

TAISOL ELECTRONICS CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of material accounting policies	9~23
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	23~24
(6) Explanation of significant accounts	24~48
(7) Related-party transactions	48~52
(8) Pledged assets	52
(9) Commitments and contingencies	52
(10) Losses due to major disasters	52
(11) Subsequent Events	52
(12) Other	53~54
(13) Other disclosures	
(a) Information on significant transactions	55~56
(b) Information on investees	56
(c) Information on investment in mainland China	56~57
(d) Major shareholders	57
(14) Segment information	57
9. List of major account titles	58~64



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Independent Auditors' Report

To the Board of Directors of TaiSol Electronics Co., Ltd.:

Opinion

We have audited the financial statements of TaiSol Electronics Co., Ltd. ("the Company"), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

1. Revenue recognition

Please refer to Notes 4(m), 5(a), 6(l) and 6(q) to the parent company only financial statements.

Description of key audit matter:

The Company provides discounts to its customers based on their contract agreements and records them as reduction on revenue. Therefore, revenue recognition has been regarded as one of our key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Testing the manual controls relating to sales and collection, financial reporting, as well as checking and reconciling the sales system data with the general ledger entries to ensure the Company's revenue recognition policy is in compliance with the relevant standards and revenue information is properly disclosed.
- Reviewing the relevant customer sales contracts and terms, by taking into consideration the accounting treatment and disclosure of sales discounts, to ensure they are consistent with the Company's accounting policies.
- Performing a year-to-year analysis on the revenue based on product lines and revenue from top ten customers to determine to ensure there are no material misstatements.
- Selecting appropriate samples and compare them with the vouchers and relevant documents to ensure consistency.
- Selecting sales transactions from a period of time before and after the balance sheet date and verify them with the vouchers and relevant documents to assess the accuracy of the timing and amounts of revenue recognized.
- Obtaining the details of the discounts accrued by the management of the Company (refund liabilities) and verify them with the relevant internal and external information to assess the reasonableness of the relevant parameters and the underlying assumptions; as well as reviewing the accuracy of the estimated discount accrued in prior years to assess whether there are material anomalies in the amounts of the accrued discounts (refund liabilities).

2. Commission estimate

Please refer to Notes 4(f) , 5(b), 6(l) to the parent company only financial statements.

Description of key audit matter:

Commission expense is one of our key audit matters. Part of the sales of the Company are made through agents, who collect commissions from the Company based on the agreements. These expenses estimated by the management, in respect of the foregoing transaction mentioned above, are accrued as operating expenses.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Reviewing the terms of the sales contract of the relevant agent to ensure they are consistent with the accounting treatment.
- Performing a year-to-year analysis on the commission expense incurred from the main agents to evaluate if there are any material abnormalities.
- Obtaining the details on the commission accrued by the management and verify them with the relevant internal and external information to assess the reasonableness of the relevant parameters and underlying assumptions; as well as reviewing the accuracy of the estimated commission expenses accrued in prior years to assess whether there are material anomalies in the amounts of the accrued commission.

3. Valuation of Inventory

Please refer to Notes 4(g), 5(c) and 6(e) to the parent company only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost or net realizable value at the reporting date. Due to factors such as rapid changes in technology or the upgrading of production technology, which may lead the products to be obsolete or no longer meet market demand, and their sales prices to fluctuate or become sluggish, resulting in a risk on the costs of inventories to exceed their net realized values.

How the matter was addressed in our audit:

Our principal audit procedures included the following:

- Reviewing the inventory aging reports to analyze the changes for each period.
- Assessing the reasonableness of the accounting policies of the Company, such as policies for the valuation of inventories or the provision of obsolete goods.
- Evaluating whether the inventory valuation is in conformity with the accounting policies.
- Understanding the basis for valuation of net realized value used by the management of the Company and selecting appropriate samples to assess the reasonableness of the net realized value of inventories.
- Assessing whether the disclosure of inventory is appropriate.

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

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

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

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Fu-Jen and Yin, Yuan-Sheng.

KPMG

Taipei, Taiwan (Republic of China)
March 1, 2024

Notes to Readers

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

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2023		December 31, 2022			Liabilities and Equity	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (note 6(a))	\$ 626,065	20	543,973	18	2170	Accounts payable	372,403	12	213,919	7
1136 Current financial assets at amortized cost (note 6(b))	30,827	1	-	-	2180	Accounts payable to related parties (note 7)	477,411	15	446,680	15
1150 Notes receivable, net (notes 6(c) and (q))	16	-	-	-	2200	Other payables (note 6(l))	190,596	6	206,920	7
1170 Accounts receivable, net (notes 6(c) and (q))	817,228	25	810,833	27	2220	Other payables to related parties (note 7)	7,874	-	7,882	-
1200 Other receivables, net (note 6(d))	5,004	-	2,055	-	2230	Current tax liabilities	34,536	1	86,563	3
1210 Other receivables due from related parties, net (notes 6(d) and 7)	582	-	3,409	-	2280	Current lease liabilities (note 6(k))	1,888	-	2,974	-
1220 Current tax assets	253	-	-	-	2300	Other current liabilities (notes 6(l) and (q))	72,277	2	85,300	3
130X Inventories (note 6(e))	169,660	5	172,250	6		Total current liabilities	<u>1,156,985</u>	<u>36</u>	<u>1,050,238</u>	<u>35</u>
1410 Prepayments	2,844	-	3,246	-		Non-Current liabilities:				
1470 Other current assets (note 8)	809	-	592	-	2570	Deferred tax liabilities (note 6(n))	137,274	4	110,165	4
Total current assets	<u>1,653,288</u>	<u>51</u>	<u>1,536,358</u>	<u>51</u>	2580	Non-current lease liabilities (note 6(k))	1,227	-	1,785	-
Non-current assets:					2650	Credit balance of investments accounted for using equity method (note 6(f))	28,468	1	-	-
1550 Investments accounted for using equity method, net (note 6(f))	1,337,473	42	1,250,680	41	2670	Other non-current liabilities	1,817	-	12,858	-
1600 Property, plant and equipment (notes 6(g) and 8)	152,293	5	149,515	5		Total non-current liabilities	<u>168,786</u>	<u>5</u>	<u>124,808</u>	<u>4</u>
1755 Right of use assets (note 6(h))	3,076	-	4,725	-		Total liabilities	<u>1,325,771</u>	<u>41</u>	<u>1,175,046</u>	<u>39</u>
1780 Intangible assets (note 6(i))	1,120	-	1,196	-		Equity attributable to owners of parent (notes 6(j) and (o)):				
1840 Deferred tax assets (note 6(n))	73,280	2	71,347	2	3110	Ordinary share	879,081	27	879,081	29
1990 Other non-current assets	1,366	-	13,452	1	3200	Capital surplus	348,899	11	348,899	11
Total non-current assets	<u>1,568,608</u>	<u>49</u>	<u>1,490,915</u>	<u>49</u>		Retained earnings:				
					3310	Legal reserve	197,029	6	170,281	6
					3320	Special reserve	61,180	2	85,614	3
					3350	Unappropriated retained earnings	512,849	16	446,785	15
							<u>771,058</u>	<u>24</u>	<u>702,680</u>	<u>24</u>
					3410	Exchange differences on translation of foreign financial statements	(85,660)	(2)	(61,180)	(2)
					3500	Treasury shares	(17,253)	(1)	(17,253)	(1)
						Total equity	<u>1,896,125</u>	<u>59</u>	<u>1,852,227</u>	<u>61</u>
Total assets	<u>\$ 3,221,896</u>	<u>100</u>	<u>3,027,273</u>	<u>100</u>		Total liabilities and equity	<u>\$ 3,221,896</u>	<u>100</u>	<u>3,027,273</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2023		2022	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(q) and 7)	\$ 2,316,825	100	2,990,834	100
5000 Operating costs (notes 6(e), 7 and 12)	<u>1,912,640</u>	<u>83</u>	<u>2,447,968</u>	<u>82</u>
5900 Gross profit from operations	<u>404,185</u>	<u>17</u>	<u>542,866</u>	<u>18</u>
6000 Operating expenses (notes 6(c), (k), (m), (r), 7 and 12):				
6100 Selling expenses	106,140	4	156,579	5
6200 Administrative expenses	88,792	4	60,104	2
6300 Research and development expenses	41,763	2	54,059	2
6450 Expected credit (gain) loss	<u>(500)</u>	<u>-</u>	<u>39</u>	<u>-</u>
	<u>236,195</u>	<u>10</u>	<u>270,781</u>	<u>9</u>
6900 Net operating income	<u>167,990</u>	<u>7</u>	<u>272,085</u>	<u>9</u>
7000 Non-operating income and expenses (notes 6(j), (k), (s) and 7):				
7100 Interest income	16,831	1	3,550	-
7010 Other income	39,005	1	27,042	1
7020 Other gains and losses, net	259	-	39,455	1
7050 Finance costs, net	(128)	-	(4,208)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	<u>82,805</u>	<u>4</u>	<u>13,564</u>	<u>1</u>
	<u>138,772</u>	<u>6</u>	<u>79,403</u>	<u>3</u>
Profit from continuing operations before tax	306,762	13	351,488	12
7950 Less: Income tax expenses (note 6(n))	<u>63,468</u>	<u>3</u>	<u>84,011</u>	<u>3</u>
Profit	<u>243,294</u>	<u>10</u>	<u>267,477</u>	<u>9</u>
8300 Other comprehensive income (note 6(o)):				
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(24,480)	(1)	23,179	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300 Other comprehensive income	<u>(24,480)</u>	<u>(1)</u>	<u>23,179</u>	<u>1</u>
8500 Total comprehensive income	<u>\$ 218,814</u>	<u>9</u>	<u>290,656</u>	<u>10</u>
Earnings per share (note 6(p))				
9750 Basic earnings per share	<u>\$ 2.78</u>		<u>3.05</u>	
9850 Diluted earnings per share	<u>\$ 2.78</u>		<u>3.00</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings				Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings			
Balance at January 1, 2022	\$ 879,081	348,765	151,536	73,874	341,655	567,065	(85,614)	-	1,709,297
Profit	-	-	-	-	267,477	267,477	-	-	267,477
Other comprehensive income	-	-	-	-	-	-	23,179	-	23,179
Total comprehensive income	-	-	-	-	267,477	267,477	23,179	-	290,656
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	18,745	-	(18,745)	-	-	-	-
Special reserve appropriated	-	-	-	11,740	(11,740)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(131,862)	(131,862)	-	-	(131,862)
Purchase of treasury share	-	-	-	-	-	-	-	(17,253)	(17,253)
Disposal of subsidiaries	-	-	-	-	-	-	1,255	-	1,255
Others	-	134	-	-	-	-	-	-	134
Balance at December 31, 2022	879,081	348,899	170,281	85,614	446,785	702,680	(61,180)	(17,253)	1,852,227
Profit	-	-	-	-	243,294	243,294	-	-	243,294
Other comprehensive income	-	-	-	-	-	-	(24,480)	-	(24,480)
Total comprehensive income	-	-	-	-	243,294	243,294	(24,480)	-	218,814
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	26,748	-	(26,748)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(174,916)	(174,916)	-	-	(174,916)
Reversal of special reserve	-	-	-	(24,434)	24,434	-	-	-	-
Balance at December 31, 2023	\$ 879,081	348,899	197,029	61,180	512,849	771,058	(85,660)	(17,253)	1,896,125

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

TAISOL ELECTRONICS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 306,762	351,488
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation expense	8,708	7,758
Amortization expense	350	607
Expected credit (gain) loss	(500)	39
Interest expense	128	4,208
Interest income	(16,826)	(3,548)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(82,805)	(13,564)
Loss on disposal of investments	-	1,255
Unrealized foreign exchange loss	4,952	12,334
Gains on modification of leases	-	(13)
Total adjustments to reconcile profit (loss)	<u>(85,993)</u>	<u>9,076</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(16)	-
(Increase) decrease in accounts receivable	(37,790)	393,689
(Increase) decrease in other receivables	(1,767)	3,078
Decrease in other receivables due from related parties	2,820	20,872
Decrease in inventories	2,590	84,892
Decrease (increase) in prepayments	402	(694)
(Increase) decrease in other current assets	(217)	1,247
Decrease (increase) in other non-current assets	<u>12,075</u>	<u>(617)</u>
Total changes in operating assets	<u>(21,903)</u>	<u>502,467</u>
Changes in operating liabilities:		
Increase (decrease) in accounts payable	169,997	(91,786)
Increase (decrease) in accounts payable to related parties	48,009	(164,448)
Decrease in other payable	(17,350)	(1,192)
Increase (decrease) in other payable to related parties	78	(12,068)
(Decrease) increase in other current liabilities	(14,388)	17,909
Decrease in other operating liabilities	<u>(11,041)</u>	<u>(220)</u>
Total changes in operating liabilities	<u>175,305</u>	<u>(251,805)</u>
Total changes in operating assets and liabilities	<u>153,402</u>	<u>250,662</u>
Total adjustments	<u>67,409</u>	<u>259,738</u>
Cash inflow generated from operations	374,171	611,226
Interest received	15,610	3,799
Dividends received	-	134,149
Interest paid	(128)	(1,605)
Income taxes paid	<u>(90,572)</u>	<u>(91,133)</u>
Net cash flows from operating activities	<u>299,081</u>	<u>656,436</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(30,827)	-
Acquisition of investments accounted for using equity method	-	(8,307)
Proceeds from disposal of investments accounted for using equity method	-	6
Acquisition of property, plant and equipment	(7,718)	(2,801)
Decrease in other receivables due from related parties	-	95,064
Acquisition of intangible assets	(274)	-
Decrease in other non-current assets	<u>-</u>	<u>2,238</u>
Net cash flows (used in) from investing activities	<u>(38,819)</u>	<u>86,200</u>
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	-	(20,000)
Repayments of bonds	-	(213,009)
Payment of lease liabilities	(3,254)	(3,104)
Cash dividends paid	(174,916)	(131,862)
Payments to acquire treasury shares	-	(17,253)
Other financing activities	<u>-</u>	<u>134</u>
Net cash flows used in financing activities	<u>(178,170)</u>	<u>(385,094)</u>
Net increase in cash and cash equivalents	82,092	357,542
Cash and cash equivalents at beginning of period	<u>543,973</u>	<u>186,431</u>
Cash and cash equivalents at end of period	<u>\$ 626,065</u>	<u>543,973</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TaiSol Electronics Co., Ltd. (the “Company”) was incorporated on September 23rd, 1994 under the approval of Ministry of Economic Affairs, Republic of China (“ROC”). The address of its registered office is 3F, No.302, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan. The principal activities of the Company are the manufacturing, the processing and trading of thermal modules, components of electronic computers, electrical wires and cables, automobile and motorcycles.

The Company’s common shares have been publicly listed on the Taiwan Stock Exchange since December 13, 2013.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issue by the Board of Directors on March 1, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the parent company only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

- (a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the Financial assets measured at fair value through profit or loss, the parent company only financial statements have been prepared on a historical cost basis.

- (ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

- (c) Foreign currencies

- (i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

- (i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents is short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. The Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the initial recognition amount deduct the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designates a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets, etc.).

The Company measures loss allowances at an amount equal to lifetime expected credit loss ("ECL"), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is past due. The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full.

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls, i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. ECL are discounted at the effective interest rate of the financial asset.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. An evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract or default has been resorted to legal action;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the Company enters into transactions whereby it transfers assets but retains either all or substantially all of the risks and rewards of the assets, the transferred assets are not derecognized from statement of balance sheet.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instruments

An equity instrument is any contract that evidences the residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued is recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury stock. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

6) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

The cost of inventories includes all necessary expenditures and charges incurred in bringing the inventories to the present condition and location.

Subsequent measurement of inventories is based on each inventories category, at whichever is lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business on balance sheet date, less the estimated costs of completion and selling expenses. When the cost of inventories exceed the net realizable value, it should be offset against the cost to net realizable value, and the amount of inventory should be recognized as cost of goods sold in the current period. In the event of an increase in the net realized value in the subsequent period, within the original amount has been offset, the increase shall be reversed and recognized the reversal amount as a decrease in the cost of goods sold in the current period.

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the parent company only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent company only financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(i) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

1) Buildings	3~55 years
2) Machinery and equipment	3~5 years
3) Molding equipment is used for three years or as expected	
4) Office equipment	3~5 years
5) Other equipment	2~3 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the balance sheets.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets, including patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

1) Patent	3~19 years
2) Software	3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash generating units (CGUs).

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(m) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

Revenue is recognized when the control over a product has been transferred to the customer. When the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company offers different types of discounts to its customers or on products according to market demand and competition. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated experience and consideration of the sales contract are used to estimate the discounts using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected discounts payable to customers in relation to sales made at each reporting date.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify; the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Defined benefit plans

The Company's net obligation in respect of the defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Income taxes

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are not recognized for the following exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
 - (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (p) Earnings per share

The basic and diluted EPS attributable to shareholders of the Company are disclosed in the financial statements. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. The Company's dilutive potential common shares comprise employee remuneration and convertible bond.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(q) Operating segment

Segment information is disclosed in consolidated financial statement; therefore, no further information is disclosed in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements, in conformity with the Regulations, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The parent company only financial statements do not compromise accounting policy that involves material judgment and any information that results in significant effects on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Accrual of sales allowance

The Company also records a refund liability for its estimated future allowances in the same period the related revenue is recorded. Refund liability for estimated sales allowances is generally made and adjusted based on historical experience and customer contracts. The adequacy of estimations is reviewed periodically. However, the adequacy of estimations may be affected by factors such as market price competition and the evolution of product technology, which could result in significant adjustments to the variable consideration. A refunded liability is recognized for expected discounts payable to customers in relation to sales made. Please refer to Notes 6(l) and 6(q) for further description of the refund liabilities.

(b) Estimation of commission expenses

The Company estimates its commission expenses based on historical experience and contracts with the agents, wherein the expenses are recognized as current sales expenses in the respective period. Moreover, the Company regularly reviews the reasonableness of its estimates, whose adequacy may be affected by factors such as market price competition and economic conditions, which could result in significant adjustments to the variable consideration. Please refer to Note 6(l) for further description of the commission payable.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(c) Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Company estimates its net realizable value of inventories for normal inventory consumption, obsolescence and unmarketable items, at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of future demand within a specific time horizon. In addition, the rapid technological changes or the upgrading of production technology may lead to a significant change in the net realizable value of inventories. Please refer Note 6(e) for valuation of Inventory.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving funds	\$ 123	102
Demand deposits	153,015	187,719
Time deposits	457,927	336,152
Repurchase agreement	15,000	20,000
Cash and cash equivalents in the statement of cash flows	<u>\$ 626,065</u>	<u>543,973</u>

(b) Current financial assets at amortized cost

	December 31, 2023	December 31, 2022
Time deposits with original maturity of more than three months	<u>\$ 30,827</u>	<u>-</u>
Interest rate range	<u>1.16%</u>	<u>-</u>

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

The Company held domestic time deposits, which matures on February 26, 2024.

The Company's financial assets measured at amortized cost were not pledged as collateral.

(c) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable — measured at amortized cost	\$ 16	-
Accounts receivable — measured at amortized cost	817,728	811,833
Less: Loss allowance	500	1,000
	<u>\$ 817,244</u>	<u>810,833</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the macroeconomic and related industrial information. The loss allowance provisions of the clients classified as category A were determined as follows:

	December 31, 2023		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 771,462	-	-
1 to 30 days past due	3,623	1%	36
31 to 120 days past due	21	1%	-
	\$ 775,106		36
	December 31, 2022		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 730,836	-	-
1 to 30 days past due	20,039	1%	200
31 to 120 days past due	1,501	1%	15
	\$ 752,376		215

The loss allowance provisions of the clients classified as category B were determined as follows:

	December 31, 2023		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 41,936	1%	419
1 to 30 days past due	683	5%	34
31 to 120 days past due	19	5%	1
	\$ 42,638		454

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

	December 31, 2022		
	Book value of accounts and notes receivable	Weighted average expected credit losses rate	Loss allowance provision for lifetime expected credit losses
Current	\$ 56,973	1%	570
1 to 30 days past due	1,818	5%	91
31 to 120 days past due	656	5%	33
121 to 365 days past due	10	5%	1
	\$ 59,457		695

The movements in the allowance for notes and accounts receivable were as follows:

	2023	2022
Balance at January 1	\$ 1,000	961
Impairment losses (reversed) recognized	(500)	39
Balance at December 31	\$ 500	1,000

The Company's notes and accounts receivable were not pledged as collateral.

(d) Other receivables (including related parties)

	December 31, 2023	December 31, 2022
Other receivables – advance money to associates	\$ 582	3,409
Others	5,004	2,055
	\$ 5,586	5,464

Other receivables are impaired at the loss allowance based on 12 month expected credit losses. The loss allowance provisions and credit impairments were determined as follows:

	December 31, 2023		December 31, 2022	
	Life time Expected loss — unimpaired	Life time Expected loss— impaired	Life time Expected loss— unimpaired	Life time Expected loss— impaired
Current	\$ 5,586	-	5,464	-
More than 365 days past	-	-	-	-
Gross carrying amounts	5,586	-	5,464	-
Loss allowance	-	-	-	-
Amortized cost (carrying amount)	\$ 5,586	-	5,464	-

There was no movement in allowance for other receivables for the years ended December 31, 2023 and 2022.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(e) Inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 67,811	101,543
Work in progress	3,730	6,675
Raw materials	14,701	15,510
Merchandise	83,418	48,522
Total	\$ 169,660	172,250

The details of the cost of sales were as follows:

	2023	2022
Cost of goods sold	\$ 1,913,015	2,445,363
(Reversal) recognition of provisions for inventory valuation	(500)	2,600
Loss on scrap of inventory	125	5
	\$ 1,912,640	2,447,968

The Company's inventories mentioned above were not pledged as collateral.

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	\$ 1,309,005	1,250,680
Add: reclassified to credit balance of investments accounted for using equity method	28,468	-
	\$ 1,337,473	1,250,680

Please refer to the consolidated financial statements for the year ended December 31, 2023.

The Company's investments accounted for using the equity method were not pledged as collateral.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Molding equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance at January 1, 2023	\$ 107,699	56,554	3,312	1,295	3,985	80	172,925
Additions	-	720	138	323	896	6,150	8,227
Disposal	-	-	(393)	(1,295)	(2,969)	(80)	(4,737)
Balance at December 31, 2023	<u>\$ 107,699</u>	<u>57,274</u>	<u>3,057</u>	<u>323</u>	<u>1,912</u>	<u>6,150</u>	<u>176,415</u>
Balance at January 1, 2022	\$ 107,699	57,019	1,985	2,010	4,749	1,164	174,626
Additions	-	-	2,271	69	507	-	2,847
Disposal	-	(465)	(944)	(784)	(1,271)	(1,084)	(4,548)
Balance at December 31, 2022	<u>\$ 107,699</u>	<u>56,554</u>	<u>3,312</u>	<u>1,295</u>	<u>3,985</u>	<u>80</u>	<u>172,925</u>
Depreciation:							
Balance at January 1, 2023	\$ -	19,159	1,289	346	2,600	16	23,410
Depreciation for the year	-	1,058	1,072	949	1,110	1,260	5,449
Disposal	-	-	(393)	(1,295)	(2,969)	(80)	(4,737)
Balance at December 31, 2023	<u>\$ -</u>	<u>20,217</u>	<u>1,968</u>	<u>-</u>	<u>741</u>	<u>1,196</u>	<u>24,122</u>
Balance at January 1, 2022	\$ -	18,450	1,081	668	2,490	613	23,302
Depreciation for the year	-	1,174	1,152	462	1,381	487	4,656
Disposal	-	(465)	(944)	(784)	(1,271)	(1,084)	(4,548)
Balance at December 31, 2022	<u>\$ -</u>	<u>19,159</u>	<u>1,289</u>	<u>346</u>	<u>2,600</u>	<u>16</u>	<u>23,410</u>
Carrying amounts:							
Balance at December 31, 2023	<u>\$ 107,699</u>	<u>37,057</u>	<u>1,089</u>	<u>323</u>	<u>1,171</u>	<u>4,954</u>	<u>152,293</u>
Balance at January 1, 2022	<u>\$ 107,699</u>	<u>38,569</u>	<u>904</u>	<u>1,342</u>	<u>2,259</u>	<u>551</u>	<u>151,324</u>
Balance at December 31, 2022	<u>\$ 107,699</u>	<u>37,395</u>	<u>2,023</u>	<u>949</u>	<u>1,385</u>	<u>64</u>	<u>149,515</u>

Please refer to Note 8 for the property, plant and equipment pledged to secure bank loans as of December 31, 2023 and 2022.

(h) Right of use assets

The Company leases buildings, vehicles, and office equipments. Information about leases for which the Company as a lessee was as follows:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 5,832	6,050	238	12,120
Additions	-	1,610	-	1,610
Disposal	-	(1,946)	-	(1,946)
Balance at December 31, 2023	<u>\$ 5,832</u>	<u>5,714</u>	<u>238</u>	<u>11,784</u>
Balance at January 1, 2022	\$ 3,946	8,628	238	12,812
Additions	1,886	528	-	2,414
Disposal	-	(3,106)	-	(3,106)
Balance at December 31, 2022	<u>\$ 5,832</u>	<u>6,050</u>	<u>238</u>	<u>12,120</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

	<u>Buildings</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
Depreciation:				
Balance at January 1, 2023	\$ 3,556	3,740	99	7,395
Depreciation for the year	1,300	1,911	48	3,259
Disposal	-	(1,946)	-	(1,946)
Balance at December 31, 2023	<u>\$ 4,856</u>	<u>3,705</u>	<u>147</u>	<u>8,708</u>
Balance at January 1, 2022	\$ 2,295	3,914	52	6,261
Depreciation for the year	1,261	1,794	47	3,102
Disposal	-	(1,968)	-	(1,968)
Balance at December 31, 2022	<u>\$ 3,556</u>	<u>3,740</u>	<u>99</u>	<u>7,395</u>
Carrying amounts:				
Balance at December 31, 2023	<u>\$ 976</u>	<u>2,009</u>	<u>91</u>	<u>3,076</u>
Balance at January 1, 2022	<u>\$ 1,651</u>	<u>4,714</u>	<u>186</u>	<u>6,551</u>
Balance at December 31, 2022	<u>\$ 2,276</u>	<u>2,310</u>	<u>139</u>	<u>4,725</u>

(i) Intangible assets

	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 610	1,484	2,094
Acquisition	232	42	274
Disposal	(610)	(287)	(897)
Balance at December 31, 2023	<u>\$ 232</u>	<u>1,239</u>	<u>1,471</u>
Balance at January 1, 2022	\$ 795	2,274	3,069
Disposal	(185)	(790)	(975)
Balance at December 31, 2022	<u>\$ 610</u>	<u>1,484</u>	<u>2,094</u>
Amortization:			
Balance at January 1, 2023	\$ 418	480	898
Amortization	199	151	350
Disposal	(610)	(287)	(897)
Balance at December 31, 2023	<u>\$ 7</u>	<u>344</u>	<u>351</u>
Balance at January 1, 2022	\$ 367	899	1,266
Amortization	236	371	607
Disposal	(185)	(790)	(975)
Balance at December 31, 2022	<u>\$ 418</u>	<u>480</u>	<u>898</u>
Carrying amounts:			
Balance at December 31, 2023	<u>\$ 225</u>	<u>895</u>	<u>1,120</u>
Balance at January 1, 2022	<u>\$ 428</u>	<u>1,375</u>	<u>1,803</u>
Balance at December 31, 2022	<u>\$ 192</u>	<u>1,004</u>	<u>1,196</u>

The Company did not provide any of the aforementioned intangible assets as collateral.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(j) Bonds payable

(i) The main terms of issuing the convertible corporate bonds were as follows:

Item	The second unsecured domestic convertible corporate bonds
1) Principal amount	\$300,000 thousand dollars
2) Par value	\$100 thousand dollars
3) Issuance price	101% of nominal value
4) Duration	2019.08.20~2022.08.20
5) Maturity	3 year
6) Coupon rate	0%
7) Redemption methods	The Company may redeem its bonds in advance when one of the following conditions is met: <ol style="list-style-type: none"> 1) Within the period between three months after the issuance date and 40 days prior to maturity, if the closing price of the Company's common shares on the TWSE for a period of 30 consecutive trading days has been exceeding at least 30% of the conversion price in effect on each trading day, the Company may redeem all bonds at par value by cash. 2) If the amount outstanding of bonds is less than 10% of the principal amount within the period between the three months after the issuance date and the 40 days prior to maturity, the Company may redeem the outstanding bonds at their principal amount.
8) Bondholders with a put option	None.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

Item	The second unsecured domestic convertible corporate bonds
9) Conversion price and adjustment	<p>The conversion price was NT\$74.8 per share on the issuance date. The conversion method provides for the adjustment of the conversion price of bonds after the issuance, and it will be dealt with according to the relevant provisions.</p> <p>On June 5, 2020, the Company paid cash dividends of ordinary shares for \$2.1 per share, pursuant to a resolution of the shareholders' meeting. The base date was July 13, 2020. Since July 13, 2020, the conversion price was adjusted from \$74.8 to \$73.06.</p> <p>On July 5, 2021, the Company paid cash dividends of ordinary shares with \$1.8 per share, pursuant to a resolution of the shareholders' meeting. The base date was August 8, 2021. Since August 8, 2021, the conversion price was adjusted from \$73.06 to \$70.62.</p> <p>On May 20, 2022, the Company paid cash dividends of ordinary shares with \$1.5 per share, pursuant to a resolution of the shareholders' meeting. The base date was June 26, 2022. Since June 26, 2022, the conversion price was adjusted from \$70.62 to \$68.27.</p>
(ii)	The second unsecured domestic convertible corporate bonds issued by the Company reached maturity on August 20, 2022. According to the regulations, the Company had redeemed and suspended the trading. The Company had repaid in full at the end of August, 2022.
(iii)	The details of the second unsecured domestic convertible corporate bonds issued on August 20, 2019 were as follows:

	December 31, 2022
The original issued amount of the convertible bonds	\$ 303,000
Less: Accumulative converted amount	(89,991)
Accumulative redeemed amount	(213,009)
Unamortized discounted corporate bonds payable	-
Expected to be redeemed within one year	-
Corporate bonds issued balance at year-end	<u>\$ -</u>
Equity component – conversion options, recognized as capital surplus– stock options	<u>\$ -</u>
	2022
Interest expense	<u><u>\$ 2,603</u></u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

- (iv) The second unsecured domestic convertible corporate bonds issued by the Company separates options and liabilities and is recognized as equity and liabilities respectively, and the details are as follows:

	Amount
Present value of the convertible bonds issued	\$ 290,644
Embedded derivative financial instruments - redemption option	(1,150)
The elements of equity issued	13,506
Total convertible corporate bonds issued	\$ 303,000

- (k) Lease liabilities

The amounts of the Company's lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ 1,888	2,974
Non-current	\$ 1,227	1,785

For the maturity analysis, please refer to Note 6(t).

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ 87	59
Expenses relating to short-term leases	\$ 41	9
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ -	-

The leases amounts recognized in the statement of cash flows for the Company were as follows:

	2023	2022
Total cash outflow for leases	\$ 3,382	3,172

- (i) Real estate leases

The Company leases land and buildings as staff dormitories and research and development centers. The leases of R&D centers run for a period of 2 years, and of staff dormitories for 3 years.

- (ii) Other leases

The Company leases vehicles and other equipment, with lease terms of three to five years.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(l) Other payables and other current liabilities

The other payables were as follows:

	December 31, 2023	December 31, 2022
Commission payable	\$ 70,250	71,442
Salary and bonus payable	28,411	30,316
Remuneration payable to employees and directors	31,605	38,590
Other payables	60,330	66,572
	<u>\$ 190,596</u>	<u>206,920</u>

The other current liabilities were as follows:

	December 31, 2023	December 31, 2022
Refund liabilities	\$ 68,336	82,018
Temporary credits	2,556	2,276
Unearned receipts	361	-
Receipts under custody	1,024	1,006
	<u>\$ 72,277</u>	<u>85,300</u>

(m) Employee benefits

(i) Defined benefit plans

In the fourth quarter of 2021, the Company settled with the employees who were eligible for the defined benefit scheme. The Company applied to the Department of Labor, Taipei City Government in accordance with the law for payment of the employee pension and return of the residual amount of the labor retirement reserve. The Company received the residual amount in April 2022, and recognized liquidation gain of \$4,727 thousand.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The cost of the pension contributions to the Bureau of Labor Insurance for the years ended December 31, 2023 and 2022 amounted to \$5,056 thousand and \$5,299 thousand, respectively.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

Under the retirement scheme for senior managers of the Company, If the actual salary range of the month is higher than the maximum salary range of the Contribution Classification of Labor Pension (The New Fund), the pension contribution will be calculated at 6% of the monthly salary shortfall. In addition to the previous pension benefit, managers retiring may be granted a separate pension based on their level of contribution, with the approval of the remuneration committee and the chairman of the Company in the year of retirement. Under the contribution pension plan, the Company's pension costs amounted to \$5,201 thousand and \$(179) thousand for the years ended December 31, 2023 and 2022, respectively.

(n) Income taxes

(i) Income tax expenses

The components of income tax in the years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 39,094	105,137
Adjustment for prior years	<u>(802)</u>	<u>4,106</u>
	<u>38,292</u>	<u>109,243</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	<u>25,176</u>	<u>(25,232)</u>
Income tax expense	<u><u>\$ 63,468</u></u>	<u><u>84,011</u></u>

There were no income tax expense recognized in equity and other comprehensive income for the years ended December 31, 2023 and 2022.

Reconciliation of income tax expense and profit before tax for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit before income tax	<u>\$ 306,762</u>	<u>351,488</u>
Income tax using the Company's domestic tax rate	\$ 61,352	70,298
Non-deductible expenses	142	-
Aggregate deductible temporary differences associated with investments in subsidiaries	763	12,192
Change in provision in prior periods	(802)	4,106
Additional tax on undistributed earnings	4,512	1,255
Tax incentives	(2,499)	(3,597)
Others	<u>-</u>	<u>(243)</u>
Income tax expense	<u><u>\$ 63,468</u></u>	<u><u>84,011</u></u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2023 and 2022. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ (8,243)</u>	<u>(8,243)</u>

2) Unrecognized deferred tax assets

As of December 31, 2023 and 2022, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax assets as the Company has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future.

	December 31, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ 44,560</u>	<u>43,798</u>

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

Deferred tax liabilities:

	Unrealized investment gains	Others	Total
Balance at January 1, 2023	\$ 109,943	222	110,165
Recognized in profit or loss	27,331	(222)	27,109
Balance at December 31, 2023	<u>\$ 137,274</u>	<u>-</u>	<u>137,274</u>
Balance at January 1, 2022	\$ 110,842	696	111,538
Recognized in profit or loss	(899)	(474)	(1,373)
Balance at December 31, 2022	<u>\$ 109,943</u>	<u>222</u>	<u>110,165</u>

Deferred Tax Assets:

	Allowance for sales return and discounts	Provision for bad debts	Unrealized Investment loss	Others	Total
Balance at January 1, 2023	\$ 16,404	1,965	29,538	23,440	71,347
Recognized in profit or loss	(2,737)	(111)	10,007	(5,226)	1,933
Balance at December 31, 2023	<u>\$ 13,667</u>	<u>1,854</u>	<u>39,545</u>	<u>18,214</u>	<u>73,280</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

	<u>Allowance for sales return and discounts</u>	<u>Provision for bad debts</u>	<u>Unrealized Investment loss</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2022	\$ 12,012	1,151	18,511	15,814	47,488
Recognized in profit or loss	4,392	814	11,027	7,626	23,859
Balance at December 31, 2022	<u>\$ 16,404</u>	<u>1,965</u>	<u>29,538</u>	<u>23,440</u>	<u>71,347</u>

(iii) Assessment of tax

The Company's income tax returns for the years through 2021 have been examined and approved by the R.O.C. tax authorities.

(o) Capital and other equity

As of December 31, 2023 and 2022, the Company's authorized share capital amounted to \$1,000,000 thousand with a par value of \$10 per share. The aggregate amount of the aforesaid authorized share capital was composed of ordinary shares only, and the issued shares were 87,908 thousand shares.

(i) Capital surplus

The components of capital surplus were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Additional paid in capital	\$ 325,371	325,371
Others	23,528	23,528
	<u>\$ 348,899</u>	<u>348,899</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

In accordance with the Company's articles, if there are earnings at year end, 10 percent should be set aside as legal reserve (unless the amount in the legal reserve is already equal to or greater than the total paid-in capital) and special reserve according to the Securities and Exchange Act and the Company's operations after the payment of income tax and offsetting accumulated losses from prior years. The remaining portion will be combined with earnings from prior years, and the Board of directors can propose distribution plan to be approved by the shareholders' meeting.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

In consideration of the Company's longterm operating plan, funding needs, and satisfying shareholder demand for cash flow, distribution of earnings may be retained in whole or in part as unappropriated retained earnings by resolution of the shareholders' general meeting and shall be paid in subsequent years. The distribution of dividends by shareholders may be in the form of cash dividends or share dividends, where the distribution rate of share dividends shall be not less than 20 percent, provided that the ratio of such earnings to cash dividends or share dividends shall be adjusted by resolution of the shareholders in accordance with the actual profit and fund status for the year.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Rule issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior period. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2022 and 2021 was decided by the resolution adopted, at the general meeting of shareholders held on May 30, 2023 and May 20, 2022, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount per share (NT dollars)</u>	<u>Amount</u>	<u>Amount per share (NT dollars)</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ <u>2.00</u>	<u>174,916</u>	<u>1.50</u>	<u>131,862</u>

On March 1, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings. These earnings were appropriated as follows:

	<u>2023</u>	
	<u>Amount per share (NT dollars)</u>	<u>Amount</u>
Dividends distributed to ordinary shareholders		
Cash	\$ <u>2.00</u>	<u>174,916</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(iii) Treasury shares

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, on July 1, 2022, the Board of Directors resolved to repurchase 600 thousand shares as treasury shares to motivate its employees, at a price ranging from \$30.0 to \$60.0 per share, during the repurchased period from July 1 to August 31, 2022. During the repurchased period, the Company repurchased 450 thousand shares for a total consideration of \$17,253 thousand. As of December 31, 2023, the number of shares held by the Company was 450 thousand shares.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer. In addition, the number of shares bought back shall not exceed 10% of the total number of issued shares. The total purchase amount shall not exceed the sum of retained earnings, additional paid-in capital-premiums and realized capital surplus. The Company had complied with the relevant laws and regulations to calculate the limit of treasury shares in accordance with the application, and there were no cases of exceeding the limit.

(iv) Other equity amounts (net of tax)

	Exchange differences on translation of foreign financial statements
Balance as of January 1, 2023	\$ (61,180)
Exchange differences on translation of net assets of foreign operations	(24,480)
Balance as of December 31, 2023	\$ (85,660)
Balance as of January 1, 2022	\$ (85,614)
Exchange differences on translation of net assets of foreign operations	23,179
Reclassified to profit or loss on the disposal of a foreign operation	1,255
Balance as of December 31, 2022	\$ (61,180)

(p) Earnings per share

The basic earnings per share were calculated as follows:

	2023	2022
Basic earnings per share:		
Profit attributable to the Company	\$ 243,294	267,477
Weighted average number of ordinary shares outstanding (in thousands of shares)	87,458	87,708
Basic earnings per share (in New Taiwan dollars)	\$ 2.78	3.05

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>	
Diluted earnings per share:			
Profit attributable to the Company	\$ 243,294	267,477	
Effect of dilutive potential ordinary shares			
Convertible bonds	<u>-</u>	<u>2,603</u>	
Profit attributable to ordinary equity holders of the Company (after adjusting the effect of dilutive potential ordinary share)	<u>\$ 243,294</u>	<u>270,080</u>	
Weighted average number of ordinary shares outstanding (in thousands of shares)	87,458	87,708	
Effect of dilutive potential ordinary shares			
Effect of issuance of share options (in thousands of shares)	207	407	
Effect of the conversion of convertible bonds (in thousands of shares)	<u>-</u>	<u>1,898</u>	
Weighted average number of common shares outstanding (Diluted / in thousands of shares)	<u>87,665</u>	<u>90,013</u>	
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 2.78</u>	<u>3.00</u>	
 (q) Revenue from contracts with customers			
 (i) Details of revenue			
	<u>2023</u>	<u>2022</u>	
Primary geographical markets:			
Asia	\$ 2,143,959	2,806,452	
America	121,650	157,385	
Europe	<u>51,216</u>	<u>26,997</u>	
	<u>\$ 2,316,825</u>	<u>2,990,834</u>	
Merchandise:			
Thermal modules	\$ 1,649,227	2,089,667	
Other electronic components	<u>667,598</u>	<u>901,167</u>	
	<u>\$ 2,316,825</u>	<u>2,990,834</u>	
 (ii) Contract Balance			
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable	\$ 16	-	-
Accounts receivable	817,728	811,833	1,215,390
Less: Loss allowance	<u>500</u>	<u>1,000</u>	<u>961</u>
Total	<u>\$ 817,244</u>	<u>810,833</u>	<u>1,214,429</u>
Contract liabilities	<u>\$ 68,697</u>	<u>82,018</u>	<u>60,060</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

For details on notes and accounts receivable and allowance for impairment, please refer to Note 6(c).

(r) Employee compensation and directors' remuneration

The Company's Articles of Incorporation stipulate that if there is profit for the year, a minimum of 3% but not exceeding 15% shall be allocated as employee compensation and a maximum of 5% as director compensation. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$10,768 thousand and \$11,189 thousand, and directors' remuneration amounting to \$9,647 thousand and \$10,300 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remunerations to employees and directors as specified in the Company's article. These remunerations were expensed under operating expenses during 2023 and 2022. Relevant information is available at the Market Observation Post System website. The difference of \$750 thousand between the amount of remuneration for employees and directors in 2023 and the estimated amount of the 2023 financial report was mainly due to the difference in the calculation of directors' remuneration based on the actual number of performance indicators. The Company has treated this difference as changes according to accounting estimates and recognized it as gains and losses in 2024. There was no difference between the actual and the estimated amounts in 2022.

(s) Non-operating income and expenses

(i) Interest income

The Company's interest income was as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 16,826	2,915
Interest income from related parties	-	633
Other interest income	<u>5</u>	<u>2</u>
Total interest income	<u>\$ 16,831</u>	<u>3,550</u>

(ii) Other income

The Company's other income was as follows:

	<u>2023</u>	<u>2022</u>
Service income	\$ 33,663	26,894
Others	<u>5,342</u>	<u>148</u>
Total other income	<u>\$ 39,005</u>	<u>27,042</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(iii) Other gains and losses

The Company's other gains and losses were as follows:

	<u>2023</u>	<u>2022</u>
Losses on disposals of investments	\$ -	(1,255)
Gains on modification of leases	-	13
Foreign exchange gains	3,560	40,316
Miscellaneous disbursements	(3,438)	-
Others	<u>137</u>	<u>381</u>
Other gains and losses, net	<u>\$ 259</u>	<u>39,455</u>

(iv) Finance costs

	<u>2023</u>	<u>2022</u>
Interest expense	<u>\$ 128</u>	<u>4,208</u>

(t) Financial Instrument

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represented the maximum amount exposed to credit risk. As of December 31, 2023 and 2022, the maximum amount exposed to credit risk amounted to \$1,481,688 thousand, and \$1,362,248 thousand, respectively.

2) Concentration of credit risk

For the years ended December 31, 2023 and 2022, the Company's ten largest customers accounted for 86% and 82%, respectively, of the Company's net revenue. There were no geographical concentration of credit risk.

(ii) Liquidity risk

The followings were the contractual maturities of financial liabilities, including estimated interest payment.

	<u>Carrying amounts</u>	<u>Cash flows</u>	<u>Less than one year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2023						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 849,814	849,814	849,814	-	-	-
Other payables (including related parties)	198,470	198,470	198,470	-	-	-
Lease liabilities	<u>3,115</u>	<u>3,201</u>	<u>1,932</u>	<u>555</u>	<u>714</u>	<u>-</u>
	<u>\$ 1,051,399</u>	<u>1,051,485</u>	<u>1,050,216</u>	<u>555</u>	<u>714</u>	<u>-</u>

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

	<u>Carrying amounts</u>	<u>Cash flows</u>	<u>Less than one year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 660,599	660,599	660,599	-	-	-
Other payables (including related parties)	214,802	214,802	214,802	-	-	-
Lease liabilities	<u>4,759</u>	<u>4,829</u>	<u>3,027</u>	<u>1,589</u>	<u>213</u>	<u>-</u>
	<u>\$ 880,160</u>	<u>880,230</u>	<u>878,428</u>	<u>1,589</u>	<u>213</u>	<u>-</u>

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure of foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2023</u>			<u>December 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
CNY	\$ 620	4.327	2,682	8,293	4.408	36,554
USD	44,320	30.705	1,360,845	40,580	30.710	1,246,218
JPY	19,107	0.217	4,150	14,064	0.232	3,268
HKD	38	3.929	151	45	3.938	175
<u>Financial liabilities</u>						
<u>Monetary items</u>						
CNY	\$ 2,043	4.327	8,841	1,547	4.408	6,820
USD	31,646	30.705	971,683	25,731	30.710	790,202
JPY	6,341	0.217	1,377	8,197	0.232	1,905
HKD	49	3.929	193	19	3.938	76

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 0.25% of the NTD against all foreign currencies as of December 31, 2023 and 2022 would have increased (decreased) the net profit after tax as follows. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

	Effect of appreciation on net profit after tax	Effect of depreciation on net profit after tax
December 31, 2023		
CNY (0.25% of appreciation or depreciation)	\$ (12)	12
USD (0.25% of appreciation or depreciation)	778	(778)
JPY (0.25% of appreciation or depreciation)	6	(6)
	\$ 772	(772)
December 31, 2022		
CNY (0.25% of appreciation or depreciation)	\$ 59	(59)
USD (0.25% of appreciation or depreciation)	912	(912)
JPY (0.25% of appreciation or depreciation)	3	(3)
	\$ 974	(974)

3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, foreign exchange gains (losses) (including realized and unrealized portions) amounted to gains of \$3,560 thousand and gains of \$40,316 thousand, respectively.

(iv) Interest rate analysis

The short-term borrowings of the Company have floating interest rates that are affected by the changes in market interest rates, resulting in the future cash flows to fluctuate. Since the Company did not use any of its credit lines, the above matter did not have any impact on the Company's future cash flows for the years ended December 31, 2023 and 2022.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(v) Fair value

1) Categories of financial instruments and fair value hierarchy

The fair value of financial assets and liabilities is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	Carrying amounts	December 31, 2023			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 626,065	-	-	-	-
Notes and accounts receivable	817,244	-	-	-	-
Other receivables (including related parties)	5,586	-	-	-	-
Restricted time deposits (recognized as other current assets)	600	-	-	-	-
Time deposits with original maturity more than three months (recognized as current financial assets at amortized cost)	30,827	-	-	-	-
Guarantee deposits paid (recognized as other non-current assets)	1,366	-	-	-	-
Total	\$ 1,481,688	-	-	-	-
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 849,814	-	-	-	-
Other payables (including related parties)	198,470	-	-	-	-
Lease liabilities	3,115	-	-	-	-
Total	\$ 1,051,399	-	-	-	-

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

	December 31, 2022				
	Carrying amounts	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 543,973	-	-	-	-
Accounts receivable	810,833	-	-	-	-
Other receivables (including related parties)	5,464	-	-	-	-
Restricted time deposits (recognized as other current assets)	600	-	-	-	-
Guarantee deposits paid (recognized as other non-current assets)	1,378	-	-	-	-
Total	<u>\$ 1,362,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 660,599	-	-	-	-
Other payables (including related parties)	214,802	-	-	-	-
Lease liabilities	4,759	-	-	-	-
Total	<u>\$ 880,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

The Company held the financial assets at fair value through profit or loss is subjected to standard terms and conditions. The fair value of financial assets traded on the active market is determined by reference to market quotation.

3) There was no transfer between the fair value hierarchy levels for the years ended December 31, 2023 and 2022.

(u) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

The Company's risk management policies are established to identify and analyze the risks being faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company assesses the customers' credit risk based on their basic information, which comprises of the default risk in their industry and country.

The Company has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases, bank references. Purchase limits are established for each customer, and are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. This allowance mainly comprises a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. This allowance for the loss component is determined based on historical payment statistics of similar financial assets.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transaction counterparties and the contractually obligated counterparties are banks and corporate organizations with good credits, there is no significant credit risk.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient working capital to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As of December 31, 2023 and 2022, the Company had unused credit lines of \$566,345 thousand and \$643,165 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

1) Foreign currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company's respective entity. The respective functional currencies of the Company's entities are primarily the NTD, and USD, JPY, HKD and CNY. The currencies used in these transactions are denominated in NTD, USD, JPY and CNY. In order to manage exchange rate risk, the Company maintains a certain limit on the net foreign currency position held by the Company.

2) Interest rate risk

The interest rate of the Company's bank loans is mainly of variable interest rates. To manage the interest rate fluctuation risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. If the interest rate has greater fluctuation in future and the Company still needs to borrow loans, the Company will adopt other financing tool for fund collection to reduce the dependence on bank loans, as well as the risk arising from fluctuation of interest rates.

(v) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(w) Investing and financing activities not affecting current cash flow

- (i) the cash paid by the Company for the purchase of property, plant and equipment is supplemented by the following information:

	<u>2023</u>	<u>2022</u>
Increase in property, plant and equipment	\$ 8,227	2,847
Add: Payable for equipment as of January 1	378	332
Less: Payable for equipment as of December 31	<u>(887)</u>	<u>(378)</u>
Cash paid	<u>\$ 7,718</u>	<u>2,801</u>

- (ii) The cash payment from the Company's acquisition of the right of use assets is supplemented by the following cash flow information:

	<u>2023</u>	<u>2022</u>
Increase in right of use assets	\$ 1,610	2,414
Less: Increase in lease liabilities	<u>(1,610)</u>	<u>(2,414)</u>
Cash paid	<u>\$ -</u>	<u>-</u>

- (iii) Reconciliations of liabilities arising from financing activities were as follows:

	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Non-Cash changes</u>		<u>December 31, 2023</u>
			<u>Right-of-use assets increases</u>	<u>Others</u>	
Lease liabilities	<u>\$ 4,759</u>	<u>(3,254)</u>	<u>1,610</u>	<u>-</u>	<u>3,115</u>

	<u>January 1, 2022</u>	<u>Cash flows</u>	<u>Non-Cash changes</u>		<u>December 31, 2022</u>
			<u>Right-of-use assets increases</u>	<u>Others</u>	
Short-term borrowings	\$ 20,000	(20,000)	-	-	-
Lease liabilities	6,600	(3,104)	2,414	(1,151)	4,759
Bonds payable	<u>210,406</u>	<u>(213,009)</u>	<u>-</u>	<u>2,603</u>	<u>-</u>
Total liabilities from financing activities	<u>\$ 237,006</u>	<u>(236,113)</u>	<u>2,414</u>	<u>1,452</u>	<u>4,759</u>

(7) Related-party transactions

- (a) Names and relationship with related parties

The following are the entities that have had transactions with the Company during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with The Company</u>
Techmaster Limited (SAMOA) (hereinafter referred to as "Techmaster")	Subsidiary of the Company
Taisol Electronics Japan Co., Ltd (hereinafter referred to as "TaiSol Japan")	Subsidiary of the Company

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

<u>Name of related party</u>	<u>Relationship with The Company</u>
Suzhou TaiSol Electronics Co., Ltd.,(hereinafter referred to as "Suzhou TaiSol")	Sub-subsidiary of the Company
DongGuan TaiSol Electronics Co., Ltd.(hereinafter referred to as "DongGuan TaiSol")	Sub-subsidiary of the Company
SiYang TaiSol Electronics Co., Ltd. (hereinafter referred to as "SiYang TaiSol")	Subsidiary of the Company
VSELL ENTERPRISE CO., LTD. (hereinafter referred to as "VSELL")	Other related parties (it is no longer to be a related party since the chairman of the Company has not been its principal management in May 2023)
LONG-THIN ENTERPRISE (hereinafter referred to as "LONG-THING")	Director of the Company

(b) Significant transactions with related parties

(i) Sale revenue

The amounts of significant sales transactions between the Company and related parties were as follows:

	<u>2023</u>	<u>2022</u>
Other related parties - VSELL	<u>\$ 147</u>	<u>-</u>

The Company has no other customers to compare with the above related party relating to sales price, and the terms for the related party are approximately 60 days. Collecting period for non-related parties is mainly 30 to 210 days.

(ii) Purchases

The amounts of significant purchase by the Company from related parties were as follows:

	<u>2023</u>	<u>2022</u>
Subsidiary - Techmaster	\$ -	(109)
Sub-subsidiary - Suzhou TaiSol	146,504	449,935
Sub-subsidiary - DongGuan TaiSol	1,029,368	1,169,267
Subsidiary - SiYang TaiSol	<u>69,739</u>	<u>19,845</u>
	<u>\$ 1,245,611</u>	<u>1,638,938</u>

The products that the Company has purchased from the related parties have not been imported from other vendors. There are no non-related party purchase price for comparison. The payment period for the related parties is 45 to 90 days, while the payment period for the other vendors is about 30 to 150 days.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(iii) Receivables from related parties

The details of the Company's receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables – related parties	Subsidiaries – SiYang TaiSol	\$ -	163
Other receivables – related parties	Sub-subsidiary – DongGuan TaiSol	405	3,152
Other receivables – related parties	Sub-subsidiary – Suzhou TaiSol	177	94
		<u>\$ 582</u>	<u>3,409</u>

Other receivable due from related parties include the advance money.

The interest income from Suzhou TaiSol for the years ended December 31, 2023 and 2022, amounted to \$0 thousand and \$633 thousand, respectively.

(iv) Payables to related parties

The details of the Company's payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable – related parties	Subsidiary – SiYang TaiSol	\$ 8,176	6,421
Accounts payable – related parties	Sub-subsidiary – DongGuan TaiSol	456,795	430,528
Accounts payable – related parties	Sub-subsidiary – Suzhou TaiSol	12,440	9,731
Other payable to related parties	Subsidiary – SiYang TaiSol	196	-
Other payables to related parties	Sub-subsidiary – DongGuan TaiSol	77	1,047
Other payables to related parties	Sub-subsidiary – Suzhou TaiSol	7,125	5,827
Other payables to related parties	Subsidiaries – TaiSol Japan	476	1,008
		<u>\$ 485,285</u>	<u>454,562</u>

Other payables are advances payables.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(v) Operating expenses

The amounts of operating expenses of the Company from related parties were as follows:

	2023	2022
Other related parties - VSELL	\$ -	37

(vi) Commission and marketing expenses

The commission and marketing expenses from subsidiary, TaiSol Japan, amounted to \$1,928 thousand and \$1,972 thousand for the years ended December 31, 2023 and 2022, respectively.

(vii) Service income

For the years 2023 and 2022, the management services income received by the Company from its sub-subsidiary, Suzhou TaiSol was \$0 thousand and \$7,171 thousand, respectively; Management services income received from sub-subsidiary, DongGuan TaiSol, amounted to \$22,442 thousand and \$19,723 thousand, respectively; Management services income received from subsidiary, SiYang TaiSol, amounted to \$11,221 thousand and \$0 thousand, respectively.

(viii) Other income

In July 2023, the Company sold its assets under management that had reached the end of their useful life to LONG THIN, the corporate director, for a price of \$571 thousand, recognized as other income.

(ix) Guarantees

The credit limits of the guarantees the Company had provided to the bank for related parties were as follows:

	December 31, 2023		
	Highest balance of financing to other parties	Ending balance (note)	Current balance of actual usage amount
Subsidiaries – SiYang TaiSol	\$ 48,405	30,705	-
Sub-subsidiary – Suzhou TaiSol	96,810	30,705	-
	December 31, 2022		
	Highest balance of financing to other parties	Ending balance (note)	Current balance of actual usage amount
Subsidiaries – SiYang TaiSol	\$ 48,323	46,065	-
Sub-subsidiary – Suzhou TaiSol	96,645	92,130	-

Note : The credit limit was approved by the Board of Director.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(c) Key management personnel transactions

Key management personnel compensation includes:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 43,419	41,553
Post-employment benefits	5,920	5,116
Other long-term employee benefits	<u>23</u>	<u>(42)</u>
	<u>\$ 49,362</u>	<u>46,627</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Restricted time deposits (recognized as other current asset)	Custom deposits	\$ 600	600
Land and buildings (recognized as property, plant and equipment)	Long-term and short-term loans	<u>144,756</u>	<u>145,094</u>
		<u>\$ 145,356</u>	<u>145,694</u>

(9) Commitments and contingencies:

- (a) As of December 31, 2023 and 2022, the Company had outstanding notes for guarantee of bank loans, credit limit and act as the guarantee for its subsidiary amounting to \$639,755 thousand and \$854,363 thousand, respectively.
- (b) On October 23, 2017, the sub-subsidiary, Suzhou TaiSol, signed a lease agreement with the plaintiff. The lease period was from April 1, 2018 to March 31, 2023. Upon the expiration of the lease, the plaintiff, as the lessor, claimed that the leased factory premises returned by Suzhou TaiSol did not meet the normal usable condition. On July 24, 2023, the plaintiff requested the compensation of CNY 4 million for the repair costs of the leased factory premises, overdue rent, and breach of contract penalties. The plaintiff also applied for the freezing of Suzhou TaiSol's bank deposits amounting to CNY 1,233 thousand (recognized as other non-current assets), which has been granted by the Wujiang District People's Court in Suzhou City. This case was still in progress as of the reporting date.

(10) Losses due to major disasters :None.

(11) Subsequent Events :None.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	2023			2022		
		Cost of good sold	Operating expenses	Total	Cost of good sold	Operating expenses	Total
Employee benefits							
Salary		-	102,833	102,833	-	91,153	91,153
Labor and health insurance		-	9,145	9,145	-	9,470	9,470
Pension		-	10,257	10,257	-	393	393
Remuneration of directors		-	10,487	10,487	-	11,340	11,340
Others		-	4,343	4,343	-	3,985	3,985
Depreciation		1,013	7,695	8,708	464	7,294	7,758
Amortization		-	350	350	-	607	607

The additional information about number of employees and employee benefit expenses for the years ended December 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>103</u>	<u>111</u>
Number of Directors who are not employed	<u>6</u>	<u>6</u>
The average employee benefits	<u>\$ 1,305</u>	<u>1,000</u>
The average salary	<u>\$ 1,060</u>	<u>868</u>
Adjustment of average salary	<u>22.12 %</u>	
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

The Company's remuneration policy (including directors, executives and employees) is as follows:

- (a) The transportation allowance and remuneration of the Directors are regularly paid by the Company for handling management matters. These are paid regardless if the Company has retained earnings and the remuneration standard shall be authorized to the Remuneration Committee and the Board for approval.
- (b) The remuneration of Directors is governed by the provisions of the articles of incorporation. If the Company has a profit for the year, it should provide not more than 5% for remuneration of Directors and authorize the Remuneration Committee and the Board to approve based on the performance evaluation of the Board. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.
- (c) Policy and system of compensation for executives and employees
 - (i) Policy:
 - 1) Ensure that the company's remuneration distribution is in accordance with the relevant laws and is sufficient to attract talented people.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

- 2) Salary standard is based on the market conditions, the company's operating conditions and organizational structure. It will be adjusted as appropriate, depending on salary dynamics on markets, changes in the macroeconomy and industry, in addition of government regulations.
 - 3) Employees' salaries and remuneration are based on their academic experience, professional knowledge and skills, professional seniority and personal performance, instead of their age, gender, race, religion, political position, marital status, etc.
 - 4) The performance assessment and remuneration of managers, taking into account of usual standard payments of peers, in addition to the the working time spent, the responsibilities undertaken, the achievement of individual goals, performance in other positions, remuneration paid by the company to the same position in recent years, achievement of the company's short-term and long-term business objectives, financial condition of the company, etc.to evaluate the reasonableness of relationship among personal performance, the Company's operation performance and future risks.
 - 5) Managers shall not be induced to engage in acts that exceed the risk appetite of the Company in pursuit of remuneration.
 - 6) The proportion of bonuses or awards to managers for their short-term performance and the timing of partial variable compensation should be determined based on the industrial characteristics and the business nature of the Company.
- (ii) System:
- 1) Basic fixed pay: The market value of duties and core competencies is based on a fixed salary system, mainly based on past seniority and contributions and the weights of current responsibilities. Year-end bonuses or performance bonuses are submitted to the Remuneration Committee on the basis of the performance assessments.
 - 2) The percentage or extent of the remuneration of employees as set out in the articles of incorporation: If the Company has a profit in the year, it shall make provision not exceeding 15% but not less than 3% for the remuneration of its employees. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.
 - 3) Long-term incentives: The long-term retention of a manager is generally by the issuance of stock option or restricted stock.
 - 4) Welfare: Living security and convenience, such as vehicle, allowance for communication, group insurance, regular physical examination, etc.

(Continued)

TAISOL ELECTRONICS CO., LTD.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2023:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	157,100	-	-	- %	2	-	Operating capital	-		-	379,225	758,450
1	SiYang TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	44,450	-	-	- %	2	-	Operating capital	-		-	379,225	758,450
2	DongGuan TaiSol Electronics Co., Ltd.	Suzhou TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	133,350	129,810	26,611	5.00 %	2	-	Operating capital	-		-	379,225	758,450
2	DongGuan TaiSol Electronics Co., Ltd.	SiYang TaiSol Electronics Co., Ltd.	Other receivables - related parties	Yes	132,660	129,810	-	- %	2	-	Operating capital	-		-	379,225	758,450

Note 1: Purpose of fund financing for the borrower:

- (1) Those with business contact please fill in 1
- (2) Those necessary for short-term financing please fill in 2.

Note 2: Pursuant to the Company's procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of the Company's net worth, for the Company loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount lendable to any such subsidiary of the Company shall not exceed 40% of the net worth of the Company, and the individual amount shall not exceed 20% of the net worth of the Company.

Note 3: Pursuant to the subsidiary's procedure of loans to other parties, the maximum amount of lending purposes shall not exceed 40% of each company's net worth, for the subsidiary loans to those having business transactions, the amount of each fund financing shall not exceed the amount of business transaction. The amount of business transaction referred to is the higher of the amount of goods purchased or sold between the other parties. The total amount and individual amount lendable to any such enterprises due to short term financing shall not exceed 40% of the net worth of each company. With a foreign subsidiary of the parent company which directly and indirectly holds 100% of the voting shares or a subsidiary loans funds to parent company are excluded from item 1. The group's combined total loan amount is limited to the lower of less than 2,500% of the net value of the Company or 40% of the net value of the ultimate parent company. The respective loan amount is limited to the lower of 2,500% of the net value of the Company or 20 % of the net value of the ultimate parent company.

Note 4: The above transactions of loans to Suzhou TaiSol have been eliminated when the consolidated financial statements were prepared.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	the Company	SiYang TaiSol Electronics Co., Ltd.	2	568,837	48,405	30,705 (Note 3)	-	-	1.62 %	948,062	Y	N	Y
0	the Company	Suzhou TaiSol Electronics Co., Ltd.	2	568,837	96,810	30,705 (Note 3)	-	-	1.62 %	948,062	Y	N	Y

Note 1: Pursuant to the “endorsement guarantee procedure” established by the Company, the total amount of the Company's endorsement and guarantee does not exceed 50% of the net value of current period. Of these, the single corporate guarantee limit shall not exceed 20% of the current net value except for companies in which the Company directly and indirectly holds more than 50% of the voting shares, which shall not exceed 30% of the current net value.

Note 2: The relationship between the endorser/guarantor and the guaranteed party:

- 1) A company with which it does business.
- 2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- 3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- 4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- 5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- 6) A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- 7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Suzhou TaiSol and SiYang TaiSol jointly shared the guarantee amount of NT\$30,705 thousand (US\$1 million).

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Balance	Percentage of total notes / accounts receivable (payable)	
The Company	DongGuan TaiSol Electronics Co., Ltd.	Sub-subsiary of the Company	Purchase	1,029,368	54.51 %	O/A 75 days	-		(456,795)	53.75%	
The Company	Suzhou TaiSol Electronics Co., Ltd.	Sub-subsiary of the Company	Purchase	146,504	7.76 %	O/A 45 days	-		(12,440)	1.46%	

Note: The transactions were eliminated when the consolidated financial statements were prepared.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Actions taken		
DongGuan TaiSol Electronics Co., Ltd.	TaiSol Electronics Co., Ltd.	The ultimate parent company	456,795	2.32	-	-	184,519	-

Note 1: The subsequent information is updated up to March 1, 2024.

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

- (ix) Trading in derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the year 2023 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance at December 31			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Percentage	Carrying amounts			
TaiSol Electronics Co., Ltd.	World Window Electronics (H.K.) Limited	Hong Kong	Trading of thermal modules and components of electronics and computers and investment in Mainland China	250,119	250,119	64,210	100 %	917,087	137,436	136,654	Subsidiary
TaiSol Electronics Co., Ltd.	TaiSol Electronics (HONG KONG) Co., Ltd.	Hong Kong	Investment in Mainland China	332,470	332,470	31,056	100 %	(28,468)	(59,839)	(59,476)	Subsidiary
TaiSol Electronics Co., Ltd.	Taisol Electronics Japan Co., Ltd.	Japan	Trading	2,790	2,790	0.1	100 %	1,510	(51)	(51)	Subsidiary
TaiSol Electronics Co., Ltd.	Vietnam TaiSol Electronics Company Limited	Vietnam	Trading	8,307	8,307	-	100 %	7,247	(572)	(572)	Subsidiary

Unit: Thousand shares

Note 1: The transactions were eliminated when the consolidated financial statements were prepared.

- (c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows during current period		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of investee	Percentage of ownership	Share of profit (losses) of investee	Carrying amount	Accumulated remittance of earnings as of December 31, 2023
					Outflow	Inflow						
Suzhou TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of thermal solutions, modules of heat pipe and components of electronic computers, and trading of magnesium-aluminum components.	185,854 (Note 2)	2	310,120	-	-	310,120	(59,686)	100.00 %	(59,323)	(28,736)	-
DongGuan TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of thermal modules, components of electronic computers and automobiles.	241,634	2	241,634	-	-	241,634	137,275	100.00 %	136,494	905,170	394,010
SiYang TaiSol Electronics Co., Ltd.	Processing, manufacturing and trading of components of electronic computers.	644,805	1	644,805	-	-	644,805	6,920	100.00 %	6,250	411,629	-

Unit: thousand dollars

Note 1: Investment methods are classified into the following three categories.

- (1) Direct investment in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
- (3) Others

Note 2: In May 2019, Suzhou TaiSol made a capital reduction of CNY30,220 thousand to cover losses and a capital reduction return of CNY15,332 thousand. Suzhou TaiSol increased its capital by USD2,053 thousand in March 2021, resulting in paid-in capital of USD6,053 thousand.

(Continued)

TAISOL ELECTRONICS CO., LTD.
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
1,196,559 (Note 2) (USD 31,100 and HKD61,500)	1,196,559 (Note 2) (USD 31,100 and HKD61,500)	- (Note 1)

Note 1: Since the Company meets the criteria for operational headquarters, the Company is not subject to the limitation as to the amount of investment in Mainland China.

Note 2: Amounts are denominated in New Taiwan Dollars. Foreign currency should be converted at the exchange rates of USD\$: NT\$ = 1:30.705 and HKD\$: NT\$ = 1:3.929 as at the date of the financial report.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China for the year ended December 31, 2023, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholding	Shares	Percentage
Shareholder's Name		
SINGATRON ENTERPRISE CO.,LTD	10,367,000	11.79 %

Note:1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statement due to different calculation basis.

2) If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2023.

TaiSol Electronics Co., Ltd.
Statement of cash and cash equivalents
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash on hand	\$ 73
	Revolving funds	<u>50</u>
	Subtotal	<u>123</u>
Demand deposits	Demand deposits	5,884
	Foreign currency demand deposits	<u>147,131</u>
	Subtotal	<u>153,015</u>
Time deposits	NT dollar time deposits (Maturity : 2024.01.02~2024.02.05 ; Interest rate : 1.10%)	45,682
	Foreign currency time deposits (Maturity : 2024.01.02~2024.01.30 ; Interest rate : 5.30%~5.53%)	412,245
	Subtotal	<u>457,927</u>
	Repurchase agreement	<u>15,000</u>
Total		<u>\$ 626,065</u>

Note 1: The foreign currency demand deposits include CNY206 thousand, exchange rate 1:4.327; USD4,638 thousand, exchange rate 1:30.705; HKD36 thousand, exchange rate 1:3.929; JYP16,957 thousand, exchange rate 1:0.217.

Note 2: The foreign currency time deposits include USD13,426 thousand, exchange rate 1:30.705.

TaiSol Electronics Co., Ltd.
Statement of notes receivable and accounts
receivable
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>
Notes receivable:		
Customer A	Arising from operating activities	\$ <u>16</u>
Accounts receivable:		
Customer B	"	291,242
Customer C	"	47,675
Customer D	"	46,105
Customer E	"	44,851
Other (Less than 5% for each customer)	"	<u>387,855</u>
Subtotal		817,728
Less: Allowance for bad debt		<u>(500)</u>
Total		<u><u>\$ 817,244</u></u>

Statement of inventories

<u>Item</u>	<u>Amount</u>		<u>Notes</u>
	<u>Costs</u>	<u>Net realizable value</u>	
Raw materials	\$ 14,758	14,722	Market price under their Net realizable value
Work in progress	3,869	4,848	"
Finished goods	68,749	87,936	"
Merchandise	<u>86,784</u>	88,411	"
Subtotal	174,160		
Less: Allowance to reduce inventory to market	<u>(4,500)</u>		
Total	<u><u>\$ 169,660</u></u>		

TaiSol Electronics Co., Ltd.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Increase		Decrease		Investment income (losses) recognized under the equity method	Adjustment of exchange difference on translation of foreign operation	Balance at December 31			Notes
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage	Amount	
Investee under equity method												
World Window Electronics (H.K.) Limited	64,210	\$ 797,389	-	-	-	-	136,654	(16,956)	64,210	100	917,087	
TaiSol Electronics (HONG KONG) Co., Ltd.	31,056	30,499	-	-	-	-	(59,476)	509	31,056	100	(28,468)	
SiYang TaiSol Electronics Co., Ltd.	-	413,071	-	-	-	-	6,250	(7,692)	-	100	411,629	
TaiSol Electronics Japan Co., Ltd.	0.1	1,670	-	-	-	-	(51)	(109)	0.1	100	1,510	
Vietnam TaiSol Electronics Co.,Ltd.	-	8,051	-	-	-	-	(572)	(232)	-	100	7,247	
Subtotal		1,250,680		-		-	82,805	(24,480)			1,309,005	
Add: Reclassified to credit balance of investments accounted for using equity method— TaiSol Electronics(HONG KONG)	-	-	-	-	-	-	-	-	-		28,468	
Total		\$ 1,250,680		-		-	82,805	(24,480)			1,337,473	

TaiSol Electronics Co., Ltd.
Statement of accounts payables
December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Customer</u>	<u>Description</u>	<u>Amount</u>
Vendor A.	Business	337,537
Other (Less than 5% for each vendor)	"	<u>34,866</u>
Total		<u><u>\$ 372,403</u></u>

Statement of operating revenue

<u>Item</u>	<u>Amount</u>
Thermal modules	\$ 1,649,227
Other electronic components	<u>667,598</u>
Total	<u><u>\$ 2,316,825</u></u>

TaiSol Electronics Co., Ltd.
Statement of operating costs
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

Item	Item
Raw materials used:	
Raw materials, beginning of year	\$ 15,560
Add: Purchases	45,185
Others	729
Less: Raw materials, end of year	14,758
Transferred to other expenses	554
Sales	2,968
	43,194
Raw material used	43,194
Processing costs	11,289
Manufacturing overhead	1,062
Manufacturing cost	55,545
Add: Work in process, beginning of year	6,675
Purchases	1,169
Less: Work in process, end of year	3,869
Sales	633
	58,887
Costs of finished goods	58,887
Add: Finished goods, beginning of year	102,835
Purchases	981,278
Others	1,805
Less: Finished goods, end of year	68,749
Scrap	117
Transferred to other expenses	1,860
	1,074,079
Cost of finished goods sold	1,074,079
Merchandise inventory:	
Add: Merchandise, beginning of year	52,180
Purchases	860,676
Less: Merchandise, end of year	86,784
Transferred to other expenses	268
Scrap	8
	825,796
Cost of merchandise sold	825,796
Add: Cost of raw materials sold	2,968
Cost of WIP sold	633
Recognition of provisions for inventory valuation	(500)
Cost of selling molds and samples	9,539
Loss on scrap of inventory	125
Operating cost	\$ 1,912,640

TaiSol Electronics Co., Ltd.
Statement of selling expenses
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Salaries	\$ 33,943
Commission expense	36,704
Export expenses	7,897
Hub storage charges	8,626
Others (Less than 5% for each item)	<u>18,970</u>
Total	<u><u>\$ 106,140</u></u>

Statement of administrative expenses

<u>Item</u>	<u>Amount</u>
Salaries	\$ 55,342
Insurance expenses	4,605
Others (Less than 5% for each item)	<u>28,845</u>
Total	<u><u>\$ 88,792</u></u>

TaiSol Electronics Co., Ltd.
Statement of research and development expenses
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Salaries	\$ 28,396
Research materials expenses	2,235
Insurance expenses	2,600
Depreciation expense	2,187
Others (Less than 5% for each item)	<u>6,345</u>
Total	<u><u>\$ 41,763</u></u>

Please refer to Note 7 for the details of receivables and payables to related parties.

Please refer to Note 6(g) for the details of cost of property, plant and equipment.

Please refer to Note 6(g) for the details of accumulated depreciation of property, plant and equipment.

Please refer to Note 6(h) for the details of cost of right of use assets.

Please refer to Note 6(h) for the details of accumulated depreciation of right of use assets.

Please refer to Note 6(l) for the details of other payables.

Please refer to Note 6(l) for the details of other current liabilities.

Please refer to Note 6(s) for the details of other income.