjustments	<u>5,221</u>	<u>(6,464)</u>	<u>(1,243)</u>
	<u>(5,948)</u>	<u>(6,464)</u>	<u>(12,412)</u>
Pension fund contribution	-	(58,309)	(58,309)
Paid pension	<u>(8,766)</u>	<u>6,317</u>	<u>(2,449)</u>
Balance at December 31, 2022	<u>\$ 234,510</u>	<u>(\$ 139,851)</u>	<u>\$ 94,659</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter,

or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.20%</u>	<u>1.30%</u>
Future salary increases	<u>2.40%</u>	<u>2.40%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the 6th Period Taiwan Life Tables.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ <u>2,811</u>)	\$ <u>2,892</u>	\$ <u>2,458</u>	(\$ <u>2,404</u>)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ <u>4,411</u>)	\$ <u>4,551</u>	\$ <u>3,957</u>	(\$ <u>3,861</u>)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$1,878.

(g) As of December 31, 2023, the weighted average duration of that retirement plan is 7 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 34,957
1-2 year(s)	18,221
2-5 years	41,559
Over 5 years	<u>50,646</u>
	<u>\$ 145,383</u>

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiary, Zinwell Corporation (Shenzhen) Co., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. For the years ended December 31, 2023 and 2022, the distribution ratio both were 14%, every employees’ pensions were aggregately arranged by government. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2023 and 2022 were \$45,091 and \$44,662, respectively.

(15) Share capital

As of December 31, 2023 and 2022, the Company’s authorized capital was \$3,990,000, consisting of 399,000 thousand shares of ordinary stock, including 20,000 thousand shares were retained for employee options, shares of warrant, warrant preferred stock and warrant bond conversion. The paid-in capital was \$3,176,890 for both periods. The issued and outstanding common stock was both 317,689 thousand shares with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Capital surplus

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

B. In 2021, the consolidated subsidiary, AkiraNET Co., engaged Coherent Logix Incorporated to develop software and chips and authorised relevant intellectual property, and issued share options according to the contract (according to the appraisal report, the fair value was US\$3,551 thousand). According to the above appraisal report, AkiraNET Co. recognised capital surplus in the amount of US\$3,551 thousand (approximately \$98,412). However, the share options had expired in August 2023 and the Company increased capital surplus in the amount of \$54,530 in proportion to its ownership.

	2023				
	Additional paid-in capital	Changes in ownership interests in subsidiaries	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Other	Total
At January 1	\$ 503,594	\$ 978	\$ 2,142	\$ 56,146	\$ 562,860
Changes in ownership interests in subsidiaries	-	41,362	-	(54,530)	(13,168)
At December 31	<u>\$ 503,594</u>	<u>\$ 42,340</u>	<u>\$ 2,142</u>	<u>\$ 1,616</u>	<u>(\$ 549,692)</u>

	2022				
	Additional paid-in capital	Changes in ownership interests in subsidiaries	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Other	Total
At January 1	\$ 503,594	\$ 3,541	\$ 2,142	\$ 56,146	\$ 565,423
Changes in ownership interests in subsidiaries	-	(2,563)	-	-	(2,563)
At December 31	<u>\$ 503,594</u>	<u>\$ 978</u>	<u>\$ 2,142</u>	<u>\$ 56,146</u>	<u>(\$ 562,860)</u>

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Subsequently, the Company shall set aside special reserve from the net decreased amount of other stockholders' equity in the current period. The appropriation of the total distributable amount (that is, the distributable amount for the period along with accumulated unappropriated earnings from prior years) should be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 8% of the total dividends distributed.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate1090150022, dated March 31, 2021, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- (c) The Company has provisioned special reserve on initial application of IFRSs in the amount of \$57,817. In addition, for the years ended December 31, 2023 and 2022, the Company did not reverse special reserve to undistributed earnings due to use, disposal or reclassification of related resources. As of December 31, 2023 and 2022, the amount of special reserve on initial application was \$57,817.

D. (a) On June 14, 2022, shareholders of the Company resolved not to distribute dividends due to there were no earnings for the year ended December 31, 2021.

(b) The appropriation of 2022 earnings as resolved by the shareholders on June 14, 2023 are as follows:

	<u>Amount</u>
Legal reserve appropriated	\$ 1,031
Special reserve appropriated	15,995

(c) On March 6, 2024, the Board of Directors of the Company proposed not to distribute dividends due to there were no earnings for the year ended December 31, 2023.

Information about the appropriation of retained earnings of the Company as proposed by the Board of Directors and resolved by the shareholders' will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and generated related revenue in each reportable segment:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Digital cable and telecommunication products	\$ 5,814,410	\$ 6,554,860
Others	<u>2,425</u>	<u>27,175</u>
	<u>\$ 5,816,835</u>	<u>\$ 6,582,035</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Sales contracts	<u>\$ 199,636</u>	<u>\$ 49,301</u>	<u>\$ 137,473</u>

(a) For the years ended December 31, 2023 and 2022, the changes in the Group's contract liabilities were due to the customer's operation changes with industrial needs, various transaction terms of each customer and the timing differences between the advance sales receipts made according to the contract and the Group's performance obligations satisfied.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales contracts	<u>\$ 35,749</u>	<u>\$ 102,258</u>

(19) Interest income

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 21,257	\$ 3,199
Interest income from financial assets at amortised cost	1,313	596
Other interest income	<u>12,536</u>	<u>8,344</u>
	<u>\$ 35,106</u>	<u>\$ 12,139</u>

(20) Other income

	Year ended December 31,	
	2023	2022
Government grants	\$ 10,620	\$ 17,332
Rental income	12,251	6,168
Gains from reversal of litigation compensation payable	4,225	-
Dividend income	4	5
Others (Note)	84,211	96,757
	<u>\$ 111,311</u>	<u>\$ 120,262</u>

Note: It consists mainly of other income from the Group assisting customers in the development of products.

(21) Other gains and losses

	Year ended December 31,	
	2023	2022
Foreign exchange gains	\$ 29,847	\$ 104,322
Impairment loss on intangible assets	(244,586)	-
Impairment loss on prepaid technology development expense	(38,791)	-
Gains (losses) on disposals of property, plant and equipment	1,139	(883)
Depreciation charge of investment property	(4,592)	(1,721)
Losses on litigation compensation	-	(1,192)
Others	-	(225)
	<u>(\$ 256,983)</u>	<u>\$ 100,301</u>

(22) Finance costs

	Year ended December 31,	
	2023	2022
Interest expense		
-Bank borrowing	\$ 9,564	\$ 512
-Lease contracts	105	40
-Others	-	5
	<u>\$ 9,669</u>	<u>\$ 557</u>

(23) Expenses by nature

	Year ended December 31,	
	2023	2022
Employee benefit expense		
Wages and salaries	\$ 809,249	\$ 777,734
Labor and health insurance fees	74,001	66,519
Pension costs	46,895	46,457
Directors' business remunerations	7,800	7,800
Other personnel expenses	<u>47,800</u>	<u>48,759</u>
Subtotal	\$ 985,745	\$ 947,269
Depreciation	254,466	254,564
Amortisation	<u>95,301</u>	<u>27,793</u>
	<u>\$ 1,335,512</u>	<u>\$ 1,229,626</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$0 and \$865, respectively; while directors' remuneration were both accrued at \$0. The aforementioned amounts were recognised in salary expenses.

No employees' compensation and directors' and supervisors' remuneration were estimated and accrued as the Company had operating losses for the year ended December 31, 2023.

The 2022 employees' compensation and directors' remuneration resolved by the Board of Directors are \$865 and \$0, respectively, which were in agreement with those amounts recognised in the 2022 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 533	\$ 17,553
Prior year income tax underestimation	<u>-</u>	<u>11</u>
Total current tax	533	17,564
Deferred tax:		
Origination and reversal of temporary differences	<u>17,404</u>	<u>27,575</u>
Income tax expense	<u>\$ 17,937</u>	<u>\$ 45,139</u>

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

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Remeasurement of defined benefit obligations	(\$ <u>1,062</u>)	<u>\$ 2,482</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Tax calculated based on loss before tax and statutory tax rate	(\$ 110,454)	(\$ 7,038)
Effects from items disallowed by tax regulation	1,120	3,810
Temporary differences not recognized as deferred tax assets	104,679	13,055
Taxable loss not recognized as deferred tax assets	41,788	32,821
Change in assessment of realization of deferred tax assets	(19,196)	2,480
Prior year income tax underestimation	<u>-</u>	<u>11</u>
Income tax expense	<u>\$ 17,937</u>	<u>\$ 45,139</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses were as follows:

	<u>2023</u>			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
<u>Deferred tax assets:</u>				
Temporary differences:				
Unrealised inventory loss	\$ 32,372	\$ 14,390	\$ -	\$ 46,762
Net defined benefit liability	19,136	(4,018)	1,062	16,180
Tax difference in doubtful accounts	4,114	3,342	-	7,456
Unused compensated absences	6,841	141	-	6,982
Unrealised exchange loss	4,524	9,985	-	14,509
Unrealised litigation loss	845	(845)	-	-
Tax losses	<u>185,224</u>	<u>(44,790)</u>	<u>-</u>	<u>140,434</u>
Subtotal	<u>253,056</u>	<u>(21,795)</u>	<u>1,062</u>	<u>232,323</u>
<u>Deferred tax liabilities:</u>				
Temporary differences:				
Income from investment accounted for using equity method	(\$ 59,392)	\$ 4,391	\$ -	(\$ 55,001)
Unrealised foreign exchange gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(59,392)</u>	<u>4,391</u>	<u>-</u>	<u>(55,001)</u>
Total	<u>\$193,664</u>	<u>(\$ 17,404)</u>	<u>\$ 1,062</u>	<u>\$ 177,322</u>

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
<u>Deferred tax assets:</u>				
Temporary differences:				
Unrealised inventory loss	\$ 31,379	\$ 993	\$ -	\$ 32,372
Net defined benefit liability	33,411	(11,793)	(2,482)	19,136
Tax difference in doubtful accounts	4,114	-	-	4,114
Unused compensated absences	6,386	455	-	6,841
Unrealised exchange loss	-	4,524	-	4,524
Unrealised litigation loss	845	-	-	845
Tax losses	<u>187,704</u>	<u>(2,480)</u>	<u>-</u>	<u>185,224</u>
Subtotal	<u>263,839</u>	<u>(8,301)</u>	<u>(2,482)</u>	<u>253,056</u>
<u>Deferred tax liabilities:</u>				
Temporary differences:				
Income from investment accounted for using equity method	(\$ 39,746)	(\$ 19,646)	\$ -	(\$ 59,392)
Unrealised foreign exchange gain	<u>(372)</u>	<u>372</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(40,118)</u>	<u>(19,274)</u>	<u>-</u>	<u>(59,392)</u>
Total	<u>\$ 223,721</u>	<u>(\$ 27,575)</u>	<u>(\$ 2,482)</u>	<u>\$ 193,664</u>

D. According to the Act for Industrial Innovation, details of the amount the Group is entitled as investment tax credit and unrecognised deferred tax assets amount are as follows:

December 31, 2023					
Qualifying items	Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
Research and development	2020~2022	\$ 34,800	\$ 15,604	\$ 15,604	2022~2024

December 31, 2022					
Qualifying items	Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
Research and development	2019~2021	\$ 29,118	\$ 29,118	\$ 29,118	2021~2023

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023					
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2018~2023	\$ 1,492,560	\$ 1,268,610	\$ 566,448	2028~2033	

December 31, 2022					
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2018~2022	\$ 1,338,301	\$ 1,338,301	\$ 412,189	2028~2032	

F. As of December 31, 2023 and 2022, the Group had deductible temporary differences of unrecognised deferred income tax assets in the amounts of \$619,286 and \$95,891, respectively.

G. The income tax returns of the Company and the consolidated subsidiary, AkiraNET Co., through 2021 have both been assessed and approved by the Tax Authority.

(25) Earnings (losses) per share

	<u>Year ended December 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic / Diluted losses per share</u>			
Losses attributable to the parent (Note)	<u>(\$ 72,130)</u>	<u>317,689</u>	<u>(\$ 0.23)</u>

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic / Diluted earnings per share</u>			
Profit attributable to the parent	<u>\$ 383</u>	<u>317,689</u>	<u>\$ -</u>

Diluted earnings per share

Profit attributable to ordinary shareholders of the parent	\$ 383	317,689	\$ -
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	51	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 383</u>	<u>317,740</u>	<u>\$ -</u>

Note: The Company had operating losses for the year ended December 31, 2023. If the impact of employees' compensation was included, it may cause an anti-dilutive effect and thus it was not included in the calculation of diluted losses per share.

(26) Transactions with non-controlling interest

The Group did not participate in the capital increment raised by a subsidiary proportionally to its interest to the subsidiary.

- A. The consolidated subsidiary, AkiraNET Co., had increased its capital by issuing new shares on June 15, 2022. As the Group did not acquire shares proportionately, the shareholding ratio was decreased by 7.49%. For the year ended December 31, 2022, the transaction resulted in an increase in the non-controlling interest by \$123,742 and a decrease in the equity attributable to owners of the parent by \$2,563.
- B. The consolidated subsidiary, AkiraNET Co., had increased its capital by issuing new shares on June 15, 2023 and August 25, 2023, respectively. As the Group did not acquire shares proportionately, the shareholding ratio was increased by 6.48%. For the year ended December 31, 2023, the transaction resulted in an increase in the non-controlling interest by \$123,359 and a decrease in the equity attributable to owners of the parent by \$13,168.

C. The effect of changes in interests in AkiraNET Co. on the equity attributable to owners of the parent for the years ended December 31, 2023 and 2022 is shown below:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash	\$ 110,191	\$ 121,179
Increase in the book value of non-controlling interests	(123,359)	(123,742)
Capital surplus - recognition of the changes in ownership interests in subsidiaries	(\$ 13,168)	(\$ 2,563)

(27) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	\$ 68,791	\$ 151,856
Add: Ending balance of advance payment	20,243	9,943
Less: Opening balance of advance payment	(9,943)	(31,218)
Add: Opening balance of equipment payable	2,113	8,150
Less: Ending balance of equipment payable	(2,713)	(2,113)
Cash paid during the year	<u>\$ 78,491</u>	<u>\$ 136,618</u>

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Acquisition of intangible assets	\$ 82,101	\$ 394,091
Add: Ending balance of advance payment	1,525	-
Less: Opening balance of advance payment	-	(8,250)
Add: Opening balance of equipment payable	115,994	-
Less: Opening balance of prepaid technology development expenses	-	(165,688)
Less: Ending balance of payable for technology development expenses	(69,349)	(115,994)
Cash paid during the year	<u>\$ 130,271</u>	<u>\$ 104,159</u>

(28) Changes in liabilities from financing activities

	2023			
	Short-term <u>Borrowings</u>	Lease <u>Liabilities</u>	Guarantee <u>deposits received</u>	Liabilities from financing <u>activities-gross</u>
At January 1	\$ 456,147	\$ 4,175	\$ 2,756	\$ 463,078
Changes in cash flow from financing activities	(99,783)	(4,997)	(796)	(105,576)
Interest expense from lease liability paid (Note)	-	(105)	-	(105)
Impact of changes in foreign exchange rate	(15)	-	-	(15)
Changes in other non-cash items	-	5,705	-	5,705
At December 31	<u>\$ 356,349</u>	<u>\$ 4,778</u>	<u>\$ 1,960</u>	<u>\$ 363,087</u>
	2022			
	Short-term <u>Borrowings</u>	Lease <u>liabilities</u>	Guarantee <u>deposits received</u>	Liabilities from financing <u>activities-gross</u>
At January 1	\$ 5,535	\$ 3,611	\$ 938	\$ 10,084
Changes in cash flow from financing activities	450,000	(4,349)	1,814	447,465
Interest expense from lease liability paid (Note)	-	(40)	-	(40)
Impact of changes in foreign exchange rate	612	-	4	616
Changes in other non-cash items	-	4,953	-	4,953
At December 31	<u>\$ 456,147</u>	<u>\$ 4,175</u>	<u>\$ 2,756</u>	<u>\$ 463,078</u>

Note: Shown as operating cash flows.

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Year ended December 31,	
	2023	2022
Short-term employee benefits	\$ 39,914	\$ 42,115
Post-employment benefits	1,181	1,115
	<u>\$ 41,095</u>	<u>\$ 43,230</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment			
- Land	\$ 370,734	\$ 78,099	Collaterals for short-term borrowings
- Buildings	598,105	-	Collaterals for short-term borrowings
Investment properties			
- Land	63,369	63,369	Collaterals for short-term borrowings
- Buildings	66,206	70,513	Collaterals for short-term borrowings
Guarantee deposits paid			
- Time deposits (shown as other non-current assets)	1,000	1,000	Guarantees for natural gas
	<u>\$ 1,099,414</u>	<u>\$ 212,981</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The Company entered into a royalty contract with MPEG LA, LLC, InterDigital CE Patent Holdings, SAS, Dolby Laboratories Inc. and HDMI Licensing Administrator, Inc., wherein the Company should pay royalties according to contract price.

(2) The consolidated subsidiary, AkiraNET Co., entered into software and chip development and related intellectual property authorisation contract with Coherent Logix Incorporated, the contracted and unpaid amount was US\$3,630 thousand, please refer to Note 6(11) for details.

The consolidated subsidiary, AkiraNET Co., entered into chip development and related intellectual property authorisation contract with Socionext Inc, the contracted and unpaid amount was US\$5,519 thousand, please refer to Note 6(11) for details.

The consolidated subsidiary, AkiraNET Co., entered into an intellectual property authorisation and cooperative purchasing contract with Performance Connectivity (Beijing Bolian Semiconductor Co., Ltd.), the contracted and unpaid amount was US\$200 thousand, please refer to Note 6(10) for details.

As mentioned in Note 6(10) 2., the Group will continue to evaluate the research and development results and developmental of each stage of the project, and negotiate with the contract counterparties based on the evaluation results to adjust the above contract terms such as software, chip development and intellectual property authorisation.

(3) A. The construction company, Shang-Ho Construction Co., Ltd. who undertook the construction of the Company's plant in Chiayi City, disagreed with the proceeds from construction reduction of doors and windows, and filed a litigation to the Taiwan New Taipei District Court that the Company should pay the dispute proceeds for the construction in the amount of \$4,625 as well as the interest. In September 2021, after the first instance, the court rendered a judgement that the Company should pay \$4,225 plus interest. The Company had accrued litigation loss and other payables in the amount of \$4,225. The Company disagreed with the judgement and filed for litigation. The Company disagreed with the judgement and filed for litigation. On May 18, 2023, the Supreme Court rendered a final judgement that the Company did not need to pay the aforementioned dispute proceeds, which resulted in gains from reversal of litigation compensation payable \$4,225. Please refer to Note 6(20) for details.

B. The construction company, Shang-Ho Construction Co., Ltd. who undertook the construction of the Company's plant in Chiayi City, claimed that the construction design layout had negligence and extended working period which affected the construction method and increased construction cost. In February 2020, it filed a litigation to the Taiwan New Taipei District Court that the Company should pay the dispute proceeds for the construction in the amount of \$37,626 and the interest. Because both parties had entered into incremental agreement on the changed design in the construction period, the Company assessed the claim had no evidence and commissioned lawyers to ask the court to reject the claim, the Company had not provisioned related losses on aforementioned litigation. As of reporting date, the court had not made a judgement.

The Company will actively defend aforementioned litigation which was in process. However, due to the nature of unpredictability of legal cases, the possible losses could not be accurately estimated (if any). Furthermore, even though the litigation still pending for the judgement of the court, it had no significant effects on the Company's operations, finance and business.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None .

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total liabilities listed on the consolidated balance sheet. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus total debt.

During the year ended December 31, 2023, the Group's strategy was unchanged from 2022. The gearing ratios at December 31, 2023 and 2022 were 27% and 30%, respectively.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 270	\$ 204
Financial assets at amortised cost		
Cash and cash equivalents	1,952,910	837,531
Financial assets at amortised cost	30,725	46,075
Notes receivable	148	414
Accounts receivable	1,639,697	1,904,545
Other receivables	30,658	173,720
Guarantee deposits paid	7,221	8,085
	<u>\$ 3,661,629</u>	<u>\$ 2,970,574</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 356,349	\$ 456,147
Notes payable	118,603	114,101
Accounts payable	1,131,376	1,436,974
Other payables	388,923	418,791
Guarantee deposits received	<u>1,960</u>	<u>2,756</u>
	<u>\$ 1,997,211</u>	<u>\$ 2,428,769</u>
Lease liability (including current portion)	<u>\$ 4,778</u>	<u>\$ 4,175</u>

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from recognized assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2023</u>		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 88,834	30.73	\$ 2,729,869
USD:RMB	5,705	7.09	40,448
HKD:NTD	11,518	3.93	45,266
GBP:NTD	887	39.19	34,762
EUR:NTD	250	34.03	8,508

	December 31, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 50,350	30.73	\$ 1,547,256
USD:RMB	11,000	7.09	338,030
HKD:NTD	11,190	3.93	43,977

	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 102,340	30.72	\$ 3,143,885
USD:RMB	226	6.95	6,943
HKD:NTD	11,516	3.94	45,373
GBP:NTD	882	37.06	32,687
EUR:NTD	731	32.74	23,933
<u>Non-monetary items</u>			
USD:NTD	\$ 32	30.72	\$ 993

<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 54,966	30.72	\$ 1,688,556
USD:RMB	24,032	6.95	738,263
HKD:NTD	11,680	3.94	46,019

- iv. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to \$29,847 and \$104,322, respectively.

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

<u>Year ended December 31, 2023</u>			
<u>Sensitivity analysis</u>			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 27,299	\$ -
USD:RMB	1%	404	-
HKD:NTD	1%	453	-
GBP:NTD	1%	348	-
EUR:NTD	1%	85	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,473	\$ -
USD:RMB	1%	3,380	-
HKD:NTD	1%	440	-

<u>Year ended December 31, 2022</u>			
<u>Sensitivity analysis</u>			
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 31,439	\$ -
USD:RMB	1%	69	-
HKD:NTD	1%	454	-
GBP:NTD	1%	327	-
EUR:NTD	1%	239	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 16,886	\$ -
USD:RMB	1%	7,383	-
HKD:NTD	1%	460	-

Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. The Group is not exposed to significant price risk.

Cash flow and fair value interest rate risk

If the Group's borrowings are issued at variable rate, it will expose the Group to cash flow interest rate risk; borrowings issued at fixed rates expose the Group to fair value interest rate risk. On December 31, 2023 and 2022, the Group's borrowings were denominated in New Taiwan

dollars and U.S. Dollars. As the borrowings were mainly issued at fixed rate, the interest risk had no significant effects to the Group.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Group adopts the assumptions under IFRS 9. There has been a significant increase in credit risk on the financial assets since initial recognition when the contract payments were past due over 30 days.
- iv. In accordance with the historical collection experience, the default occurs when the contract payments are past due over 181 days.
- v. The Group provisioned the financial assets to loss allowance at full amount, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2023 and 2022, the amount of the Group's debt right with recourse which had provisioned losses at full amount were both \$214,775.
- vi. The Group took into consideration the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the provision matrix was as follows:

	<u>Without past due</u>	<u>Up to 1-90 days</u>	<u>Up to 91~180 days</u>	<u>Over 181 days</u>	<u>Total</u>
<u>December 31, 2023</u>					
Expected loss rate	0.29%	1.43%	50.33%	100%	
Total book value	\$ 1,334,139	\$ 313,276	\$ 1,198	\$ 16,058	\$ 1,664,671
Loss allowance	<u>\$ 3,833</u>	<u>\$ 4,480</u>	<u>\$ 603</u>	<u>\$ 16,058</u>	<u>\$ 24,974</u>

	<u>Without past due</u>	<u>Up to 1-90 days</u>	<u>Up to 91~180 days</u>	<u>Over 181 days</u>	<u>Total</u>
<u>December 31, 2022</u>					
Expected loss rate	0.09%	0.86%	29.42%	100%	
Total book value	\$ 1,462,929	\$ 445,840	\$ 1,261	\$ -	\$ 1,910,030
Loss allowance	<u>\$ 1,284</u>	<u>\$ 3,830</u>	<u>\$ 371</u>	<u>\$ -</u>	<u>\$ 5,485</u>

- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable and overdue receivables are as follows:

	<u>2023</u>		
	<u>Accounts receivable</u>	<u>Other non-current assets, others</u>	<u>Total</u>
At January 1	\$ 5,485	\$ 214,775	\$ 220,260
Provision for impairment loss	<u>19,489</u>	<u>-</u>	<u>19,489</u>
At December 31	<u>\$ 24,974</u>	<u>\$ 214,775</u>	<u>\$ 239,749</u>

	<u>2022</u>		
	<u>Accounts receivable</u>	<u>Other non-current assets, others</u>	<u>Total</u>
At January 1	\$ 17,425	\$ 214,775	\$ 232,200
Provision for impairment loss (<u>11,940)</u>	<u>-</u>	<u>(11,940)</u>
At December 31	<u>\$ 5,485</u>	<u>\$ 214,775</u>	<u>\$ 220,260</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate		
Expiring within one year	<u>\$ 1,631,040</u>	<u>\$ 1,757,299</u>

- iv. The Group's non-derivative financial liabilities are analysed based on the remaining period at the balance sheet date to the contractual maturity date. Except for the following, the Group's undiscounted contractual cash flows of non-derivative financial liabilities were approximate to their book value and will be matured in 1 year, the remaining undiscounted cash flows:

<u>December 31, 2023</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 4,114	\$ 709	\$ -	\$ -	\$ 4,823

<u>December 31, 2022</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Lease liabilities	\$ 2,650	\$ 1,261	\$ 306	\$ -	\$ 4,217

The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received) are approximate to their fair values.

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

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

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>			
Financial assets at fair value through other comprehensive income			
Equity securities	\$ 270	\$ -	\$ 270
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>			
Financial assets at fair value through other comprehensive income			
Equity securities	\$ 204	\$ -	\$ 204

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

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Market quoted price	<u>Listed shares</u>
	Closing price
ii. The fair value of the financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).	
iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.	
iv. The Group takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Group's credit quality.	

E. For the years ended December 31, 2023 and 2022, there were no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2023 and 2022, there were no transfer into or out from Level 3.

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

H. The Group has carefully assessed the valuation models used to measure fair value. However, use of different valuation models may result in measurement difference.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to tables 1, 4, 5, and 6.

(4) Major shareholders information

The Company has no single shareholder holding 5% or more of the shares.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Chief Operating Decision-Maker considers the business from industry type perspective. The main revenue resource of the reportable segments is research, manufacturing and sale of digital cable video transmission system and digital satellite communication transmission system. The other industries involving sale of information software, and intellectual property development and were also included in the reports provided to the Chief Operating Decision-Maker. However, the amounts are insignificant, thus the operating results are combined and shown in 'Other operating segment'.

(2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on net profit (loss) before tax, which are the basis for measuring performance.

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2023

	Digital cable and telecommunication products	Other operating segment	Total
Revenue from external customers	\$ 5,816,835	\$ -	\$ 5,816,835
Inter-segment revenue	-	-	-
Segment revenue	<u>\$ 5,816,835</u>	<u>\$ -</u>	<u>\$ 5,816,835</u>
Segment loss	<u>\$ 191,169</u>	<u>(\$ 460,547)</u>	<u>(\$ 269,378)</u>
Depreciation and amortisation	<u>\$ 259,778</u>	<u>\$ 89,989</u>	<u>\$ 349,767</u>
Impairment loss	<u>\$ -</u>	<u>\$ 283,377</u>	<u>\$ 283,377</u>
Segment assets	<u>\$ 8,109,152</u>	<u>\$ 544,045</u>	<u>\$ 8,653,197</u>
Segment liabilities	<u>\$ 2,285,162</u>	<u>\$ 81,272</u>	<u>\$ 2,366,434</u>

Year ended December 31, 2022

	Digital cable and telecommunication products	Other operating segment	Total
Revenue from external customers	\$ 6,582,035	\$ -	\$ 6,582,035
Inter-segment revenue	-	-	-
Segment revenue	<u>\$ 6,582,035</u>	<u>\$ -</u>	<u>\$ 6,582,035</u>
Segment loss	<u>\$ 110,251</u>	<u>(\$ 132,473)</u>	<u>(\$ 22,222)</u>
Depreciation and amortisation	<u>\$ 260,593</u>	<u>\$ 21,764</u>	<u>\$ 282,357</u>
Impairment loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Segment assets	<u>\$ 8,511,590</u>	<u>\$ 709,404</u>	<u>\$ 9,220,994</u>
Segment liabilities	<u>\$ 2,598,615</u>	<u>\$ 127,895</u>	<u>\$ 2,726,510</u>

(4) Reconciliation for segment income (loss)

The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. Thus, no reconciliation is needed.

(5) Geographical information

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

	Year ended December 31,			
	2023		2022	
	Revenue	Non-current assets	Revenue	Non-current assets
Europe and America	\$ 5,540,276	\$ -	\$ 6,136,978	\$ -
Asia	175,370	2,854,984	347,711	3,346,686
Others	<u>101,189</u>	<u>-</u>	<u>97,346</u>	<u>-</u>
	<u>\$ 5,816,835</u>	<u>\$ 2,854,984</u>	<u>\$ 6,582,035</u>	<u>\$ 3,346,686</u>

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 are as follows:

	<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Revenue</u>	<u>Revenue</u>
A	\$ 3,061,982	\$ 4,545,200
B	<u>1,773,297</u>	<u>858,736</u>
	<u>\$ 4,835,279</u>	<u>\$ 5,403,936</u>

Above major customers belong to digital cable and telecommunication products segment.

(Blank)

ZINWELL CORPORATION AND SUBSIDIARIES

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short- term financing	Allowance for Creditor Counterparty doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Note
													Name	Value			
1	ZINWELL HOLDING (SAMOA) CORPORATION	Zinwell Corporation (Shenzhen) Co., Ltd.	Other receivables	Y	\$ 337,975	\$ 337,975	\$ 337,975	3%~5%	Short-term financing	\$ -	Revolving funds	\$ -	-	\$ -	\$ 1,794,394	\$ 5,383,182	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the Company's Operating Procedures of Fund Lending, limit on total loans to others is 40% of the Company's net assets, and limit on loans to a single party is 20% of the Company's net assets when nature of loan is short-term financing.

Limit on loans granted by subsidiaries to a single party is 100% of creditor's net assets, and limit on total loans to others is 300% of the creditor's net assets.

ZINWELL CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/guarantor	Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Endorser/guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
		Relationship with the counterparty	Company name											
0	Zinwell Corporation	ZINWELL CORPORATION (H.K.) LIMIED	Note 2	\$ 607,574	\$ 232,118	\$ 100,000	\$ 6,360	\$ -	2%	\$ 3,037,869	Y	N	N	
0	Zinwell Corporation	ZINWELL HOLDING (SAMOA) CORPORATION	Note 2	607,574	553,338	353,625	-	-	6%	3,037,869	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

Note 3: In accordance with the Company's Procedures for Provision of Endorsements and Guarantees, limit on total endorsements to others is 50% of the Company's net assets, and limit on endorsements to a single party is 20% of the Company's total endorsements.

Table 2

ZINWELL CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Ending Balance			Fair Value	Note
				No. of shares	Book value	Percentage of ownership		
Zinwell Corporation	Listed stocks							
"	Transcom, Inc.	None	Non-current investments in equity instruments measured at fair value through other comprehensive income	1,614	\$ 270	-	\$ 270	
	Unlisted stocks							
"	Winds Four	"	"	14	-	18.92	-	
"	Essence Technology Solution, Inc.	"	"	29,785	-	1.10	-	

Table 3

ZINWELL CORPORATION AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NTS100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Compared to third party transactions			Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount (Note)	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance at December 31, 2023	Percentage of total notes/accounts receivable (payable)		
Zinwell Corporation	ZINWELL CORPORATION (H.K.) LIMIEDT	Subsidiary	Purchases	\$ 1,345,924	31	Net receipt and payment of the amount after monthly offset of claims and obligations	Not applicable	Not applicable	(\$ 243,100)	(18)	Note 1	
ZINWELL CORPORATION (H.K.) LIMIEDT	Zinwell Corporation	Parent company	Sales	(1,345,924)	(100)	"	"	"	243,100	100	"	
"	Zinwell Corporation (Shenzhen) Co., Ltd.	Affiliate	Purchases	940,852	70	"	"	"	(168,429)	(70)	Note 2	
Zinwell Corporation (Shenzhen) Co., Ltd.	ZINWELL CORPORATION (H.K.) LIMIEDT	Affiliate	Sales	(940,852)	(100)	"	"	"	168,429	100	"	

Note 1: Aforementioned purchases and sales transactions amount was net purchases less repeated purchases and sales.

As for the accounts receivable and payable thereof, the Company makes payments to the related party first depending on the related party' funding status, and then receives or pays the net amount after credits and debts are offset on a monthly basis.

Note 2: The repeated purchases and sales for the year ended December 31, 2023 amounted to \$1,627,921. Considering the financial situation of the related party, ZINWELL CORPORATION (H.K.) LIMITED still had payables outstanding amounting to \$168,429 to Zinwell Corporation (Shenzhen) Co., Ltd., as of December 31, 2023.

ZINWELL CORPORATION AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate (Note 1)	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 2)	Allowance for Creditor Counterparty doubtful accounts
					Amount	Action taken		
ZINWELL CORPORATION (H.K.) LIMIETD	Zinwell Corporation	Parent company	\$ 243,100	-	\$ -	-	\$ 183,792	\$ -
Zinwell Corporation (Shenzhen) Co., Ltd.	ZINWELL CORPORATION (H.K.) LIMIETD	Affiliate	168,429	-	-	-	60,284	-
ZINWELL HOLDING (SAMOA) CORPORATION	Zinwell Corporation (Shenzhen) Co., Ltd.	Subsidiary	337,975	-	-	-	-	-

Note 1: The payment due is a net balance of set-off.

Note 2: Information as of February 27, 2024.

ZINWELL CORPORATION AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets
					Amount	Transaction terms	
0	Zinwell Corporation	ZINWELL CORPORATION (H.K.) LIMIED	1	Accounts payable	\$ 243,100	Note 3	3%
0	"	"	1	Purchases	1,345,924	"	23%
1	ZINWELL CORPORATION (H.K.) LIMIED	Zinwell Corporation (Shenzhen) Co., Ltd.	3	Accounts payable	168,429	"	2%
1	"	"	3	Purchases	940,852	"	16%
2	ZINWELL HOLDING (SAMOA) CORPORATION	"	3	Other receivables	337,975	-	4%
2	"	"	3	Interest income	5,367	-	-

Note 1: (1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: (1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Payables arising from transactions with related party were paid first based on the financial condition of the related party then any remainder was collected or paid monthly in net amount after offsetting receivables against payables.

ZINWELL CORPORATION AND SUBSIDIARIES

Information on investees

Year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net income of investee as of December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Note
				Balance as at December 31, 2023	Balance as at December 31, 2022	No. of shares	Ownership (%)	Book value			
Zinwell Corporation	ZINWELL CORPORATION (H.K.) LIMIEDT	Hong Kong	General investments holding	\$ 23,592	\$ 23,592	6,000,000	100.00	(\$ 3,769)	(\$ 121)	(\$ 121)	Subsidiary
Zinwell Corporation	ZINWELL HOLDING (SAMOA) CORPORATION	Samoa	Reinvestment company	1,505,525	1,505,525	49,000,000	100.00	1,794,394	(21,832)	(21,832)	Subsidiary
Zinwell Corporation	AkiraNET Co.	Taiwan	Information software service	543,709	317,900	54,370,924	54.40	251,748	(454,736)	(239,552)	Subsidiary
Zinwell Corporation	Urmap Inc.	Cayman Islands	Information software and data processing service	22,000	22,000	666,280	28.07	-	-	-	- Investee accounted for using equity method (Note 1)
Zinwell Corporation	ITAS Technology Corp.	Taiwan	Other telecommunication and communication business	61,367	61,367	762,250	38.11	-	-	-	- Investee accounted for using equity method (Note 2)

Note 1: Urmap Inc. had ceased operating.

Note 2: On April 22, 2019, the shareholders of ITAS Technology Corp. resolved to dissolve. As of reporting date, the registration for the dissolution was still in process.

ZINWELL CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Zinwell Corporation (Shenzhen) Co., Ltd.	System accessories, low-noise block down converter, digital set-top box, wireless communication system accessories, satellite TV ground receiving accessories, digital satellite TV set-top box and RF transmission	\$ 1,219,783	1	\$ 1,219,783	\$ -	\$ -	\$ 1,219,783	\$ 31,748)	100	(\$ 31,748)	\$ 1,388,984	\$ -	Note 2
Zinwell Electronic Co., Ltd.	Electronic signal receiving, amplifying and splitting equipment	15,736	2	15,736	-	-	15,736	-	100	-	-	-	Note 3
Shanghai Broadband Digital	Producing and selling digital TV set	37,110	3	-	-	-	-	-	40	-	-	-	Note 3

Note 1: Coding explanation of investment methods:

(1) Indirect investment in Mainland China through the existing company (ZINWELL HOLDING (SAMOA) CORPORATION) located in the third area.

(2) Indirect investment in Mainland China through the existing company (ZINWELL CORPORATION (HK.) LIMITED) located in the third area.

(3) Through the loan granted by ZINWELL CORPORATION (H.K.) LIMITED to invest HKD\$3,775 thousand.

Note 2: The basis for investment income (loss) on Zinwell Corporation (Shenzhen) Co., Ltd. recognised is the financial statements audited by the parent company's independent auditor.

Note 3: The investee had ceased operation.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Zinwell Corporation	\$ 1,235,519	\$ 1,258,245	\$ 3,772,057

Table 8