

Stock Code: 8072

AV TECH CORPORATION

2023 Annual Report

MEETING TIME: June 19, 2024

PLACE: 4F, E Building, No. 19-11, San Chung Rd.

NanKang Dist., Taipei City, Taiwan

(Nangang Soft Sports Center Conference Room)

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I Letter to the Shareholders

A. Consolidated Financial Statements in 2023

1. Consolidated Business Performance

The consolidated net revenue for 2023 is NT\$ 1,159,521 thousand (YoY -6%). The consolidated gross profit margin is 18%. The consolidated operating net profit is NT\$ 11,969 thousand. Operating outside income is NT\$ 77,370 thousand. After deducting the net profit attributable to the owner is NT\$ 58,603 thousand. The EPS is NT\$ 0.73.

2. Consolidated Financial Income, Expenses and Profitability Analysis

Item		2022	2023
Financial Structure	Debt Ratio (%)	7	7
	Long-term Capital to Fixed Property (%)	319	330
Solvency	Current Ratio (%)	1,246	1,045
	Quick Ratio (%)	1,074	966
	Return on Assets (%)	3.7	2.74
Profitability	Return on Equity (%)	4.2	2.94
	Net Profit Margin (%)	9	5.94
	EPS (元)	1.18	0.73

Explanation of Solvency:

Due to the strategic investment in WK Technology Fund IX II Ltd. and the purchase of overseas corporate bonds in 2023, bank deposits originally classified as current assets were reclassified as non-current assets. This resulted in a decrease in the amount of current assets, leading to a decline in the current ratio and quick ratio for the year 2023 compared to 2022.

Explanation of Profitability:

In 2023, the net profit declined by NT\$ 50,320 thousand compared to 2022 due to a decrease in foreign exchange gains resulting from the appreciation of the Taiwanese currency. Consequently, both the asset turnover ratio and profitability decreased in 2023 compared to 2022 due to the decline in net profit.

B. Business Plan of 2024

1. Distribution of Semiconductor

1.1 Sales of semiconductor distribution

1.1.1 In 2023, there was a slight decline in overall performance due to excess inventory of PC, laptop, machine tools, and NAS terminal channels, leading to reduced demand for semiconductor components. However, there were strong demands in the communication, industrial control, and automotive markets without inventory clearance issues. These markets will be focused on as catalysts for growth in 2024.

1.1.2 Speedtech and 3PEAK continue to deepen their presence in the communication and industrial

control fields. ABLIC's DDR5 DRAM modules have received certifications from multiple customers, with significant revenue growth expected in 2024.

1.1.3 Precisely understanding customer needs, comprehending their production plans, providing original manufacturers as communication references, and maintaining good customer-supplier relationships are crucial. Strengthening cooperation with important product lines and key customers, conducting organizational adjustments, and identifying target customers are essential strategies.

1.1.4 Diversifying product lines to offer customers a wide range of semiconductor component options, catering to their comprehensive needs in one purchase.

1.2 CCTV Business

1.2.1 Research and development resources are focused on the backend storage product line (DVR, NVR), with a deep dive into developing AI-powered surveillance solutions. Integration of internal software and external hardware development for frontend network cameras is being pursued to expand the product line and meet market demands.

1.2.2 DVR and NVR are the core products for security surveillance. To maintain a competitive edge in the market, additional product application features such as POS NVR and RAID NVR are being introduced.

1.2.3 Key markets with demand for non-mainland products, such as the United States, the United Kingdom, and Taiwan, are being prioritized. Efforts are being made to expand the distribution network in these regions to increase channel coverage. Stabilizing sales volume of standardized products and seeking opportunities for product customization through OEM partnerships are aimed at enhancing overall sales revenue.

AVTECH Corporation
Chairman: Shih-Chung Chen

II Company Introduction

1. Founding

Founding Date: June 26, 1996

2. Formation History

- 1996 AVTECH Corporation founded with initial capital of NT\$ 5,000,000, and dedicated to manufacturing and selling of CCTV products.
- 1997 Launched the first B/W CCD camera, and started to develop color camera by July to enter the CCTV market.
- 1998 Released the first color and B/W quad processors.
- 1999 Started to expand the sales channels to different countries.
- 2000 Merged Chieftron Corporation as the Electronic Component Division.
- 2001 Launched the quad processor with our own designed ASIC.
- 2002 Released full range of DVR (Digital Video Recorder).
- 2003 Approved for trade over-the-counter.
- 2004 Listed on TSEC.
Introduced the world's first standalone 16CH MPEG4 DVR.
- 2006 Developed high-end speed dome cameras.
- 2007 Being listed as Forbes Asia's 200 Best Under A Billion
- 2008 3G DVR AVD718 got nominated by IFSEC Awards.
Divided the Electronic Component Division from AVTECH Corporation and established "Chieftron International Inc."
- 2009 Being listed as Forbes Asia's 200 Best Under A Billion
- 2010 Released the mobile app, EagleEyes, for iPhone and BlackBerry
- 2011 Released the first all-in-one IP camera to enter the consumer market.
- 2012 Announced the first NVR and introduced the CMS system to manage and control multiple recorders and IP cameras.
- 2013 Announced EaZy Networking cloud service.
- 2014 Announced simple solutions for standalone IP system.
- 2015 Released the HD CCTV solution and developed applications for IoT.
- 2016 Released the full range of IR speed dome cameras.
- 2017 Released the new standalone DVR/NVR systems with large storage.
- 2018 Entered the era of smart security, such as face identification and home automation.
- 2019 Entered the consumer market for smart security.
- 2020 Expanded the business scale and diversity of investment
- 2021 Introduced new product lines to expand the investment portfolio.
- 2022 Increased the diversity of products to expand and strengthen distribution deployment.
- 2023 The broad application of diversified investment augmentation techniques.

3. Any Mergers And Acquisitions During This Year Up To The Printing Date Of This Annual Report

None

4. Any Significant Transfer Or Replacement Of Shares Owned By Directors, Supervisors Or Major Shareholders Holding More Than 10% Of The Company's Shares During This Year Up To The Printing Date Of This Annual Report

None

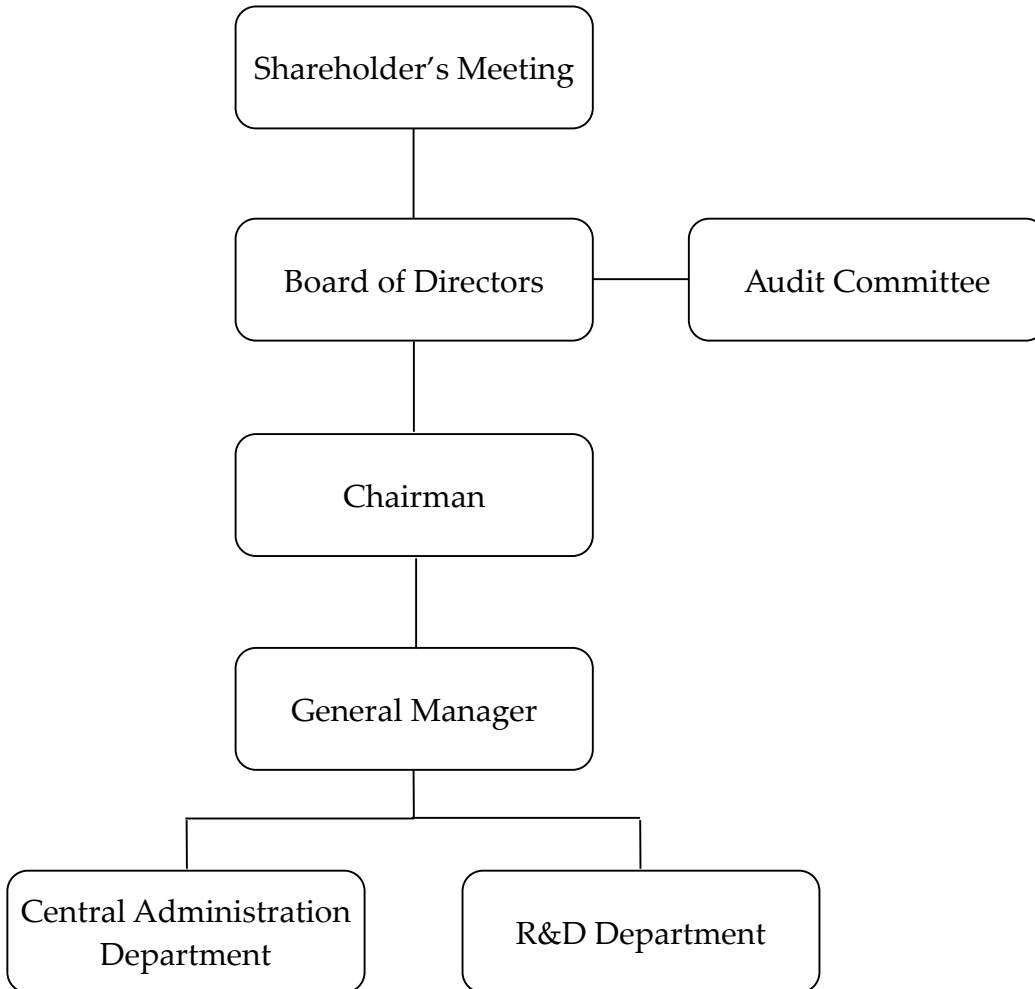
5. Any Changes In Management Right and Other Significant Matters That May Affect Shareholders' Interests During This Year Up To The Printing Date Of This Annual Report

None

III Corporate Governance Report

1. Organization

1.1 Organization System Chart



1.2 Department Functions

Department	Functions
General Manager	<ol style="list-style-type: none"> 1. Establish middle and long term business goals and development plans. 2. Review and approve contacts and information. 3. Hold and host administration review meetings.
Audit Committee	<ol style="list-style-type: none"> 1. Establish and execute yearly audit plan. 2. Audit the enforcement and improvements of the internal control system.. 3. Audit the execution of sales, production and administration management, analyze flaws if any and offer suggestions to improve.
Central Administration Department	<ol style="list-style-type: none"> 1. Capital planning, raising, scheduling and controlling, marketable securities registering and saving, cash receipt and withdraw, custody of foreign exchange, registration of load application, contact and settlement, receipt and issuance of checks and receipts, accounting and taxing affairs, etc. 2. System development, analysis, integration and maintenance, e-paper promoting, planning and executing, management of human resources, general affairs and properties, etc. 3. Purchase of materials and products, inventory management, and product import and export affairs.
R&D Department	<ol style="list-style-type: none"> 1. Product design for video capture and storage 2. Product design for transmission and control 3. Product design for new IC 4. Product design for mechanism and drive 5. Software design 6. Product test, application and production

2. Directors, Supervisors and Management Team

2.1 Directors

2023 / 04 / 23 Unit: Shares

Title (Note1)	Name	Nationality	Gender	Age		Elected Date	Term (Years)	First Elected Date (Note2)	Shares held when elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Main Working (Education) Experience (Note3)	Concurrent Positions in the Company and Other Companies	Managerial officers, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
				51 ~ 60	Over 60				Number	%	Number	%	Number	%	Number	%			Title	Name	Relation
				Chairman	Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen				Republic of China	Male	V		2022.08.25	3	2000.5.22	22,215,044			27.77%	22,215,044	27.77%
Director	Chun-Ju Huang	Republic of China	Male		V	2022.08.25	3	2000.5.22	8,842,984	11.05%	8,842,984	11.05%	7,385,781	9.2%	-	-	Bachelor of Chemistry, Chinese Culture University General Manager of AVTECH Corporation	Director of Chun-Yi Investment Co., LTD Director of Chiao-Tai Investment Co., LTD Director of Chiao-Sheng Investment Co., LTD Director of Ju-Lin Investment Co., LTD	-	-	-
Director	Cheng-Mou Wu	Republic of China	Male		V	2022.08.25	3	2000.5.22	279,061	0.35%	251,061	0.35%	0	0.0%	-	-	Bachelor of International Business, National Chengchi University General Manager of AVTECH Corporation	Director of Chun-Yi Investment Co., LTD Supervisor of Chiao-Sheng Investment Co., LTD	-	-	-
Independent Director	I-Chen Tsai	Republic of China	Female	V		2022.08.25	3	2003.7.7	-	-	-	-	-	-	-	-	MBA, Ohio State University in USA	-	-	-	-
Independent Director	Chih-Ming Wang	Republic of China	Male	V		2022.08.25	3	2009.6.16	-	-	-	-	-	-	-	-	MBA, Chinese Culture University VP of Finance, Turbocomm Tech. Inc. (public-listed) Senior Manager of Finance, HTC Corporation	-	-	-	-
Independent Director	Chia-Wei Lai	Republic of China	Male	V		2022.08.25	3	2022.08.25	-	-	-	-	-	-	-	-	Master of Tourism, Shin Hsin University General Manager, Surehigh International Technologies, Inc.	-	-	-	-
Independent Director	Chin-Ling Chung	Republic of China	Female	V		2022.08.25	3	2022.08.25	-	-	-	-	-	-	-	-	Master of Accounting, Chung Yuan Christian University VP of HRM, Visual Photonics Epitaxy Co., Ltd	-	-	-	-

Note1: The institutional shareholders are listed below:

Name of Institutional Shareholder	Name of Major Shareholders
Chun-Yi Investment Co., LTD	Chun-Ju Huang, Yi-Lin Chen (83.23%)

Note2: The current directors and independent directors have continuously served as the directors of the Company since their first appointment without any interruption.

Note3: The current directors and independent directors are not employed by the Company's CPA firm or related companies.

2.2 Professional knowledge and independence check matrix of directors

2.2.1 Professional knowledge of directors

Name \ Item	Professional Knowledge and Experience	Independence Attribute	Concurrent independent director position in other publicly traded companies
Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	Master of Mechanical and Materials Engineering, Tatung University Project Manager, First International Computer Sales Manager, Bao Rui Ming Corporation	No occurrences listed in Corporate Law, Article 30	-
Director / Chun-Ju Huang	Bachelor of Chemistry, Chinese Culture University General Manager of AVTECH Corporation	No occurrences listed in Corporate Law, Article 30	-
Director / Cheng-Mou Wu	Bachelor of International Business, National Chengchi University General Manager of AVTECH Corporation	No occurrences listed in Corporate Law, Article 30	-
Independent Director / I-Chen Tsai	MBA, Ohio State University in USA	Comply with the conditions in (1)	1
Independent Director / Chih-Ming Wang	MBA, Chinese Culture University VP of Finance, Turbocomm Tech. Inc. (public-listed) Senior Manager of Finance, HTC Corporation	Comply with the conditions in (1)	-
Independent Director / Chia-Wei Lai	Master of Tourism, Shin Hsin University General Manager, Surehigh International Technologies, Inc.	Comply with the conditions in (1)	-
Independent Director / Chin-Ling Chung	Master of Accounting, Chung Yuan Christian University VP of HRM, Visual Photonics Epitaxy Co., Ltd	Comply with the conditions in (1)	-

During the two years before being elected or during the term of office, an independent director of a public company may not have been or be any of the following:

- (1) An employee of the Company or any of its affiliates
- (2) A director or supervisor of the Company or its affiliates except for the independent directors of the Company or its parent company who have direct or indirect shareholding of more than 5% of a subsidiary
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings..
- (4) A spouse or relative within the second degree of kinship or lineal relative within the third degree of kinship of any of the persons listed in (1) ~ (3).
- (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)

- (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Except for the company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) A spouse or relative in the second degree of kinship with other directors
- (11) Any matters stated in Article 30 of Company Act.
- (12) Elected by role of Government, corporate person or its representative regulated in Article 27 of Company Act.

2.2.2 The diversity and independence of the Board directors

a) The diversity and independence of the Board directors

According to the Company's "Corporate Governance Best Practice Principles", Article 21, the members of the Board of Directors should be diversified and possess the below skills:

- Operational judgement skills.
- Accounting and financial analysis skills.
- Operational management skills.
- Crisis management skills.
- Industry knowledge.
- Global market view.
- Leadership skills.
- Decision making skills.

Name	Nationality	Gender	Age			Serves as an Independent Director	Employee	Core Expertise							Industry Knowledge			Professional Competency									
			40 ~ 50	51 ~ 60	61 ~ 70			Less than 3 terms	3 ~ 9 terms	More than 9 terms	Operational Judgement	Accounting and Financial Analysis	Operational Management	Crisis Management	Industry Knowledge	Global Market View	Leadership	Decision Making	Financial Holding, Banking, Insurance	Information, Telecommunication, Media	Manufacture, Investment, Others	Layer, Accountant, Lecturer	Business Management	R&D and Production	Finance and Accounting	Law Affairs	Sales and Marketing
Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	Republic of China	Male			V		V	V	V	V	V	V	V	V	V			V		V							V
Chun-Ju Huang	Republic of China	Male			V			V	V	V	V	V	V	V	V			V		V							V
Cheng-Mou Wu	Republic of China	Male			V			V	V	V	V	V	V	V	V			V		V						V	V
I-Chen Tsai	Republic of China	Female			V			V	V	V	V	V	V	V	V					V					V		
Chih-Ming Wang	Republic of China	Male		V				V	V	V	V	V	V	V	V			V		V					V	V	
Chia-Wei Lai	Republic of China	Male		V				V	V	V	V	V	V	V	V			V		V					V	V	
Chin-Ling Chung	Republic of China	Female		V				V	V	V	V	V	V	V	V					V					V	V	

b) The diversity and independence of the Board directors

There are currently 7 members of the Board of Directors including 4 independent directors. The percentage of the independent directors in the Board of Directors is 57%. The independent directors of AVTECH Corporation are all in compliance with the regulations established by Securities and Futures Bureau of Financial Supervisory Commission R.O.C. (Taiwan). The qualifications of independent directors are shown as follows:

Name of Independent Director	I-Chen Tsai	Chih-Ming Wang	Chia-Wei Lai	Chin-Ling Chung
Independent director qualifications				
I. None of the following circumstances applies:				
1. The independent director meet or met any of the requirements specified in Article 30 of the Company Act.	None	None	None	None
2. The independent director was, as a government agency or a juristic person or a representative of any of them, elected pursuant to Article 27 of the Company Act.	None	None	None	None
II. The independent director was or is not any of the following during the two years before being elected:				
1. An employee of the Company or any of its affiliates.	None	None	None	None
2. A director or supervisor of the Company or any of its affiliates.	None	None	None	None
3. A natural-person shareholder who held or holds shares, together with those held by his/her spouse, minor children, or held by the person in others' names, in an aggregate amount of one percent or more of the total issued shares of the Company or was or is ranked as one of the top-ten shareholders.	None	None	None	None
4. A spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of a managerial officer under Item 1 or any of the persons under Items 2 and 3.	None	None	None	None
5. A director, supervisor or employee of any corporate shareholder that directly holds at least 5% of the total shares issued by the Company, or that is ranked as one of the top-five shareholders of the Company, or that has appointed a representative as a director or supervisor of the Company pursuant to Article 27, Paragraph 1 or 2 of the Company Act.	None	None	None	None
6. If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.	None	None	None	None
7. If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director, supervisor, or employee of that other company or institution.	None	None	None	None
8. A director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution with any of the following (1)-(4) conditions that has a financial or business relationship with the Company.				
(1) It holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company.	None	None	None	None
(2) It holds shares, together with those held by any of its directors, supervisors, and shareholders holding more than 10 percent of the total number of shares, in an aggregate total of 30 percent or more of the total number of issued shares of the Company, and there is a record of financial or business transactions between it and the Company. The shareholdings of any of the aforesaid persons include the shares held by the spouse or any minor child of the person or by the person under others' names.	None	None	None	None

Independent director qualifications	Name of Independent Director			
	I-Chen Tsai	Chih-Ming Wang	Chia-Wei Lai	Chin-Ling Chung
(3) It and its group companies are the source of 30 percent or more of the operating revenue of the Company.	None	None	None	None
(4) It and its group companies are the source of 50 percent or more of the total volume or total purchase amount of principal raw materials (those that account for 30 percent or more of total procurement costs, and are indispensable and key raw materials in product manufacturing) or principal products (those accounting for 30 percent or more of total operating revenue) of the Company.	None	None	None	None
III. The number of other public companies where the member also serves as an independent director does not exceed three.	None	None	None	None
IV. The current independent director, upon nomination, has submitted a list of candidates for independent directorship in accordance with Article 5, Paragraph 3 of the "Regulations Governing the Appointment and Compliance Matters of Independent Directors of Publicly Issued Companies." After evaluation by the board of directors to ensure compliance with the qualifications required for independent directors, the list has been submitted to the shareholders' meeting for election. In handling the aforementioned matters, the qualification documents of the independent director candidates are submitted to the board of directors to confirm their compliance, thus implementing the responsibilities of corporate governance oversight. °	None	None	None	None

2.2.2 Management Team Information

2023/04/23 Unit: 1000 shares

Position	Nationality	Gender	Name	Inauguration Date	Shareholding		Currently holding shares of spouses and minor children		Shareholding by Nominee Arrangement		Main experience (education background)	Concurrent positions at other companies	Managers who are Spouses or Within Two Degrees of Kinship		
					Number	%	Number	%	Number	%			Title	Name	Relation
General Manager (doubled by Chairman)	Republic of China	Male	Shih-Chung Chen	2003.5.5	180,300	0.23%	-	-	-	-	Master of Mechanical and Materials Engineering, Tatung University Project Manager, First International Computer Sales Manager, Bao Rui Ming Corporation	Director of Chieftron International Inc.	-	-	-
R&D Manager	Republic of China	Male	Ming-Sheng Cheng	2023.10.11	-	-	-	-	-	-	Master of Computer Science and Engineering, National Yang Ming Chiao Tung University Assistant Manager of R&D Department, AVTECH		-	-	-

											Corporation Assistant Manager of R&D Department, MAGNETOX (TAIWAN) Inc.				
Manager of Finance doubling as Chief of Accounting Department	Republic of China	Female	Min-H ui Lin	2006.3.7	3,658	0.00%	-	-	-	-	Bachelor of Accounting, Chinese Culture University Auditor of KPMG in Taiwan	-	-	-	-
Audit Manager	Republic of China	Female	Tung- Hsia Chang	2010.4.28	-	-	-	-	-	-	Bachelor of Statistics, National Taipei University Section Manager of Accounting, AVTECH Corporation Section Manager of Cost Accounting, I-CHIA Technologies, Inc.	-	-	-	-

Note1: In recent years, our company has adopted a horizontal expansion business strategy. The former Chairman concurrently serves as the General Manager to maintain organizational stability during the exploration phase of the third business group.

2.3 Remuneration paid to Directors, Supervisors and management team in the most recent fiscal year (2023)

2.3.1 Remuneration of Directors and Independent Directors

Unit: NTD thousand

Title	Name	Compensation of Directors								Amt&Percent of A B, C and D to net profit after tax		Relevant remuneration of part-time personnel								Amt&Percent of A, B, C, D, E, F and G to net profit after tax		Is there any remuneration from other invested businesses apart from subsidiaries
		Remuneration A) Note1)		Retirement allowance (B)		Remuneration from distribution of earnings (C) (Note2)		Business execution expenses (D) (Note3)				money award and special expenses etc. (E) (Note4)		Retirement allowance (F) (Note5)		Employee profit sharing from earnings distribution (G) (Note6)						
		The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	Cash dividends	Stock dividends	Cash dividends	Stock dividends	The Company	All companies within the consolidated financial statement		
Chairman	Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	-	-	-	-	199	199	100	100	299 0.5%	299 0.5%	1,200	1,200	-	-	800	0	800	0	2,299 3.92%	2,299 3.92%	None
Director	Chun-Ju Huang	-	-	-	-	199	199	100	100	299 0.5%	299 0.5%	-	-	-	-	-	-	-	-	299 0.5%	299 0.5%	None
Director	Cheng-Mou Wu	-	-	-	-	199	199	100	100	299 0.5%	299 0.5%	-	-	-	-	-	-	-	-	299 0.5%	299 0.5%	None
Independent Director	I-Chen Tsai	-	-	-	-	199	199	100	100	299 0.5%	299 0.5%	-	-	-	-	-	-	-	-	299 0.5%	299 0.5%	None
Independent Director	Chih-Ming Wang	-	-	-	-	199	199	100	100	299 0.5%	299 0.5%	-	-	-	-	-	-	-	-	299 0.5%	299 0.5%	None
Independent Director	Chia-Wei Lai					199	199	100	100	299 0.5%	299 0.5%									299 0.5%	299 0.5%	None
Independent Director	Chin-Ling Chung					199	199	100	100	299 0.5%	299 0.5%									299 0.5%	299 0.5%	None

1. The remuneration paid by the Company to directors includes remuneration provided in accordance with the Company's Article of Association and is subject to the approval of the Remuneration Committee and the Board of Directors. As the fixed members of the Audit Committee, the remuneration paid to the independent directors are different from the directors considering the responsibilities, risks and time devoted they should take.

2. Except as disclosed in the above table, the remuneration received by the directors of the Company in the most recent year(2022) for providing services (such as serving as a consultant to non-employees of the parent company / all companies listed in the financial report / reinvestment enterprises, etc.): None

Range of Remuneration for Directors

Range of remuneration paid to directors	Name of Directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies involved in financial statement	The Company	All companies involved in financial statement
Under NT\$ 1,000,000	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, Hong-Jhih Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, Hong-Jhih Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung	Shih-Chung Chen (Rep of Chun-Yi Investment Co., LTD), Chun-Ju Huang, Cheng-Mou Wu, Chih-Ming Wang, Hong-Jhih Wang, I-Chen Tsai, Chia-Wei Lai, Chin-Ling Chung
NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (excluded)			Chun-Yi Investment Co., LTD Rep: Shih-Chung Chen	Chun-Yi Investment Co., LTD Rep: Shih-Chung Chen
NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (excluded)				
NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (excluded)				
NT\$ 5,000,000 (included) ~ NT\$ 10,000,000 (excluded)				
NT\$ 10,000,000 (included) ~ NT\$ 15,000,000 (excluded)				
NT\$ 15,000,000 (included) ~ NT\$ 30,000,000 (excluded)				
NT\$ 30,000,000 (included) ~ NT\$ 50,000,000 (excluded)				
NT\$ 50,000,000 (included) ~ NT\$ 100,000,000 (excluded)				
Over NT\$ 100,000,000	-	-	-	-
Total	2,093 thousand	2,093 thousand	4,093 thousand	4,093 thousand

Note1: The remuneration to the directors in the most recent fiscal year (including the salary paid to directors, additional allowance, retirement allowance, bonus, etc

Note2: The remuneration paid to the directors approved by the Board of Directors but not yet submitted to the Shareholders' Meeting in the most recent fiscal year

Note3: The expenses for execution of business in the most recent fiscal year (including transportation allowance, special payment, dormitory and vehicle offering, etc)

Note4: The remuneration paid to the directors doubling as the Company's employees (such as the general manager, deputy general manager, other managerial officers, etc), including monthly salary, additional allowance, retirement allowance, bonus, transportation allowance, special payment, dormitory and vehicle offering, etc.

Note5: There's no retirement allowance paid to the directors, or there's no expense recognition of the retirement allowance paid to the directors.

Note6: For the remuneration (including stock dividends and cash dividends) paid to the directors doubling as the Company's employees (such as general manager, vice general manager, other managers, etc) in the most recent fiscal year, the earning distribution as dividends to employees according to the resolution of the Board of Directors (not yet submitted to the Shareholders' Meeting) in the most recent fiscal year should be exposed.

2.3.2 Remuneration of Supervisors

The Company has established the Committee of Audit to replace supervisors.

2.3.3 Remuneration paid to the management team

Unit: NTD thousand

Title	Name	Remuneration (A) (Note1)		Retirement Allowance (B) (Note2)		Money award and special payment etc. (Note3)		Earning distribution as dividends for personnel (D) (Note4)				Amt&Rate of total amount of A, B, C and D to pure profits after tax (%)		Remuneration from other invested businesses apart from subsidiaries
		The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company	All companies within the consolidated financial statement	The Company		All companies within the consolidated financial statement		The Company	All companies within the consolidated financial statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
General Manager	Shih-Chung Chen	1,200	1,200	-	-	-	-	800	0	-	-	2,000 3.41%	2,000 3.41%	None

Range of Remuneration for Directors

Range of remuneration paid to management team	Name of Management Team	
	The Company	All companies involved in financial statement
Under NT\$ 1,000,000	-	-
NT\$ 1,000,000 (included) ~ NT\$ 2,000,000 (excluded)	-	-
NT\$ 2,000,000 (included) ~ NT\$ 3,500,000 (excluded)	Shih-Chung Chen	Shih-Chung Chen
NT\$ 3,500,000 (included) ~ NT\$ 5,000,000 (excluded)	-	-
Total	2,000	2,000

Note1: The monthly salary, additional allowance, retirement allowance paid to the management team in the most recent fiscal year

Note2: There's no retirement allowance paid to the general manager and the deputy general manager, or no expense recognition of the retirement allowance paid to the general manager and the deputy general manager.

Note3: The bonus, transportation allowance, special payment, dormitory and vehicle offering, etc and other remunerations paid to the management team

2.3.4 Employee profit sharing granted to the management team

2023 Unit: NTD 1000

	Title	Name	Stock Dividends	Cash Dividends (Note)	Total	Proportion of total amount to net profits after tax (%)
Manager	Chairman doubling as General Manager	Shih-Chung Chen	0	2.203	2.203	3.8%
	R&D Manager	Ming-Sheng Cheng				
	Manager of Finance doubling as Chief of Accounting Department	Min-Hui Lin				
	Audit Manager	Tung-Hsia Chang				

Note: No earning distribution to employees in 2023.

2.3.5 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

- a) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the past two fiscal years

Title	Ratio of total remuneration in 2023 to net income after tax	Ratio of total remuneration of all the companies in the consolidated statements in 2023 to net income after tax	Ratio of total remuneration in 2022 to net income after tax	Ratio of total remuneration of all the companies in the consolidated statements in 2022 to net income after tax
Director	3.57%	3.57%	2.8%	2.8%
General Manager and Deputy General Manager	3.41%	3.41%	2.11%	2.11

- b) The remuneration policy is to provide compensation based on the contribution of the position to the company's operation performance. The procedure for setting compensation includes determining the total amount based on the company's profit in the most recent fiscal year and considering the contribution of the position (employee) to the company's operation performance based on the company's evaluation system.

2.3.6 Procedures for payment and relevance with operation performance and future risks

According to the Company's Articles of Incorporation, Article 18, the remuneration to the directors shall not over 1% of the profits of the most recent fiscal year and its allocation to the directors shall be based on the operation performance of the Company and the their contributions to the Company. The policy for the remuneration of the General Manager is to provide compensation based on the Company's Executive Compensation Management Regulations and the salary levels of the position in the industry market, the job scope of the position within the company, and the contribution of the position to the company's operation performance.

The procedure for setting compensation is based on the Company's Performance Evaluation Regulations of the Board of Directors and the Directors' Compensation Management Regulations. In addition to considering the overall operation performance of the company, future business risks and development trends in the industry, individual performance achievement rates and contributions to the company's performance are also taken into account to provide reasonable compensation.

The performance evaluations and the reasonableness of the compensation are reviewed by the Remuneration Committee and the Board of Directors, and the compensation system shall be reviewed

based on actual business conditions and relevant laws and regulations, in order to achieve a balance between sustainable business operations and risk management for the company.

2.4 Implementation of corporate governance

2.4.1 Information on implementation of Board of Directors

Four meetings were held by the Board of Directors in 2023 (A) with their attendance shown as follows:

Title	Name	Attendance in person B	By proxy	Attendance rate in person % 【 B/A 】	Remarks
Chairman	Rep of Chun-Yi Investment Co., LTD: Shih-Chung Chen	5	0	100%	2021.08.25 re-elected
Director	Chun-Ju Huang	5	0	100%	2021.08.25 re-elected
Director	Cheng-Mou Wu	5	0	100%	2021.08.25 re-elected
Independent Director	Chih-Ming Wang	5	0	100%	2021.08.25 re-elected
Independent Director	I-Chen Tsai	5	0	100%	2021.08.25 re-elected
Independent Director	Chia-Wei Lai	5	0	100%	2021.08.25 elected
Independent Director	Chin-Ling Chung	5	0	100%	2021.08.25 elected

A. Other noteworthy matters:

1. If any of the matters specified in Article 14-3 of Taiwan's Securities and Exchange Act occurs, and other matters involving objection or expressed reservation by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

None

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

None

3. Measures taken to strengthen the functionality of the board:

The Company has chosen 4 independent directors as members of Audit Committee (members added from 3 to 4 by Aug. 25th, 2022) to strengthen the internal control system.

B. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

1. Meeting Date for Board of Directors: Mar. 29th, 2023

Contents of Motion: Remuneration proposal for the management team

Director in conflict of interest: Shih-Chung Chen

Causes for avoidance and voting:

According to the Company Law, Article 206, the director, Shih-Chung Chen, is not allowed to join the vote for the motion. The motion is voted and approved by the rest of the other directors.

2. Meeting Date for Board of Directors: Nov. 8th, 2023

Contents of Motion: Remuneration proposal for the management team

Director in conflict of interest: Shih-Chung Chen

Causes for avoidance and voting:

According to the Company Law, Article 206, the director, Shih-Chung Chen, is not allowed to join the vote for the motion. The motion is voted and approved by the rest of the other directors.

C. The Board of Directors Evaluation and Implementation
Implementation of self-assessment for the Company's Board of Directors, Individual Board Members, and Functional Committee

Evaluation Frequency	Evaluation Period	Evaluation Scope	Evaluation Method	Content of Evaluation
Annually	2023/1/1 to 2023/12/31	Including the performance evaluation of the board of directors, directors and functional committees	Self-evaluation of the performance of board of directors, directors and functional committees	<p>(1) Self-evaluation of the board of directors: The degree of participation in the company's operations, improvement of board decision quality, the composition and structure of the board of directors, the selection and continuing education of directors, internal control</p> <p>(2) Self-evaluation of the individual directors: Understanding of the Company's goals and mission, awareness of directors' duties, the degree of participation in the company's operations, internal relationship management and communication, continuing education of directors, and internal control</p> <p>(3) Self-evaluation of the functional committees: The degree of participation in the company's operations, awareness of the functional committees' responsibilities, improvement of board decision quality, functional committee composition and member selection, and internal control</p>

The assessment's result of 2023 has been reported to the Board of Directors by Mar. 13th, 2023, and the performance assessments to the Board of Directors, individual directors and functional committees are approved by the members of the Board.

D. Measures taken to strengthen the functionality of the board:

1. The members for independent directors are 4 by Aug. 25th, 2021.
2. Enhancing information transparency: A specific person is designated to collect and disclose all information required by law to enhance information transparency.

2.4.2 Information on implementation of Audit Committee

Four meetings were held by the Audit Committee in 2023 (A) with the attendance of independent directors shown as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance in person (%) (B/A)	Remarks
Independent Director	I-Chen Tsai	5	0	100%	2021.08.25 re-elected
Independent Director	Chih-Ming Wang	5	0	100%	2021.08.25 re-elected
Independent Director	Chia-Wei Lai	5	0	100%	2021.08.25 elected
Independent Director	Chin-Ling Chung	5	0	100%	2021.08.25 elected

Other noteworthy matters:

A) Matters specified in Article 14-5 of the Taiwan's Securities and Exchange Act:

Date of Meeting	Meeting Sessions	Contents of motion	Response to the Audit Committee's opinion
2023/3/29	1 st meeting in 2023	1. Proposition and recognition on the 2022 financial statements	Approved by all members in Audit Committee
		2. Review and approval on 2022 earning distribution	
		3. Review and approval on 2022 cash dividends distribution	
		4. Review and approval on the establishment of the procedures for fund loaning and endorsement / guarantee	
		5. Review and approval on 2022 statement of internal control	
		6. Review and approval on board meeting rules of procedure	
		7. Review and approval on the modifications of the rules of procedures for the company's shareholders meetings	
		8. Review and approval on the acquisition of overseas corporate bonds	
		9. Review and approval on the audit procedures for pre-approval of non-assurance services provided by the signing accountant	
2023/5/10	2 nd meeting in 2023	1. Recognition on the consolidated financial statement of the 1 st quarter of 2023	
		2. Review and approval on the revision of internal control system	
2023/8/9	3 rd meeting in 2023	1. Recognition on the consolidated financial statement of the 2 nd quarter of 2023	
		2. Review and approval on the acquisition of WK shares	
2023/8/12	4 th meeting in 2023	1. Review and approval on the Chieftron 's reduction of stake in AVT case	
2023/11/8	5 th meeting in 2023	1. Review and approval on the consolidated financial statement of the 3 rd quarter of 2023	
		2. Review and approval on 2023 audit plan	
		3. Review and approval on the information security operational procedures	
		4. Review and approval on the establishment of information security manager and responsible personnel	
		5. Review and approval on the abandonment of subscription for cash capital increase of AVT	

Resolutions passed by two-thirds of all Directors but without approval of the Audit Committee except for the preceding item: None

B. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

C. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.): The audit reports are submitted

regularly by the Company's audit department to independent directors and no significant matters of poor communication occur.

2.4.3 The difference between the corporate governance implementation and the Corporate Governance Best Practice Principles for TWSE/GTSM-Listed Companies and reasons:

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
1. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	V		Already done and followed after the 1 st meeting of the Board of Directors in 2017	Not Applicable
2. The Company's equity structure and shareholders' equity				-
2.1 Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures?	V		A spokesperson system has been established and a specialist has been appointed to handle related issues. The Company the major shareholders are staying in contact.	Not Applicable -
2.2 Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	V		The Company always keeps an eye on the shareholding status of directors, managerial officers and major shareholders holding more than 10% of the shares.	Not Applicable -
2.3 Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?	V		The affiliated companies are all working independently and the Company has established the operation, business and financial transaction regulations with related parties, specific companies and group enterprises.	Not Applicable
2.4 Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	V		The Company has established the prevention of insider trading management procedures to regulate all employees, managerial officers and directors of the Company, and anyone who has access to information about the Company based on their profession or control relationship. Any actions that may involve insider trading are prohibited and internal education training and reminding on this are regularly provided.	Not Applicable
3. Composition and responsibilities of the Board of Directors				
3.1 Has the Board of Directors formulated and implemented a diversity policy on membership and specific management objectives?	V		The Company has 4 independent directors who are elected based on their expertise as well as their ethical conduct and leading reputations. Their expertise, operational judgement and professional skills in different fields can offer diversified strategies and implementation plans for the Company.	Not Applicable
3.2 In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the Company voluntarily set up other functional committees?	V		The main responsibility of the Board of Directors is to supervise, guide and evaluate the performance of the business management team and to appoint or dismiss managerial officers. Regular meetings are held yearly for performance evaluations.	Not Applicable
3.3. Has the Company established measures for evaluating the performance of the Board of Directors and its evaluation method, conducts performance evaluation annually and regularly, and submits to the Board of Directors for reference of individual director's salary, bonus, and a nomination for reappointment?	V		The CPAs are evaluated regularly by the Audit Committee and the Board of Directors to ensure their independence.	Not Applicable
3.4 Does the Company regularly evaluate the independence of the attesting CPAs?	V			Not Applicable
4. Does the Company as a listed company have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors in complying with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings, etc.)?	v		The Department of Finance of the Company is also appointed to be responsible for corporate governance to handle matters related to corporate governance and the Board of Directors.	Not Applicable -

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	V		A) A spokesman, stock affairs manager and specialist are appointed by the Company to build a complete communication channel and offer real-time service to respond and answer calling from stakeholders. B) A related communication channel has been established on the Company's official website to respond important corporate social responsibility issues that are of concern to stakeholders.	Not Applicable Not Applicable
6. Has the Company appointed a professional stock affairs agency to handle matters for shareholders' meetings?	V		The Company has appointed the CTBC Bank as the professional stock affairs agency to handle matters for shareholders' meetings.	Not Applicable
7. Information disclosure 7.1 Has the Company set up a website to disclose finance and business matters and corporate governance information?	V		The webpage, "Investors", are built on the Company' official website, and the financial information of the Company are disclosed on TWSE MOPS as regulated by related laws..	Not Applicable
7.2 Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for collecting and disclosing Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?	V		The related department has been set and managed by a specialist appointed by the Company. The spokesman system is also established.	Not Applicable
7.3 Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year, and the financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?	V		All information is disclosed on TWSE MOPS as regulated by related laws.	Not Applicable
8. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policy and risk measurement standards, implementation of customer policy, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		A. Rights for employees: 1. Right to work: Relevant government laws and regulations are complied to offer fair and open opportunities for job applications, except when there are significant differences or obvious unsuitability between the job requirements and the applicant's capabilities. The reward and punishment systems are detailed established to provide fair and transparent channels for employee promotion and reward and punishment measures. 2. Excellent workplace culture: The prevention measures for sexual harassment are clearly defined and strictly enforced, and the Act of Gender Equality in Employment Act is followed. 3. Safe working environment: The Labor Safety and Health Committee is established to ensure the regulations of labor safety and health are strictly followed and enforced. 4. The Labor Standards Act is followed to protect the basic rights for employees and is used to expand or improve and related regulations of the Company to enhance the welfare and rights of the employees. B. Care for employees: The welfare Committee is established to handle related affairs. C. Investor Relations: A specialist is appointed to handle the investor-related affairs. D. Supplier Relationship: Contracts are made between the Company and each of our suppliers to protect each other's rights and	Not Applicable

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
			<p>clarify the responsibilities both parties should take.</p> <p>E. Relations with stakeholders: Related trading principles are established between the Company and the stakeholders and disclosed by law.</p> <p>F. Continuing education of directors: The "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" is followed have the directors attending related courses.</p> <p>G. Execution of risk management policy and risk measuring standards: Various internal regulations are established legally for various risk management and evaluation.</p> <p>H. Execution of customer policies: Liability insurance has been covered to protect our customers.</p> <p>I. Liability insurance for the Company's directors: Liability insurance has been covered for customers.</p>	
9. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved			The English versions of Notice of Annual Meeting and Handbook for the shareholders' meeting are prepared and the webpage, "Investors", is updated to improve the service to shareholders.	

If the company has established corporate governance principles and related regulations, please disclose the method for accessing them: Not applicable.

2.4.4 Remuneration Committee

A. Members of Remuneration Committee

	Professional Knowledge and Experience	Independence Attribute	Concurrent independent director position in other publicly traded companies
Independent Director / I-Chen Tsai	MBA, Ohio State University in USA	Comply with the conditions in (1)	1
Independent Director / Chih-Ming Wang	MBA, Chinese Culture University VP of Finance, Turbocomm Tech. Inc. (public-listed) Senior Manager of Finance, HTC Corporation	Comply with the conditions in (1)	-
Independent Director / Chia-Wei Lai	Master of Tourism, Shin Hsin University General Manager, Surehigh International Technologies, Inc.	Comply with the conditions in (1)	-
Independent Director / Chin-Ling Chung	Master of Accounting, Chung Yuan Christian University VP of HRM, Visual Photonics Epitaxy Co., Ltd	Comply with the conditions in (1)	-

During the two years before being elected or during the term of office, an independent director of a public company may not have been or be any of the following:

- (1) An employee of the Company or any of its affiliates
- (2) A director or supervisor of the Company or its affiliates except for the independent directors of the Company or its parent company who have direct or indirect shareholding of more than 5% of a subsidiary
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings..
- (4) A spouse or relative within the second degree of kinship or lineal relative within the third degree of kindship of any of the persons listed in (1) ~ (3).
- (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (except for the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Except for the company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers

pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Any matters stated in Article 30 of Company Act.

(11) Elected by role of Government, corporate person or its representative regulated in Article 27 of Company Act.

B. Operation Status of the Remuneration Committee

(1) There are 4 members in the Company's Remuneration Committee.

(2) Current Term: From Aug. 25th, 2021 to Aug. 24th, 2024. The Remuneration Committee held two meetings in the recent year (2023). The qualifications and attendance of the Remuneration Committee are listed as follows

Title	Name	Attendance in person (B)	By proxy	Attendance rate in person % (B/A)	Remarks
Chair	I-Chen Tsai	2	0	100%	2021.08.25 re-elected
Member	Chih-Ming Wang	2	0	100%	2021.08.25 re-elected
Member	Chia-Wei Lai	2	0	100%	2021.08.25 elected
Member	Chin-Ling Chung	2	0	100%	2021.08.25 elected

Other noteworthy matters:

1. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None

2. Resolutions of the Remuneration Committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None

3. Meeting Dates of Remuneration Committee

Date of Meeting	Meeting Sessions	Contents of Motion	Resolution
2023/03/29	1 st meeting in 2023	1. Discussion on the approval of 2022 remuneration for employees and directors	Passed by all members
		2. Discussion on 2023 monthly salary for managerial officers	
2023/11/08	2 nd meeting in 2023	1. Discussion on distribution of 2023 remuneration for managerial officers	Passed by all members

2.4.5 Implementation of the Sustainable Development and the Differences of Practice for Sustainable Development of Listed OTC Companies and its Reasons

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
1. Does the company establish a governance structure to achieve sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?		V	The Company hasn't set up a dedicated unit to promote sustainable development. The execution of sustainable development depends on the actual circumstances by the administration department of the Company.	No difference
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations according to the principle of materiality, and formulate relevant risk management policies or strategies? (Note2)		V	The Company hasn't set up a dedicated unit for corporate social responsibility. The execution of corporate social responsibility depends on the actual circumstances by the administration department of the Company.	No difference
3. Environmental issues a) Does the company establish proper environmental management systems based on the characteristics of their industries? b) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? c) Does the company assess the potential risks and opportunities of climate change on its present and future operation, and take measures to respond to climate-related issues? d) Does the company conduct assessment on greenhouse gas, water consumption and waste for the last two years, and establish company strategies for energy conservation and carbon reduction, greenhouse gas reduction, water saving and waste management?	V		1. The general affairs has established a series of regulations for resource management, including the electricity and water usage. For example, indoor lighting will not be turned on if there's sufficient natural light in corridors near windows. 2. Air purification equipment has been installed to emit fumes of the factory's tin smelting process to prevent environment pollution caused by the emissions.	No difference
4. Social issues a) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? b) Does the company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation? c) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? d) Does the company provide its employees with career development and training sessions? e) Does the company comply with relevant regulations and international standards on the health and safety of customers, customer privacy, marketing and labeling of products and	V		1. Relevant labor regulations are strictly followed. The employees' rights to work are protected based on the Act of Gender Equality in Employment and the Act of Sexual Harassment Prevention. 2. Health check is arranged regularly for employees and significant health changes are followed every year. 3. Regular donations are made to charity groups such as Taiwan Fund for Children and Families in Taichung,	No difference

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
<p>services, and formulates relevant policies and procedures to protect consumer rights and handling complaints?</p> <p>f) Does the company formulated and implement supplier management policy, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights?</p>			<p>Taiwan Woman and Children Association, Taiwan Fund for Children and Families in Taipei, Childhood Brain Tumor Association CBTA-Taiwan, and Genesis Social Welfare Foundation. The Company has received a metal from Taiwan Fund for Children and Families.</p> <p>4. This year, there have been no fires.</p>	
<p>5. Does the company compile corporate social responsibility reports or reports that disclose the company's non-financial information based on international CSR compiling standard or guidelines? Is the report accredited from accreditation agency or third-party verification organization?</p>		V	<p>The Company hasn't planned to compile corporate social responsibility reports.</p> <p>The information about the corporate social responsibility is disclosed in the annual report.</p>	No difference
<p>6. If the Company makes its own corporate social responsibilities principles according to the Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: The Company doesn't make its own corporate social responsibilities principles. The execution of corporate social responsibility depends on the actual circumstances by the administration department of the Company.</p>				
<p>7. Any other important information that helps to understand the conduct of corporate social responsibility: A foundation is established and cooperate with the Department of Social Welfare of each cities to offer help by cases, and a fund for emergency medical assistance for employees or their family members is allocated in the budget of the Company's Employee Welfare Committee.</p>				

Note1: If "Yes" is checked for implementation, please specify the important policies, strategies, and measures adopted and their implementation; if "No" is checked, please explain the differences from the "Sustainability Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor" and the relevant policies, strategies and measures to be adopted in the future.

Note2: The materiality principle applies to those environmental, social, and corporate governance issues that significantly impact the Company's investors and other stakeholders.

Note3: Please refer to the best practices examples on the TWSE website for disclosure methods.

2.4.5.1 Climate-related information of listed companies

1. Implementation of climate-related information

Item	Status of implementation				
<p>(I) Describe board and management oversight and governance of climate-related risks and opportunities.</p> <p>(II) Describe how the identified climate risks and opportunities affect the Company's business, strategy and finances (short-term, medium-term, long-term).</p>	<p>(I)The chairman of Avtech has already executed and planned work related to climate change and is expected to establish a Sustainable Development Committee.</p>				
	<p>(II)</p>				
	Risk/ opportunity	Description	Financial impact level	Impact Statement	Response strategies
	Risk 1	Regulations and policies	Direct	Additional sustainability-related norms and regulations.	The organization may increase the cost to meet regulatory demands.
	Risk 2	Greenhouse gas emissions	Direct	Additional cost of greenhouse gas emissions.	In response to norms and regulations, the Company must purchase energy-consuming production equipment, energy-saving facilities or carbon offset purchases, and the operating cost is increased as a result.
Opportunity 1	Promotion of the energy-saving and carbon-reducing production	Direct	In the manufacturing process, work stations are combined to reduce electricity consumption and paper waste.	Reduced electricity and paper usage result in significant decreases in power costs or archiving expenses.	
Opportunity 2	Design of green products	Direct	Green buildings are selling well, and demand for energy-efficient backend equipment such as security and control systems is increasing.	Increasing research and development as well as sales of energy-efficient products.	
<p>(III) Describe the impact of extreme climate events and transition actions on the finance.</p>	<p>(III) There is no corresponding assessment.</p>				

<p>(IV) Describe how identification, assessment and management processes of climate risk are integrated into the overall risk management system.</p> <p>(V) If scenario analysis is used to assess the resilience to climate change risk, the scenarios, parameters, assumptions, and analysis factors used and the major impact on the finance shall be stated.</p> <p>(VI) If there is a transformation plan to manage climate-related risks, describe the contents of the plan, and the indicators and goals used to identify and manage physical and transition risks.</p> <p>(VII) If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.</p> <p>(VIII) If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning schedule, annual achievement progress and other information shall be stated. If carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the information shall be stated. The source and quantity of offset carbon reduction credits or the quantity of RECs shall be stated.</p> <p>(IX) Greenhouse gas inventory and assurance, reduction goals, strategies and specific action plans (to be provided 1-1 and 1-2 separately).</p>	<p>(IV) In order to understand the risks that climate change may bring to the Company, Avtech performs identification and ranking of climate-related risks/opportunities based on Task Force on Climate Related Financial Disclosures (TCFD) to understand what risks/opportunities may have an impact on Avtech. Avtech will refer to climate change research reports of international organizations and combine it with the climate risk and opportunity matrix to incorporate energy conservation, carbon reduction, water conservation and other sustainable management plans in the Company's business policies. Significant impact of relevant risks can be identified through risk identification based on "impact level" and "likelihood of occurrence".</p> <p>(V) There is no corresponding assessment.</p> <p>(VI) There is no corresponding plan.</p> <p>(VII) There is no corresponding plan.</p> <p>(VIII) There is no corresponding plan.</p> <p>(IX) Please refer to 1-1 and 1-2 for details.</p>
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1-1 Greenhouse gas inventory and assurance status in the most recent two years

1-1-1 Information of greenhouse gas inventory

Describe the greenhouse gas emissions (tCO₂e), intensity (tCO₂e/NT\$1 million) and data coverage in the most recent two years

According to the schedule planned by the Financial Supervisory Commission, the Company does not yet need to disclose greenhouse gas inventory information. However, the company follows GRA standards and discloses relevant information in the Corporate Sustainability Report.

1-1-2 Information of greenhouse gas assurance

Describe the assurance status in the most recent two years and up to the publication date of this annual report, including the scope, institution, criteria and opinion of the assurance.

According to the schedule planned by the Financial Supervisory Commission, the Company does not yet need to disclose greenhouse gas assurance information.

1-2 Greenhouse gas reduction goals, strategies and specific action plans

Describe the base year for reduction of greenhouse gases and reduction data, reduction goals, strategies and specific action plans, and achievement status of the reduction goals.

According to the schedule planned by the Financial Supervisory Committee, the Company does not yet need to disclose the goals, strategies and specific action plans of greenhouse gas reduction.

2.4.6 Status of Implementation of Integrity Operation and differences to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and rationale

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>a) Does the company formulate ethical corporate management policy that approved by the board of directors, and declare its policies and procedures in its guidelines and external documents, as well as the commitment from its board and top managerial officers to implement the policies?</p> <p>b) Has the company established an evaluation mechanism to assess the unethical conducts risk, and regularly analyzes and evaluates business activities with high potential unethical conducts, and formulates a precaution plan which at least covered listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>c) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, the commitment to implement the policies, and review the policy regularly?</p>	V		<p>The Company has established Integrity Operation Rules which have been published on the corporate's website to regulate the directors, managerial officers and employees and fulfill integrity operation.</p> <p>Based on the rules, if bribery or corruption is discovered, it should be reported to the audit department. The audit department will conduct an investigation to find the facts. The process will not be disclosed until the facts are clear. Depending on the severity of the situation, the audit department will report to the chairman, general manager, or board of directors. Severe cases will be reported to the Board of Directors for discipline. The most severe punishment will be dismissal of the employee. If there is any loss to the company, legal action will be taken to recover the damages.</p>	None
<p>2. Fulfill operations integrity policy</p> <p>a) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>b) Does the company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and regularly (at least once a year) report to the Board about the implementation of ethical corporate management policy and the plan against unethical conducts?</p> <p>c) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>d) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and audit the implementation of policies of preventing unethical conduct, either by internal auditors or CPAs on a regular basis?</p> <p>e) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>Significant operational policies, investment projects, acquisition and disposal of assets, endorsement guarantees, loans, bank financing, and other matters are evaluated and analyzed by the relevant departments, and implemented after being approved by the board of directors.</p> <p>When executing activities that involve a conflict of interest with one's own job responsibilities, a special report should be submitted to the department's highest supervisor to request permission for the activity or to request recusal from executing the activity that conflicts with one's own job responsibilities.</p> <p>All employees of the Company have signed the non-compete clause and non-disclosure agreement. If anyone takes advantages of their position to obtain confidential information and discloses it, causing harm to the company, the company will seek compensation without hesitation.</p>	None

Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Description	
3. Report System operating status a) Has the company set specific report and reward system to facilitate the report channel and assign appropriate specialist accepting to spot the reported object? b) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases and measures for follow-up? c) Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?	V		The Company's audit department is the channel for reporting the integrity violation cases. It will protect the identity of the whistleblowers and ensure the confidentiality of the content of the report. If the violation is severe, the company may disclose the violator's job title, name, date of violation, details of the violation, and the outcome of the investigation on the internal website.	None
4. Enhance information disclosure a) Does the Company disclose the information of implementation and results of integrity management on its website and the MOPS?	V		The relevant information is disclosed on the Company's official website.	None
5. If the company develops its own integrity operation rules according to the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: No difference.				
6. Other important information for better understanding of the integrity operation The legal department will verify the legality of the transaction counterparties through case-based investigation. For significant or questionable cases, consultation with legal advisors will be made. The finance department will review the transaction based on the accounting principles.				

2.4.7 If the company has established corporate governance guidelines and related regulations, please disclose their inquiry methods:

For our Corporate Governance Best Practice Principles and relevant regulations, please visit our website (<https://www.avtechgroup.com.tw/>)

2.4.8 Other important information helpful for increasing understanding of your company's corporate governance may be disclosed along with the above information: 1. As our business scale grows and the need for control and management of foreign subsidiaries arises, we have continued to review and establish relevant regulations, procedures and internal implementation rules to enhance operational performance and strengthen risk control, with the aim to achieve better implementation of corporate governance. In recent years, following the establishment or amendment of relevant laws and standards by the competent authority in charge of securities, and taking into account practical business needs, Apacer has established the following regulations:

- "Articles of Incorporation",
- "Rules of Procedure for Shareholders' Meetings",
- "Director Election Regulations",
- "Rules of Procedure for Board of Directors Meeting",
- "Procedures for Acquisition or Disposal of Assets",
- "Procedures for Endorsements/Guarantees",
- "Procedures for Loaning Funds to Others",
- "Regulations Governing the Transactions among Related Parties". The following implementation rules have also been established as basis of all internal operations:
- "Procedures for Ethical Management and Guidelines for Conduct",

- “Management Procedures for Handling Material Insider Information and Prevention of Insider Trading”,
- “Subsidiary Management Regulations”,
- “Corporate Governance Best Practice Principles”,
- “CSR Best Practice Principles”,
- “Guidelines for Evaluating the Performance of the Board of Directors”,

2.4.9 Status of Implementation of Internal Control System

- a) Statement of Internal Control System: Please refer to page 229.
- b) An accountant is hired to audit the Company’s internal control system:
None

2.4.10 Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year (up to the printing date of this Annual Report); correction and improvement procedures:

None

2.4.11 Important resolutions made by the Shareholders' Meeting and Board of Directors, during the last year and up to the printing date of this Annual Report

a) The resolutions approved by the Board of Directors during 2023 up to the printing date of this Annual Report:

Date	Important Resolution
2023.3.29	<ol style="list-style-type: none"> 1. Resolution: Recognition of 2022 business report and financial statements 2. Resolution: Date and venue of shareholders' meeting, and shareholder's proposal period 3. Resolution: 2022 earning distribution 4. Resolution: 2022 distribution of cash dividends 5. Resolution: 2022 remuneration to employees and directors 6. Resolution: Additional recognition for procedures of fund loaning and endorsement / guarantee 7. Resolution: 2022 Internal Control System Statement 8. Resolution: The appointment of a corporate governance supervisor 9. Resolution: 2023 Remuneration (monthly salary) to executive offices 10. Resolution: The revision of the board meeting rules 11. Resolution: The revision of the shareholders' meeting rules 12. Resolution: Greenhouse gas inventory and verification schedule planning 13. Resolution: Acquisition of overseas corporate bonds
2023.5.10	<ol style="list-style-type: none"> 1. Resolution: Recognition of Consolidated financial statements for the 1st quarter of 2023 2. Resolution: Proposals submitted to 2023 Shareholders' Meeting 3. Resolution: Revision of internal control systems
2023.8.9	<ol style="list-style-type: none"> 1. Resolution: Review of consolidated financial statements for the 2nd quarter of 2023 2. Resolution: Acquisition of shares in WK Corporation
2023.8.12	<ol style="list-style-type: none"> 1. Resolution: The Chieftron 's reduction of stake in AVT case
2023.11.8	<ol style="list-style-type: none"> 1. Resolution: Review of consolidated financial statement for the 3rd quarter of 2023 2. Resolution: 2023 audit plan 3. Resolution: Establishment of information security operating procedures 4. Resolution: Appointment of a dedicated information security supervisor and personnel 5. Resolution: 2022 remuneration to executive officers 6. Resolution: Abandonment of subscription for cash capital increase of AVT
2024.3.29	<ol style="list-style-type: none"> 1. Resolution: Recognition of 2023 business report and financial statements 2. Resolution: Date and venue of shareholders' meeting, and shareholder's proposal period 3. Resolution: Election of the 10th Board of Directors (including independent directors) and acceptance of shareholder nominations 4. Resolution: Matters regarding the lifting of non-compete clauses for the 10th Board of Directors (including independent directors) should be reported to the shareholders' meeting 5. Resolution: 2023 earning distribution 6. Resolution: 2023 distribution of cash dividends 7. Resolution: 2023 remuneration to employees and directors 8. Resolution: 2023 Internal Control System Statement 9. Resolution: Operational procedures for group enterprises, specific companies, and related party transactions 10. Resolution: Revision of the Audit Committee's organizational regulations 11. Resolution: Revision of the management procedures for preventing insider trading 12. Resolution: Appointment and assessment of independence and suitability of auditors for the year 2024 13. Resolution: Subsidiary Avtech Security reduces capital to offset losses and transfers shares to employees 14. Resolution: 2024 remuneration (monthly salary) for executive officers 15. Resolution: The revision of the board meeting rules

2024.5.8	1. Resolution: Recognition of consolidated financial statements for the 1 st quarter of 2023 2. Resolution: Proposals submitted to 2024 Shareholders' Meeting 3. Resolution: Review of nominations for the 10th Board of Directors (including independent directors) 4. Resolution: Q.S.C. reduces capital to offset losses
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b) Important resolutions approved by the Shareholders' Meeting and the implementation

2022 Shareholders' Meeting is held by June 21th, 2023. The resolutions approved by the shareholders attended and the implementation are as follows:

b.1 Recognition of 2022 Business Report and Financial Statements

Implementation: 2022 Business Report and Financial Statements are recognized. The consolidated revenue of the year is approximately NT\$ 1,231,210,000 and the net profit after tax is approximately NT\$ 106,010,000. The net loss of each share is NT\$ 1.18.

b.2 Recognition of 2022 Earning Distribution

Implementation: Recognition passed and implemented according to the resolution of the Shareholders' Meeting

2.4.12 Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors during the latest year and up to the printing date of this Annual Report:

None

2.4.13 During the latest year and up to the printing date this Annual Report, the Company's chairman, general manager, accounting director, financial director, internal auditors, and R&D supervisor had been dismissed:

None

2.5 Information on Accountants' Fees

Unit: NT\$

CPA Firm	Name of Accountant	Inspection Period	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte Taiwan	Chien-Liang Liu	2023.01.01 ~ 2023.12.31	2,200,000	0	2,200,000	
	Yu-Ling Tsai	2023.01.01 ~ 2023.12.31				

2.5.1 If the non-audit fees paid to the CPA, the CPA's accounting firm and its affiliated enterprises is more than one quarter of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

None

2.5.2 If the CPA Firm is altered and the audit fee in altering year is less than that in the previous year, the amount of the audit fee reduced, percentage and reasons for the reduction of the audit fee shall be disclosed:

None

2.5.3 If the audit fee is reduced by over 10% compared with the previous year, the amount of the audit fee reduced, percentage and reasons for the reduction of audit fees shall be disclosed:

None

2.6 Alternation of CPA

2.6.1 About the Former CPA

Replacement Date	2021.5.5		
Reasons for Replacement	Internal restructuring at the firm		
Describe whether the Company terminated or the CPA did not accept the engagement	Parties	CPA	The Company
	Status	Not Applicable	
	Termination of engagement		
No longer accepted (discontinued) the engagement			
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	✓	
Remarks/specify details:			
Other disclosures (Any matters required to be disclosed under sub-items 4 of Article 10.5.1)	None		

2.6.2 About the Successor CPA

Name of Accounting Firm	Deloitte Taiwan
Name of CPA	Chen-Ming Lee, Chien-Liang Liu
Date of Engagement	2021.5.5
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPA	None

2.6.3 Former CPA's Reply:

Not applicable

2.6.4 About the Former CPA

Replacement Date	2021.11.10		
Reasons for Replacement	Internal restructuring at the firm		
Describe whether the Company terminated or the CPA did not accept the engagement	Parties	CPA	The Company
	Status		
	Termination of engagement	Not Applicable	
No longer accepted (discontinued) the engagement			
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	✓	
	Remarks/specify details:		
Other disclosures (Any matters required to be disclosed under sub-items 4 of Article 10.5.1)	None		

2.6.5 About the Successor CPA

Name of Accounting Firm	Deloitte Taiwan
Name of CPA	Yu-Ling Tsai
Date of Engagement	2021.11.10
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPA	None

2.6.6 Former CPA's Reply: Not applicable

2.7 The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise:

None

2.8 Transfer & pledge of stock equity by directors, supervisors, managerial officers and holders of 10% or more of company shares during the latest year and up to the printing date of this Annual Report

2.8.1 Transfer & pledge of stock equity by directors, supervisors, managerial officers and holders of 10% or more of company shares

Title	Name	2023		Up to Apr. 21 st , 2024	
		Shareholding Increase / Decrease (Note)	Pledged Shares Increase / Decrease	Shareholding Increase / Decrease (Note)	Pledged Shares Increase / Decrease
Chairman	Rep. of Chun-Yi Investment Co., LTD: Shih-Chung Chen	-	-	-	-
Director and Shareholder of more than 10%	Chun-Ju Huang	-	-	-	-
Director	Cheng-Mou Wu	-	-	-	-
Independent Director	I-Chen Tsai	-	-	-	-
Independent Director	Chih-Ming Wang	-	-	-	-
Independent Director	Chia-Wei Lai	-	-	-	-
Independent Director	Chin-Ling Chung	-	-	-	-
General Manager	Shih-Chung Chen	-	-	-	-
Manager of R&D Department	Tsung-Hsien Wang	-	-	-	-
Manager of Finance and Chief of Accounting Department	Min-Hui Lin	-	-	-	-

2.8.2 Information on Equity Transfer

None

2.8.3 Information on Equity Pledge

None

2.9 Information on Relationships among the Top Ten Shareholders

Apr. 21, 2024 Unit: Share

Name	Shareholding		Spouse & Minor Shareholding		Shares Held through Other Parties Shares		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Number	%	Number	%	Number	%	Title / Name	Relationship	
Chun-Yi Investment Co., LTD	22,215,044	27.77%	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin hen	Chairman	
Chun-Ju Huang	8,842,984	11.05%	7,385,781	9.23%	-	-	Chun-Yi Investment Co., LTD	Director	
							Chiao-Sheng Investment Co., LTD	Director	
							Chiao-Tai Investment Co., LTD	Director	
							Ju-Lin Investment Co., LTD	Director	
							An-Hung Investment Co., LTD	Director	
Yi-Lin Che	7,385,781	9.23%	8,842,984	11.05%	-	-	Chun-Yi Investment Co., LTD	Chairman	
							Chiao-Sheng Investment Co., LTD	Director	
							Chiao-Tai Investment Co., LT	Director	
							Ju-Lin Investment Co., LTD	Chairman	
							An-Hung Investment Co., LTD	Chairman	
Chiao-Sheng Investment Co., LTD	3,992,338	4.9%	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin Chen	Chairman	
Chiao-Tai Investment Co., LTD	2,717,165	3.40%	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin Chen	Director	
Tzu-Jung Huang	2,419,005	3.02%	-	-	-	-	Chun-Ju Huang	Relatives Within Two Degrees	

Name	Shareholding		Spouse & Minor Shareholding		Shares Held through Other Parties Shares		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
							Yi-Lin Chen	Relatives Within Two Degrees	
Ju-Lin Investment Co., LTD	1,372,000	1.72%	-	-	-	-	Chun-Ju Huang	Director	
							Yi-Lin Chen	Director	
An-Hung Investment Co., LTD	1,113,000	1.39%	-	-	-	-	Chun-Ju Huan	Director	
							Yi-Lin Chen	Chairman	
Norges Bank	515,588	0.64%							
Kuo-Lung Wen	483,000	0.60%	-	-	-	-	-	-	

2.10 Combined Shareholding Percentage

Reinvestment	Investment by the Company		Direct or indirect control of Directors, Supervisors, or Managerial Officers		Combined Investment	
	Shares	%	Shares	%	Shares	%
Chieftron International Inc.	15,240,000	84.11%	-	-	15,240,000	84.11%
AVTECH Investment Inc.	8,000,000	100%	-	-	8,000,000	100%
AVTECH Security Corporation	9,600,000	96%	-	-	9,600,000	96%
Q.S.C. Industry Co., Ltd.	3,000,000	100%	-	-	3,000,000	100%

IV Company Shares and Fund Raising

1. Company Capital and Shares, Corporate Bonds, Preferred Stocks, Global Depository Receipts (GDR), Warrants for Employees

1.1 Type of Shares

2024/04/21 Unit: 1000 shares

Type	Authorized Capital			Remarks
	Issued Outstanding Shares (Listed Stock)	Non-issued Shares	Total	
Registered Common Shares	80,000	40,000	120,000	—

1.2 Sources of Capital

Year / Month	Issue price (NTD)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Property other than cash offset by the number of shares	Remarks
1996.06	10	500	5,000	500	5,000	Founded	None	—
1998.11	10	2,500	25,000	2,500	25,000	Capital increase by cash	None	—
1999.09	10	6,300	63,000	6,300	63,000	Capital increase by cash	None	—
2000.05	10	40,000	400,000	15,000	150,000	Capital increase 24,000 thousand by cash Capital increase 63,000 thousand by earnings	None	—
2001.10	10	40,000	400,000	25,000	250,000	Capital increase 49,000 thousand by cash Capital increase 48,000 thousand by earnings Capital increase 3,000 thousand by employee bonus	None	—
2002.09	10	40,000	400,000	31,760	317,600	Capital increase 62,500 thousand by cash Capital increase 5,100 thousand by employee bonus	None	2002 JGZYZ No 126761
2003.10	10	60,000	600,000	45,264	452,640	Capital increase 127,040 thousand by cash Capital increase 8,000 thousand by employee bonus	None	JGZYZ No 0920135381
2004.07	10	63,000	630,000	60,775	607,748	Capital increase 147,108 by earnings Capital increase 8,000 thousand by employee bonus	None	JGZYZ No 0930124999

Year / Month	Issue price (NTD)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Property other than cash offset by the number of shares	Remarks
2005.07	10	94,000	940,000	70,891	708,910	Capital increase 91,162.2 thousand by earning Capital increase 10,000thousand by employee bonus	None	JGZYZ No 0940131166
2006.07	10	94,000	940,000	82,775	827,747	Capital increase 106,336.5 thousand by earnings Capital increase 12,500 thousand by employee bonus	None	JGZYZ No 0950133595
2007.07	10	94,000	940,000	90,120	901,196	Capital increase 66,219.7 thousand by earnings Capital increase 7,230 thousand by employee bonus	None	JGZYZ 0960039670
2008.07	10	120,000	1,200,000	100,000	1,000,000	Capital increase 94,625.63 thousand by earnings Capital increase 4,177.91 thousand by employee bonus	None	JGZYZ 0970035370
2017.7	10	120,000	1,200,000	80,000	800,000	Capital decrease 200,000 thousand	None	JGZYZ 1060025173

1.3 Shareholder Structure

2024/04/21

Shareholding Structure	Governments	Financial institutions	Other Institutions	Foreign Institutions & Individuals	Individuals	Treasury Stock	Total
Members	0	1	16	25	12,716	0	12,758
Total Shares Held	0	1,000	31,529,326	1,130,401	47,339,273	0	80,000,000
Shareholding %	0.00%	0.00%	39.41%	1.41%	59.18%	0.00%	100.00%

Note: No shareholding for Mainland China capital investment

1.4 Distribution of Shares

2024/04/21

Shares	No. of Shareholders	Total Shares Held	Shareholding %
1-999	7,643	1,986,649	2.48%
1,000-5,000	4,116	8,389,171	10.49%
5,001-10,000	540	4,163,572	5.20%
10,001-15,000	159	1,983,704	2.48%
15,001-20,000	91	1,635,537	2.04%
20,001-30,000	79	2,025,284	2.53%
30,001-40,000	36	1,277,662	1.60%
40,001-50,000	24	1,132,600	1.42%
50,001-100,000	39	2,752,004	3.44%
100,001-200,000	15	1,868,851	2.34%
200,001-400,000	5	1,326,061	1.66%
400,001-600,000	3	1,401,588	1.75%
600,001-800,000	0	0	0.00%
800,001-1,000,000	0	0	0.00%
Above 1,000,001	8	50,057,317	62.57%
Total	12,758	80,000,000	100.00%

1.5 List of Major Shareholders

2024/04/21

	Name of Major Shareholder	Shares Held	Shareholding%
1	Chun-Yi Investment Co., LTD	22,215,044	27.77%
2	Chun-Ju Huang	8,842,984	11.05%
3	Yi-Lin Chen	7,385,781	9.23%
4	Chiao-Sheng Investment Co., LTD	3,992,338	4.99%
5	Chiao-Tai Investment Co., LTD	2,717,165	3.40%
6	Tzu-Jung Huang	2,419,005	3.02%
7	Ju-Lin Investment Co., LTD	1,372,000	1.72%
8	An-Hung Investment Co., LTD	1,113,000	1.39%
9	Norges Bank	515,588	0.64%
10	Kuo-Lung Wen	483,000	0.60%

1.6 Information on Market Price, Book Value, Earnings Per Share and Dividends

Unit: NTD /1000 shares

Item		Year	2022	2023	Current year to March 31th, 2024
Market Price Per Share	Highest		36.60	31.75	30.7
	Lowest		21.5	24.7	25.3
	Average		24.9	27.08	26.56
Equity Per Share	Before Distribution		29.56	28.9	28.72
	After Distribution		29.21	28.15	-
Earnings Per Share	Weighted average shares before adjustment		80,000	80,000	80,000
	Weighted average shares after adjustment		80,000	80,000	80,000
	Earnings per share		1.18	0.73	0.12
Dividends Per Share	Cash dividend		0.35	0.75 (Note4)	-
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	-	-	-
		Stock Dividends Appropriated from Capital Reserve	-	-	-
	Accumulated Unappropriated Dividends		-	-	-
Investment Return Analysis	P/E ratio (Note 1)		21.1	37.1	-
	Price-dividend ratio (Note2)		71.14 (Note4)	36.11(Note4)	-
	Cash dividend yield (Note3)		0.014 (Note4)	0.028 (Note4)	-

Note1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note3: Cash Dividends Yield Rate = Cash Dividends per Share / Average Market Price

Note4: 2023 Earnings Distribution hasn't been submitted to the shareholders' meeting for resolution.

1.7 Dividend Policy and Execution Status

1.7.1 Dividend Policy

The Company is in a growth stage. By considering the future capital demand and long-term financial planning, over 50% of net earnings will be allocated as stock dividends and cash dividends of not less than 10%.

1.7.2 Distribution of Stock Dividends in 2023

Item		Year	2023 (allocated in 2023)
Dividends Allocation	Cash dividend	Price per share (NTD)	0.75
		Total (thousand)	60,000
	Capital increase by earnings	Price per share (NTD)	0
		Total (thousand)	0
	Total	Price per share (NTD)	0.75
		Total (thousand)	60,000

1.8 Impact of Planned Issuance of Bonus Shares on the Company's Business Performance and Earnings Per Share

Not applicable

1.9 Remuneration to Employees and Directors

a) According to the Corporate Charters, Article 18,

"The profit before tax each year shall be used to compensate the loss from the previous year first before allocating to employees, directors and supervisors. The remaining profit shall be allocated as follow: the remuneration to employees should not be lower than 6%, and the remuneration to directors should not be higher than 1%. The allocated percentage of the remuneration to employees and directors and the remuneration type to employees (stock or cash dividends) shall be resolved by the Board of Directors with no less than two thirds of directors present and approved by more than half of directors attending the meeting, and submitted to the shareholders' meeting for resolution."

b) The basis to estimate the remuneration to employees, directors and supervisors is the number of shares distributed to employees as stock dividends, and how the accounting shall do if the actual amounts differ from the proposed amounts:

If the actual amounts differ from the amounts proposed on the Board of Directors, the differences are recorded in the year of shareholder's resolution as a change in accounting estimate and will not affect the financial statements audited by CPA.

c) Information on the Amount of Remuneration for Distribution Approved by the Board of Directors are as follows:

i) On March 13th, 2024, the Board of Directors approved that the cash dividends distributed to employees shall be NT\$4,370 thousand and to directors shall be NT\$ 1,400 thousand.

ii) Stock dividends to employees are not proposed in 2023.

d) Actual Distribution of the Amount of Remuneration in 2022:

NTD 0 thousand for employee cash dividends, NTD 6,535 for employee stock dividends and NTD 2,093 thousand for director dividends.

1.10 Share Repurchases

None

2. Corporate Bonds (including overseas corporate bonds)

None

3. Preferred Shares

None

4. Global Depository Receipts (GDR)

None

5. Subscription of Warrants for Employees

5.1 The unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the annual report

None

5.2 Name of managers holding warrants for employees and top ten employees in terms of subscription of warrants, and the acquisition status as of the date of publication of the annual report

None

6. Subscription of New Shares for Employee Restricted Stocks

None

7. Issuance of New Shares due to Acquisition of Shares of Another Company

7.1 During the latest year and up to the printing date of this Annual Report, the Company has issued new shares due to acquisition of shares of another company:

7.1.1 The assessment prepared by lead securities underwriter concerning the issuance of new shares due to acquisition of shares of another company within the past quarter:

None

7.1.2 The implementation status of the past quarter. If the progress or benefit of such implementation is not as expected, its impact on shareholders' equity and an improvement plan shall be stated specifically:

Not Applicable

7.2 Any mergers and acquisitions (M&A) resolved on the Board of Directors up to the printing date of this annual report, how the M&A will be executed and the brief information of the company being merged shall be revealed, and how the M&A will affect the benefits of shareholders:

None

7.3 Issuance of New Shares due to Acquisition of Shares of Another Company

None

8. Implementation of fund usage plan

The Company doesn't have any uncompleted issuance plan or completed plan with unrealized benefit within the latest three years

V Operational Highlights

1. Business Content

1.1 Business Scope

1.1.1 Major Business

- a) The manufacture, production, installation, sales and export of CCTV surveillance systems (cameras, recorders and their peripherals), home surveillance systems and auto dialer, access control systems (RFID card readers, fingerprint readers and parking access control systems)
- b) Import / export business
- c) Agent and distributor of the business mentioned in a) and project bidding
- d) Manufacturer of electronic components
- e) Manufacturer of optic equipment
- f) Manufacturer of power generation and distribution equipment
- g) Wholesaler of electronic materials
- h) Wholesaler of precision instrument

1.1.2 Current Product Items

Mobile surveillance systems, network remote surveillance systems, intelligent network camera systems, NVR, H.265 CCTV products and license plate recognition IR cameras.

1.1.3 Revenue Mix

Unit: NTD 1,000

Item \ Year	2022		2023	
	Total Sales Revenue	Sales Percentage	Total Sales Revenue	Sales Percentage
Video surveillance systems	209,050	17%	207,323	18%
Electronic materials	1,022,159	83%	952,198	82%

1.1.4 New Products

Home automation surveillance systems, video transmission / storage / compression systems, wireless video transmission systems, video detection and recognition systems, high-end face and access control systems, and business (home) IoT surveillance systems

1.2 Industry Overview

1.2.1 The Current Status of the Industry and Future Development

AVTECH is the professional manufacturer of CCTV systems. As the growing attention to home and public security privacy, the demands for a variety of surveillance equipment are also increased to bring the sales growth of CCTV devices and systems. The security industry is divided into four areas: CCTV, access control, burglar prevention and intercom, among which CCTV is one of the most important area and has occupied over 60% of the security market.

Product List of Security Industry

Item	Main Products
CCTV	IP (network) camera, color camera, b/w camera, dome camera, wireless camera, board camera, DSP camera, IR camera, lens, monitor, recorder, quad processor, frame multiprocessor, matrix system, peripheral, digital video recorder, remote surveillance system
Access Control	RFID card reader, magnetic card reader, controller, system software, fingerprint reader, palm recognition reader, facial recognition reader, parking lot equipment, magnetic lock, electric lock, password door lock, EAS door system, peripheral, card writer
Burglar Prevention	Wireless / wired main station, dual beam infrared detector, dual-technology sensor, PIR sensor, electronic fence, glass break detector, magnetic contacts, panic button, buzzer, auto dialer, stun gun, gas spray, mini buzzer
Intercom	Intercom, door phone, 3-in-1 intercom

Source: A&S magazine

a) HD CCTV

HD CCTV images can be transmitted without compression and display delay. It's the most ideal technology for the users using analog CCTV systems. They can easily upgrade their systems to have the excellent image quality of HD or even higher definition by using the existing coaxial cables – without replacing the whole system to the IP structure. Simply replace the recorders and cameras and HD CCTV images are ready.

b) DVR

The traditional analog video surveillance system is using tapes for video storage, which is not easy to save and takes a lot of space for storage. It also takes a long time to search and find video footage. The DVR (digital video recorder), nowadays, removes all the disadvantages of what the traditional analog video surveillance system has and is convenient for video search, play, storage and backup. Remote access is also possible for quick checking.

The DVR can be divided into two categories: PC-based and standalone. For PC-based DVRs, they're usually Windows-based or Linux-based devices with 4 ~ 16 video channels. However, the interface design for the standalone DVRs is based on the traditional CVR interface, which is more familiar with the users who are already using the CCTV systems. The images are saved in hard disks and it's allowed to extend the storage capacity by adding external hard disks. Remote access is possible for live display, record and playback.

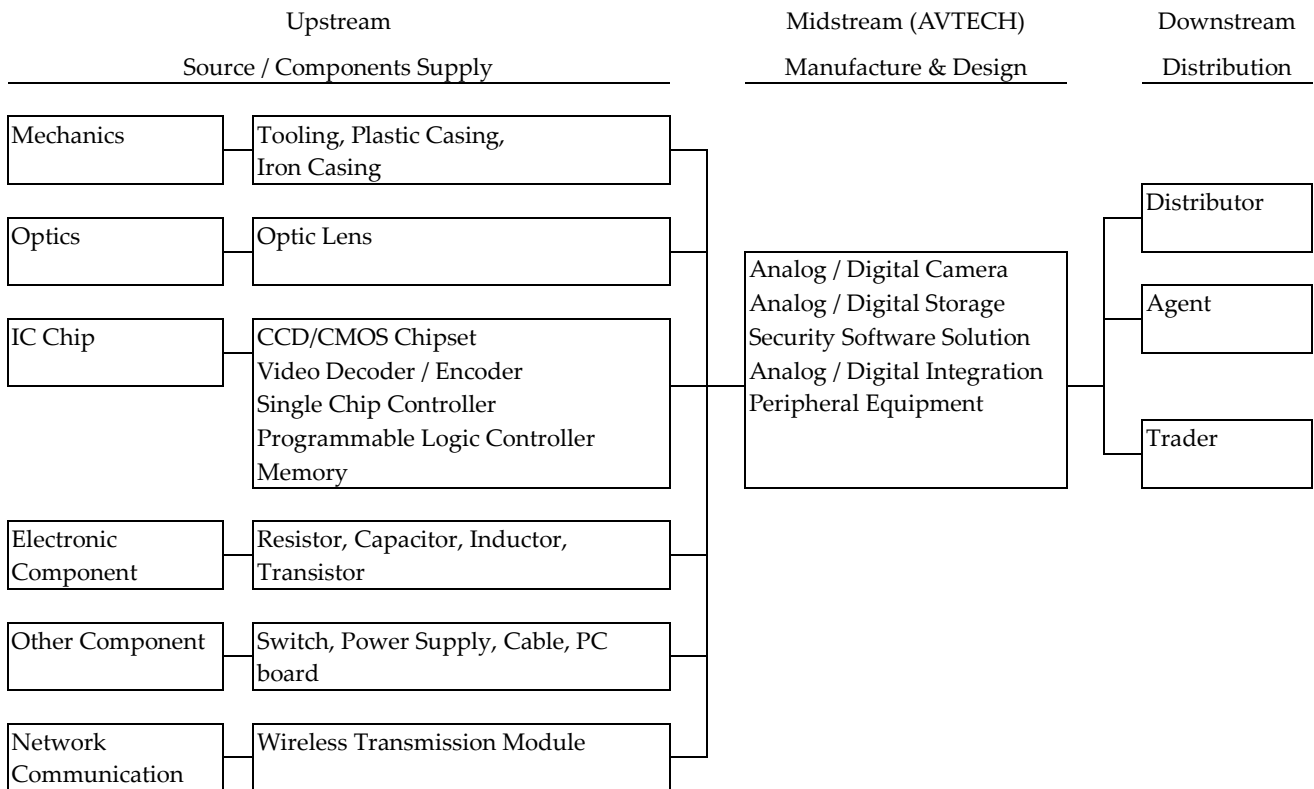
The compression format used by the DVR is evolved from MPEG4 to H.265, which can save over 50% of bandwidth to get quicker transmission and smaller file size. As the video definition demand is going higher and higher, the implementation of H.265 technology is inevitable.

c) IP camera

For remote surveillance, the DVR is designed to equip with the network function. All images are gathered in the DVR and can be transmitted via network.

An IP camera itself is capable of getting online. Users are able to access only one camera remotely to check what they want to see, but not access the recorder first and choose the channel they want. It gives the IP surveillance system great flexibility to build only a single watch or the whole system. It's also open for system integration to be a part of other security systems.

1.2.2 The Industry Value Chain and Relationship



1.2.3 Future Development

a) High definition and low lux implementation

The coming of the digital video era results the high requirements for rapid and precise video capture and transmission. The related devices such as cameras, video processors, video storage and display devices are being pushed to conform to those requirements.

b) Remote surveillance

The Remote surveillance system is consisted of several technologies such as video surveillance, audio/video remote transmission and telecommunication transmission, etc. It's been widely implemented in apartment complex and IoT commercial buildings, either by the LAN or WAN structure.

c) IoT integration

It's also an inevitable trend to integrate the surveillance system with other electronic security systems to offer more practical and convenient applications.

c) Competition

The security industry is now price-sensitive. We need to strongly control the production cost and speed up new features development as well as having adaptability to changes.

1.3 Technology and R&D

1.3.1 Technical and R&D Business

AVTECH has dedicated itself in developing video surveillance related products to satisfy the customers' requirements and rapid changes of the market. AVTECH also has the FAE department to promote our new products, solve technical issues and listen to what the market needs.

1.3.2 Education Degree of R&D Department

Education Degree	Number	Percentage
PhD	0	0%
Master	4	21%
Bachelor	14	74%
Associate	1	5%
Total	19	100%

1.3.3 R&D Expenses for the Most Recent 3 Years

a) R&D Expenses for the Most Recent 3 Years

Unit: NTD 1,000

Item	2021	2022	2023
R&D Expenses	0	0	0
R&D Expenses to Revenue %	0%	0%	0%

b) Successful Product Development for the Most Recent 3 Years

Mobile surveillance software, system integration products, AI-based DVR

1.3.4 Future R&D Development Plans

- a) AI-based camera and storage devices to process and analyze high definition video data
- b) IoT integration and cross industry alliance to extend the applications to other industries and offer more user-friendly and convenient life experiences.

Unit: NTD 1,000

Item	2024	2025	2026
R&D Expenses	20,000	20,000	20,000

1.4 Long and Short-term Business Development Plans

1.4.1 Short-term Business Development Plans

a) Marketing Strategy

We'll find global partners to extend the oversea markets and increase the market share for the video surveillance business. With the complete product lines, competitive pricing and fast delivery as the basis, we'll make sales and marketing strategies to consolidate the partnership with our agents and distributors in each country to promote the AVTECH brand and enhance the popularity in the local markets.

b) Production Strategy

We'll continue to purchase automatic equipment to optimize the production time and speed up the delivery date. We'll also guide our subcontractors to establish their own production and quality control abilities for higher production efficiency.

c) R&D Strategy

For video surveillance, we'll continue to develop and innovate existing products and meanwhile work on the IoT security products, such as the discovering more applications of digital storage and network transmission and developing our own key product features. We'll also focus on developing integration software for large-scaled system integration projects.

d) Business Management

AVTECH plans to establish a complete and flexible organization to build professional teams and recruit professionals for sales, marketing, R&D and business management.

1.4.2 Long-term Business Development Plans

a) Marketing Strategy

For video surveillance, we'll cultivate marketing professionals and build international marketing sites to master the depth and width for local sales. We'll make AVTECH the leading CCTV brand in the world and consolidate the partnership with our OEM / ODM customers.

b) Production Strategy

We'll continue to work on automatic production and analyze product structures to seek the possibility for cost reduction and quality enhancement. The manufacturing capacities will be greatly increased. The production management procedures will also be strictly enforced to ensure the product quality.

c) R&D Strategy

For video surveillance, we'll always keep up on the market trend and develop new products in time to satisfy our customers' needs. We'll also seek the opportunities to integrate the security industry with digitized multimedia and communication industries and keep innovate digital storage and remote surveillance applications. More R&D professionals will also be recruited to keep our R&D capabilities up-to-date.

d) Business Management

AVTECH plans to establish a thorough production and marketing system, reinforce the management group members and cultivate professionals in each area to face the changes of future development. The group members will recognize the corporate culture and share the same values, reaching our goal for sustainable development.

2. Production and Sales Status

2.1 Market Analysis

2.1.1 Core Sales Areas

The main products of AVTECH Corporation are video surveillance systems and their sales areas in 2023 are listed below:

Unit: NTD 1,000

Product	Area	Amount	Percentage
Video Surveillance System	Domestic	151,617	73%
	Asia	31,270	15%
	Others	14,633	7%
	America	4,270	2%
	Europe	5,533	3%
	Total	207,323	100%

2.1.2 Market Share & Competition Niche

a) Market Share

The market share of security control products is not high, and market share is not a suitable measure for customized products. The sales policy for the products is focused on achieving good profitability.

b) Competition Niche

- We have our own R&D department to focus on what the market needs and develop suitable products in advance.
- Based on many years experiences as the agent of electronic components, we're capable of knowing the market trend is turning to which direction and getting the best sources to reduce the production cost. Moreover, we control the R&D, sales and production sources well to maximize the efficiency of product innovation, marketing and production.
- We have complete product lines to satisfy different demands and applications. The product production is also well organized to reach the maximum financial benefits and reduce the production cost. We also have close relationship with our upstream suppliers and SMT subcontractors to speed up product manufacturing and reach the short delivery deadline.
- We also provide ODM / OEM / OBM services.

2.1.3 Future Industry Supply & Demand and Growth

According to the research report conducted by MarketsandMarkets, the scale of the global security market will increase throughout the forecast period at a CAGR of 10% from an estimated USD 65.4 billion in 2015 to USD 105.3 in 2020. The main factor for market growth is the demands from the Asian merging markets.

2.1.4 Business Development Advantages, Disadvantages and Countermeasures

a) Disadvantages and Countermeasures

- Competitive because the security industry is really going places
Countermeasures: Establish a strategic partnership with our customers.
- New products keep going out and the lifecycle of each product is short
Countermeasures: Keep releasing new products with niche to add more values to our products.

a) Advantages

- Professional business management group
We've been in this industry for over 25 years and we're aware of how this industry will go in the future. By well organizing and managing our own R&D, marketing and manufacturing capabilities, our management group is confident that our sales revenue will keep growing.
- International sales & marketing channels
We're having close relationship with many leading suppliers of information, communication, consumer electronics and more cooperations are expected to see based on the principle of mutual benefit.
- Others
We will increase the diversity of our products to attract more medium- / large-sized OEM cases in the future.

2.2 Core Products, Main Applications, and Manufacturing Process

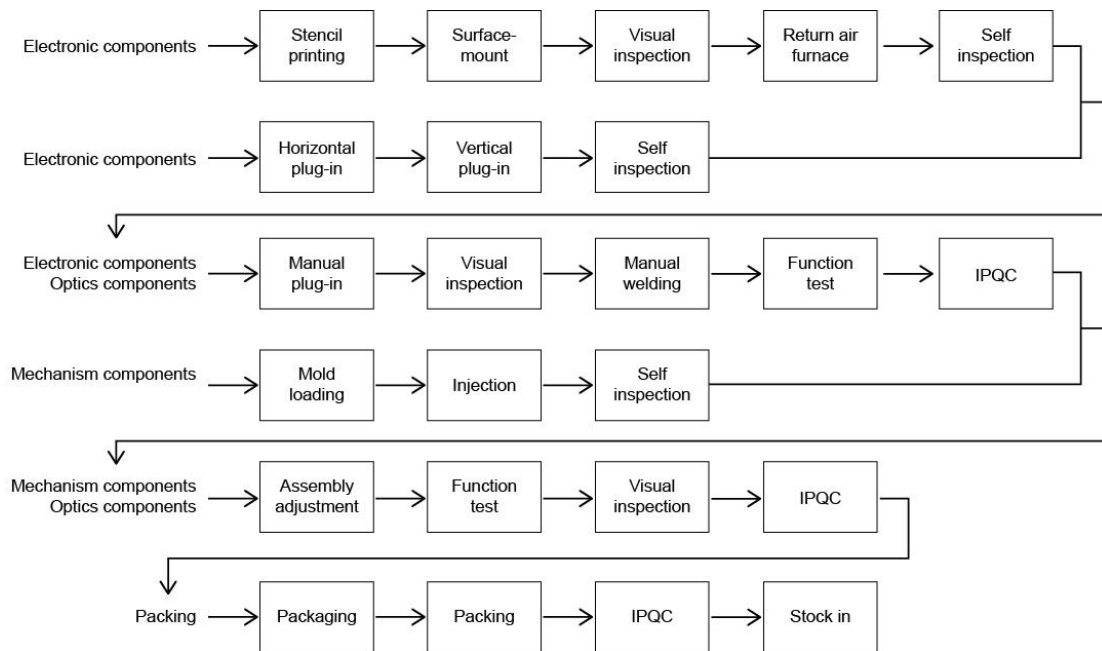
2.2.1 Core Products and Main Applications

Core Products: IP (network) camera, digital storage equipment, surveillance software solution, digital integration peripheral

Main Applications: Safety secured by video transmitting and data processing

2.2.1 Manufacturing Process of Core Products

Core Products: Cameras, Back-end Storage Equipment



2.3 Status of Core Material Suppliers

The core materials of our products are integrated circuits, IC integrated circuits, passive components, PCBs, cables and wires, mechanism, resistor, capacitor, inductor, detectors, etc. Most of them are purchased domestically. The sources and supply are reliable.

2.4 Production and Sales Status

2.4.1 Key accounts in the past two years

Unit: NTD 1,000; %

Item	2022				2023				Up to 1st quarter of 2024			
	Account	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Account	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Account	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer
1	Account B	35,575	17	Subsidiary	Account B	43,468	21	None	Account B	9,947	13.9	None
	Total Net Purchase	209,050	100		Total Net Purchase	207,323	100		Total Net Purchase	71,594	100	

2.4.2 Key vendors in the past two years

Unit: NTD 1,000; %

Item	2022				2023				Up to 1st quarter of 2024			
	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer	Vendor	Amount	Percentage of total Net Purchases (%)	Relationship with the issuer
1	None				None				None			
2												

2.5 Production Value in the Most Recent 2 Years

Unit: NTD 1,000

Quantity & Value	2022			2023		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Major Product						
Video Surveillance Systems	2,500	1,500	250,000	2,000	1,250	230,000
Total	2,500	1,500	250,000	2,000	1,250	230,000

2.6 Sales Value in the Most Recent 2 Years

Unit: NTD 1,000

Quantity & Value	2022				2023			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Major Product								
Video Surveillance Systems	902	156,788	165	52,262	175	151,617	167	55,706
Total	902	156,788	165	52,262	175	151,617	167	55,706

3. Employee Data during the Past Two Years

Year		2022	2023	Up to Apr. 30 th , 2024
Employee Number	Factory	69	50	50
	R&D	26	19	19
	Sales	6	6	6
	Administration	12	13	13
	Total	113	88	88
Average Age		43	43	43
Average Seniority		9.5	11	11
Education Distribution %	PhD	-	-	-
	Master	7%	7%	7%
	Bachelor	41%	46%	46%
	Associate	12%	11%	11%
	Senior High School	40%	31%	31%
	Below Senior High School	0%	5%	5%

4. Information on Environmental Protection Costs

4.1 If a permit to be recognized as pollutant equipment or a permit to be allowed to discharge pollutants should be applied, or a fee should be paid for environmental protection, or an environmental protection supervisor should be hired according to the applicable laws and regulations

None

4.2 Investment of the equipment to prevent environmental pollution, how it works and any possible benefits

None

4.3 Any disputes occurred during the period of improving environmental pollution in the most recent fiscal year and up to the annual report publication date should be stated here.

None

4.4 Disbursements for environmental protection: Any losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

None

4.5 Current pollution status, the influence of improvement on the Company's earnings, competitive position and capital expenditure, estimated major expenditure on environmental protection in the following two years

None

5. Labor Relations

5.1 Welfare Measures and Retirement System for Employees, and Labor Agreement and Implementation

5.1.1 Welfare Measures

The Employee Welfare Committee is founded in March 2000 to deal with a lot of welfare measures such as organizing employee travel and recreational activities.

5.1.2 Retirement System

The Company has formulated the retirement and pension plans for employees according to the Labor Standards Act and the Labor Pension Act. The retirement pension is calculated by the employee's years of service and his or her monthly wage at the time when his or her retirement is approved. For the employees who are qualified for the Labor Pension Act (new system), 6% of the employee's monthly wage should be granted to his/her personal pension fund account.

5.1.3 Labor Agreement and Implementation

None

5.2 Loss suffered from labor disputes in the latest year and up to the printing date of this Annual Report

None

6. Cyber Security Management

6.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

6.1.1 Information and Cyber Security Risk Management Framework

The Information and Cyber Security Risk Management team is responsible for establishing the information and cyber security policy, review regularly and implement the policy strictly to minimize the security risk and improve the security measures.

6.1.2 Information and Cyber Security Policy

- Maintain and ensure every information system working well.
- Prevent attacks from hackers and malicious viruses.
- Prevent intentional and unauthorized access and usage
- Protect confidential information
- Ensure the safety of physical environments
- Review and audit the information and cyber security process regularly to make sure the security policy is strictly enforced.

6.1.3 Concrete Management Programs

Information and cyber security is one of the main items for yearly auditing. The company will check the enforcement of the Information and Cyber Security policy based on the company's internal control system every year and report the result to the board of directors for review. A statement of internal control system will be issued later based on the review result.

6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

	2023	Up to Mar. 31th, 2024
Important Information and Cyber Security Events	None	None

7. Other Important Agreements (still valid and will be expired within a year)

None

VI Financial Standing

1. Most Recent 5-Year Concise Financial Information

1.1 Concise Stand-alone Balance Sheet of Comprehensive Income

Unit: NTD 1,000

Item \ Year		Financial Information for the Most Recent 5 Years (Note1)				
		2019	2020	2021	2022	2023
Current Assets		1,032,037	981,270	995,219	1,019,253	906,505
Net property, Plant and Equipment		701,809	695,097	688,497	682,022	678,901
Intangible Assets		-	-	-	-	-
Other Assets		494,097	518,809	524,721	585,470	682,067
Total Assets		2,227,943	2,195,176	2,208,437	2,286,745	2,267,473
Current Liabilities	Before Distribution	13,867	8,938	10,417	16,400	13,858
	After Distribution	29,867	24,938	38,417	76,400	Note2
Non-current Liabilities		2,355	4,677	6,116	9,843	10,485
Total Liabilities	Before Distribution	16,222	13,615	16,533	26,243	24,343
	After Distribution	32,222	29,615	44,533	86,243	Note2
Equity Attributed to Owners of Parent		2,211,721	2,181,561	2,191,904	2,260,502	2,243,130
Share Capital		800,000	800,000	800,000	800,000	800,000
Capital Surplus		17,461	17,461	17,444	17,722	17,722
Retained Earnings	Before Distribution	1,397,722	1,370,083	1,383,266	1,451,795	1,429,570
	After Distribution	1,381,722	1,354,083	1,355,266	1,391,795	Note2
Other Equity Interests			-	-	-	-
Treasury Shares			-	-	-	-
Non-Controlling Interests			-	-	-	-
Total Equity	Before Distribution	2,211,721	2,181,561	2,191,904	2,260,502	2,243,130
	After Distribution	2,195,721	2,165,561	2,163,904	2,200,502	Note2

Note1: All audited by CPA

Note2: 2023 Earnings Distribution hasn't been submitted to the shareholders' meeting for resolution.

1.2 Concise Balance Sheet and Statement of Comprehensive Income

Unit: NTD 1,000

Item	Year	Financial Information for the Most Recent 5 Years (Note1)					Up to March 31th, 2024 (Note3)
		2019	2020	2021	2022	2023	
Current Assets		1,601,279	1,617,474	1,748,474	1,709,693	1,505,087	1,570,735
Net property, Plant and Equipment		732,414	725,464	719,686	713,282	708,536	706,726
Intangible Assets		-	-	-	-	-	-
Other Assets		104,634	157,134	122,125	111,018	274,618	269,238
Total Assets		2,438,327	2,500,072	2,590,285	2,533,993	2,488,241	2,546,699
Current Liabilities	Before Distribution	146,756	227,087	279,896	137,245	143,952	226,862
	After Distribution	162,756	243,087	307,896	197,245	Note2	Note2
Non-current Liabilities		25,355	27,677	27,742	31,549	32,111	35,486
Total Liabilities	Before Distribution	172,111	254,764	307,638	168,794	176,063	262,348
	After Distribution	188,111	270,764	335,638	228,794	Note2	Note2
Equity Attributed to Owners of Parent		2,211,721	2,181,561	2,191,904	2,260,502	2,243,130	2,212,419
Share Capital		800,000	800,000	800,000	800,000	800,000	800,000
Capital Surplus		17,461	17,461	17,444	17,722	17,722	17,772
Retained Earnings	Before Distribution	1,397,722	1,370,083	1,383,266	1,451,795	1,429,570	1,398,350
	After Distribution	1,381,722	1,354,083	1,355,266	1,391,795	Note2	Note2
Other Equity Interests		-3,462	-5,983	-8,806	-9,015	-4,162	-3,653
Treasury Shares		-	-	-	-	-	-
Non-Controlling Interests		54,495	63,747	90,743	104,697	69,048	71,932
Total Equity	Before Distribution	2,266,216	2,245,308	2,282,647	2,365,199	2,312,178	2,284,351
	After Distribution	2,250,216	2,229,308	2,254,647	2,305,199	Note2	Note2

Note1: All audited by CPA

Note2: Earnings Distribution hasn't been submitted to the shareholders' meeting for resolution.

Note3: Financial statement due March 31th, 2024 is reviewed by CPA.

1.3 Concise Stand-alone Statement of Comprehensive Income

Unit: NTD 1,000

Item \ Year	Financial Information for the Most Recent 5 Years (Note1)				
	2019	2020	2021	2022	2023
Operating Revenue	159,874	43,001	12,111	6,266	4,599
Gross Profit (Loss) from Operations	4,099	-2,211	-1,451	-488	563
Net Operating Income	-77,711	-38,529	-45,141	-57,014	-52,796
Non-Operating Income and Expenses	-15,392	24,135	79,617	157,308	113,393
Profit (Loss) from Continuing Operations Before Tax	-93,103	-14,394	34,476	100,294	60,597
Profit (Loss) from Continuing Operations	-93,103	-14,394	34,476	100,294	60,597
Net Income (Loss)	-92,421	-12,152	30,974	94,571	58,603
Other Comprehensive Income (Income After Tax)	-179	-2,008	-1,565	1,749	4,025
Total Comprehensive Income	-92,600	-14,160	29,409	96,320	62,628
Earnings Per Share	-1.16	-0.15	0.39	1.18	0.73

Note1: All audited by CPA

1.4 Concise Consolidated Statement of Comprehensive Income

Unit: NTD 1,000

Year Item	Financial Information for the Most Recent 5 Years (Note1)					Up to March 31th, 2024 (Note2)
	2019	2020	2021	2022	2023	
Operating Revenue	804,056	1,222,174	1,355,756	1,231,209	1,159,521	225,658
Operating Profit (Loss) from operations	79,309	169,340	226,394	223,402	207,530	39,663
Net Operating Income	-96,595	2,883	32,775	26,859	11,969	500
Non-Operating Income and Expenses	7,577	-3,699	30,585	104,062	77,370	38,861
Profit (Loss) from Continuing Operations Before Tax	-89,018	-816	63,360	130,921	89,339	39,361
Profit (Loss) from Continuing Operations	-87,894	-3,395	43,310	106,005	68,870	31,371
Net Income (Loss)	-87,894	-3,395	43,310	106,005	68,870	31,371
Other Comprehensive Income (Income After Tax)	-349	-1,903	-2,905	2,198	3,533	652
Total Comprehensive Income	-88,243	-5,298	40,405	108,203	72,403	32,023
Profit (loss), attributable to owners of parent	-92,421	-12,152	30,974	94,571	58,603	28,780
Profit (loss), attributable to non- controlling interests	4,527	8,757	12,336	11,434	10,267	2,591
Comprehensive income, attributable to owners of parent	-92,600	-14,160	29,409	96,320	62,628	29,289
Comprehensive income, attributable to noncontrolling interests	4,357	8,862	10,996	11,883	9,775	2,734
Earnings Per Share	-1.16	-0.15	0.39	1.18	0.73	0.36

Note1: All audited by CPA

Note2: Financial statement due March 31th, 2024 is reviewed by CPA.

1.5 CPAs and Their Opinions for Most Recent 5-Years

1.5.1 CPAs and Their Opinions for Most Recent 5-Years

Year	Accounting Firm	Name of CPA	Auditor's Opinion
2019	Deloitte Taiwan	Chen-Ming Lee Wen-Chi Kuo	Unqualified opinion
2020	Deloitte Taiwan	Chen-Ming Lee Wen-Chi Kuo	Unqualified opinion
2021	Deloitte Taiwan	Yu-Ling Tsai Chien-Liang Liu	Unqualified opinion
2022	Deloitte Taiwan	Yu-Ling Tsai Chien-Liang Liu	Unqualified opinion
2023	Deloitte Taiwan	Yu-Ling Tsai Chien-Liang Liu	Unqualified opinion

1.5.2 Reason for Changing CPA

- a) Because of the internal administrative organizational changes of Deloitte Taiwan, the auditors, Chen-Ming Lee and Wen-Chi Kuo, were changed to Wen-Chin Lin and Chien-Liang Liu since the 1st quarter of 2021.
- b) Because of the internal administrative organizational changes of Deloitte Taiwan, the auditor, Wen-Chin Lin was changed to Yu-LingTsai since the 4th quarter of 2021.

2. Most Recent 5-Year Financial Analysis

2.1 Financial Analysis on Consolidated Financial Statements

Item (Note)		Year	Financial Information for the Most Recent 5 Years (Note1)					Up to March 31th, 2024 (Note1)
		2019	2020	2021	2022	2023		
Financial Ratio (%)	Total liabilities to total assets	7.06	10.19	11.88	6.66	7.08	10.3	
	Long-term capital to PP&E	312.88	313.31	321.03	336.02	330.86	328.25	
Ability to Pay off Debt (%)	Current ratio	1,091.12	712.27	624.69	1,245.73	1,045.55	692.37	
	Quick ratio	990.3	624.29	505.55	1073.81	966.51	645.09	
	Interest protection	-	-	-	-	-	-	
Ability to Operate	A/R turnover (times)	4.23	5.06	4.90	4.61	4.85	0.99	
	A/R turnover days	86.26	72.07	74.42	79.17	75.28	368.72	
	Inventory turnover (times)	4.45	6.59	4.59	3.89	6.38	1.95	
	Account payable turnover (times)	8.74	9.27	6.85	8.06	13.89	2.1	
	Days sales outstanding	82.04	55.37	79.53	93.83	57.19	187.45	
	Fixed assets turnover (times)	1.1	1.68	1.88	1.73	1.64	0.32	
	Total assets turnover (times)	0.33	0.49	0.52	0.49	0.47	0.09	
Earning Ability	Return on assets (%)	-3.53	-0.14	1.7	4.13	2.74	1.25	
	Return on equity (%)	-3.77	-0.15	1.91	4.28	2.94	1.36	
	PBT to pay-in capital %	-11.13	-0.1	7.92	16.37	11.17	4.92	
	Net margin (%)	-18.00	-0.28	3.19	8.61	5.94	13.9	
	EPS (Note2)	-1.16	-0.15	0.39	1.18	0.73	0.36	
Cash Flow	Cash flow ratio (%)	-34.88	-14.31	0.59	40.92	151.22	-3.28	
	Cash flow adequacy ratio (%)	52.87	-13.68	-20.98	-41.21	102.52	116.28	
	Cash reinvestment ratio (%)	-3.95	-2.15	-0.65	1.23	6.5	-3.21	
Leverage	Operating leverage	-0.82	58.74	6.91	8.32	17.34	77.49	
	Financial leverage	1	1	1	1	1	1	

The reasons for all financial ratio changes over 20% within the most recent 2 years are as follows:
Operating ability: Actively reducing inventory and paying off debts, thus achieving a good turnover rate.
Earning ability: The profitability declined due to a decrease in net profit.
Cash flow: The operational business is good, and there are no issues with cash flow from operating activities.
Leverage: Due to the decrease in operating profit, the operational leverage has increased.

Note1: The financial statements from 2018 to 2023 are audited by CPA and the financial statement of the 1st quarter of 2023 is reviewed by CPA.

Note2: The EPS for each year has been calculated by adjusting the weighted average shares.

2.2 Financial Analysis on Stand-alone Financial Statements

Item (Note) \ Year		Financial Information for the Most Recent 5 Years (Note1)				
		2019	2020	2021	2022	2023
Financial Ratio (%)	Total liabilities to total assets	0.73	0.62	0.75	1.15	1.07
	Long-term capital to PP&E	315.48	314.52	319.25	332.88	331.95
Ability to Pay off Debt (%)	Current ratio	7,442.4	10,978.63	9,553.8	6,214.96	6,541.38
	Quick ratio	7,174.66	10,810.45	9,496.52	6,200.02	6,541.38
	Interest protection	-	-	-	-	-
Ability to Operate	A/R turnover (times)	8.66	4.55	3.99	2.07	4.29
	A/R turnover days	42.14	84.62	91.44	176.15	85.12
	Inventory turnover (times)	2.19	1.74	1.29	1.61	3.31
	Account payable turnover (times)	38.26	135.77	82.95	127.43	-
	Days sales outstanding	166.68	210.26	282.56	227.11	110.29
	Fixed assets turnover (times)	0.23	0.62	0.02	0.01	0.01
	Total assets turnover (times)	0.07	0.02	0.01	0.00	0.00
Earning Ability	Return on assets (%)	-4.01	-0.55	1.41	4.2	2.57
	Return on equity (%)	-4.06	-0.55	1.42	4.25	2.6
	PBT to pay-in capital %	-11.64	-1.8	4.31	7.13	7.57
	Net margin (%)	-57.81	-28.26	255.75	1,509.27	1,274.26
	EPS (Note2)	-1.16	-0.15	0.39	1.18	0.73
Cash Flow	Cash flow ratio (%)	-28.27	228.71	226.97	88.76	25.31
	Cash flow adequacy ratio (%)	7.45	-29.96	-67.72	-34.15	32.35
	Cash reinvestment ratio (%)	-2.34	0.24	0.46	-0.8	-4.72
Leverage	Operating leverage	-0.52	0.06	0.03	-0.01	-0.01
	Financial leverage	1	1	1	1	1
<p>The reasons for all financial ratio changes over 20% within the most recent 2 years are as follows: Ability to operate: Actively collecting receivables and reducing inventory, resulting in a good turnover rate. Earning Ability: The profitability declined due to a decrease in net profit. Cash flow: The business is not performing well, leading to lower inflows in operating cash flow, and a decline in the cash flow ratio.</p>						

Note1: All audited by CPA

Note2: The EPS for each year has been calculated by adjusting the weighted average shares.

Formula:**(a) Financial Ratio**

1. Total liabilities to Total assets = Total liabilities / Total assets
2. Long-term debts to fixed assets = (Net equity + Long-term debts) / Net fixed assets

(b) Ability to Pay off Debt

1. Current ratio = Current Assets / Current liability
2. Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
3. Interest protection = Net income before income tax and interest expense / Interest expense

(c) Ability to Operate

1. Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable from operation) balance
2. A/R turnover day = 365 / account receivable turnover
3. Inventory turnover = Cost of Goods Sold / the average of inventory
4. Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance
5. Inventory turnover day = 365 / Inventory turnover
6. Fixed assets turnover = Net sales / Net Fixed Assets
7. Total assets turnover = Net sales / Total assets

(d) Earning Ability

1. Return on assets = [PAT + Interest expense × (1 - interest rate)] / the average of total assets
2. Return on equity = PAT / the average of net equity
3. Net income ratio = PAT / Net sales
4. EPS = (PAT - Dividend from prefer stock) / weighted average outstanding shares

(e) Cash Flow

1. Cash flow ratio = Cash flow from operating activities / Current liability
2. Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + the increase of inventory + cash dividend)
3. Cash investment ratio = (Cash flow from operating activities - cash dividend) / (Gross fixed assets + long-term investment + other assets + working capital)

(f) Leverage

1. Operating leverage = (Net revenue - variable cost of goods sold and operating expense) / operating income
2. Financial leverage = Operating income / (Operating income - interest expenses)

3. Up to the Printing Date of this Annual Report, has the Company or Related Companies Experienced Financial Turnover Difficulties

None

4. Audit Committee's Review Report

AVTECH Corporation
Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements, 2023 Business Report and proposal for distribution of 2023 earnings. Of which, the Financial Statements have been audited by Deloitte Taiwan. The Financial Statements, Business Report and proposal for distribution of 2023 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

AVTECH Corporation

Chairman of the Audit Committee: Chih-Ming Wang

Member of the Audit Committee: I-Chen Tsai

Member of the Audit Committee: Chia-Wei Lai

Member of the Audit Committee: Chin-Ling Chung

On the date of March 13th, 2024

5. 2023 Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders AV TECH CORPORATION, LTD.

Audit Opinions

We have audited the accompanying financial statements of AV TECH CORPORATION, LTD. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. 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.

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

Authenticity of specific sales revenue from investment subsidiaries using the equity method

The Company holds subsidiaries invested using the equity method for the year ended December 31, 2023 operating income, the sales income from specific customers of electronic materials is significant to the overall operating income. Therefore, the authenticity of the sales income from these specific customers is listed as a key verification matter.

For explanations of accounting policies related to sales revenue, please refer to Note 4 to the consolidated financial statements.

The main verification procedures performed by our accountants on the authenticity of the specific sales revenue mentioned above are as follows:

1. The design and implementation effectiveness of key internal control systems to understand and test the authenticity of specific sales revenue.
2. Check the transaction documents of specific sales revenue, including shipping documents and payment documents, etc., to confirm that the significant risks and rewards of product ownership have been transferred to the buyer.
3. Check the specific sales revenue and payment collection after the sales period to confirm the rationality of the sales revenue recognition.

Responsibilities of Management and Those Charged with Governance for the 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 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 entities or business activities within the Company to express an opinion on the 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 for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA- Youling Cai CPA- Jianliang Liu

March 18, 2023

Notice to Readers

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

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

AV TECH CORPORATION, LTD.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

Code	ASSETS	2023		2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note 6)	\$ 200,857	9	\$ 520,081	23
1110	Financial assets at fair value through profit or loss (Notes 8 and 28)	3,718	-	3,362	-
1136	Financial assets at amortized cost (Notes 9 and 28)	699,481	31	490,769	22
1150	Notes receivable (Notes 11 and 21)	304	-	-	-
1170	Trade receivables (Notes 11,21 and 29)	538	-	1,303	-
1200	Other receivables (Note 29)	647	-	716	-
1220	Current tax assets (Note 23)	950	-	572	-
130X	Inventories (Note 12)	-	-	2,439	-
1479	Other current assets	10	-	11	-
11XX	Total current assets	<u>906,505</u>	<u>40</u>	<u>1,019,253</u>	<u>45</u>
	NON-CURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28)	50,000	2	-	-
1535	Financial assets at amortized cost - non-current (Notes 9,10 and 28)	60,230	3	-	-
1550	Investments accounted for using the equity method (Note 13)	467,929	20	480,457	21
1600	Property, plant and equipment (Note 14)	678,901	30	682,022	30
1760	Investment properties (Note 16)	65,277	3	65,916	3
1840	Deferred tax assets (Note 23)	19,418	1	20,196	1
1975	Net defined benefit assets (Note 19)	18,994	1	16,182	-
1990	Other non-current assets (Note 17)	219	-	2,719	-
15XX	Total non-current assets	<u>1,360,968</u>	<u>60</u>	<u>1,267,492</u>	<u>55</u>
1XXX	TOTAL	<u>\$ 2,267,473</u>	<u>100</u>	<u>\$ 2,286,745</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2130	Contract liabilities (Note 21)	\$ 614	-	\$ 915	-
2219	Other payables (Note 18)	12,684	1	15,119	1
2220	Other payables to related parties (Note 29)	176	-	272	-
2399	Other current liabilities	384	-	94	-
21XX	Total current liabilities	<u>13,858</u>	<u>1</u>	<u>16,400</u>	<u>1</u>
	NON-CURRENT LIABILITIES				
2570	Deferred tax liabilities (Note 23)	6,751	-	6,133	-
2645	Deposits received	3,734	-	3,710	-
25XX	Total non-current liabilities	<u>10,485</u>	<u>-</u>	<u>9,843</u>	<u>-</u>
2XXX	Total liabilities	<u>24,343</u>	<u>1</u>	<u>26,243</u>	<u>1</u>
	EQUITY (Note 20)				
3110	Ordinary shares	800,000	35	800,000	35
3271	Capital surplus	17,722	1	17,722	1
	Retained earnings				
3310	Legal reserve	1,068,453	47	1,058,800	46
3320	Special reserve	9,015	-	8,806	-
3350	Undistributed earnings	352,102	16	384,189	17
3300	Total retained earnings	<u>1,429,570</u>	<u>63</u>	<u>1,451,795</u>	<u>63</u>
	Other equity				
3410	Exchange differences in the translation of financial statements of foreign operating institutions	(883)	-	1,815	-
3420	Unrealized financial assets measured at fair value through other comprehensive profit or loss	(3,279)	-	(10,830)	-
3400	Total other equity	<u>(4,162)</u>	<u>-</u>	<u>(9,015)</u>	<u>-</u>
3XXX	Total equity	<u>2,243,130</u>	<u>99</u>	<u>2,260,502</u>	<u>99</u>
	TOTAL	<u>\$ 2,267,473</u>	<u>100</u>	<u>\$ 2,286,745</u>	<u>100</u>

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

AV TECH CORPORATION, LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023		2022	
		Amount	%	Amount	%
4111	Operating revenue (Notes 21 and 29)	\$ 4,599	100	\$ 6,266	100
5000	Operating costs (Notes 12 and 29)	<u>4,036</u>	<u>88</u>	<u>6,754</u>	<u>108</u>
5900	Gross profit (loss)	<u>563</u>	<u>12</u>	(<u>488</u>)	(<u>8</u>)
	OPERATING EXPENSES (Notes 19,22 and 29)				
6200	Management expenses	53,600	1,165	51,996	830
6450	Expected credit impairment loss (reversal benefits) (Note 11)	(<u>241</u>)	(<u>5</u>)	<u>4,530</u>	<u>72</u>
6000	Total operating expenses	<u>53,359</u>	<u>1,160</u>	<u>56,526</u>	<u>902</u>
6900	OPERATING INCOME	(<u>52,796</u>)	(<u>1,148</u>)	(<u>57,014</u>)	(<u>910</u>)
	NON-OPERATING INCOME AND EXPENSES				
7100	Interest income (Note 29)	16,858	367	9,093	145
7010	Other income (Notes 22 and 29)	54,007	1,174	51,874	828
7020	Other gains and losses (Note 22)	1,909	41	32,492	518
7070	Subsidiary profits using the equity method profit share	<u>40,619</u>	<u>883</u>	<u>63,849</u>	<u>1,019</u>
7000	Total non-operating income and expenses	<u>113,393</u>	<u>2,465</u>	<u>157,308</u>	<u>2,510</u>
7900	PROFIT BEFORE TAX	60,597	1,317	100,294	1,600
7950	INCOME TAX EXPENSE (Note 23)	<u>1,994</u>	<u>43</u>	<u>5,723</u>	<u>91</u>
8200	NET PROFIT FOR THE YEAR	<u>58,603</u>	<u>1,274</u>	<u>94,571</u>	<u>1,509</u>

(Continued)

Code		2023		2022	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME(LOSS)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans(Note 19)				
		(\$ 1,036)	(23)	\$ 2,566	41
8320	Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	7,551	164	(1,360)	(22)
8349	Income tax related to items not be reclassified (Note 23)	208	5	(513)	(8)
		<u>6,723</u>	<u>146</u>	<u>693</u>	<u>11</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of the financial statements of foreign operations(Note 20)	(2,698)	(58)	1,056	17
8300	Other comprehensive (loss)income for the year, net of income tax	4,025	88	1,749	28
8500	TOTAL COMPREHENSIVE (LOSS)INCOME FOR THE YEAR	<u>\$ 62,628</u>	<u>1,362</u>	<u>\$ 96,320</u>	<u>1,537</u>
	EARNINGS PER SHARE (Note 24)				
9750	Basic	<u>\$ 0.73</u>		<u>\$ 1.18</u>	
9850	Diluted	<u>\$ 0.73</u>		<u>\$ 1.18</u>	

(Concluded)

The accompanying notes are an integral part of the financial statements

AV TECH CORPORATION, LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

Code		Share Capital		Capital Surplus	Retained Earnings			Total	Other Equity		Total	Total Equity
		Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income		
A1	BALANCE AT JANUARY 1, 2022	80,000	\$ 800,000	\$ 17,444	\$ 1,055,882	\$ 5,982	\$ 321,402	\$ 1,383,266	\$ 759	(\$ 9,565)	(\$ 8,806)	\$ 2,191,904
	Appropriation of 2021 earnings											
B1	Legal reserve	-	-	-	2,918	-	(2,918)	-	-	-	-	-
B3	Special reserve	-	-	-	-	2,824	(2,824)	-	-	-	-	-
B5	Cash dividends distributed	-	-	-	-	-	(28,000)	(28,000)	-	-	-	(28,000)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	94,571	94,571	-	-	-	94,571
D3	Other comprehensive income(loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	2,053	2,053	1,056	(1,360)	(304)	1,749
D5	Total comprehensive income(loss) for the year ended December 31, 2022	-	-	-	-	-	96,624	96,624	1,056	(1,360)	(304)	96,320
M3	Disposal of subsidiaries	-	-	-	-	-	(95)	(95)	-	95	95	-
M5	Equity price and book value of disposal subsidiaries difference	-	-	40	-	-	-	-	-	-	-	40
M7	Changes in percentage of ownership interests in subsidiaries	-	-	238	-	-	-	-	-	-	-	238
Z1	BALANCE AT DECEMBER 31, 2022	80,000	800,000	17,722	1,058,800	8,806	384,189	1,451,795	1,815	(10,830)	(9,015)	2,260,502
	Appropriation of 2022 earnings											
B1	Legal reserve	-	-	-	9,653	-	(9,653)	-	-	-	-	-
B3	Special reserve	-	-	-	-	209	(209)	-	-	-	-	-
B5	Cash dividends distributed	-	-	-	-	-	(80,000)	(80,000)	-	-	-	(80,000)
D1	Net profit for the year ended December 31, 2023	-	-	-	-	-	58,603	58,603	-	-	-	58,603
D3	Other comprehensive income(loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(828)	(828)	(2,698)	7,551	4,853	4,025
D5	Total comprehensive income(loss) for the year ended December 31, 2023	-	-	-	-	-	57,775	57,775	(2,698)	7,551	4,853	62,628
Z1	BALANCE AT DECEMBER 31, 2023	\$ 80,000	\$ 800,000	\$ 17,722	\$ 1,068,453	\$ 9,015	\$ 352,102	\$ 1,429,570	(\$ 883)	(\$ 3,279)	(\$ 4,162)	\$ 2,243,130

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

AV TECH CORPORATION, LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 60,597	\$ 100,294
A20010	Adjustments for		
A20100	Depreciation expense(including investment real estate)	7,093	7,116
A20300	Expected credit impairment (profit) losses	(241)	4,530
A20400	Net loss(gain) on fair value changes of financial assets at fair value through profit or loss	(1,954)	399
A21200	Interest income	(16,858)	(9,093)
A21300	Dividend income	(116)	(129)
A22400	Interest shares of subsidiaries using the equity method	(40,619)	(63,849)
A22500	Gain on disposal of property, plant and equipment	-	(29)
A23700	Inventory valuation loss (gain on reversal)	(1,041)	449
A24100	Net unrealized foreign currency exchange losses (gains)	(276)	(30,768)
A29900	Write-off of accounts payable two years overdue	-	(840)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(304)	-
A31150	Trade receivables	1,001	(293)
A31180	Other receivables	69	1,347
A31200	Inventories	3,480	3,078
A31230	Net defined benefit assets	(3,848)	(738)
A31240	Other current assets	1	(6)
A32125	Contract liabilities	(301)	92
A32150	Accounts payable	-	(106)
A32180	Other payables	(2,697)	3,614
A32230	Other current liabilities	<u>290</u>	<u>(358)</u>
A33000	Cash generated from operations	4,276	14,710
A33500	Income tax paid	<u>(768)</u>	<u>(154)</u>
AAAA	Net cash generated from operating activities	<u>3,508</u>	<u>14,556</u>
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Purchase of financial assets at fair value through other comprehensive income	(50,000)	-
B00040	Purchase of financial assets at amortized cost	(723,789)	(638,906)
B00050	Proceeds from disposal of financial assets at amortized cost	468,927	596,582

(Continued)

Code		2023	2022
B00200	Proceeds from disposal of financial asset at fair value through profit or loss	\$ 1,598	\$ 1,229
B02800	Proceeds from disposal of property, plant and equipment	-	29
B07100	Prepayments for equipment	(667)	-
B07500	Interest received	16,858	9,093
B07600	Receive cash dividends from subsidiaries	58,000	1,082
B09900	Receive other cash dividends	<u>116</u>	<u>129</u>
BBBB	Net cash outflow from investing activities	<u>(228,957)</u>	<u>(30,762)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
C03000	Increase in guarantee deposits received	24	146
C04500	Cash dividends paid	(80,000)	(28,000)
C05500	Price for disposal of part of the subsidiary's equity	<u>-</u>	<u>2,000</u>
CCCC	Net cash used in from financing activities	<u>(79,976)</u>	<u>(25,854)</u>
DDDD	The impact of exchange rate changes on cash and cash equivalents	<u>(13,799)</u>	<u>22,894</u>
EEEE	Net decrease in cash and cash equivalents	(319,224)	(19,166)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>520,081</u>	<u>539,247</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 200,857</u>	<u>\$ 520,081</u>
			(Concluded)

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

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

1. GENERAL INFORMATION

AV TECH CORPORATION, LTD. (the “Company”) was incorporated in June 1996. The company's shares are from November 2003. It will be traded over the counter at the Securities Counter Trading Center of the Republic of China, a legal person, starting from March. In addition, it has been approved by the Taiwan Stock Exchange since August 2005. The stocks will be listed and traded starting from this month. The main business operations include the following:

- a. Manufacturing of surveillance and anti-theft systems (cameras, quarter-division, image transmission equipment and peripheral control equipment and accessories), home anti-theft systems and automatic dialers, access control systems (card swiping systems, TV intercoms, fingerprint recognition systems, lane control systems), Installation, sales and import and export trade business.
- b. General import and export trade business.
- c. The agency sales and bidding business of products of domestic and foreign manufacturers in the preceding paragraph.
- d. Electronic components manufacturing industry.
- e. Optical instrument manufacturing industry.
- f. Power generation, transmission and distribution manufacturing industry.
- g. Electronic materials wholesale industry.
- h. Precision instrument wholesale industry.
- i. Telecommunications controls radio frequency equipment manufacturing and input industries.
- j. General investment industry.

This individual financial report is expressed in the Company's functional currency, the New Taiwan Dollar.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 13, 2024.

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

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

Applicable to the Financial Regulatory Commission and promulgated into effective IFRSs Accounting standards will not cause significant changes in the company's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2024

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024 (Note 3)

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

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

Note 3: The first time this amendment applies; certain disclosure requirements are waived.

As of the date of issuance of this individual financial report, the Company assesses that any amendments to the above standards and interpretations will not have a significant impact on the financial position and financial performance.

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 "lack of convertibility"	January 1, 2025 (Note 2)

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

Note 2: Applicable to annual reporting periods starting after January 1, 2025. When the amendment is first applied, the impact will be recognized in retained earnings on the first application date. When the merged company uses non-functional currency as the currency of expression, the impact amount will be adjusted to the exchange difference of foreign operating institutions under equity on the first application date.

As of the date of issuance of this individual financial report, the Company continues to evaluate the impact of the amendments to the above standards and interpretations on the financial position and financial performance. The relevant impact will be disclosed when the evaluation is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

When preparing individual financial reports, the Company adopts the equity method for investment in subsidiaries. In order to make the profit and loss, other comprehensive profit and loss and equity for the current period in this individual financial report the same as the current year's profit and loss, other comprehensive profit and loss and equity attributable to the owners of the company in the company's individual financial report, certain accounting treatment differences between the individual basis and the consolidated basis are due to Adjust "investments using the equity method", "share of profits and losses of subsidiaries using the equity method", "share of other comprehensive profits and losses of subsidiaries using the equity method" and related equity items.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company is not able to defer the repayment deadline to more than 12 months after the balance sheet date unconditionally.

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

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency monetary items are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from the delivery or conversion of monetary items are recognized in profit or loss in the current period.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

e. Inventories

The inventory system includes raw materials, finished products and work in progress. Inventories are measured by the lower of cost and net realizable value. When comparing cost and net realizable value, except for inventories of the same category, they are based on individual items. Net realizable value refers to the balance of the estimated selling price under normal circumstances less the estimated costs required to complete the project and the estimated costs required to complete the sale. Inventory costs are calculated using the weighted average method.

f. Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

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

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation for investment properties is recognized using the straight-line method.

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

i. Impairment of property, plant and equipment, right-of-use assets, investment properties and assets related to contract assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

j. Financial instruments

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

When financial assets and financial liabilities are initially recognized, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability measured at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

The types of financial assets held by the Company are financial assets measured at fair value through profit and loss and financial assets measured at amortized cost.

i. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include mandatory financial assets measured at fair value through profit or loss. Mandatory financial assets measured at fair value through profit or loss include unspecified equity instrument investments measured at fair value through other comprehensive profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value, and any dividends in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, Time deposits with original maturity exceeding 3 months, Accounts receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets.
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is

calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

iii. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

Accounts receivable are recognized for a loss allowance based on lifetime expected credit losses. Other financial assets are evaluated to see whether the credit risk has increased significantly since they were initially recognized. If not, they are recognized as the loss allowance for 12-month expected credit loss. If they have increased considerably, they are recognized as the loss allowance based on lifetime expected credit loss.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of

reporting date. Lifetime expected credit loss represents expected credit loss from breach of contract of financial instruments during period of existence.

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

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

Impairment losses on all financial assets are reduced through the allowance account to reduce their carrying amounts.

c) Derecognition of financial assets

The Company will only delist financial assets when the contractual rights to cash flows from financial assets expire, or when the financial assets have been transferred and almost all risks and rewards of ownership of the assets have been transferred to other enterprises.

When a financial asset measured at amortized cost is deducted as a whole, the difference between its carrying amount and the consideration received is recognized in profit or loss. When an equity instrument investment measured at fair value is eliminated as a whole through other comprehensive gains and losses, the accumulated gains and losses are directly transferred to retained earnings and are not reclassified as profit or loss.

2) Equity instruments

The equity instruments issued by the Company are classified as equity based on the substance of the contract agreement and the definition of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the amount obtained after deducting direct issuance costs.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

When a financial liability is excluded, the difference between its carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

k. Revenue recognition

After the company identifies performance obligations in the customer contract, it allocates the transaction price to each performance obligation and recognizes revenue when each performance obligation is met.

Revenue from the sale of goods

Income from product sales comes from the sale of security monitoring systems. Since the aforementioned products are shipped, the customer has the right to set a price and use the goods and has the main responsibility for resale. assumes responsibility and bears the risk of obsolescence of goods. The company recognizes revenue and accounts receivable at that point in time. Advance payments are recognized as contract liabilities before the products are shipped.

When removing materials for processing, the control of ownership of the processed products has not been transferred, so no income is recognized when removing materials.

l. Leasing

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

1) The Company as lessor

When the terms of the lease transfer substantially all the risks and rewards attached to the ownership of the asset to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Under an operating lease, the lease payment system, minus the lease incentives, is recognized as income on a straight-line basis during the relevant lease period. The original direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying assets and recognized as expenses during the lease period on a straight-line basis.

2) The Company as lessee

Except for low-value underlying asset leases and short-term leases where the recognition exemption is applicable, the lease payments are recognized as expenses on a straight-line basis during the lease period. For other leases, the right-of-use assets and lease liabilities are recognized on the inception date of the lease.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Determining the provision of pensions in the retirement plan is based on the period during which employees provide services, and the amount of pensions that should be provided is recognized as an expense.

The defined benefit costs of defined benefit retirement plans (including service costs, net interest and remeasurement amounts) are actuarially calculated using the estimated unit benefit method. Service costs (including current service costs) and net interest on net certain welfare assets are recognized as employee welfare expenses when incurred. The remeasured amount (including actuarial gains and losses and return on planned assets after deducting interest) is at When incurred, they are recognized in other comprehensive profits and losses and included in retained earnings, and are not reclassified to profit or loss in subsequent periods.

Net defined benefit assets represent the remainder of provisions from defined benefit retirement plans. The net defined benefit assets shall not exceed the present value of the refund of withdrawals from the plan or the reduction in future withdrawals.

n. Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1) Current income tax

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China plus income tax shall be recognized in the year of resolution of the shareholders' meeting.

Adjustments to the income tax payable in previous years shall be included in the current income tax.

2) Deferred income tax

Deferred income tax is calculated based on the temporary differences arising from the carrying amount of assets and liabilities recorded in the accounts and the taxable basis for calculating taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, whereas deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the temporary differences and loss deductions can be utilized.

Taxable temporary differences related to investment subsidiaries, related enterprises and joint agreements are recognized as deferred income tax liabilities. However, if the company can control the timing of the reversal of the temporary differences, and the temporary differences are likely to be recognized in the foreseeable future, Exceptions are made where there is no foreseeable future change. Deductible temporary differences related to such investments will be recognized as deferred income tax only to the extent that it is probable that sufficient taxable income will be available to realize the temporary differences and that they are expected to reverse in the foreseeable future. assets.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to recover all or part of the assets. Those that were not originally recognized as deferred income tax assets will also be re-examined at each balance sheet date and will likely be re-examined in the future.

If taxable income is generated for the purpose of recovering all or part of the assets, the book amount shall be adjusted and increased. Deferred income tax assets and liabilities are measured by the tax rate for the current period when the liability is expected to be settled or the asset is realized. The tax rate is based on the tax rate that has been enacted or substantively enacted on the balance sheet date. It is based on tax rates and tax laws. The measurement of deferred income tax liabilities and assets reflects the tax consequences arising from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

3) Current and deferred income tax

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

5. THE MAIN SOURCE OF UNCERTAINTY IN MAJOR ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When the company adopts accounting policies, management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for which relevant information is not easily obtained from other sources. Actual results may differ from estimates.

When the company develops significant accounting estimates, it will include possible impacts into the consideration of cash flow estimates, growth rates, discount rates, profitability and other related major estimates. The management will continue to review estimates and basic assumptions.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 243	\$ 237
Bank checks and demand deposits cash equivalents	65,614	73,785
The original expiration date is in 3 Within a month bank time deposit	<u>135,000</u>	<u>446,059</u>
	<u>\$ 200,857</u>	<u>\$ 520,081</u>

The market interest rate range for bank time deposits on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank time deposit	1.16%	0.91% ~ 4.85%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets mandatorily classified as at Fair value through profit or loss Non-derivative financial assets</u>		
– Domestic publicly traded shares	<u>\$ 3,718</u>	<u>\$ 3,362</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVESTMENTS IN EQUITY INSTRUMENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic investment		
Unlisted shares	<u>\$ 50,000</u>	<u>\$ -</u>

The Company invests based on medium- and long-term strategic objectives and expects to make profits through long-term investment. The Company's management believes that including the short-term fair value fluctuations of these investments in profit and loss is inconsistent with the aforementioned long-term investment plan, and therefore chooses to designate these investments as measured at fair value through other comprehensive gains and losses.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investments		
The original expiration date is in 3 Within a month bank time deposit	<u>\$ 699,481</u>	<u>\$ 490,769</u>
<u>Non-current</u>		
Foreign investment		
TSMC Arizona corporate bonds (2)	\$ 24,260	\$ -
APPLE corporate bonds (3)	<u>35,970</u>	<u>-</u>
	<u>\$ 60,230</u>	<u>\$ -</u>

- (1) As of December 31, 2023 and 2022, the original expiry date exceeds 3 The interest rate range of time deposits per month is the annual interest rate respectively. 1.34% ~ 5.25% and 0.90% ~ 4.95%.
- (2) The company is in February to March 2023 purchase TSMC Arizona Issued by the company 2029 year to 2032 Overseas corporate bonds due in 2020, totaling US\$789 Thousand (equivalent to New Taiwan dollars 23,800 Thousand), the coupon rate is 4.13% ~ 4.25%, the effective interest rate is 4.30% ~ 4.67%.
- (3) The company is in February to May 2023 purchase APPLE issued by the company 2045 ~ 2047 Overseas corporate bonds due in 2020, totaling US\$1,171 Thousand (equivalent to New Taiwan Dollar 35,656 Thousand), the coupon interest rate is 4.25% ~ 4.65%, the effective interest rate is 4.49% ~ 4.93%.
- (4) For information on credit risk management and impairment assessment related to financial assets measured at amortized cost, please refer to Note 10.

10. DEBT CREDIT RISK MANAGEMENT OF FINANCIAL INSTRUMENT INVESTMENT

The credit rating of the overseas corporate bonds invested by the Company is investment grade or above (inclusive) and is a debt instrument with low credit risk in terms of impairment assessment. The credit rating information is provided by an independent rating agency.

The Company continues to track external rating information to monitor changes in the credit risk of the debt instruments it invests, and also reviews other information such as bond yield curves and material information from the debtor to assess whether the credit risk of debt instrument investments has increased significantly since the original recognition.

The Company considers the historical default probability and default loss rate of each grade provided by external rating agencies, the current financial situation of the debtor and the prospects of the industry in which it operates, to measure the investment in debt instruments.12 Monthly expected credit losses or lifetime expected credit losses.

As of December 31, 2023 , the Company has assessed that the expected credit loss rate of the overseas corporate bonds held is 0% .

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ <u>304</u>	\$ <u>-</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 8,351	\$ 9,357
Less: allowance for loss	(<u>7,813</u>)	(<u>8,054</u>)
	<u>\$ 538</u>	<u>\$ 1,303</u>

Accounts receivable

For the company's product sales, except for the advance payment transaction, the average credit period is 30 to 90 days, no interest will be accrued on accounts receivable.

Before accepting a new customer, the Company evaluates the potential customer's credit quality through an internal credit rating review form and sets the customer's credit limit. The credit limit and rating of customers are reviewed once a year. Accounts receivable that are neither overdue nor impaired are rated as having the best credit rating based on the internal credit rating review table used by the company.

The Company recognizes provision losses on accounts receivable based on expected credit losses during the duration. The expected credit losses during the existence period are calculated using a provision matrix, which considers the customer's past default record and the current financial status, industry economic situation, and also considers the industry outlook. Because the company's historical experience with credit losses shows that there is no significant difference in the loss patterns of different customer groups, the preparation matrix does not further differentiate customer groups and only sets the expected credit loss rate based on the number of days that accounts receivable are overdue.

If there is evidence that the counterparty is facing serious financial difficulties and the company cannot reasonably predict the recoverable amount, the company will directly write off the relevant accounts receivable, but will continue to pursue recovery activities, and the amount recovered due to recovery will be recognized in profit and loss.

The Company measures the provision losses on notes receivable and accounts receivable based on the provision matrix as follows:

December 31, 2023

	<u>Not Past Due</u>	<u>1 to 180 Days Past Due</u>	<u>181 to 365 Days Past Due</u>	<u>Over 365 Days Past Due</u>	<u>Total</u>
Total carrying amount	\$ 306	\$ 536	\$ -	\$ 7,813	\$ 8,655
Allowance for losses (expectd during lifetime credit loss)	-	-	-	(7,813)	(7,813)
amortized cost	<u>\$ 306</u>	<u>\$ 536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 842</u>

December 31, 2022

	<u>Not Past Due</u>	<u>1 to 180 Days Past Due</u>	<u>181 to 365 Days Past Due</u>	<u>Over 365 Days Past Due</u>	<u>Total</u>
Total carrying amount	\$ 1,303	\$ -	\$ -	\$ 8,054	\$ 9,357
Allowance for losses (expectd during lifetime credit loss)	-	-	-	(8,054)	(8,054)
amortized cost	<u>\$ 1,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303</u>

Information on changes in allowance for losses on accounts receivable is as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 8,054	\$ 3,524
Add: Provision for impairment losses in the current year	-	4,530
Less: Reversal of impairment losses for the year	(241)	(-)
Balance at December 31	<u>\$ 7,813</u>	<u>\$ 8,054</u>

12. INVENTORIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ -	\$ 509
Work in process	-	40
Raw materials	-	1,890
	<u>\$ -</u>	<u>\$ 2,439</u>

In 2023 and 2022 The cost of goods sold for the year includes inventory depreciation and sluggish (recovery profits) losses, respectively. NT\$ 1,041 Thousand and NT\$ (449) Thousand, the net realizable value of inventory in the current period increased due to the sale of inventory with a longer inventory age.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Investments in subsidiaries</u>		
Unlisted (counter) company		
CHIEFTRON		
INTERNATIONAL		
CORPORATION		
(CHIEFTRON		
INTERNATIONAL)	\$ 347,268	\$ 363,546
Shengtike Investment Co.,		
Ltd. (Shengtike		
Investment)	55,509	46,558
AVTECH Security		
Corporation		
(AVTECH Security		
Corporation)	48,351	47,418
Q.S.C. Industry Co., Ltd.		
(Q.S.C. Industry)	16,801	22,935
	<u>\$ 467,929</u>	<u>\$ 480,457</u>

The Company is in July 2022 The sale of part of the equity of AVTECH Security in the subsidiary company resulted in the shareholding ratio falling to 96%, please refer to Note 26.

The Company's ownership interests and voting rights percentages in subsidiaries on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
CHIEFTRON INTERNATIONAL	84.11%	84.11%
Shengtike Investment	100.00%	100.00%
AVTECH Security	96.00%	96.00%
Q.S.C. Industry	100.00%	100.00%

14. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Assets used by the Company	\$ 677,203	\$ 680,276
Operating lease	<u>1,698</u>	<u>1,746</u>
	<u>\$ 678,901</u>	<u>\$ 682,022</u>

a) Assets used by the Company

	<u>Self-owned land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance on January 1, 2023	\$ 476,559	\$ 284,941	\$ 20,133	\$ -	\$ 5,711	\$ 54,503	\$ 841,847
Reclassification	-	3,333	-	-	-	-	3,333
Balance on December 31, 2023	<u>\$ 476,559</u>	<u>\$ 288,274</u>	<u>\$ 20,133</u>	<u>\$ -</u>	<u>\$ 5,711</u>	<u>\$ 54,503</u>	<u>\$ 845,180</u>
<u>Accumulated Depreciation</u>							
Balance on January 1, 2023	\$ -	\$ 81,233	\$ 20,124	\$ -	\$ 5,711	\$ 54,503	\$ 161,571
Depreciation Expenses	-	6,397	9	-	-	-	6,406
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 87,630</u>	<u>\$ 20,133</u>	<u>\$ -</u>	<u>\$ 5,711</u>	<u>\$ 54,503</u>	<u>\$ 167,977</u>
Net amount on December 31, 2023	<u>\$ 476,559</u>	<u>\$ 200,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,203</u>
<u>Cost</u>							
Balance on January 1, 2022	\$ 476,559	\$ 284,941	\$ 21,333	\$ -	\$ 5,711	\$ 54,503	\$ 843,047
Disposal	-	-	(1,200)	-	-	-	(1,200)
Balance on December 31, 2022	<u>\$ 476,559</u>	<u>\$ 284,941</u>	<u>\$ 20,133</u>	<u>\$ -</u>	<u>\$ 5,711</u>	<u>\$ 54,503</u>	<u>\$ 841,847</u>
<u>Accumulated Depreciation</u>							
Balance on January 1, 2022	\$ -	\$ 74,852	\$ 21,266	\$ -	\$ 5,711	\$ 54,503	\$ 156,332
Disposal	-	-	(1,200)	-	-	-	(1,200)
Depreciation Expenses	-	6,381	58	-	-	-	6,439
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 81,233</u>	<u>\$ 20,124</u>	<u>\$ -</u>	<u>\$ 5,711</u>	<u>\$ 54,503</u>	<u>\$ 161,571</u>
Net amount on December 31, 2022	<u>\$ 476,559</u>	<u>\$ 203,708</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,276</u>

b) Business leasing

	<u>Buildings</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2023	<u>\$ 2,435</u>
<u>Accumulated Depreciation</u>	
Balance on January 1, 2023	\$ 689
Depreciation Expenses	48
Balance on December 31, 2023	<u>\$ 737</u>
Net amount on December 31, 2023	<u>\$ 1,698</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2022	<u>\$ 2,435</u>

(Continued)

	<u>Buildings</u>
<u>Accumulated Depreciation</u>	
Balance on January 1, 2022	\$ 653
Depreciation Expenses	<u>36</u>
Balance on December 31, 2022	<u>\$ 689</u>
Net amount on December 31, 2022	<u>\$ 1,746</u>

Depreciation expenses are calculated on a straight-line basis based on the following useful years:

	<u>Assets used by the company</u>	<u>Business leasing</u>
Buildings	5 to 50 years	50 to 53 years
Machinery and equipment	5 to 6 years	-
Office equipment	3 to 6 years	-
Other equipment	3 to 4 years	-

15. RENTAL AGREEMENT

Please refer to Note 14 and Note 16 respectively for the agreement on the Company's business leasing of its own real estate, plants and equipment and investment real estate.

	<u>2023</u>	<u>2022</u>
Short term rental fees	<u>\$ -</u>	<u>\$ 37</u>
Total cash outflow from leases	<u>\$ -</u>	<u>(\$ 37)</u>

The Company chooses to apply the recognition exemption to office equipment leases that qualify as short-term leases, and does not recognize relevant right-of-use assets and lease liabilities for such leases.

16. INVESTMENT PROPERTIES

	<u>Investment Properties</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2023	<u>\$ 80,651</u>
<u>Accumulated Depreciation</u>	
Balance at January 1, 2023	\$ 14,735
Depreciation expense	<u>639</u>
Balance at December 31, 2023	<u>\$ 15,374</u>
Net amount on December 31, 2023	<u>\$ 65,277</u>

	<u>Investment Properties</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2022	<u>\$ 80,651</u>
<u>Accumulated Depreciation</u>	
Balance at January 1, 2022	\$ 14,094
Depreciation expense	<u>641</u>
Balance at December 31, 2022	<u>\$ 14,735</u>
Net amount on December 31, 2022	<u>\$ 65,916</u>

The investment properties were leased out for 1 year, when the lessee exercised its right to renew the lease, it agreed to adjust the rent based on the market rent. The lessee does not have the preferential right to purchase investment real estate at the end of the lease period.

The company's investment real estate assets are calculated on a straight-line basis 52.5 to 55 years Depreciation is calculated over the useful life of the year.

The fair value of investment real estate has not been evaluated by independent evaluators. It is only evaluated by the company's management with reference to market evidence of similar real estate transaction prices. The fair value is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investment properties	<u>\$ 106,095</u>	<u>\$ 117,782</u>

17. OTHER NON-CURRENT ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepaid equipment payment	\$ -	\$ 2,500
Refundable deposits	<u>219</u>	<u>219</u>
	<u>\$ 219</u>	<u>\$ 2,719</u>

18. OTHER PAYABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries and bonuses payable	\$ 623	\$ 645
Employee compensation and directors' compensation payable	5,770	8,628
Payable to pensions, labor health insurance, labor fees and		
Other expenses, etc	<u>6,291</u>	<u>5,846</u>
	<u>\$ 12,684</u>	<u>\$ 15,119</u>

19. BENEFITS AFTER RETIREMENT PLAN

a) Confirm allocation plan

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

b) Defined benefit plans

The pension system conducted by the Company of the Company under the "Labor Standards Act" of our country is a defined benefit retirement plan administered by the government. The payment of the employee's pension is based on the length of service and the average salary of six months before the approved retirement date. Those companies contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to a retirement fund that is deposited with Bank of Taiwan under the name of The Supervisory Committee of Workers' Retirement Fund. Before the end of year, if the balance at the retirement fund is not sufficient to pay employees who will meet the retirement criteria next year, a lump-sum deposit for the shortfall should be made before the end of March of the following year. The exclusive account is administered by the Bureau of Labor Funds of the Ministry of Labor, and the Company retains no rights that may influence its investment and administration strategies. However, because the company has made sufficient provision, the competent authority has agreed to suspend the provision of labor retirement reserves in 2023 and 2022.

The amount of the welfare plan included in the individual balance sheet is listed as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 3,893	\$ 8,524
Fair value of plan assets	(<u>22,887</u>)	(<u>24,706</u>)
Net defined benefit assets	(<u>\$ 18,994</u>)	(<u>\$ 16,182</u>)

The changes in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2022	\$ 9,901	(\$ 22,779)	(\$ 12,878)
Interest expenses (income)	69	(159)	(90)
Recognized in profit or loss	69	(159)	(90)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,768)	(1,768)
Actuarial gain—Changes in financial assumptions	(806)	-	(806)
Actuarial loss—Experience adjustments	8	-	8
Recognized in other comprehensive income	(\$ 798)	(\$ 1,768)	(\$ 2,566)
Benefits paid	(648)	-	(648)
Balance at December 31, 2022	8,524	(24,706)	(16,182)
Interest expenses (income)	119	(345)	(226)
Recognized in profit or loss	119	(345)	(226)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(166)	(166)
Actuarial loss—Changes in financial assumptions	46	-	46
Actuarial loss—Experience adjustments	1,156	-	1,156
Recognized in other comprehensive income	1,202	(166)	1,036
Contributions from the employer	(3,622)	-	(3,622)
Benefits paid	(2,330)	2,330	(-)
Balance at December 31, 2023	<u>\$ 3,893</u>	<u>(\$ 22,887)</u>	<u>(\$ 18,994)</u>

The amounts recognized in profit or loss for the defined benefit plans are summarized by function as follows:

	2023	2022
Management expenses	(\$ 226)	(\$ 90)

Due to the pension plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rates	1.3%	1.4%
Expected rates of salary increase	2.0%	2.0%

If there are reasonable and possible changes in material actuarial assumptions while all other assumptions remain unchanged, the amount of increase (decrease) in the present value of the defined benefit obligation is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.1% increase	(<u>\$ 46</u>)	(<u>\$ 108</u>)
0.1% decrease	<u>\$ 46</u>	<u>\$ 110</u>
Expected rates of salary increase		
0.1% increase	<u>\$ 42</u>	<u>\$ 101</u>
0.1% decrease	(<u>\$ 42</u>)	(<u>\$ 100</u>)

Since actuarial assumptions may be related to each other and it is unlikely that a single assumption will change, the above sensitivity analysis may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The expected amount of contribution within 1 year	\$ <u> -</u>	\$ <u> -</u>
The average maturity period of defined benefit obligations	11.8 years	12.8 years

20. EQUITY

a. Ordinary share capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Nominal shares (in thousand shares)	<u>120,000</u>	<u>120,000</u>
Nominal share capital	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and payments received in full (in thousand shares)	<u>80,000</u>	<u>80,000</u>
Share capital issued	<u>\$ 800,000</u>	<u>\$ 800,000</u>

The share issued had a par value of NT\$10. Each share entitles the rights to dividends and to vote.

b. Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Used to offset deficit, distribute cash, or replenish share capital</u>		
Employee share options	\$ 15,325	\$ 15,325
Actual acquisition or disposal of subsidiary company equity		
The difference between price and book value	40	40
<u>May only be used to offset a deficit</u>		
Changes in ownership interests in subsidiaries	<u>2,357</u>	<u>2,357</u>
	<u>\$ 17,722</u>	<u>\$ 17,722</u>

c. Retained earnings and dividends policy

According to the surplus distribution policy stipulated in the company's articles of association, if the company has a surplus in its annual final accounts, it shall first withdraw taxes and make up for the accumulated losses over the years, and then withdraw the profits later. 10% It is the statutory surplus reserve, and the special surplus reserve shall be appropriated or transferred in accordance with laws or regulations of the competent authority. If there is still a surplus, the remaining balance shall be added to the accumulated undistributed surplus in previous years. The board of directors shall prepare a specific surplus distribution proposal:

- 1) When the issuance of new shares is adopted, the shares shall be distributed after a resolution of the shareholders' meeting;
- 2) In accordance with the provisions of Article 240, Item 5 of the Company Law, the Board of Directors is authorized to 3 divided 2 The attendance of the above directors, and the resolution of more than half of the directors present, will allocate all or part of the dividends and bonuses or the statutory surplus and capital reserve prescribed in Paragraph 1 of Article 241 of the Company Law to the payment of cash. method and report to the shareholders' meeting.

For the employee and director remuneration distribution policy stipulated in the company's articles of association, please refer to Note 22 (6) Employee remuneration and director remuneration.

The company will consider the company's environment and growth stage, respond to future capital needs and long-term financial planning, and meet shareholders' needs for cash inflows, and make provisions from the net profit after tax for the current year. 50% The above dividends are distributed to shareholders, of which cash dividends shall not be less than the total amount 10%.

The statutory surplus reserve shall be appropriated until the balance reaches the total paid-in share capital of the company. The statutory surplus reserve may be used to make up for losses. When the company has no losses, the statutory surplus reserve exceeds the actual Total amount of capital received 25% In addition to being allocated to recharge share capital, the remaining part can also be distributed in cash.

The company 2022 and 2021 surplus distribution plan is as follows:

	Earnings distribution plan		Dividends per share (NT\$)	
	2022	2021	2022	2021
Cash dividends	\$ 80,000	\$ 28,000	\$ 1.00	\$ 0.35
Legal reserve	9,653	2,918		
Special reserve	209	2,824		

The above cash dividends have been separated from March 29, 2023 and March 16, 2022 the board of directors decided to distribute, the remaining surplus distribution items were also divided into June 21, 2023 and June 22, 2022 Resolution of the regular shareholders' meeting on the same day.

The appropriation of earnings for 2023 which was proposed by the Company's board of directors on March 13, 2024 were as follows:

	2023
Legal reserve	\$ 5,777
Special reserve	(\$ 4,853)
Cash dividends	\$ 60,000
Cash dividends per share(NT\$)	\$ 0.75

The above-mentioned cash dividend was resolved by the Board of Directors to distribute, and the remaining earnings distribution items were also resolved at the regular shareholders' meeting held on June 19, 2024.

21. OPERATING REVENUE

	2023	2022
Revenue from customer contracts		
Sales revenue	\$ 4,599	\$ 6,266

a. Explanation of customer contracts

Revenue from merchandise sales comes from the sale of security monitoring systems. When the performance obligations are met, the customer has the right to set a price and use the aforementioned products and bears the main responsibility for resale, and bears the risk of obsolescence of the goods. This is because the company recognizes revenue when the performance obligations are met. Advances from customers are recognized as contract liabilities before the products are shipped.

b. Balance of contracts

	December 31, 2023	December 31, 2022	January 1, 2022
Notes receivable and net accounts receivable (Note 11)	<u>\$ 842</u>	<u>\$ 1,303</u>	<u>\$ 4,745</u>
Contract liabilities	<u>\$ 614</u>	<u>\$ 915</u>	<u>\$ 823</u>

Contract liabilities arise from sales of goods.

22. NET PROFIT FOR THE YEAR

The net profit for the year includes the following items:

1. Other income

	2023	2022
Rental income	<u>\$ 36,715</u>	<u>\$ 36,626</u>
Dividend income	116	129
Other	<u>17,176</u>	<u>15,119</u>
	<u>\$ 54,007</u>	<u>\$ 51,874</u>

2. Other profits and losses

	2023	2022
Net foreign currency exchange benefit	<u>\$ 594</u>	<u>\$ 33,503</u>
Gain on disposal of property, plant and equipment	-	29
Money measured at fair value through profit or loss		
Net profit (loss) on financial assets	1,954	(399)
Miscellaneous expenses	<u>(639)</u>	<u>(641)</u>
	<u>\$ 1,909</u>	<u>\$ 32,492</u>

3. Depreciation

	2023	2022
Property, Plant and Equipment	<u>\$ 6,454</u>	<u>\$ 6,475</u>
Investment property	<u>639</u>	<u>641</u>
	<u>\$ 7,093</u>	<u>\$ 7,116</u>
Depreciation expenses summarized by function category		
Operating expenses	\$ 6,454	\$ 6,475
Miscellaneous expenses	<u>639</u>	<u>641</u>
	<u>\$ 7,093</u>	<u>\$ 7,116</u>

4. Direct operating expenses of investment real estate

	<u>2023</u>	<u>2022</u>
Generate rental income	\$ <u>639</u>	\$ <u>916</u>

5. Employee benefits expenses

	<u>2023</u>	<u>2022</u>
Short term employee benefits		
Payroll expense	\$ 14,188	\$ 16,698
Labor health insurance expenses	<u>1,066</u>	<u>898</u>
	<u>15,254</u>	<u>17,596</u>
Post-employment benefits		
Defined contribution plans	365	334
Defined benefit plans (Note 19)	(<u>226</u>)	(<u>90</u>)
	<u>139</u>	<u>244</u>
Other employee benefits	<u>357</u>	<u>323</u>
Total employee benefit expenses	<u>\$ 15,750</u>	<u>\$ 18,163</u>
Summary by function category		
Operating expenses	<u>\$ 15,750</u>	<u>\$ 18,163</u>

6. Employee remuneration and director remuneration

In accordance with the provisions of the Articles of Association, the company distributes the benefits of employees and directors before deducting remuneration based on the net profit before tax for the current year. After making up for the losses of previous years, if there is any remaining balance, it shall not be less than 6% and not higher than 3% Provision of employee remuneration and director remuneration. 2023 and 2022 estimated employees and directors' remuneration respectively March 13, 2024 and March 29, 2023 The resolution of the Nikkei Board of Directors is as follows:

Estimation ratio

	<u>2023</u>	<u>2022</u>
Employee compensation	6.6%	6%
Remuneration of directors	2.1%	1.9%

<u>Amount</u>	<u>2023</u>	<u>2022</u>
Employee compensation	<u>\$ 4,370</u>	<u>\$ 6,535</u>
Remuneration of directors	<u>\$ 1,400</u>	<u>\$ 2,093</u>

If the amount still changes after the annual individual financial report is released, it will be treated as a change in accounting estimates and will be adjusted and recorded in the next year.

There is no difference between the actual amount of employee compensation and director's compensation for 2022 and 2021 and the amount recognized in the individual financial reports for 2022 and 2021.

For information on employee remuneration and director remuneration decided by the company's board of directors, please go to the "Public Information Observation Station" of the Taiwan Stock Exchange.

23. INCOME TAX

a. The main components of income tax expense recognized in profit and loss

	<u>2023</u>	<u>2022</u>
Current income tax		
Undistributed earnings levy	\$ 390	\$ -
Deferred income tax		
Generated in the year	<u>1,604</u>	<u>5,723</u>
Income tax expense recognized in profit or loss	<u>\$ 1,994</u>	<u>\$ 5,723</u>

The reconciliation between accounting income and income tax expenses is as follows:

	<u>2023</u>	<u>2022</u>
Net profit before tax	<u>\$ 60,597</u>	<u>\$ 100,294</u>
Net loss before tax is calculated based on the statutory tax rate income tax	\$ 12,119	\$ 20,058
Adjustments should be made when determining taxable income Items to reduce	(8,359)	(12,776)
Non-deductible expenses and losses from tax	539	314
Tax-free income	(23)	(26)
Undistributed Earnings Levy	390	-
Unrecognized temporary differences	902	26
Deduction of unrecognized losses	<u>(3,574)</u>	<u>(1,873)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,994</u>	<u>\$ 5,723</u>

b. Income tax recognized in other comprehensive profits and losses

	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Generated in the year:		
— Determination of remeasurement numbers for benefit plans	(\$ <u>208</u>)	<u>\$ 513</u>

c. Income tax assets and liabilities for the current period

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current income tax assets		
Tax refund receivable	<u>\$ 950</u>	<u>\$ 572</u>

d. Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Other Compre-hen sive profit and loss</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
Temporary difference				
Allowance for doubtful debt losses	\$ 1,593	(\$ 47)	\$ -	\$ 1,546
Allowance for inventory depreciation losses	<u>18,603</u>	(\$ <u>731</u>)	-	<u>17,872</u>
	<u>\$ 20,196</u>	(\$ <u>778</u>)	<u>\$ -</u>	<u>\$ 19,418</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Defined benefit plan	\$ 3,236	\$ 771	(\$ 208)	\$ 3,799
Unrealized exchange gains	<u>2,897</u>	<u>55</u>	-	<u>2,952</u>
	<u>\$ 6,133</u>	<u>\$ 826</u>	(\$ <u>208</u>)	<u>\$ 6,751</u>

2022

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Other Compre-hen sive profit and loss</u>	<u>Ending balance</u>
Deferred income tax assets				
Temporary difference				
Allowance for doubtful debt losses	\$ 694	\$ 899	\$ -	\$ 1,593
Unrealized loss on exchange	3,643	(3,643)	-	-
Allowance for inventory depreciation losses	<u>18,514</u>	<u>89</u>	<u>-</u>	<u>18,603</u>
	<u>\$ 22,851</u>	<u>(\$ 2,655)</u>	<u>\$ -</u>	<u>\$ 20,196</u>
Deferred income tax liabilities				
Temporary difference				
Defined benefit plan	\$ 2,552	\$ 171	\$ 513	\$ 3,236
Unrealized exchange gains	<u>-</u>	<u>2,897</u>	<u>-</u>	<u>2,897</u>
	<u>\$ 2,552</u>	<u>\$ 3,068</u>	<u>\$ 513</u>	<u>\$ 6,133</u>

- e. The unused loss deduction amount of deferred income tax assets is not recognized in the individual balance sheet

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss deduction		
2028 due	\$ -	\$ 14,116
2029 due	<u>22,774</u>	<u>26,529</u>
	<u>\$ 22,774</u>	<u>\$ 40,645</u>

f. Income tax assessment situation

The company's profit-making enterprise income tax declaration shall be approved by the tax collection authority 2021.

24. EARNINGS PER SHARE

Unit: NT\$ per share

	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 0.73</u>	<u>\$ 1.18</u>
Diluted earnings per share	<u>\$ 0.73</u>	<u>\$ 1.18</u>

The net profit and weighted average number of common shares used to calculate earnings per share are as follows:

<u>Net income for the year</u>	Unit: NT\$ per share	
	<u>2023</u>	<u>2022</u>
Used to calculate basic and diluted earnings per share	<u>\$ 58,603</u>	<u>\$ 94,571</u>
<u>Number of Shares</u>	Unit: Thousand shares	
	<u>2023</u>	<u>2022</u>
Weighted average of ordinary shares used for calculating basic earnings per share	80,000	80,000
Impacts of potential ordinary shares with dilution effect		
Employee compensation	<u>217</u>	<u>277</u>
Weighted average of ordinary shares used for calculating dilutive earnings per share	<u>80,217</u>	<u>80,277</u>

If the company has the option to pay employee compensation in stocks or cash, then when calculating diluted earnings per share, it is assumed that the employee compensation will be in the form of stock issuance, and the weighted average number of outstanding shares will be included when the potential ordinary shares have a dilutive effect, so as to Calculate diluted earnings per share. in the following year when calculating diluted earnings per share before deciding on the number of shares to be issued for employee compensation, the dilutive effect of these potential common shares will also continue to be considered.

25. BRANCH INVESTMENT SUBSIDIARY – LOSS OF CONTROL

The company's subsidiary was upgraded to Tyco Investment in January 2022 At the beginning of the month, the subsidiary was sold to upgrade the equity of ITsESG Data Corporation, resulting in the shareholding ratio being 70% reduced to 40%, and lost

control of the subsidiary. Please refer to the company for related transactions 2023 Consolidated Financial Report Note 28.

Anhong Electronic Technology (Shenzhen) Co., Ltd. In October 2023 The monthly board of directors approved the capital increase of RMB 14,142 Thousand, cash The basis for capital increase is as of November 10, 2023 On this day, the company November 8, 2023 The board of directors of decided to give up this participation in the cash capital increase, which will make CHIEFTRON International and Elcom Technology International Its comprehensive shareholding ratio is given by 65% reduced to 36.42%, and lost control over the loss of the subsidiary. Please refer to the company for related transactions 2023 Consolidated Financial Report Note 28.

The Company's subsidiary CHIEFTRON International November 14, 2023 Passed by the board of directors on Elcom Technology International Dissolution and liquidation case, since the company was transferred to CHIEFTRON International 100% The only assets held and on the books are cash and equity investments, which will be acquired by CHIEFTRON International after dissolution and liquidation. assets, and has not lost control over these assets. For related transactions, please refer to the Company 2023 Merger Financial Report Appendix Note 28.

The company's subsidiary was upgraded to Tyco Investment in December 11, 2023 sold the equity of AVCLOUD Technology Co., Ltd., causing the shareholding ratio to be 50% reduced to 22%, and lost control of the subsidiary. For relevant transactions, please refer to the Company 2023 Note 28 of the Annual Merger Financial Report.

26. PARTIAL ACQUISITION OR DISPOSAL OF INVESTMENT SUBSIDIARIES - DOES NOT AFFECT CONTROL

The company's subsidiary YesGo Tech Corporation, January 20, 2022 On the same day, it was absorbed and merged into a joint-stock company, resulting in the shareholding ratio of 87% rise to 91%.

The company's subsidiary Shengtike invested in May 24, 2022 On that date, the equity of YesGo Tech Corporation, cash capital increase was subscribed according to the shareholding ratio, resulting in the shareholding ratio being 91% decrease to 56.70%.

The company's subsidiary Shengtike invested in June 14, 2022 On the day, the equity of Info-Tech Corp., cash capital increase was not subscribed according to the shareholding ratio, resulting in the shareholding ratio being 100% decrease to 51.67%.

The company is in July 31, 2022 On the same day, it sold part of its equity in the subsidiary AVTECH Security Corporation, resulting in the shareholding ratio of AVTECH Security Corporation Control being determined by 100% decrease to 96%.

Since the above-mentioned transactions do not change the Company's control over these subsidiaries, the Company treats them as equity transactions. For instructions on partial acquisition or disposal of subsidiaries, please refer to Note 13 and the Company 2023 Merger Financial Report Appendix Note 29.

27. CAPITAL MANAGEMENT

The company's capital structure management strategy is based on the industry scale, future growth and product development blueprint of the company's business, and defines the corresponding capital expenditures for required plant and equipment; and then calculates the required working capital and cash to support the company in the long term make a comprehensive asset scale plan based on the various scales required for development; finally, determine the company's appropriate capital structure based on the relationship between the operating cycle of the company's products and cash flow.

28. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

The carrying amounts of financial assets and financial liabilities not measured at fair value, except for the following table, are considered to be close to the fair value by the management of the Company.

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

1) Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Equity Instrument Investment				
— Domestic publicly traded shares	\$ <u>3,718</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,718</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Domestic unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,000</u>	\$ <u>50,000</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Equity Instrument Investment				
– Domestic publicly traded shares	<u>\$ 3,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,362</u>

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

2) Reconciliation of financial instruments at Level 3 fair value measurement

January 1 to December 31, 2023

<u>Financial assets</u>	<u>Measured at fair value through other comprehensive profit or loss Equity instruments</u>
Beginning balance	\$ -
Recognized in other comprehensive income	
-Not implemented	-
Purchases	<u>50,000</u>
Ending balance	<u>\$ 50,000</u>

3) Valuation techniques and inputs applied to Level 3 fair value measurement
Financial Instruments

Domestic and foreign unlisted equity investment in December 31, 2023 uses the asset method to measure its fair value. The asset method estimates fair value based on the net asset value provided by the invested company.

c. Classification of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ 3,718	\$ 3,362
Financial assets at amortized cost (Note 1)	962,276	1,013,088
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	50,000	-
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	16,594	19,101

Note 1: The balance includes cash and equivalent cash, debt instrument investments, notes receivable, accounts receivable, other receivables and deposits and deposits, etc. Financial assets measured at amortized cost.

Note 2: The balance includes other payables and deposits and other financial liabilities measured at amortized cost.

d. Objectives and policy of financial risk management

The Company's main financial instruments include equity and debt instrument investments, accounts receivable and accounts payable. The Company's financial management department provides services to all business units, coordinates operations in domestic and international financial markets, and supervises and manages financial risks related to the Company's operations. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

There is no change in the Company's exposure to market risks of financial instruments and how such exposure is managed and measured.

a. Foreign currency risk

The Company engages in sales and purchase transactions denominated in foreign currencies, which exposes the Company to risks arising from exchange rate fluctuations.

The Company's non-functional monetary assets on the balance sheet date are denominated in currency for the carrying amount of assets and monetary liabilities, please refer to Note 30.

Sensitivity analysis

The Company is mainly affected by fluctuations in the exchange rate of the US dollar.

The table below details the exchange rate of the New Taiwan Dollar (functional currency) to the United States Dollar.

Increase and decrease 1% At this time, the Company's sensitivity analysis was conducted. 1% It is the sensitivity ratio used internally by the Company when reporting exchange rate risks to key management. It also represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The sensitivity analysis includes only foreign currency monetary items in circulation and converts them at the end of the year to changes in exchange rates. 1% be adjusted. The positive number system in the following table represents When the Taiwan dollar depreciates relative to the U.S. dollar 1% When, the amount by which the net profit before tax will be increased; when the New Taiwan dollar appreciates relative to the relevant foreign currencies 1% At this time, its impact on net profit before tax will be a negative number of the same amount.

	USD Impact (Note)	
	2023	2022
Profit or loss	\$ 2,476	\$ 2,788

Note : Mainly derived from the company's US dollar-denominated cash and cash equivalents that are still outstanding on the balance sheet date and have not carried out cash flow hedging, financial assets and receivables measured at amortized cost.

Management believes that sensitivity analysis cannot represent the inherent risk of exchange rates because foreign currency risk exposure on the balance sheet date cannot reflect the mid-year risk situation.

b. Interest rate risk

The Company holds both fixed and floating interest rate bank deposits, thus generating interest rate exposure risk. The Company always pays attention to changes in market risk interest rates and adjusts interest rate policies to manage interest rate risks.

The carrying amounts of the Company's financial assets and financial liabilities subject to interest rate exposure on the balance sheet date are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With interest rate risk of fair value		
— Financial assets	\$ 477,711	\$ 385,528
Interest rate risk with cash flows		
— Financial assets	482,595	625,085

Sensitivity analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivative instruments at the balance sheet date. For floating interest rate assets, the analysis method assumes that the amount of assets outstanding on the balance sheet date is all outstanding during the reporting period. The rate of change used by the Company when reporting interest rates internally to key management is Interest rate increases or decreases 100 Basis point, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increase/decrease 100 basis point, with all other variables held constant, the years ended December 31, 2023 and 2022 net profit before tax will increase/decrease respectively by NT\$4,826 thousand and by NT\$6,251 thousand, mainly due to changes in the company's profits.

Interest rates on bank deposits and changes in interest rates are caused by financial assets measured at amortized cost.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which may cause a financial loss to the Company due to the failure of counterparties to discharge an obligation, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to maintain the quality of accounts receivable, the Company has established operations-related credit risk management procedures. The risk assessment of individual customers takes into account a number of factors that may affect the customer's ability to pay, including the customer's financial status, the company's internal credit rating, historical transaction records and current economic conditions. The company continues to monitor credit risk and the credit rating of the counterparty, and distributes the total transaction amount to customers with qualified credit ratings, and controls credit risk through the credit limit of the counterparty that is reviewed and approved by relevant departments every year.

In order to mitigate credit risks, the company's management has assigned a dedicated department to be responsible for the determination of credit limits, credit approval and other monitoring procedures to ensure that appropriate actions have been taken to recover overdue accounts receivable. The Company also uses certain credit enhancement tools such as Receive payment in advance to reduce credit risk. In addition, the Company will review the recoverable amount of receivables one by one on the balance sheet date to ensure that appropriate impairment losses have been set aside for irrecoverable receivables. Based on this, the company's management believes that the company's credit risk has been significantly reduced.

The Company does not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. Concentration of credit risk to any other counterparty did not exceed 1% of the gross monetary assets at any time during 2023 and 2022.

3) Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The company's management supervises the use of the bank's comprehensive financing lines and ensures compliance with the terms of the credit line contract.

As of December 31, 2023 and 2022, the Company has no unused financing quota.

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

The following liquidity and interest rate risk table details the remaining contract maturity analysis of the company's non-derivative financial liabilities with agreed repayment periods. It is based on the earliest date when the company may be required to repay, and is based on the undiscounted cash flow of financial liabilities. Prepared, which includes cash flows from interest and principal.

December 31, 2023

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 7,022	\$ -	\$ 5,838	\$ -

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 6,656	\$ -	\$ 8,735	\$ -

29. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationship with the Company:

<u>Related Party</u>	<u>Relationship with the Company</u>
CPCAM FRANCE SARL (CPCAM)	Subsidiary of a significant investor
CHIEFTRON INTERNATIONAL CORPORATION (CHIEFTRON INTERNATIONAL CORPORATION)	Subsidiary
Shengtike Investment Co., Ltd. (Shengtike Investment)	Subsidiary
AVTECH Security Corporation (AVTECH Security Corporation)	Subsidiary
Q.S.C. Industry Co., Ltd. (Q.S.C. Industry)	Subsidiary
YesGo Tech Corporation (YesGo Tech Corporation)	Subsidiary
<u>Related Party</u>	<u>Relationship with the Company</u>
AirTag Technology Co., Ltd. (AirTag)	Associate
ITsESG Data Corporation (ITsESG Data)	Associate (Note 1)
Anhong Electronic Technology (Shenzhen) Co., Ltd. (Anhong Electronic Technology)	Associate (Note 2)
AVCLOUD TECHNOLOGY CORPORATION Co., Ltd. (AVCLOUD TECHNOLOGY)	Associate (Note 3)
Rong Jin Technology Co., Ltd (Rong Jin)	Substantial related party
AVisionary INC (AVisionary)	Substantial related party
Shenghua Technology Co., Ltd. (Shenghua)	Substantial related party
GIGA ELECTRONICS CORP. (GIGA)	Substantial related party

Note 1: The company's son company was promoted to invest in Shengtike Investment January 2022 due to the sale of the equity of its subsidiary ITsESG Data, the company lost its control over the company and was reclassified as an investment-related enterprise.

Note 2 : Anhong Electronics in October 2023 The board of directors approved the capital increase of RMB 14,142 Thousand, cash The basis for capital increase is as of November 10, 2023, the company November 8, 2023 On the day the board of directors decided to give up its participation in the cash capital increase, the shareholding ratio of the company's subsidiaries will be determined by 65%reduced to 36.42%, due to the loss of control over Anhong Electronics, Anhong Electronics will no longer be included in the consolidated financial statements and will be transferred to an investment-related enterprise.

Note 3: The company's son company was promoted to invest in Shengtike Investment December 2023, due to the sale of part of the equity of the subsidiary AVCLOUD TECHNOLOGY, the company lost its control over the company and was classified as an investment-related enterprise.

b. Operating Revenue

Item	Related Party Category/Name	2023	2022
Sales revenue	Subsidiary		
	AVTECH	\$ 4,599	\$ 6,262
	Security		
	Other	-	4
		<u>\$ 4,599</u>	<u>\$ 6,264</u>

Sales to related parties will be handled in accordance with normal transaction conditions.

c. Purchase

Related Party Category/Name	2023	2022
Subsidiary		
AVTECH Security	<u>\$ 1,765</u>	<u>\$ 1,867</u>

Purchases from related parties will be handled according to normal transaction conditions.

d. Receivables from related parties (excluding loans to related parties)

Item	Related Party Category/Name	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiary		
	AVTECH	\$ 144	\$ 1,303
	Security		
	Substantial related		
	party		
	Shenghua	392	-
	Investors with		
	significant influence		
	Other	139	146
Allowance for losses	Other	(<u>139</u>)	(<u>146</u>)
		<u>\$ 536</u>	<u>\$ 1,303</u>
Other receivables subsidiaries	Subsidiary		
	Q.S.C. Industry	\$ -	\$ 652
	Substantial related		
	party		
	Other	<u>-</u>	<u>62</u>
		<u>\$ -</u>	<u>\$ 714</u>

Amounts receivable from related parties that are in circulation have not been guaranteed.

e. Payables to related parties (excluding borrowings from related parties)

Item	Related Party Category/Name	December 31, 2023	December 31, 2022
Other payables	Subsidiary		
	Q.S.C. Industry	\$ 141	\$ 268
	Other	-	4
	Substantial related		
	party		
	Other	<u>35</u>	<u>-</u>
		<u>\$ 176</u>	<u>\$ 272</u>

No guarantee has been provided for the balance of outstanding amounts payable to related parties.

f. Lending money to related parties

Interest income

Related Party Category/Name	2023	2022
Subsidiary		
CHIEFTRON		
INTERNATIONAL	\$ <u> -</u>	\$ <u> 441</u>

The Company provides short-term unsecured loans to subsidiaries at interest rates close to market interest rates. Such loans have been made to September 2022 withdrawn.

g. Operating rental income

Item	Related Party Category/Name	2023	2022
Other income	Subsidiary		
	Q.S.C. Industry	\$ 5,588	\$ 5,923
	AVTECH	2,889	2,722
	Security		
	INTERNATIONAL	1,385	1,385
	Substantial related party		
	Shenghua	3,937	3,609
	Rong Jin	-	229
	Other	150	1,348
	Investors with significant influence	<u> 36</u>	<u> 36</u>
		<u>\$ 13,985</u>	<u>\$ 15,252</u>

The company rents out the premises to related parties for office use, and charges are paid on a monthly or annual basis at a price agreed upon by both parties.

h. service income

Item	Related Party Category/Name	2023	2022
Other income	Subsidiary		
	AVTECH	\$ 1,517	\$ 1,484
	Security		
	Q.S.C. Industry	1,528	1,349
	Substantial related party		
	Shenghua	4,887	4,201
	Rong Jin	-	455
	Other	<u>212</u>	<u>372</u>
		<u>\$ 8,144</u>	<u>\$ 7,861</u>

i. Other expense

Item	Related Party Category/Name	2023	2022
Management expenses	Subsidiary		
	Q.S.C. Industry	\$ 1,253	\$ 1,497
	Other	<u>567</u>	<u>113</u>
		<u>\$ 1,820</u>	<u>\$ 1,610</u>

j. Rewards for key management levels

The total remuneration of directors and other key management personnel is as follows:

	<u>2023</u>	<u>2022</u>
Short term employee benefits	<u>\$ 6,613</u>	<u>\$ 5,453</u>

The remuneration of directors and other key management members is determined by the remuneration committee based on individual performance and market trends.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is summarized and expressed in foreign currencies other than the Company's functional currency. The exchange rates disclosed refer to the exchange rates at which such foreign currencies are converted into functional currencies. Foreign currency assets and liabilities with significant impact are as follows:

December 31, 2023

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 8,063	30.705	\$ 247,574

December 31, 2022

	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 9,078	30.710	\$ 278,785

Unrealized foreign currency exchange gains and losses with significant impact are as follows:

Foreign Currency	<u>2023</u>		<u>2022</u>	
	<u>Exchange Rate</u>	<u>Net gain (loss) on exchange</u>	<u>Exchange Rate</u>	<u>Net gain (loss) on exchange</u>
USD	30.705 (USD:NTD)	(\$ 446)	30.710 (USD:NTD)	\$ 32,256

31. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on reinvestment busines

1) Loans of funds to others: Table 1.

2) Endorsement guarantee for others: Table 2.

3) Situation of securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture control parts): Table 3.

4) The cumulative purchase or sale of the same securities amounted to NT\$300 million or 20% and above of the paid-in capital: None.

5) The amount of real estate acquired reaches NT\$300 million or paid-in capital amount 20% Above: None.

6) The amount of real estate disposed of amounted to NT\$300 million or paid-in capital amount 20% Above: None.

7) The amount of imports and sales with related persons amounted to NT\$100 million or paid-in capita 20% Above: None.

8) Amounts receivable from related parties amount to NT\$100 million or paid-in capital 20% Above: None.

9) Engaged in derivatives trading: None.

10) Invested company information: Table 4.

c. Information on investments in mainland China

1) The name of the mainland invested company, main business items, paid-in capital, investment method, capital remittances and inflows, shareholding ratio, current year's profits and losses and recognized investment profits and losses, year-end investment book amount, repatriated investment profits and losses and investment profits and losses to the mainland Regional investment limits: Table 5

2) The following major transaction matters that occurred directly or indirectly through the third region with mainland invested companies, as well as their prices, payment terms, and unrealized profits and losses:

a) Purchase amount and percentage and closing balance and percentage of related payables: None.

b) Amount and percentage of sales and closing balance and percentage of related accounts receivable: None.

c) The amount of property transactions and the amount of profits and losses generated therefrom: None.

d) Ending balance of bills endorsed for guarantee or collateral provided and its purpose: Table 2.

e) The maximum balance, ending balance, interest rate range and total interest for the year of financial facilities: Table 1.

f) Other transactions that have a significant impact on the current year's profits and losses or financial status, such as the provision or receipt of services, etc.: None.

d. Information on major shareholders: Table 6.

AV TECH CORPORATION, LTD.
LOANS OF FUNDS TO OTHERS
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency, unless otherwise specified)

Table 1

No. (Note 1)	Financing Company	Counterparty	Transaction Item (Note 2)	Related Party or Not	Maximum Balance for the Period (Notes 3 and 9)	Ending Balance (Notes 8 and 9)	Amount Actually Drawn (Note 9)	Interest Rate	Interest Rate (Note 4)	Business Interaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 7)	Aggregate Financing Limit (Note 7)	Note
													Name	Value			
0	AV TECH CORPORATION	CHIEFTRON INTERNATIONAL	Other receivable	Y	\$ 80,000	\$ -	\$ -	2.30%	(2)	\$ -	Operating capital	\$ -	-	\$ -	\$ 224,313	\$ 224,313	
1	CHIEFTRON INTERNATIONAL	Anhong Electronic Technology	Other receivable	Y	61,410 (USD 2,000,000)	- (USD -)	(USD -)	3.50%	(2)	-	Operating capital	-	-	-	82,578	165,156	

Note 1 : The description of the number column is as follows:

(1) Issuer fill in 0.

(2) Invested companies are identified by Arabic numerals 1 Start numbering in sequence.

Note 2 : Amounts receivable from related enterprises, accounts receivable from related parties, transactions with shareholders, advances, and temporary payments listed in the accounts...If the project is of a capital loan nature, this field must be filled in.

Note 3 : The highest balance of funds loaned to others in the current year.

Note 4 : Fund loan and nature should be filled in (1) Be a business associate or (2) There is a need for short-term financing.

Note 5 : If the capital loan is a business transaction in nature, the business transaction amount should be filled in. The amount of business transactions refers to the amount of business transactions between the company lending funds and the loan recipient in the most recent year.

Note 6 : If the nature of the fund loan is such that short-term financing is necessary, the reasons for the necessary loan and funds and the purpose of the funds to be loaned should be specified, such as: repayment of loans, purchase of equipment, business turnover.

Note 7 : The total amount of AV TECH CORPORATION capital loans and others shall not exceed the net value of AV TECH CORPORATION, which has been verified and approved by an accountant recently or the financial statements have been reviewed 10%.

The individual loan and amount of funds of AV TECH CORPORATION shall not exceed the net value of AV TECH CORPORATION as recently verified and certified by an accountant or the financial statements have been reviewed 10%.

The total amount of funds loaned by CHIEFTRON INTERNATIONAL CORPORATION to other parties shall not exceed the net value of CHIEFTRON INTERNATIONAL CORPORATION, which has been recently verified by an accountant or whose financial statements have been reviewed 40%.

If CHIEFTRON INTERNATIONAL CORPORATION has funds to lend to other companies or banks due to business relationships, the individual loan amount shall not exceed the net worth of CHIEFTRON INTERNATIONAL CORPORATION 20% is limited to.

Note 8 : If a publicly issued company relies on the handling of fund loans and endorsement guarantees of publicly issued companies, No. 14 Article 1 If the funds are loaned to the board of directors for resolution one by one, although no funds have been allocated, the amount of the board resolution should still be included in the announced balance to disclose the risks; however, if the funds are subsequently repaid, the balance after repayment should be disclosed to reflect the risk adjustment. If a publicly issued company is subject to processing standards No.14 Article 2 If the board of director's resolution authorizes the chairman to allocate loans in installments or use them on a recurring basis within a certain amount and within a one-year period, the loan amount approved by the board of directors should still be used as the balance reported in the announcement. Although the funds will be repaid later, it is still possible to consider the possibility of loaning again, therefore the fund loan limit approved by the board of directors should still be used as the balance reported in the announcement.

Note 9 : Foreign currency amount is in December 31, 2023 exchange rate USD\$1 = NT\$30.705 is the New Taiwan Dollar.

AV TECH CORPORATION, LTD.
ENDORSEMENT GUARANTEE FOR OTHERS
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency)

Table 2

No. (Note1)	Name of the endorser's company	Endorsement object		Limit of endorsement for single enterprise	Maximum endorsement balance for the current period	Ending endorsement balance	Amount Actually Drawn	Amount of endorsement secured by property	Ratio of accumulated endorsement amount to net value of latest financial statement (%)	Maximum limit Of endorsement	Endorsement of the parent company to the subsidiary company	Endorsement of the Subsidiary company to the parent company	Endorsement to Mainland China	Note
		Name of Company	Relationship (Note 2)											
0	AV TECH CORPORATION	CHIEFTRON INTERNATIONAL	2	\$ 80,000 (Note 3)	\$ 45,000	\$ 45,000	\$ -	\$ -	2.01	\$ 80,000 (Note 3)	Y	-	-	-
1	CHIEFTRON INTERNATIONAL	Anhong Electronic Technology	1	103,223 (Note 4)	21,635 (RMB5,000)	- (RMB -)	- (RMB -)	-	-	412,891 (Note 4)	-	-	Y	-

Note 1 : Fill in by the issuer 0, Invested companies by company type by Arabic numerals 1 Start numbering in sequence.

Note 2 : The relationship between the endorser and the person being endorsed and guaranteed is as follows: 7 species, just mark the species:

- (1) A company with business dealings.
- (2) The company directly and indirectly holds shares with voting rights exceeding 50% The company.
- (3) Shares that directly and indirectly hold voting rights in the company exceed 50% The company.
- (4) The company directly and indirectly holds voting rights of up to 90% The above company space.

(5) Based on the needs of contracting projects, peers in the same industry or jointly establish a company that provides mutual insurance in accordance with the provisions of the contract.

(6) Based on the needs of contracting projects, peers in the same industry or jointly establish a company that provides mutual insurance in accordance with the provisions of the contract.

(7) Among peers, the performance guarantee for pre-sale housing sales contracts is jointly and severally guaranteed in accordance with consumer protection laws and regulations.

Note 3 : The total amount of endorsement guarantee shall not exceed the actual paid-in capital of the endorsement guarantee company 10%.

Note 4 : The total amount of endorsement guarantee shall not exceed the company's net worth 100%, the accumulated amount of endorsement guarantee for a single enterprise shall not exceed the company's net worth 25%.

The total amount of external endorsements and guarantees by CHIEFTRON INTERNATIONAL CORPORATION and its subsidiaries as a whole shall not exceed the net worth of CHIEFTRON INTERNATIONAL CORPORATION 100%, the cumulative amount of the overall endorsement guarantee for a single enterprise shall not exceed the international net worth of CHIEFTRON INTERNATIONAL CORPORATION 25%.

Note 5 : Foreign currency amount is based on December 31, 2023 exchange rate RMB\$1 = NT\$4.327 for the New Taiwan Dollar.

AV TECH CORPORATION, LTD.
SITUATION OF SECURITIES HELD AT THE END OF THE PERIOD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Table 3

Name of Held Company	Type and Name of Marketable Securities	Relationship with the issuer of securities	Financial Statement Account	End of the Period			Note	
				Number of Shares (in thousands)	Carrying amount	Percentage of Ownership		Fair Value
AV TECH CORPORATION, LTD.	<u>Domestic publicly traded shares</u>							
	Crystalvue Medical Corporation	—	Financial assets at fair value through profit or loss	10	\$ 861	-	\$ 861	—
	TTY BIOPHARM COMPANY LIMITED	—	"	10	804	-	804	—
	ABILITY ENTERPRISE CO., LTD.	—	"	10	255	-	255	—
	AlgoITek, Inc.	—	"	20	1,798	-	1,798	—
	<u>Domestic Non-publicly traded shares</u>							
	WK Technology Fund IX II Ltd.	—	Financial assets at fair value through other comprehensive income	5,000	50,000	-	50,000	—
	<u>Corporate bond</u>							
	APPLE Inc. Overseas corporate bond due in 2045	—	Financial assets measured at amortized cost	500	14,960	-	14,659	—
	APPLE Inc. Overseas corporate bond due in 2046	—	"	400	12,148	-	12,123	—
APPLE Inc. Overseas corporate bond due in 2047	—	"	300	8,862	-	8,719	—	
TSMC Arizona Overseas corporate bond due in 2029	—	"	200	6,091	-	6,051	—	
TSMC Arizona Overseas corporate bond due in 2032	—	"	600	18,169	-	18,185	—	
Shengtike Investmen	<u>Domestic Non-publicly traded shares</u>							
	CHECKINPASS CO., LTD.	—	Financial assets at fair value through other comprehensive income	150	-	11.11%	-	—
YesGo Tech	Rong Jin Technology Co., Ltd	—	"	300	-	10.00%	-	—

Note: For information related to investment-related enterprises and subsidiaries, please refer to Table 4 and Table 5.

AV TECH CORPORATION, LTD.
INVESTED COMPANY INFORMATION
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency, unless otherwise specified)

Table 4

Name of investor company	Name of Investee Company	Location	Main Business Activities	Original Investment Amount		Held at the End of The Period			Net Income (Loss) of the Investee	Investment Profit (Loss) Recognized in the Current Period	Note
				End of the Current Note Period	Year-end of the last year	Number of Shares	Ratio%	Carrying amount			
AV TECH CORPORATION, LTD.	CHIEFTRON INTERNATIONAL	Taiwan	Semiconductor component agent	\$ 190,079	\$ 190,079	15,240,000	84.11	\$ 347,268	\$ 52,807	\$ 44,420	Note 1
	Shengtike Investment	Taiwan	General investment industry	80,000	80,000	8,000,000	100.00	55,509	1,400	1,400	Note 1
	AVTECH Security	Taiwan	Production and sales monitoring anti-theft system	96,000	96,000	9,600,000	96.00	48,351	971	933	Note 1
	Q.S.C. Industry	Taiwan	Electrical and audio-visual electronic product manufacturing	30,000	30,000	3,000,000	100.00	16,801	(6,134)	(6,134)	Note 1
CHIEFTRON INTERNATIONAL	Elcom	British virgin islands	Investment and holding	-	12,125	-	-	-	13,035		Notes 1 and 4
CHIEFTRON INTERNATIONAL	Anhong Electronic	Mainland China	Conductor components agent	12,125	12,125	-	36.42	51,780	6,726		Notes 2 and 3
Shengtike Investment	GIGA	Taiwan	Consumer electronics product development and sales	8,000	8,000	800,000	25.00	6,970	2,537		Note 2
	AirTag	Taiwan	Business management consultant	3,000	3,000	300,000	50.00	-	(528)		Note 2
	ITsESG Data	Taiwan	Software development and sales	5,742	5,742	200,000	40.00	3,029	2,614		Note 2
	YesGo Tech	Taiwan	Closed-circuit surveillance system development	12,700	12,700	432,572	56.70	993	(1,429)		Note 1
	AVCLOUD TECHNOLOGY	Taiwan	Sales and installation of surveillance and security products	1,760	4,000	176,000	22.00	2,287	2,392		Notes 2 and 5
	Info-Tech Corp.	Taiwan	Software development and sales	2,000	2,000	62,000	51.67	695	137		Note 1

Note 1 : It has been written off when preparing the consolidated financial statements.

Note 2 : Associate.

Note 3 : CHIEFTRON INTERNATIONAL in November 2023 gave up the capital increase of Anhong Electronics, making CHIEFTRON INTERNATIONAL and ElcomIts comprehensive shareholding ratio is given by 65%decrease to 36.42%, due to the loss of control over Anhong Electronic Technology, it was converted to an investment-related enterprise, please refer to the company 2023 Note 28 to the annual consolidated financial report.

Note 4 : ElcomAt November 2023 Liquidation will be carried out on month, because the CHIEFTRON INTERNATIONAL holds the company 100% Therefore, CHIEFTRON INTERNATIONAL obtained the company's equity interest in Anhong.

Note 5 : Shengtike Investment in December 2023 Sold per month AVCLOUD TECHNOLOGY 28% Due to the loss of control over AVCLOUD TECHNOLOGY, AVCLOUD TECHNOLOGY will no longer be included in this consolidated financial statement and will be transferred to an investment-related enterprise.

Note 6 : Please refer to Table 5 for relevant information on mainland China's invested companies.

AV TECH CORPORATION, LTD.
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency)

Table 5

Investee Company In Mainland China	Main Business Activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		Accumulated amount of investment remitted out of Taiwan at the end of the period	Net Income (Loss) of the Investee	The company's direct or indirect investment shareholding ratio	Investment Profit (Loss) Recognized in Current Period (Note 2)	Carrying amount of the investment at the end of the period	Repatriated as of this year investment income
					Remitted	Repatriated						
Anhong Electronic Technology	Production and sales closed-circuit monitoring system and related spare parts	\$ 137,250 (RMB 31,074)	(1)	\$ 21,466 (USD 699)	\$ -	\$ -	\$ 21,466 (USD 699)	\$ 6,726	30.63%	\$ 3,442	\$ 51,780	\$ -

The accumulated investment amount remitted from Taiwan to the mainland at the end of this period	The investment review committee of the Ministry of Economic Affairs approved the investment amount	According to the investment review committee regulations of the Ministry of Economic Affairs, there are investment quotas in mainland China.
\$ 21,466 (USD 699)	\$ 21,466 (USD 699)	\$ 1,345,878 (Note 3)

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

- (1) Go directly to the mainland to engage in investment.
- (2) Reinvest in mainland China through third-region companies.
- (3) Other methods.

Note 2 : Investment profits and losses are calculated based on the financial statements of the invested company for the current year that have been reviewed by the parent company's accountant.

Note 3 : According to the Investment Review Commission's "Principles for Review of Investment or Technical Cooperation in the Mainland Area", the limit for investment in the Mainland is 1% of the net value60% .

Note 4 : The relevant amount is based on December 31, 2022 exchange rate RMB\$1 = NT\$4.327 and USD\$1 = NT\$30.705 for New Taiwan Dollars.

AV TECH CORPORATION, LTD.
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Table 6

Name of Major Shareholders	Shareholding	
	Number of Shares Held	Percentage of Ownership
Junyi Investment Co., Ltd.	22,215,044	27.76%
Huang Junru	8,842,984	11.05%
Chen Yilin	7,385,781	9.23%

Note: The information on major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation based on the last business day at the end of the current quarter. The total number of ordinary shares and special shares held by the company that has been completed and delivered without entity registration (including treasury shares) reached by shareholders is up to 5% The above information. The share capital recorded in the company's financial report and the actual number of shares delivered without entity registration may be different or different due to different preparation and calculation basis.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders AV TECH CORPORATION, LTD.

Audit Opinions

We have audited the accompanying consolidated financial statements of AV TECH CORPORATION, LTD. (the "Company") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2023 is described as follows:

Authenticity of specific sales revenue

The Company and its subsidiaries for the year ended December 31, 2023, the operating revenue from specific customers of electronic materials is significant to the overall operating income. Therefore, the authenticity of the operating revenue from such specific customers is listed as a key verification item.

For explanations of accounting policies related to sales revenue, please refer to Note 4 to the consolidated financial statements.

The main verification procedures that this accountant has performed on the authenticity of the specific sales revenue mentioned above are as follows:

1. The design and implementation effectiveness of key internal control systems to understand and test the authenticity of specific sales revenue.
2. Check the transaction documents of specific sales revenue, including shipping documents and payment documents, etc., to confirm that the significant risks and rewards of product ownership have been transferred to the buyer.
3. Check the specific sales revenue and payment collection after the sales period to confirm the rationality of the sales revenue recognition.

Other Matter

We have also audited the parent company only financial statements of AV TECH CORPORATION, LTD.as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statement

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

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

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

statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche

CPA- Youling Cai CPA- Jianliang Liu

March 18, 2023

Notice to Readers

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

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

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS.
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

Code	ASSETS	2023		2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note 6)	\$ 371,692	15	\$ 702,996	28
1110	Financial assets at fair value through profit or loss (Notes 7 and 31)	3,718	-	3,362	-
1136	Financial assets at amortized cost (Notes 9,31 and 33)	796,701	32	505,375	20
1150	Notes receivable (Notes 11 and 24)	5,591	-	1,380	-
1170	Trade receivables (Notes 11,24 and 32)	211,693	8	259,630	10
1200	Other receivables (Note 32)	647	-	295	-
1221	Current tax assets (Note 26)	1,269	-	705	-
130X	Inventories (Note 12)	95,781	4	202,519	8
1479	Other current assets	<u>17,995</u>	<u>1</u>	<u>33,431</u>	<u>1</u>
11XX	Total current assets	<u>1,505,087</u>	<u>60</u>	<u>1,709,693</u>	<u>67</u>
	NON-CURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	50,000	2	1,959	-
1535	Financial assets at amortized cost (Notes 9 and 31)	77,830	3	16,100	1
1550	Investments accounted for using the equity method(Note 14)	64,066	3	8,891	-
1600	Property, plant and equipment (Note 15)	708,536	29	713,282	28
1760	Investment properties (Note 17)	36,201	1	36,472	2
1840	Deferred tax assets (Note 26)	27,270	1	27,528	1
1975	Net defined benefit assets (Note 22)	18,994	1	16,182	1
1990	Other non-current assets (Note 18)	<u>257</u>	<u>-</u>	<u>3,886</u>	<u>-</u>
15XX	Total non-current assets	<u>983,154</u>	<u>40</u>	<u>824,300</u>	<u>33</u>
1XXX	TOTAL	<u>\$ 2,488,241</u>	<u>100</u>	<u>\$ 2,533,993</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2130	Contract liabilities (Note 24)	\$ 16,428	1	\$ 8,618	-
2170	Trade payables (Note 19)	74,329	3	62,760	3
2219	Other payables (Notes 20)	44,809	2	50,509	2
2230	Current tax liabilities (Note 26)	7,715	-	15,016	1
2399	Other current liabilities	<u>671</u>	<u>-</u>	<u>342</u>	<u>-</u>
21XX	Total current liabilities	<u>143,952</u>	<u>6</u>	<u>137,245</u>	<u>6</u>
	NON-CURRENT LIABILITIES				
2550	Provision for liabilities (Note 21)	21,626	1	21,626	1
2570	Deferred tax liabilities (Note 26)	6,751	-	6,213	-
2645	Deposits received	<u>3,734</u>	<u>-</u>	<u>3,710</u>	<u>-</u>
25XX	Total non-current liabilities	<u>32,111</u>	<u>1</u>	<u>31,549</u>	<u>1</u>
2XXX	Total liabilities	<u>176,063</u>	<u>7</u>	<u>168,794</u>	<u>7</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 23 and 29)				
3110	Ordinary shares	<u>800,000</u>	<u>32</u>	<u>800,000</u>	<u>31</u>
3271	Capital surplus	<u>17,722</u>	<u>1</u>	<u>17,722</u>	<u>1</u>
	Retained earnings				
3310	Legal reserve	1,068,453	43	1,058,800	42
3320	Special reserve	9,015	-	8,806	-
3350	Undistributed earnings	<u>352,102</u>	<u>14</u>	<u>384,189</u>	<u>15</u>
3300	Total retained earnings	<u>1,429,570</u>	<u>57</u>	<u>1,451,795</u>	<u>57</u>
	Other equity				
3410	Exchange differences in the translation of financial statements of foreign operating institutions	(883)	-	1,815	-
3420	Unrealized financial assets measured at fair value through other comprehensive profit or loss	<u>(3,279)</u>	<u>-</u>	<u>(10,830)</u>	<u>-</u>
3400	Total other equity	<u>(4,162)</u>	<u>-</u>	<u>(9,015)</u>	<u>-</u>
31XX	Total equity attributable to owners of the Company	<u>2,243,130</u>	<u>90</u>	<u>2,260,502</u>	<u>89</u>
36XX	NON-CONTROLLING INTERESTSt (Notes 23 and 29)	<u>69,048</u>	<u>3</u>	<u>104,697</u>	<u>4</u>
3XXX	Total equity	<u>2,312,178</u>	<u>93</u>	<u>2,365,199</u>	<u>93</u>
	TOTAL	<u>\$ 2,488,241</u>	<u>100</u>	<u>\$ 2,533,993</u>	<u>100</u>

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

AV TECH CORPORATION, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue(Notes 24 and 32)	\$ 1,159,521	100	\$ 1,231,209	100
5000	Operating costs (Notes 12,25 and 32)	<u>951,991</u>	<u>82</u>	<u>1,007,807</u>	<u>82</u>
5900	Gross profit	<u>207,530</u>	<u>18</u>	<u>223,402</u>	<u>18</u>
	OPERATING EXPENSES (Notes 22,25 and 32)				
6100	Selling expenses	62,353	5	72,321	6
6200	Management expenses	100,594	9	90,368	7
6300	Research and development expenses	28,256	3	29,984	3
6450	Expected credit impairment loss (Note 11)	<u>4,358</u>	<u>-</u>	<u>3,870</u>	<u>-</u>
6000	Total operating expenses	<u>195,561</u>	<u>17</u>	<u>196,543</u>	<u>16</u>
6900	OPERATING INCOME	<u>11,969</u>	<u>1</u>	<u>26,859</u>	<u>2</u>
	NON-OPERATING INCOME AND EXPENSES				
7100	Interest income	21,713	2	9,573	1
7010	Other income (Notes 25 and 32)	48,523	4	43,582	4
7020	Other gains and losses (Note 25)	4,453	1	50,226	4
7060	Share of profit or loss of from associates account for using the equity method (Note 14)	<u>2,681</u>	<u>-</u>	<u>681</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>77,370</u>	<u>7</u>	<u>104,062</u>	<u>9</u>
7900	PROFIT BEFORE TAX	89,339	8	130,921	11
7950	INCOME TAX EXPENSE (Note 26)	<u>20,469</u>	<u>2</u>	<u>24,916</u>	<u>2</u>
8200	NET PROFIT FOR THE YEAR	<u>68,870</u>	<u>6</u>	<u>106,005</u>	<u>9</u>

(Continued)

Code		2023		2022	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME(LOSS)				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans(Note 22)	(\$ 1,036)	-	\$ 2,566	-
8316	Unrealized loss on financial assets at fair value through other comprehensive income (Note 23)	7,295	-	(1,540)	-
8349	Income tax related to items not be reclassified (Note 26)	208	-	(513)	-
		<u>6,467</u>	<u>-</u>	<u>513</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of the financial statements of foreign operations(Note 23)	(2,934)	-	1,685	-
8300	Other comprehensive (loss)income for the year, net of income tax	3,533	-	2,198	-
8500	TOTAL COMPREHENSIVE (LOSS)INCOME FOR THE YEAR	<u>\$ 72,403</u>	<u>6</u>	<u>\$ 108,203</u>	<u>9</u>
	NET PROFIT ATTRIBUTABLE TO:				
8610	Owners of the company	\$ 58,603	5	\$ 94,571	8
8620	Non-controlling interests	10,267	1	11,434	1
8600		<u>\$ 68,870</u>	<u>6</u>	<u>\$ 106,005</u>	<u>9</u>
	TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
8710	Owners of the company	\$ 62,628	5	\$ 96,320	8
8720	Non-controlling interests	9,775	1	11,883	1
8700		<u>\$ 72,403</u>	<u>6</u>	<u>\$ 108,203</u>	<u>9</u>
	EARNINGS PER SHARE (Note 24)				
9750	Basic	<u>\$ 0.73</u>		<u>\$ 1.18</u>	
9850	Diluted	<u>\$ 0.73</u>		<u>\$ 1.18</u>	

(Concluded)

The accompanying notes are an integral part of the financial statements

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

Equity Attributable to Owners of the Company														
Code		Share Capital		Capital Surplus	Retained Earnings				Other Equity		Total	Total	Non-controlling Interests	Total Equity
		Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences On Translation of the Financial Statements of Foreign Operations	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income				
A1	BALANCE AT JANUARY 1, 2022	80,000	\$ 800,000	\$ 17,444	\$ 1,055,882	\$ 5,982	\$ 321,402	\$ 1,383,266	\$ 759	(\$ 9,565)	(\$ 8,806)	\$ 2,191,904	\$ 90,743	\$ 2,282,647
	Appropriation of 2021 earnings													
B1	Legal reserve	-	-	-	2,918	-	(2,918)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	2,824	(2,824)	-	-	-	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	-	-	(28,000)	(28,000)	-	-	-	(28,000)	-	(28,000)
O1	Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,835)	(1,835)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	94,571	94,571	-	-	-	94,571	11,434	106,005
D3	Other comprehensive income(loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	2,053	2,053	1,056	(1,360)	(304)	1,749	449	2,198
D5	Total comprehensive income(loss) for the year ended December 31, 2022	-	-	-	-	-	96,624	96,624	1,056	(1,360)	(304)	96,320	11,883	108,203
M3	Disposal of subsidiaries	-	-	-	-	-	(95)	(95)	-	95	95	-	(1,396)	(1,396)
M5	Equity price and book value of disposal subsidiaries difference(Note 29)	-	-	40	-	-	-	-	-	-	-	40	1,960	2,000
O1	Non-controlling Interests	-	-	238	-	-	-	-	-	-	-	238	3,342	3,580
Z1	BALANCE AT DECEMBER 31, 2022	80,000	800,000	17,722	1,058,800	8,806	384,189	1,451,795	1,815	(10,830)	(9,015)	2,260,502	104,697	2,365,199
	Appropriation of 2022 earnings													
B1	Legal reserve	-	-	-	9,653	-	(9,653)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	209	(209)	-	-	-	-	-	-	-
B5	Cash dividends distributed	-	-	-	-	-	(80,000)	(80,000)	-	-	-	(80,000)	-	(80,000)
O1	Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(11,424)	(11,424)
D1	Net profit for the year ended December 31, 2023	-	-	-	-	-	58,603	58,603	-	-	-	58,603	10,267	68,870
D3	Other comprehensive income(loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(828)	(828)	(2,698)	7,551	4,853	4,025	(492)	3,533
D5	Total comprehensive income(loss) for the year ended December 31, 2023	-	-	-	-	-	57,775	57,775	(2,698)	7,551	4,853	62,628	9,775	72,403
M3	Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(5,193)	(5,193)
O1	Non-controlling Interests	-	-	-	-	-	-	-	-	-	-	-	(28,807)	(28,807)
Z1	BALANCE AT DECEMBER 31, 2023	\$ 80,000	\$ 800,000	\$ 17,722	\$ 1,068,453	\$ 9,015	\$ 352,102	\$ 1,429,570	(\$ 883)	(\$ 3,279)	(\$ 4,162)	\$ 2,243,130	\$ 69,048	\$ 2,312,178

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

AV TECH CORPORATION, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 89,339	\$ 130,921
A20010	Adjustments for:		
A20100	Depreciation expense(including investment real estate)	7,552	7,504
A20300	Expected credit impairment losses	4,358	3,870
A20400	Net loss(gain) on fair value changes of financial assets at fair value	(1,520)	399
A21200	Interest income	(21,713)	(9,573)
A21300	Dividend income	(116)	(129)
A22300	Share of loss from associates accounted for using the equity method	(2,681)	(681)
A22500	Gain on disposal of property, plant and equipment	-	(17)
A23100	Gain on disposal of investment	(779)	-
A23200	Disposal and liquidation of subsidiary interests	(1,754)	(96)
A23700	Inventory valuation loss (gain on reversal)	(1,221)	6,628
A24100	Net unrealized foreign currency exchange losses (gains)	7,278	(32,317)
A29900	Write-off of accounts payable two years overdue	-	(1,423)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(5,229)	2,370
A31150	Trade receivables	(97,071)	9,360
A31180	Other receivables	(10,414)	2,277
A31200	Inventories	72,403	107,739
A31230	Net defined benefit assets	(3,848)	(738)
A31240	Other current assets	1,036	(3,342)
A32125	Contract liabilities	7,810	(10,342)
A32150	Accounts payable	74,562	(124,408)
A32180	Other payables	120,751	(17,339)
A32230	Other current liabilities	5,796	(419)
A33000	Cash generated from operations	244,539	70,244
A33500	Income tax paid	(26,849)	(14,081)
AAAA	Net cash generated from operating activities	<u>217,690</u>	<u>56,163</u>

(Continued)

Code		2023	2022
	CASH FLOWS FROM INVESTING		
	ACTIVITIES		
B00010	Purchase of financial assets at fair value through other comprehensive income	(\$ 50,000)	\$ -
B00020	Proceeds from disposal of financial assets at fair value through other comprehensive income	8,933	-
B00040	Purchase of financial assets at amortized cost	(1,183,569)	(656,812)
B00050	Proceeds from disposal of financial assets at amortized cost	844,593	634,150
B00100	Purchase of financial assets at fair value through profit or loss	(111,102)	-
B00200	Proceeds from disposal of financial assets at fair value through profit or loss	110,629	1,229
B01900	Net cash outflow from disposal of subsidiaries	(74,777)	(2,854)
B02700	Payments for property, plant and equipment	(315)	(855)
B02800	Proceeds from disposal of property, plant and equipment	-	57
B03800	Refundable deposit (Increase)decrease	(8,608)	334
B07100	Decrease in prepayments for equipment	(667)	-
B07500	Interest received	21,713	9,573
B07600	Receive dividends	<u>203</u>	<u>129</u>
BBBB	Net cash outflow from investing activities	<u>(442,967)</u>	<u>(15,049)</u>
	CASH FLOWS FROM INVESTING		
	ACTIVITIES		
C03000	Increase in guarantee deposits received	24	146
C04500	Cash Dividends paid to owners of the Company	(80,000)	(28,000)
C05400	Price for disposal of part of the subsidiary's equity	-	2,000
C05500	Cash capital increase for non-controlling interests	-	3,580
C05800	Cash dividends paid to non-controlling interests	<u>(11,424)</u>	<u>(1,835)</u>
CCCC	Net cash used in from financing activities	<u>(91,400)</u>	<u>(24,109)</u>
DDDD	The impact of exchange rate changes on cash and cash equivalents	<u>(14,627)</u>	<u>21,825</u>
EEEE	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(331,304)	38,830
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>702,996</u>	<u>664,166</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 371,692</u>	<u>\$ 702,996</u>

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

(Concluded)

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

1. GENERAL INFORMATION

AV TECH CORPORATION, Ltd. (the “Company”) was incorporated in June 1996. The company's shares are from November 2003. It will be traded over the counter at the Securities Counter Trading Center of the Republic of China, a legal person, starting from March. In addition, it has been approved by the Taiwan Stock Exchange since August 2005. The stocks will be listed and traded starting from this month. The main business operations include the following:

- a. Manufacturing of surveillance and anti-theft systems (cameras, quarter-division, image transmission equipment and peripheral control equipment and accessories), home anti-theft systems and automatic dialers, access control systems (card swiping systems, TV intercoms, fingerprint recognition systems, lane control systems), Installation, sales and import and export trade business.
- b. General import and export trade business.
- c. The agency sales and bidding business of products of domestic and foreign manufacturers in the preceding paragraph.
- d. Electronic components manufacturing industry.
- e. Optical instrument manufacturing industry.
- f. Power generation, transmission and distribution manufacturing industry.
- g. Electronic materials wholesale industry.
- h. Precision instrument wholesale industry.
- i. Telecommunications controls radio frequency equipment manufacturing and input industries.
- j. General investment industry.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 13, 2024.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) Applicable to the Financial Regulatory Commission and promulgated into effective IFRSs Accounting standards will not cause significant changes in the company's accounting policies.
- b. The IFRSs endorsed by the FSC for application starting from 2024

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024 (Note 3)

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

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

Note 3: The first time this amendment applies; certain disclosure requirements are waived.

As of the date of issuance of this consolidated financial report, the merged company assesses that the amendments to the above standards and interpretations will not have a significant impact on the financial position and financial performance.

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 "lack of convertibility"	January 1, 2025 (Note 2)

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

Note 2: Applicable to annual reporting periods starting after January 1, 2025. When the amendment is first applied, the impact will be recognized in retained earnings on the first application date. When the merged company uses non-functional currency as the currency of expression, the impact amount will be adjusted to the exchange difference of foreign operating institutions under equity on the first application date.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company is not able to defer the repayment deadline to more than 12 months after the balance sheet date unconditionally.

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

d. Basis of consolidation

This consolidated financial report contains the financial reports of the Company and entities (subsidiaries) controlled by the Company. The consolidated comprehensive income statement has included the operating profits and losses of the acquired or disposed subsidiaries for the current period from the acquisition date or to the disposal date. The subsidiaries' financial reports have been adjusted to bring their accounting policies into line with those of the merged company. In preparing consolidated financial reports, transactions, account balances, income and expenses between entities have been eliminated in full. The total consolidated profit and loss of subsidiaries is attributed to the owners of the Company and the non-controlling interests, even if the non-controlling interests thereby become a loss balance.

When the change in the merging company's ownership interest in the subsidiary does not result in a loss of control, it is treated as an equity transaction. The carrying amounts of the consolidated companies and non-controlling interests have been adjusted to reflect changes in their relative interests in subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity and attributed to the owners of the Company.

When the merging company loses control of its subsidiary, the profit or loss on disposal is the difference between the following two: (1) The fair value of the consideration received and the fair value of the remaining investment in the former subsidiary based on the date of loss of control, and (2) The assets (including goodwill), liabilities and

Non-controlling interests of the former subsidiary are aggregated based on the carrying amount on the date when control is lost. The merged company's accounting treatment for all amounts related to the subsidiary recognized in other comprehensive profits and losses is the same as the basis that the merged company must follow if it directly disposes related assets or liabilities.

The remaining investment in the former subsidiary is based on the fair value on the date of loss of control as the amount originally recognized as investment in the associated enterprise.

For details of subsidiaries, shareholding ratios and business items, please refer to Note 13, Table 4 and 6.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Foreign currency monetary items are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from the delivery or conversion of monetary items are recognized in profit or loss in the current period.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

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

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

If the partial disposal of a subsidiary of a foreign operating institution does not result in a loss of control, the accumulated exchange difference will be re-attributed to the non-controlling interests of the subsidiary in proportion and will not be recognized as profit or loss. In the case of any other partial disposal of foreign operating institutions, the accumulated exchange differences will be reclassified to profit or loss in proportion to the disposal.

g. Inventories

The inventory system includes raw materials, finished products and work in progress. Inventories are measured by the lower of cost and net realizable value. When comparing cost and net realizable value, except for inventories of the same category, they are based on individual items. Net realizable value refers to the balance of the estimated selling price under normal circumstances less the estimated costs required to complete the project and the estimated costs required to complete the sale. Inventory costs are calculated using the weighted average method.

h. Investments in associates:

Affiliated enterprises refer to enterprises that have significant influence on the merged company but are not subsidiaries or joint ventures.

The merged company adopts the equity method for investment in related enterprises.

Under the equity method, investment in affiliated enterprises is initially recognized at cost, and the carrying amount after acquisition increases or decreases with the merged company's share of affiliated enterprise profits and losses and other comprehensive profits and losses and profit distribution. In addition, changes in the merged company's interests in related enterprises are recognized based on the shareholding ratio.

When the merged company's share of losses to an associated enterprise is equal to or exceeds its equity in the associated enterprise (including the carrying amount of the investment in the associated enterprise under the equity method and other long-term interests that are essentially part of the merged company's net investment in the associated enterprise), the recognition of further losses will cease. The merged company recognizes additional losses and liabilities only to the extent that it has incurred legal obligations, constructive obligations or has made payments on behalf of related enterprises.

When assessing impairment, the consolidated company treats the entire carrying amount of the investment (including goodwill) as a single asset, compares the recoverable amount with the carrying amount, and conducts impairment testing. The recognized impairment loss is not allocated to the book amount of the investment. Any asset that is an integral part of the amount, including goodwill. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment subsequently increases.

i. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is

depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation for investment properties is recognized using the straight-line method.

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

k. Impairment of property, plant and equipment, right-of-use assets, investment properties and assets related to contract assets

The merged company assesses at each balance sheet date whether there is any indication that property, plant and equipment and investment property may have been impaired. If any indication of impairment exists, estimate the asset's recoverable amount. If the recoverable amount of an individual asset cannot be estimated, the Merger Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Shared assets are allocated to the smallest cash-generating unit group on a reasonable and consistent basis.

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

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

l. Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the merged company becomes a party to the contractual terms of the instrument.

When financial assets and financial liabilities are initially recognized, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability measured at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

The types of financial assets held by the merged company are financial assets measured at fair value through profit or loss, financial assets measured at amortized cost and equity instrument investments measured at fair value through other comprehensive profit or loss.

i. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include mandatory financial assets measured at fair value through profit or loss. Mandatory financial assets measured at fair value through profit or loss include unspecified equity instrument investments measured at fair value through other comprehensive profit or loss.

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

ii. Financial assets at amortized cost

If the investment financial assets of the merged company meet both of the following conditions, they will be classified as financial assets measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, Time deposits with original maturity exceeding 3 months, notes receivable, Accounts receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

iii. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the merged company may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be

reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets

The merged company assesses impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses at each balance sheet date.

Accounts receivable are recognized for a loss allowance based on lifetime expected credit losses. Other financial assets are evaluated to see whether the credit risk has increased significantly since they were initially recognized. If not, they are recognized as the loss allowance for 12-month expected credit loss. If they have increased considerably, they are recognized as the loss allowance based on lifetime expected credit loss.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The 12-month expected credit loss represents possible credit loss from breach of contract within 12 months of reporting date. Lifetime expected credit loss represents expected credit loss from breach of contract of financial instruments during period of existence.

For internal credit risk management purposes, the merged company determines that the following situations represent a default on financial assets without considering the collateral held:

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

Impairment losses on all financial assets are reduced through the allowance account to reduce their carrying amounts.

c) Derecognition of financial assets

The merged company will only delist financial assets when the contractual rights to cash flows from financial assets expire, or when the financial assets have been

transferred and almost all risks and rewards of ownership of the assets have been transferred to other enterprises.

When a financial asset measured at amortized cost is deducted as a whole, the difference between its carrying amount and the consideration received is recognized in profit or loss. When an equity instrument investment measured at fair value is eliminated as a whole through other comprehensive gains and losses, the accumulated gains and losses are directly transferred to retained earnings and are not reclassified as profit or loss.

2) Equity instruments

Equity instruments issued by the merged company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the merged company are recognized at the amount obtained after deducting direct issuance costs.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

When a financial liability is excluded, the difference between its carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit or loss.

m. Provisions

The amount recognized as liability provision takes into account the risks and uncertainties of the obligation and is the best estimate of the expenditure required to settle the obligation on the balance sheet date.

n. Revenue recognition

After the merged company identifies performance obligations in the customer contract, it allocates the transaction price to each performance obligation and recognizes revenue when each performance obligation is met.

Revenue from the sale of goods

Merchandise sales revenue comes from the sales of security monitoring systems and electronic materials. Since when the aforementioned products are shipped, the customer already has the right to set the price and use the goods and bears the main responsibility for resale, and bears the risk of obsolescence of the goods, the merged company recognizes revenue and accounts receivable at that point in time. Advances from customers are recognized as contract liabilities before the products are shipped.

When removing materials for processing, the control of ownership of the processed products has not been transferred, so no income is recognized when removing materials.

o. Leasing

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

1) Merger company as lessor

When the terms of the lease transfer substantially all the risks and rewards attached to the ownership of the asset to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Under an operating lease, the lease payment system, minus the lease incentives, is recognized as income on a straight-line basis during the relevant lease period. The original direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying assets and recognized as expenses during the lease period on a straight-line basis.

2) Merger company as lessee

Except for low-value underlying asset leases and short-term leases where the recognition exemption is applicable, the lease payments are recognized as expenses on a straight-line basis during the lease period. For other leases, the right-of-use assets and lease liabilities are recognized on the inception date of the lease.

p. Borrowing costs

All borrowing costs are recognized as profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Determining the provision of pensions in the retirement plan is based on the period during which employees provide services, and the amount of pensions that should be provided is recognized as an expense.

The defined benefit costs of defined benefit retirement plans (including service costs, net interest and remeasurement amounts) are actuarially calculated using the estimated unit benefit method. Service costs (including current service costs) and net interest on net certain welfare assets are recognized as employee welfare expenses when incurred. The remeasured amount (including actuarial gains and losses and return on planned assets after deducting interest) is at When incurred, they are recognized in other comprehensive profits and losses and included in retained earnings, and are not reclassified to profit or loss in subsequent periods.

Net defined benefit assets represent the remainder of provisions from defined benefit retirement plans. The net defined benefit assets shall not exceed the present value of the refund of withdrawals from the plan or the reduction in future withdrawals.

r. Income Tax

Income tax expense is the sum of current income tax and deferred income tax.

1) Current income tax

The merged company determines the income (loss) for the current period in accordance with the laws and regulations of each income tax reporting jurisdiction, and calculates the income tax payable (recoverable) accordingly.

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China plus income tax shall be recognized in the year of resolution of the shareholders' meeting.

Adjustments to the income tax payable in previous years shall be included in the current income tax.

2) Deferred income tax

Deferred income tax is calculated based on the temporary differences arising from the carrying amount of assets and liabilities recorded in the accounts and the taxable basis for calculating taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, whereas deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the temporary differences and loss deductions can be utilized.

Taxable temporary differences related to investment subsidiaries, related enterprises and joint agreements are recognized as deferred income tax liabilities. However, if the company can control the timing of the reversal of the temporary differences, and the temporary differences are likely to be recognized in the foreseeable future, Exceptions are made where there is no foreseeable future change. Deductible temporary differences related to such investments will be recognized as deferred income tax only to the extent that it is probable that sufficient taxable income will be available to realize the temporary differences and that they are expected to reverse in the foreseeable future. assets.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to recover all or part of the assets. Those that were not originally recognized as deferred income tax assets will also be re-examined at each balance sheet date and will likely be re-examined in the future.

If taxable income is generated for the purpose of recovering all or part of the assets, the book amount shall be adjusted and increased. Deferred income tax assets and liabilities are measured by the tax rate for the current period when the liability is expected to be settled or the asset is realized. The tax rate is based on the tax rate that has been enacted or substantively enacted on the balance sheet date. It is based on tax rates and tax laws. The measurement of deferred income tax liabilities and assets reflects the tax consequences arising from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

3) Current and deferred income tax

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

5. THE MAIN SOURCE OF UNCERTAINTY IN MAJOR ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When the consolidated company adopts accounting policies, management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors for which relevant information is not easily obtained from other sources. Actual results may differ from estimates.

When the merged company develops significant accounting estimates, the possible impact will be included in the consideration of relevant major estimates such as cash flow estimates, growth rates, discount rates, profitability, etc. The management will continue to review estimates and basic assumptions.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 583	\$ 854
Bank checks and demand deposits cash equivalents	180,047	225,728
The original expiration date is in 3 Within a month bank time deposit	<u>191,062</u>	<u>476,414</u>
	<u>\$ 371,692</u>	<u>\$ 702,996</u>

The market interest rate range for bank time deposits on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank time deposit	1.16% ~ 4.70%	0.91% ~ 4.85%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets mandatorily classified as at Fair value through profit or loss</u> <u>Non-derivative financial assets</u> – Domestic publicly traded shares	<u>\$ 3,718</u>	<u>\$ 3,362</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVESTMENTS IN EQUITY INSTRUMENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic investment		
Unlisted shares	\$ <u>50,000</u>	\$ <u>1,959</u>

The merged company invests based on medium- and long-term strategic objectives and expects to make profits through long-term investment. The management of the merged company believes that including the short-term fair value fluctuations of these investments in profit and loss is inconsistent with the aforementioned long-term investment plan, so it chooses to designate these investments as measured at fair value through other comprehensive profits and losses.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Domestic investments		
The original expiration date is in 3 Within a month bank time deposit	\$ <u>796,701</u>	\$ <u>505,375</u>
<u>Non-current</u>		
Domestic investments		
Pledged deposit certificate	\$ 17,600	\$ 16,100
Foreign investment		
TSMC Arizona corporate bonds (2)	24,260	-
APPLE corporate bonds (3)	<u>35,970</u>	<u>-</u>
	\$ <u>77,830</u>	\$ <u>16,100</u>

(1) As of December 31, 2023 and 2022, the original expiry date exceeds 3 The interest rate range of time deposits per month is the annual interest rate respectively. 1.34% ~ 5.25% and 0.88% ~ 4.95%.

(2) Merged company is in February to March 2023 purchase TSMC Arizona Issued by the company 2029 year to 2032 Overseas corporate bonds due in 2020, totaling US\$789 Thousand (equivalent to New Taiwan dollars 23,800 Thousand), the coupon rate is 4.13% ~ 4.25%, the effective interest rate is 4.30% ~ 4.67%.

- (3) Merged company is in February to May 2023 purchase APPLE issued by the company 2045 ~ 2047 Overseas corporate bonds due in 2020, totaling US\$1,171 Thousand (equivalent to New Taiwan Dollar 35,656 Thousand), the coupon interest rate is 4.25% ~ 4.65%, the effective interest rate is 4.49% ~ 4.93%.
- (4) For information on credit risk management and impairment assessment related to financial assets measured at amortized cost, please refer to Note 10.
- (5) For information on pledges of financial assets measured at amortized cost, please refer to Note 33.

10. DEBT CREDIT RISK MANAGEMENT OF FINANCIAL INSTRUMENT INVESTMENT

The credit rating of the overseas corporate bonds invested by the consolidated company is investment grade or above (inclusive) and is a debt instrument with low credit risk in terms of impairment assessment. The credit rating information is provided by an independent rating agency.

The merging company continues to track external rating information to monitor changes in the credit risk of the debt instruments it invests, and also reviews other information such as bond yield curves and material information from the debtor to assess whether the credit risk of the debt instrument investment has increased significantly since the original recognition.

The merging company considers the historical default probability and default loss rate of each grade provided by external rating agencies, the current financial situation of the debtor and the prospects of the industry in which it operates, to measure the investment in debt instruments. 12 Monthly expected credit losses or lifetime expected credit losses.

As of December 31, 2023, The merging company has assessed that the expected credit loss rate of the overseas corporate bonds held is 0%.

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ <u>5,591</u>	\$ <u>1,380</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 222,278	\$ 272,439
Less: allowance for loss	(<u>10,585</u>)	(<u>12,809</u>)
	<u>\$ 211,693</u>	<u>\$ 259,630</u>

Accounts receivable

For the merchandise sales of the merged company, except for the advance payment transactions, the average credit period is 30 to 90 Days, no interest will be accrued on accounts receivable.

Before accepting a new customer, the merged company evaluates the credit quality of the potential customer through an internal credit rating review form and sets the customer's credit limit. The credit limit and rating of customers are reviewed once a year. Accounts receivable that are neither overdue nor impaired are rated with the best credit rating based on the internal credit rating review form used by the consolidated company.

The merged company recognizes provision losses on accounts receivable based on expected credit losses during the duration. Expected credit losses during the duration are calculated using a provision matrix, which considers the customer's past default record and current financial conditions, industry economic conditions, and industry prospects at the same time. Because the historical experience of credit losses of the merged company shows that there is no significant difference in the loss patterns of different customer groups, the preparation matrix does not further differentiate the customer groups and only sets the expected credit loss rate based on the number of days that accounts receivable is overdue.

If there is evidence that the counterparty is facing serious financial difficulties and the merging company cannot reasonably expect the recoverable amount, the merging company will directly write off the relevant accounts receivable, but will continue to pursue recovery activities, and the amount recovered due to recourse will be recognized in profit and loss.

The merged company measures the provision losses on notes receivable and accounts receivable according to the provision matrix as follows:

December 31, 2023

	Not Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over 365 Days Past Due	Total
Total carrying amount	\$ 214,047	\$ 3,198	\$ 39	\$ 10,585	\$ 227,869
Allowance for losses (expected during lifetime credit loss)	-	-	-	(10,585)	(10,585)
amortized cost	<u>\$ 214,047</u>	<u>\$ 3,198</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 217,284</u>

December 31, 2022

	Not Past Due	1 to 180 Days Past Due	181 to 365 Days Past Due	Over 365 Days Past Due	Total
Total carrying amount	\$ 262,811	\$ 181	\$ -	\$ 10,827	\$ 273,819
Allowance for losses (expected during lifetime credit loss)	(1,981)	(1)	-	(10,827)	(12,809)
amortized cost	<u>\$ 260,830</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,010</u>

Information on changes in allowance for losses on accounts receivable is as follows:

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 12,809	\$ 8,945
Add: Provision for impairment losses in the current year	4,358	3,870
Less: Loss of control of subsidiary	(6,548)	-
Foreign exchange gains and losses	(34)	(6)
Balance at December 31	<u>\$ 10,585</u>	<u>\$ 12,809</u>

12. INVENTORIES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Finished goods	\$ 18,545	\$ 17,045
Work in process	552	236
Raw materials	17,458	24,314
Goods	<u>59,226</u>	<u>160,924</u>
	<u>\$ 95,781</u>	<u>\$ 202,519</u>

In 2023 and 2022 The cost of goods sold for the year includes inventory depreciation and sluggish (recovery profits) losses, respectively. NT\$ 1,221 Thousand and NT\$ (6,628) Thousand, the net realizable value of inventory in the current period increased due to the sale of inventory with a longer inventory age.

13. SUBSIDIARIES

a. Subsidiaries included in consolidated financial reports

The entities preparing this consolidated financial report are as follows:

Investor	Investee	Nature of Business	Proportion of Ownership (%)		Description
			December 31, 2023	December 31, 2022	
AV TECH CORPORATION	CHIEFTRON INTERNATIONAL CORPORATION (CHIEFTRON INTERNATIONAL)	Semiconductor component agent	84.11%	84.11%	Note 1
	Shengtike Investment Co., Ltd. (Shengtike Investment)	General investment industry	100.00%	100.00%	-
	AVTECH Security Corporation (AVTECH Security)	Production and sales monitoring anti-theft system	96.00%	96.00%	Note 2
	Q.S.C. Industry Co., Ltd. (Q.S.C. Industry)	Electrical appliances and audio-visual product manufacturing	100.00%	100.00%	-
CHIEFTRON INTERNATIONAL	Elcom Technology International Inc. (Elcom)	Investment and holding	-	100.00%	Note 3
CHIEFTRON INTERNATIONAL	Anhong Electronic Technology (Shenzhen) Co., Ltd. (Anhong Electronic)	Production and sales of closed-circuit monitoring systems and related spare parts	36.42%	43.86%	Note 4
Elcom	Anhong Electronic Technology (Shenzhen) Co., Ltd. (Anhong Electronic)	Production and sales of closed-circuit monitoring systems and related spare parts	-	21.14%	Note 3
Shengtike Investment	Anhong Electronic Technology (Shenzhen) Co., Ltd	Development of closed-circuit surveillance systems	56.70%	56.70%	Note 5
	ITsESG Data Corporation (ITsESG Data)	Software development and sales	40.00%	40.00%	Note 6
	AVCLOUD TECHNOLOGY CORPORATION (AVCLOUD TECHNOLOGY)	Sales and installation of surveillance and security products	22.00%	50.00%	Note 7
	Info-Tech Corp (Info-Tech Corp)	Software development and sales	51.67%	51.67%	Note 8

Note 1 : A subsidiary with significant non-controlling interests.

Note 2 : The merger company sold part of its equity in July 2022, please refer to Note 29.

Note 3 : The board of directors of the merged company resolved to liquidate Elcom on November 14, 2023.

Note 4 : In October 2023, the board of directors of Anhong Electronics approved a capital increase of RMB 14,142,000. The base date for the cash capital increase is November 10, 2023. On November 8, 2023, the board of directors of the merged company decided to abandon its participation in the cash capital increase, which will make CHIEFTRON INTERNATIONAL and Elcom reduced its shareholding ratio from 65.00% to 36.42%. Due to the loss of control over Anhong Electronics, Anhong Electronics is no longer included in the consolidated financial statements and is reclassified as an investment-related enterprise. Please refer to Note 28.

Note 5 : The merged company is to integrate the group's resources. The board of directors decided to use January 20, 2022 as the base date to absorb and merge YesGo Tech Corporation into a AVMIT CORPORATION. After the merger, the merged AVMIT CORPORATION company was eliminated, and the merged company's shareholding ratio in YesGo Tech Corporation increased to 91%. Therefore, the nature of the merger transaction is an organizational reorganization within the group, so it is handled using the book value method. In addition, in May 2022, YesGo Tech Corporation implemented a capital reduction to make up for the loss of 900,000 shares, and then subscribed for a cash capital increase of 300,000 shares from non-controlling interests, resulting in a comprehensive shareholding ratio reduced from 91% to 56.70%. Please refer to Note 29.

Note 6 : The merged company sold the equity of ITsESG Data on January 4, 2022, resulting in the comprehensive shareholding ratio being reduced from 70% to 40%. Due to the loss of control over ITsESG Data, ITsESG Data will no longer be included in this consolidated financial statement. statements and be classified as investment-related enterprises, please refer to Note 28.

Note 7 : The merged company sold the equity of AVCLOUD TECHNOLOGY on December 11, 2023, resulting in the comprehensive shareholding ratio being reduced from 50% to 22%. Due to the loss of control over AVCLOUD TECHNOLOGY, AVCLOUD TECHNOLOGY will no longer be included in this consolidated financial statement statements and be classified as investment-related enterprises, please refer to Note 28.

Note 8 : In June 2022, Info-Tech Corp completed a capital reduction to make up for the loss of 138,000 shares, and then subscribed for a cash capital increase of 58,000 shares from non-controlling interests, resulting in a comprehensive shareholding ratio reduced from 100% to 51.67%. Please refer to Note 29.

b. Subsidiaries not included in consolidated financial reports: None.

c. Information on subsidiaries with significant non-controlling interests

<u>Investee</u>	<u>Proportion of equity and voting rights held by non-controlling interests</u>	
	<u>December 31,2023</u>	<u>December 31,2022</u>
CHIEFTRON INTERNATIONAL	15.89%	15.89%

For information on the principal place of business and country of company registration, please refer to Statement 4 and Statement 6.

<u>Investee</u>	<u>Profit and loss allocated to non-controlling interests</u>		<u>Non-controlling interests</u>	
	<u>2023</u>	<u>2022</u>	<u>December 31,2023</u>	<u>December 31,2022</u>
CHIEFTRON INTERNATIONAL	<u>\$ 8,387</u>	<u>\$ 12,178</u>	<u>\$ 65,623</u>	<u>\$ 68,703</u>

The summarized financial information of the following subsidiaries is prepared based on the amounts before elimination of inter-company transactions:

CHIEFTRON INTERNATIONAL

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current assets	\$ 429,439	\$ 434,015
Non-current assets	70,500	73,781
Current liabilities	(87,048)	(75,540)
Equity	<u>\$ 412,891</u>	<u>\$ 432,256</u>
Equity vests in:		
Owner of our company	\$ 347,268	\$ 363,553
Non-controlling interest	<u>65,623</u>	<u>68,703</u>
	<u>\$ 412,891</u>	<u>\$ 432,256</u>
Operating revenue	<u>\$ 596,015</u>	<u>\$ 674,760</u>
Net profit for the year	\$ 52,807	\$ 76,625
Other comprehensive income (loss)	(1,050)	1,255
Total comprehensive income	<u>\$ 51,757</u>	<u>\$ 77,880</u>
Net profit attributable to:		
Owner of our company	\$ 44,420	\$ 64,447
Non-controlling interest	<u>8,387</u>	<u>12,178</u>
	<u>\$ 52,807</u>	<u>\$ 76,625</u>

(Continued)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total comprehensive profit and loss is attributable to:		
Owner of our company	\$ 43,531	\$ 65,502
Non-controlling interest	<u>8,226</u>	<u>12,378</u>
	<u>\$ 51,757</u>	<u>\$ 77,880</u>
Cash flow		
Business activities	\$ 92,116	\$ 43,107
Investment activities	(2,430)	(15,089)
Fundraising	(68,962)	(1,286)
Impact of exchange rate changes	<u>(1,629)</u>	<u>1,674</u>
net cash outflow	<u>\$ 19,095</u>	<u>\$ 28,406</u>
Dividends paid to non-controlling interests		
Non-controlling interest	<u>\$ 10,958</u>	<u>\$ 204</u>

(Concluded)

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Individually insignificant associated enterprises	<u>\$ 64,066</u>	<u>\$ 8,891</u>

Summary information of individually insignificant associated enterprises:

	<u>2023</u>	<u>2022</u>
Share of the merged company		
Net profit for the year	<u>\$ 2,681</u>	<u>\$ 681</u>

Please refer to Statement 4 for information on the business nature, main business location and country of company registration of the above-mentioned affiliated enterprises.

The share of profits and losses enjoyed by investments and merging companies using the equity method in 2023, except for Anhong Electronic, is calculated based on financial reports that have not been audited by accountants. In 2022, they are calculated based on financial reports that have not been audited by accountants; however, the merger The company's management believes that the financial reports of the above-mentioned invested companies have not been reviewed by accountants and will not have a significant impact.

15. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Assets used by the Company	\$ 706,838	\$ 711,536
Operating lease	<u>1,698</u>	<u>1,746</u>
	<u>\$ 708,536</u>	<u>\$ 713,282</u>

a) Assets used by the Company

	<u>Self-owned land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportatio n equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance on January 1, 2023	\$ 494,616	\$ 304,586	\$ 20,133	\$ 1,459	\$ 5,711	\$ 59,065	\$ 885,570
Additions	-	3,333	-	-	-	315	3,648
Loss of control	-	-	-	(746)	-	(1,056)	(1,802)
Balance on December 31, 2023	<u>\$ 494,616</u>	<u>\$ 307,919</u>	<u>\$ 20,133</u>	<u>\$ 713</u>	<u>\$ 5,711</u>	<u>\$ 58,324</u>	<u>\$ 887,416</u>
<u>Accumulated Depreciation</u>							
Balance on January 1, 2023	\$ -	\$ 89,491	\$ 20,124	\$ 240	\$ 5,711	\$ 58,468	\$ 174,034
Depreciation Expenses	-	6,763	9	257	-	204	7,233
Loss of control	-	-	-	(249)	-	(435)	(684)
Effect of foreign currency exchange differences	-	-	-	-	-	(5)	(5)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 96,254</u>	<u>\$ 20,133</u>	<u>\$ 248</u>	<u>\$ 5,711</u>	<u>\$ 58,232</u>	<u>\$ 180,578</u>
Net amount on December 31, 2023	<u>\$ 494,616</u>	<u>\$ 211,665</u>	<u>\$ -</u>	<u>\$ 465</u>	<u>\$ -</u>	<u>\$ 92</u>	<u>\$ 706,838</u>
<u>Cost</u>							
Balance on January 1, 2022	\$ 494,616	\$ 304,586	\$ 21,333	\$ 713	\$ 5,711	\$ 59,005	\$ 885,964
Additions	-	-	-	746	-	109	855
Disposals	-	-	(1,200)	-	-	(49)	(1,249)
Balance on December 31, 2022	<u>\$ 494,616</u>	<u>\$ 304,586</u>	<u>\$ 20,133</u>	<u>\$ 1,459</u>	<u>\$ 5,711</u>	<u>\$ 59,065</u>	<u>\$ 885,570</u>
<u>Accumulated Depreciation</u>							
Balance on January 1, 2022	\$ -	\$ 82,744	\$ 21,266	\$ 10	\$ 5,711	\$ 58,329	\$ 168,060
Depreciation Expenses	-	6,747	58	230	-	158	7,193
Disposals	-	-	(1,200)	-	-	(9)	(1,209)
Effect of foreign currency exchange differences	-	-	-	-	-	(10)	(10)
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 89,491</u>	<u>\$ 20,124</u>	<u>\$ 240</u>	<u>\$ 5,711</u>	<u>\$ 58,468</u>	<u>\$ 174,034</u>
Net amount on December 31, 2022	<u>\$ 494,616</u>	<u>\$ 215,095</u>	<u>\$ 9</u>	<u>\$ 1,219</u>	<u>\$ -</u>	<u>\$ 597</u>	<u>\$ 711,536</u>

b) Business leasing

	<u>Buildings</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2023	<u>\$ 2,435</u>
<u>Accumulated Depreciatio</u>	
Balance on January 1, 2023	\$ 689
Depreciation Expenses	<u>48</u>
Balance on December 31, 2023	<u>\$ 737</u>
Net amount on December 31, 2023	<u>\$ 1,698</u>

	<u>Buildings</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2022	<u>\$ 2,435</u>
<u>Accumulated Depreciatio</u>	
Balance on January 1, 2022	\$ 653
Depreciation Expenses	<u>36</u>
Balance on December 31, 2022	<u>\$ 689</u>
Net amount on December 31, 2022	<u>\$ 1,746</u>

Depreciation expenses are calculated on a straight-line basis based on the following service life:

	<u>Assets used by the company</u>	<u>Business leasing</u>
Buildings	50 to 53 years	50 to 53 years
Machinery and equipment	5 to 6 years	-
Transportation equipment	5 to 6 years	-
Office equipment	3 to 6 years	-
Other equipment	3 to 4 years	-

16. RENTAL AGREEMENT

Please refer to Notes 15 and 17 respectively for the agreements on leasing owned real estate, plant and equipment and investment real estate of the merged company under operating leases.

	<u>2023</u>	<u>2022</u>
Short term rental fees	<u>\$ 5,077</u>	<u>\$ 1,580</u>
Total cash outflow from leases	<u>(\$ 5,077)</u>	<u>(\$ 1,580)</u>

The merged company chooses to apply the recognition exemption to office equipment leases that qualify as short-term leases and does not recognize related right-of-use assets and lease liabilities for these leases.

17. INVESTMENT PROPERTIES

	<u>Investment Properties</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2023	<u>\$ 42,948</u>
	<u>Investment Properties</u>
<u>Accumulated Depreciation</u>	
Balance at January 1, 2023	\$ 6,476
Depreciation expense	<u>271</u>
Balance at December 31, 2023	<u>\$ 6,747</u>
Net amount on December 31, 2023	<u>\$ 36,201</u>
<u>Cost</u>	
Balance as of January 1 and December 31, 2022	<u>\$ 42,948</u>
<u>Accumulated Depreciation</u>	
Balance at January 1, 2022	\$ 6,201
Depreciation expense	<u>275</u>
Balance at December 31, 2022	<u>\$ 6,476</u>
Net amount on December 31, 2022	<u>\$ 36,472</u>

The investment properties were leased out for 1 year, when the lessee exercised its right to renew the lease, it agreed to adjust the rent based on the market rent. The lessee does not have the preferential right to purchase investment real estate at the end of the lease period.

The merged company's investment real estate assets are calculated on a straight-line basis 52.5 to 55 years Depreciation is calculated over the useful life of the year.

The fair value of investment real estate has not been evaluated by independent evaluators. It is only evaluated by the merged company's management with reference to market evidence of similar real estate transaction prices. The fair value is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investment properties	<u>\$ 67,865</u>	<u>\$ 77,906</u>

18. OTHER NON-CURRENT ASSETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Refundable deposit	\$ 257	\$ 1,386
Prepaid equipment payment	-	2,500
	<u>\$ 257</u>	<u>\$ 3,886</u>

19. ACCOUNTS PAYABLE

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Accounts payable</u>		
Occurs due to business	<u>\$ 74,329</u>	<u>\$ 62,760</u>

The average credit period for accounts payable is 60-90 days. The merged company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.

20. OTHER PAYABLES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries and bonuses payable	\$ 9,676	\$ 15,398
Employee compensation and directors' compensation payable	22,195	23,028
Payable to pensions, labor health insurance, labor fees and		
Other expenses, etc	<u>12,938</u>	<u>12,083</u>
	<u>\$ 44,809</u>	<u>\$ 50,509</u>

21. PROVISION

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Employee Benefits	<u>\$ 21,626</u>	<u>\$ 21,626</u>

The provision for employee benefit liabilities is the estimation of employee long-term service rewards.

22. BENEFITS AFTER RETIREMENT PLAN**a) Confirm allocation plan**

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

Employees of the merged company's subsidiaries in China are members of the retirement benefit plan operated by the Chinese regional government. The subsidiary is required to allocate a specified percentage of payroll costs to the retirement benefit plan to fund the plan. The combined company's obligation with respect to this government-operated retirement benefit plan is only to contribute a specified amount.

b) Defined benefit plans

The pension system managed by the merged company in accordance with my country's "Labor Standards Act" is a defined benefit retirement plan managed by the government. The payment of employee pensions is calculated based on the length of service and the average salary in the six months before the approved retirement date. The merged company will allocate 2% of the employees' total monthly salary as pension, and deposit it in a special account of the Bank of Taiwan in the name of the Labor Retirement Reserve Supervisory Committee. Before the end of the year, if the balance of the special account is estimated to be insufficient, the benefit will be paid within the next year. For workers who are estimated to be eligible for retirement, the difference will be allocated in one lump sum before the end of March of the following year. The special account is managed by the Labor Fund Utilization Bureau of the Ministry of Labor, and the merged company has no right to influence the investment management strategy. However, due to the sufficient provision by the merged company, the competent authority has agreed to suspend the provision of labor retirement reserves in 2023 and 2022.

The amounts of defined benefit plans included in the consolidated balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligation	\$ 3,893	\$ 8,524
Fair value of plan assets	(<u>22,887</u>)	(<u>24,706</u>)
Net defined benefit assets	(<u>\$ 18,994</u>)	(<u>\$ 16,182</u>)

The changes in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2022	<u>\$ 9,901</u>	<u>(\$ 22,779)</u>	<u>(\$ 12,878)</u>
Interest expenses (income)	<u>69</u>	<u>(159)</u>	<u>(90)</u>
Recognized in profit or loss	<u>69</u>	<u>(159)</u>	<u>(90)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,768)	(1,768)
Actuarial gain— Changes in financial assumptions	(806)	-	(806)
Actuarial loss— Experience adjustments	<u>8</u>	<u>-</u>	<u>8</u>
Recognized in other comprehensive income	(798)	(1,768)	(2,566)
Benefits paid	(648)	<u>-</u>	(648)
Balance at December 31, 2022	<u>8,524</u>	<u>(24,706)</u>	<u>(16,182)</u>
Interest expenses (income)	<u>119</u>	<u>(345)</u>	<u>(226)</u>
Recognized in profit or loss	<u>119</u>	<u>(345)</u>	<u>(226)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(166)	(166)
Actuarial loss— Changes in financial assumptions	46	-	46
Actuarial loss— Experience adjustments	<u>1,156</u>	<u>-</u>	<u>1,156</u>
Recognized in other comprehensive income	<u>1,202</u>	(166)	<u>1,036</u>
Contributions from the employer	(3,622)	-	(3,622)
Benefits paid	(2,330)	<u>2,330</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 3,893</u>	<u>(\$ 22,887)</u>	<u>(\$ 18,994)</u>

The amounts recognized in profit or loss for the defined benefit plans are summarized by function as follows:

	<u>2023</u>	<u>2022</u>
Management expenses	(\$ <u>226</u>)	(\$ <u>90</u>)

Due to the pension plans under the Labor Standards Act, the merged company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rates	1.3%	1.4%
Expected rates of salary increase	2.0%	2.0%

If there are reasonable and possible changes in material actuarial assumptions while all other assumptions remain unchanged, the amount of increase (decrease) in the present value of the defined benefit obligation is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
0.1% increase	(\$ <u>46</u>)	(\$ <u>108</u>)
0.1% decrease	\$ <u>46</u>	\$ <u>110</u>
Expected rates of salary increase		
0.1% increase	\$ <u>42</u>	\$ <u>101</u>
0.1% decrease	(\$ <u>42</u>)	(\$ <u>100</u>)

Since actuarial assumptions may be related to each other and it is unlikely that a single assumption will change, the above sensitivity analysis may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The expected amount of contribution within 1 year	\$ <u> -</u>	\$ <u> -</u>
The average maturity period of defined benefit obligations	11.8 years	12.8 years

23. EQUITY

a. Ordinary share capital

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Nominal shares (in thousand shares)	<u>120,000</u>	<u>120,000</u>
Nominal share capital	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Number of shares issued and payments received in full (in thousand shares)	<u>80,000</u>	<u>80,000</u>
Share capital issued	<u>\$ 800,000</u>	<u>\$ 800,000</u>

The share issued had a par value of NT\$10. Each share entitles the rights to dividends and to vote.

b. Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Used to offset deficit, distribute cash, or replenish share capital</u>		
Employee share options	\$ 15,325	\$ 15,325
Actual acquisition or disposal of subsidiary company equity		
The difference between price and book value	40	40
<u>May only be used to offset a deficit</u>		
Changes in ownership interests in subsidiaries	<u>2,357</u>	<u>2,357</u>
	<u>\$ 17,722</u>	<u>\$ 17,722</u>

c. Retained earnings and dividends policy

According to the surplus distribution policy stipulated in the company's articles of association, if the company has a surplus in its annual final accounts, it shall first withdraw taxes and make up for the accumulated losses over the years, and then withdraw the profits later. 10% It is the statutory surplus reserve, and the special surplus reserve shall be appropriated or transferred in accordance with laws or regulations of the competent authority. If there is still a surplus, the remaining balance shall be added to the accumulated undistributed surplus in previous years. The board of directors shall prepare a specific surplus distribution proposal:

- 1) When the issuance of new shares is adopted, the shares shall be distributed after a resolution of the shareholders' meeting;
- 2) In accordance with the provisions of Article 240, Item 5 of the Company Law, the Board of Directors is authorized to 3 divided 2 The attendance of the above directors, and the resolution of more than half of the directors present, will allocate all or part of the dividends and bonuses or the statutory surplus and capital reserve prescribed in Paragraph 1 of Article 241 of the Company Law to the payment of cash. method and report to the shareholders' meeting.

For the employee and director remuneration distribution policy stipulated in the company's articles of association, please refer to Note 22 (6) Employee remuneration and director remuneration.

The company will consider the company's environment and growth stage, respond to future capital needs and long-term financial planning, and meet shareholders' needs for cash inflows, and make provisions from the net profit after tax for the current year. 50% The above dividends are distributed to shareholders, of which cash dividends shall not be less than the total amount 10%.

The statutory surplus reserve shall be appropriated until the balance reaches the total paid-in share capital of the company. The statutory surplus reserve may be used to make up for losses. When the company has no losses, the statutory surplus reserve exceeds the actual Total amount of capital received 25% In addition to being allocated to recharge share capital, the remaining part can also be distributed in cash.

The company 2022 and 2021 surplus distribution plan is as follows:

	<u>Earnings distribution plan</u>		<u>Dividends per share (NT\$)</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash dividends	\$ 80,000	\$ 28,000	\$ 1.00	\$ 0.35
Legal reserve	9,653	2,918		
Special reserve	209	2,824		

The above cash dividends have been separated from March 29, 2023 and March 16, 2022 the board of directors decided to distribute, the remaining surplus distribution items were also divided into June 21, 2023 and June 22, 2022 Resolution of the regular shareholders' meeting on the same day.

The appropriation of earnings for 2023 which was proposed by the Company's board of directors on March 13, 2024 were as follows:

	<u>2023</u>
Legal reserve	<u>\$ 5,777</u>
Special reserve	<u>(\$ 4,853)</u>
Cash dividends	<u>\$ 60,000</u>
Cash dividends per share(NT\$)	\$ 0.75

The above-mentioned cash dividend was resolved by the Board of Directors to distribute, and the remaining earnings distribution items were also resolved at the regular shareholders' meeting held on June 19, 2024.

d. Non-controlling interests

	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 104,697	\$ 90,743
Share of profit for the year	10,267	11,434
Disposal of ITsESG Data subsidiary (Note 28)	-	(1,396)
Did not participate in the cash capital increase of Anhong Electronic subsidiary in proportion to shareholding (Note 28)	(28,807)	-
Disposal of AVCLOUD TECHNOLOGY subsidiary (Note 28)	(5,193)	-
Absorption merger and capital increase of YesGo Tech subsidiary (Note 29)	-	574
Did not participate in the cash capital increase of YesGo Tech subsidiary according to the shareholding ratio (Note 29)	-	2,190
Did not participate in the cash capital increase of Info-Tech Corp subsidiary according to the shareholding ratio (Note 29)	-	578
Disposal of the increased non-controlling interests in AVTECH Security	-	1,960
Subsidiaries distribute cash dividends	(11,424)	(1,835)
Other comprehensive gains and losses for the year		
Exchange differences on translating the financial statements of foreign operations	(236)	629
Unrealized valuation gains and losses on financial assets measured at fair value through other comprehensive income and losses	(256)	(180)
Balance at December 31	<u>\$ 69,048</u>	<u>\$ 104,697</u>

24. OPERATING REVENUE

	<u>2023</u>	<u>2022</u>
Revenue from customer contracts		
Sales revenue	<u>\$ 1,159,521</u>	<u>\$ 1,231,209</u>

a. Explanation of customer contracts

Revenue from merchandise sales comes from the sale of security monitoring systems. When the performance obligations are met, the customer has the right to set a price and use the aforementioned products and bears the main responsibility for resale, and bears the risk of obsolescence of the goods. This is because the company recognizes revenue when the performance obligations are met. Advances from customers are recognized as contract liabilities before the products are shipped.

b. Balance of contracts

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivable and net accounts receivable (Note 11)	<u>\$ 217,284</u>	<u>\$ 261,010</u>	<u>\$ 273,422</u>
Contract liabilities	<u>\$ 16,428</u>	<u>\$ 8,618</u>	<u>\$ 14,174</u>

Contract liabilities arise from sales of goods.

c. Breakdown of customer contract revenue

Please refer to Note 36 for revenue breakdown information.

25. NET PROFIT FOR THE YEAR

The net profit for the year includes the following items:

1. Other income

	<u>2023</u>	<u>2022</u>
Rental income	\$ 26,304	\$ 26,204
Service revenue	14,600	14,127
Dividend income	116	129
Write-off of accounts payable two years overdue	-	1,423
Other	<u>7,503</u>	<u>1,699</u>
	<u>\$ 48,523</u>	<u>\$ 43,582</u>

2. Other profits and losses

	<u>2023</u>	<u>2022</u>
Net foreign currency exchange benefit	\$ 702	\$ 51,022
Gain on disposal of investment	779	-
Gain on disposal of Subsidiaries	1,754	96
Gain on disposal of property, plant and equipment	-	17
Money measured at fair value through profit or loss		
Net profit (loss) on financial assets	1,520	(399)
Miscellaneous expenses	(302)	(510)
	<u>(\$ 4,453)</u>	<u>\$ 50,226</u>

3. Depreciation

	<u>2023</u>	<u>2022</u>
Property, Plant and Equipment	\$ 7,281	\$ 7,229
Investment property	<u>271</u>	<u>275</u>
	<u>\$ 7,552</u>	<u>\$ 7,504</u>

	<u>2023</u>	<u>2022</u>
Depreciation expenses summarized by function category		
Operating costs	\$ 2,441	\$ 2,450
Operating expenses	4,745	4,687
Miscellaneous expenses	<u>366</u>	<u>367</u>
	<u>\$ 7,552</u>	<u>\$ 7,504</u>

4. Direct operating expenses of investment real estate

	<u>2023</u>	<u>2022</u>
Generate rental income	<u>\$ 332</u>	<u>\$ 322</u>

5. Employee benefits expenses

	<u>2023</u>	<u>2022</u>
Short term employee benefits	\$ 149,890	\$ 159,690
Post-employment benefits		
Defined contribution plans	3,622	3,584
Defined benefit plans (Note 22)	(226)	(90)
Other employee benefits	<u>5,515</u>	<u>3,978</u>
Total employee benefit expenses	<u>\$ 158,801</u>	<u>\$ 167,162</u>
Summary by function category		
Operating costs	\$ 29,743	\$ 37,551
Operating expenses	<u>129,058</u>	<u>129,611</u>
	<u>\$ 158,801</u>	<u>\$ 167,162</u>

6. Employee remuneration and director remuneration

In accordance with the provisions of the Articles of Association, the company distributes the benefits of employees and directors before deducting remuneration based on the net profit before tax for the current year. After making up for the losses of previous years, if there is any remaining balance, it shall not be less than 6% and not higher than 3% Provision of employee remuneration and director remuneration. 2023 and 2022 estimated employees and directors' remuneration respectively March 13, 2024 and March 29, 2023 The resolution of the Nikkei Board of Directors is as follows:

Estimation ratio

	<u>2023</u>	<u>2022</u>
Employee compensation	6.6%	6%
Remuneration of directors	2.1%	1.9%

Amount

	<u>2023</u>	<u>2022</u>
Employee compensation	<u>\$ 4,370</u>	<u>\$ 6,535</u>
Remuneration of directors	<u>\$ 1,400</u>	<u>\$ 2,093</u>

If there is still a change in the amount after the annual consolidated financial report is released, it will be treated as a change in accounting estimates and will be adjusted and accounted for in the next year.

There is no difference between the actual amount of employee compensation and director's compensation for 2022 and 2021 and the amount recognized in the consolidated financial report for 2022 and 2021.

For information on employee remuneration and director remuneration decided by the company's board of directors, please go to the "Public Information Observation Station" of the Taiwan Stock Exchange.

26. INCOME TAX

a. The main components of income tax expense recognized in profit and loss

	<u>2023</u>	<u>2022</u>
Current income tax		
Generated in the year	\$ 19,054	\$ 20,850
Adjustments for prior years	<u>148</u>	<u>(779)</u>
	<u>19,202</u>	<u>20,071</u>
Deferred income tax		
Generated in the year	<u>1,267</u>	<u>4,845</u>
Income tax expense recognized in profit or loss	<u>\$ 20,469</u>	<u>\$ 24,916</u>

The reconciliation between accounting income and income tax expenses is as follows:

	<u>2023</u>	<u>2022</u>
Net profit before tax	<u>\$ 89,339</u>	<u>\$ 130,921</u>
Net loss before tax is calculated based on the statutory tax rate income tax	\$ 17,867	\$ 26,184
Items that should be adjusted when determining taxable income	2,835	560
Tax-free income	(23)	(26)
Undistributed Earnings Levy	390	-
Deduction of unrecognized losses	(2,913)	(1,466)
Unrecognized temporary differences	2,408	561
Impact of different tax rates on companies operating in other jurisdictions	183	(118)
Other	(426)	-
Adjustments for prior years' tax	<u>148</u>	<u>(779)</u>
Income tax expense recognized in profit or loss	<u>\$ 20,469</u>	<u>\$ 24,916</u>

b. Income tax recognized in other comprehensive profits and losses

	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Generated in the year:		
— Determination of remeasurement numbers for benefit plans	(\$ <u>208</u>)	\$ <u>513</u>

c. Income tax assets and liabilities for the current period

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current income tax assets		
Tax refund receivable	\$ <u>1,269</u>	\$ <u>705</u>
Current income tax liabilities		
Income tax payable	\$ <u>7,715</u>	\$ <u>15,016</u>

d. Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2023

	<u>Beginning balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in Other Compre-hens ive profit and loss</u>	<u>Loss of control</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>					
Temporary difference					
Allowance for doubtful debt losses	\$ 1,593	(\$ 47)	\$ -	\$ -	\$ 1,546
Provision	4,327	-	-	-	4,327
Unrealized exchange loss	682	439	-	-	1,121
Allowance for inventory depreciation losses	<u>20,926</u>	<u>(650)</u>	<u>-</u>	<u>-</u>	<u>20,276</u>
	<u>\$ 27,528</u>	<u>(\$ 258)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,270</u>
<u>Deferred income tax liabilities</u>					
Temporary difference					
Defined benefit plans	\$ 3,236	\$ 1,034	(\$ 208)	\$ -	\$ 4,062
Equity method recognized Investment incom	-	-	-	(263)	(263)
Unrealized exchange benefits	<u>2,977</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>2,952</u>
	<u>\$ 6,213</u>	<u>\$ 1,009</u>	<u>(\$ 208)</u>	<u>(\$ 263)</u>	<u>\$ 6,751</u>

2022

	Beginning balance	Recognized in profit or loss	Recognized in Other Compre-hen sive profit and loss	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Allowance for doubtful debt losses	\$ 694	\$ 899	\$ -	\$ 1,593
Provision	4,327	-	-	4,327
Unrealized exchange loss	3,850	(3,168)	-	682
Allowance for inventory depreciation losses	<u>20,354</u>	<u>572</u>	<u>-</u>	<u>20,926</u>
	<u>\$ 29,225</u>	<u>(\$ 1,697)</u>	<u>\$ -</u>	<u>\$ 27,528</u>
<u>Deferred income tax liabilities</u>				
Temporary difference				
Defined benefit plans	\$ 2,552	\$ 171	\$ 513	\$ 3,236
Unrealized exchange benefits	<u>-</u>	<u>2,977</u>	<u>-</u>	<u>2,977</u>
	<u>\$ 2,552</u>	<u>\$ 3,148</u>	<u>\$ 513</u>	<u>\$ 6,213</u>

e. The amount of unused loss deductions that are not recognized as deferred income tax assets in the consolidated balance sheet

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss deduction		
2028 due	\$ -	\$ 14,116
2029 due	47,027	53,490
2030 due	4,595	4,595
2031 due	5,054	5,054
2032 due	2,968	2,968
2033 due	<u>6,134</u>	<u>-</u>
	<u>\$ 65,778</u>	<u>\$ 80,223</u>

f. Income tax assessment situation

The profit-making enterprise income tax return of the merged company shall be approved by the tax collection authority for the following years:

	<u>Approval year</u>
AV TECH CORPORATION	2021
AVTECH Security	2021
CHIEFTRON INTERNATIONAL	2021
YesGo Tech	2021
Shengtike Investment	2021
Q.S.C. Industry	2021

27. EARNINGS PER SHARE

	Unit: NT per share	
	2023	2022
Basic earnings per share	<u>\$ 0.73</u>	<u>\$ 1.18</u>
Diluted earnings per share	<u>\$ 0.73</u>	<u>\$ 1.18</u>

The net profit and weighted average number of common shares used to calculate earnings per share are as follows:

<u>Net income for the year</u>	2023	2022
Net profit attributable to the owners of the company	<u>\$ 58,603</u>	<u>\$ 94,571</u>
Used to calculate basic and diluted earnings per share	<u>\$ 58,603</u>	<u>\$ 94,571</u>

<u>Number of Shares</u>	Unit: Thousand shares	
	2023	2022
Weighted average of ordinary shares used for calculating basic earnings per share	80,000	80,000
Impacts of potential ordinary shares with dilution effect	<u>217</u>	<u>277</u>
Employee compensation	<u>80,217</u>	<u>80,277</u>

If the merged companies has the option to pay employee compensation in stocks or cash, then when calculating diluted earnings per share, it is assumed that the employee compensation will be in the form of stock issuance, and the weighted average number of outstanding shares will be included when the potential ordinary shares have a dilutive effect, so as to Calculate diluted earnings per share. in the following year when calculating diluted earnings per share before deciding on the number of shares to be issued for employee compensation, the dilutive effect of these potential common shares will also continue to be considered.

28. BRANCH INVESTMENT SUBSIDIARY

The merged company sold the equity of ITsESG Data in early January 2022, reducing the shareholding ratio from 70% to 40% and losing control of the subsidiary.

In October 2023, the board of directors of Anhong Electronics approved a capital increase of RMB 14,142,000. The base date for the cash capital increase is November 10, 2023. On November 8, 2023, the board of directors of the merged company decided to abandon its participation in the cash capital increase, which will make CHIEFTRON INTERNATIONAL The company and Elcom reduced its shareholding ratio from 65.00% to 36.42%, and lost control of the subsidiary.

The board of directors of the merged company approved the dissolution and liquidation of Elcom on November 14, 2023.

The merged company sold the equity of AVCLOUD TECHNOLOGY on December 11, 2023, resulting in the comprehensive shareholding ratio being reduced from 50% to 22%, and losing control of the subsidiary.

a. Consideration received

	Anhong Electronic Technology	AVCLOUD TECHNOLOGY	ITsESG Data
Cash	\$ -	\$ 2,660	\$ 1,483
Obtain equity	<u>52,884</u>	<u>-</u>	<u>-</u>
	<u>\$ 52,884</u>	<u>\$ 2,660</u>	<u>\$ 1,483</u>

b. Analysis of assets and liabilities out of control

	Anhong Electronic Technology	AVCLOUD TECHNOLOGY	ITsESG Data
Current assets			
Cash and cash equivalents	\$ 74,302	\$ 3,135	\$ 4,337
Accounts receivable	121,872	10,856	-
Inventory	32,842	5,233	-
Other current assets	22,599	1,707	91
Non-current assets			
Financial assets measured at fair value through other comprehensive profit or loss	-	294	315
Property, plant and equipment	621	497	-
Investments accounted for using equity method	-	3,313	-
Other non-current assets	9,498	143	-
Current liabilities			
Accounts payable	(57,981)	(5,012)	-
Short-term debt	-	(4,500)	-
Other current liabilities	(121,546)	(469)	(89)
Unearned receipts	-	(4,546)	-
Non-current liabilities			
Other non-current liabilities	-	(263)	-
	<u>\$ 82,207</u>	<u>\$ 10,388</u>	<u>\$ 4,654</u>

c. (Loss) profits from disposal of subsidiaries

	Anhong Electronic Technology	AVCLOUD TECHNOLOGY	ITsESG Data
Consideration received	\$ 52,884	\$ 2,660	\$ 1,483
Fair value of remaining investment	-	2,287	1,871
Net assets on disposal	(82,207)	(10,388)	(4,654)
non-controlling interests	<u>28,807</u>	<u>5,193</u>	<u>1,396</u>
Disposal (loss) of benefits	<u>(\$ 516)</u>	<u>(\$ 248)</u>	<u>\$ 96</u>

d. Net cash outflow from disposal of subsidiaries

	Anhong Electronic Technology	AVCLOUD TECHNOLOGY	ITsESG Data
Consideration received in cash and cash equivalents	\$ -	\$ 2,660	\$ 1,483
Less: Cash and covenants from disposal cash balance	(<u>74,302</u>)	(<u>3,135</u>)	(<u>4,337</u>)
	<u>(\$ 74,302)</u>	<u>(\$ 475)</u>	<u>(\$ 2,854)</u>

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The merged company was converted into a AVMIT CORPORATION company through a capital increase and merger by YesGo on January 20, 2022. As a result, the shareholding ratio of YesGo increased from 87% to 91%. Please refer to Note 13.

On May 24, 2022, the merged company failed to subscribe for the cash capital increase of YesGo in proportion to its shareholding ratio, resulting in the shareholding ratio of YesGo falling from 91% to 56.70%. Please refer to Note 13.

On June 14, 2022, the merged company failed to subscribe for the cash capital increase of Info-Tech Corp in proportion to its shareholding ratio, resulting in the shareholding ratio of Info-Tech Corp falling from 100% to 51.67%. Please refer to Note 13.

The merged company sold part of the equity of AVTECH Security on July 31, 2022, resulting in the shareholding ratio of AVTECH Security falling from 100% to 96%. Please refer to Note 13.

Since the above transactions did not change the merging company's control over these subsidiaries, the merging company treated them as equity transactions.

	Info-Tech Corp	YesGo	AVTECH Security	Total
Consideration received	\$ 580	\$ 3,000	\$ 2,000	\$ 5,580
The carrying amount of the subsidiary's net assets is calculated based on the change in relative equity and the amount that should be transferred out of non-controlling equity	(578)	(2,764)	(1,960)	(5,302)
Equity Transaction Difference	<u>\$ 2</u>	<u>\$ 236</u>	<u>\$ 40</u>	<u>\$ 278</u>
<u>Equity transaction difference adjustment account</u>				
Additional paid-in capital	<u>\$ 2</u>	<u>\$ 236</u>	<u>\$ 40</u>	<u>\$ 278</u>

30. CAPITAL MANAGEMENT

The capital structure management strategy of the merged company is based on the industrial scale, future growth and product development blueprint of the merged company's business, defining the corresponding capital expenditures for the required factory equipment; and then calculating the required working capital and Cash is used to make an overall asset scale plan for the various scales required for the long-term development of the merged company; finally, the appropriate capital structure of the merged company is determined based on the relationship between the operating cycle and cash flow of the merged company's products.

31. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

Management of the Merged Company believes that the carrying amounts of financial assets and financial liabilities that are not measured at fair value approximate their fair value.

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

1) Fair value hierarchy

December 31, 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through profit or loss</u>				
Equity Instrument				
Investment				
– Domestic publicly traded shares	<u>\$ 3,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,718</u>
<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive</u> <u>income</u>				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through profit or loss</u>				
Equity Instrument				
Investment				
– Domestic publicly traded shares	<u>\$ 3,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,362</u>
<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive</u> <u>income</u>				
Equity Instrument				
Investment				
– Domestic publicly traded shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,959</u>	<u>\$ 1,959</u>

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

2) Reconciliation of financial instruments at Level 3 fair value measurement

January 1 to December 31, 2023

Financial assets	Through profit and loss fair value measurement Financial products	Measured at fair value through other comprehensive profit or loss Equity instruments	Total
Beginning balance	\$ -	\$ 1,959	\$ 1,959
Recognized in other comprehensive income			
-Not implemented	-	(600)	(600)
Purchases	111,102	50,000	161,102
Disposal	(111,448)	(1,064)	(112,512)
Foreign exchange gain	346	-	346
Loss of control	-	(295)	(295)
Ending balance	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

January 1 to December 31, 2022

Financial assets	Measured at fair value through other comprehensive profit or loss Equity instruments
Beginning balance	\$ 3,787
Derecognition	(315)
Recognized in other comprehensive income	
-Not implemented	(1,513)
Ending balance	<u>\$ 1,959</u>

3) Valuation techniques and inputs applied to Level 3 fair value measurement
Financial Instruments

Domestic and foreign unlisted equity investment in December 31, 2023 and 2022 uses the asset method to measure its fair value. The asset method estimates fair value based on the net asset value provided by the invested company.

c. Classification of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Measured at fair value through profit or loss		
Mandatorily at fair value through profit or loss	\$ 3,718	\$ 3,362
Financial assets at amortized cost (Note 1)	1,464,411	1,487,162
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	50,000	1,959
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	122,872	116,980

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

Note 2 : The balance includes financial liabilities measured at amortized cost such as accounts payable, other payables and deposits.

d. Objectives and policy of financial risk management

The Merged Company's main financial instruments include equity and debt instrument investments, accounts receivable and accounts payable. The Merged Company's financial management department provides services to all business units, coordinates operations in domestic and international financial markets, and supervises and manages financial risks related to the Merged Company's operations. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

There is no change in the Merged Company's exposure to market risks of financial instruments and how such exposure is managed and measured.

a. Foreign currency risk

The Merged Company engages in sales and purchase transactions denominated in foreign currencies, which exposes the Merged Company to risks arising from exchange rate fluctuations.

Please refer to Note 34 for the carrying amount of the merged company's monetary assets and monetary liabilities denominated in non-functional currency on the balance sheet date (including the monetary items denominated in non-functional currency that have been eliminated in the consolidated financial statements).

Sensitivity analysis

The Merged Company is mainly affected by fluctuations in the exchange rate of the US dollar.

The following table details the merged company's sensitivity analysis when the exchange rate of the New Taiwan Dollar (the functional currency) against the U.S. dollar increases and decreases by 1%. 1% is the sensitivity ratio used within the group when reporting exchange rate risks to key management. It also represents management's assessment of the reasonably possible range of changes in foreign currency exchange rates. The sensitivity analysis only includes outstanding foreign currency monetary items, and their year-end translation is adjusted for a 1% change in exchange rates. The positive numbers in the table below represent the amount by which the net profit before tax will increase when the New Taiwan dollar depreciates by 1% relative to the US dollar; when the New Taiwan dollar appreciates by 1% relative to the US dollar, the impact on the net profit before tax will be the same amount. negative number.

	USD Impact (Note)	
	2023	2022
Profit or loss	\$ 5,614	\$ 4,949

Note: Mainly derived from the merged company's US dollar-denominated cash and cash equivalents that are outstanding on the balance sheet date and have not been cash flow hedging, financial assets measured at amortized cost, receivables, payables and others Payables.

b. Interest rate risk

Individuals in the merged company hold both fixed and floating interest rate bank deposits, thus creating interest rate exposure. The merged company pays attention to changes in market risk interest rates at any time and adjusts interest rate policies to manage interest rate risks.

The book amount of the financial assets of the merged company subject to interest rate risk on the balance sheet date is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
With interest rate risk of fair value		
— Financial assets	\$ 652,425	\$ 503,835
Interest rate risk with cash flows		
— Financial assets	593,198	719,764

Sensitivity analysis

The sensitivity analysis below is based on the interest rate exposure of non-derivative instruments at the balance sheet date. For floating interest rate assets, the analysis method assumes that the amount of assets outstanding on the balance sheet date is all outstanding during the reporting period. The rate of change used by the Company when reporting interest rates internally to key management is Interest rate increases or decreases 100 Basis point, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases/decreases by 100 basis points, and all other variables remain unchanged, the combined company's pre-tax net profit in 2023 and 2022 will increase/decrease by RMB5,932,000 and RMB7,198,000 respectively, mainly due to the changing interest rates of the combined company. Deposits and financial assets with variable interest rates measured at amortized cost – resulting from current flows.

2) Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in financial losses to the Group. As of the balance sheet date, the maximum credit risk exposure of the merged company that may result in financial losses due to the failure of the counterparty to perform its obligations and the financial guarantee provided by the combined company mainly comes from the carrying amount of financial assets recognized in the consolidated balance sheet.

In order to maintain the quality of accounts receivable, the merged company has established operational-related credit risk management procedures. The risk assessment of individual customers takes into account a number of factors that may affect the customer's ability to pay, including the customer's financial status, the merged company's internal credit rating, historical transaction records and current economic conditions. The merged company continues to monitor credit exposure and the credit rating of counterparties, and distributes the total transaction amount to customers with qualified credit ratings, and controls credit exposure through counterparty credit limit limits that are reviewed and approved by relevant departments every year.

In order to mitigate credit risks, the management of the merged company has assigned a dedicated department to be responsible for the determination of credit limits, credit approval and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. The merged company will also use certain credit enhancement tools, such as advance payment, to reduce credit risk. In addition, the merged company will review the recoverable amount of receivables one by one on the balance sheet date to ensure that appropriate impairment losses have been made for uncollectible receivables. Accordingly, the management of the merged company believes that the credit risk of the merged company has been significantly reduced.

The objects of accounts receivable cover many customers and are scattered in different industries and geographical regions. The merged company continuously evaluates the financial status of its accounts receivable customers and will purchase accounts receivable insurance contracts when necessary.

Except for its top three customers, the merged company does not have significant credit risk exposure to any single counterparty or any group of counterparties with similar characteristics. Among the accounts receivable as of December 31, 2023 and 2022, the total accounts receivable of the top three sales customers of the combined company are NT\$ 55,409 thousand and NT\$ 36,218 thousand respectively. The concentration of credit risk on individual trading objects did not exceed 3% of total monetary assets as of December 31, 2023 and 2022.

3) Liquidity risk

The merged company manages and maintains sufficient cash and cash equivalents to support the group's operations and mitigate the impact of cash flow fluctuations. The management of the merged company monitors the use of the bank's comprehensive financing line and ensures compliance with the terms of the credit line contract.

As of December 31, 2023 and 2022, the merged company has no unused financing quota. Please refer to the description of the financing limit in (b) below

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

The following liquidity and interest rate risk table details the remaining contract maturity analysis of the merged company's non-derivative financial liabilities with agreed repayment periods. It is based on the earliest date when the merged company may be required to repay, and is based on the undiscounted cash flow of financial liabilities. Prepared, which includes cash flows from interest and principal.

December 31, 2023

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ <u>61,902</u>	\$ <u>51,291</u>	\$ <u>5,945</u>	\$ <u>-</u>

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-2 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ <u>65,227</u>	\$ <u>37,005</u>	\$ <u>11,037</u>	\$ <u>-</u>

b) Financing amount

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured Bank Comprehensive Financing Line		
Amount unused	\$ <u>61,910</u>	\$ <u>61,920</u>

32. TRANSACTIONS WITH RELATED PARTIES

Transactions, account balances, income and losses between the Company and its subsidiaries (which are related parties of the Company) are all eliminated on consolidation and are therefore not disclosed in this note. The transactions between the merged company and other related parties are as follows.

a. Related parties and their relationship with the Company:

<u>Related Party</u>	<u>Relationship with the merged company</u>
CPCAM FRANCE SARL (CPCAM)	Subsidiary of a significant investor
Junyi Investment Co., Ltd. (Junyi)	Investors with significant influence
AVCLOUD TECHNOLOGY CORPORATION (AVCLOUD TECHNOLOGY)	Associate (Notes 13 and 28)
AirTag Technology Co., Ltd. (AirTag Technology)	Associate
ITsESG Data Corporation (ITsESG Data)	Associate (Notes 13 and 28)
Anhong Electronic Technology (Shenzhen) Co., Ltd. (Anhong Electronic)	Associate (Notes 13 and 28)
Rong Jin Technology Co., Ltd (Rong Jin)	Substantial related party
AVisionary INC (AVisionary)	Substantial related party
Shenghua Technology Co., Ltd. (Shenghua)	Substantial related party
GIGA ELECTRONICS CORP. (GIGA)	Substantial related party

b. Operating Revenue

<u>Item</u>	<u>Related Party Category</u>	<u>2023</u>	<u>2022</u>
Sales revenue	Substantial related party		
	Shenghua	\$ 9,195	\$ 8,697
	GIGA	480	1,500
	Rong Jin	18	2,331
	Other	1,767	18
	Associate		
	Anhong Electronic	3,766	-
	Other	1,057	952
		<u>\$ 16,283</u>	<u>\$ 13,498</u>

Sales to related parties will be handled in accordance with normal transaction conditions.

c. Purchase

Related Party Category	2023	2022
Substantial related party		
Zhi Fang	\$ 2,082	\$ -
Shenghua	724	1,897
Rong Jin	-	120
Other	-	11
Associate		
Anhong Electronic	3,197	-
	<u>\$ 6,003</u>	<u>\$ 2,028</u>

Purchases from related parties will be handled according to normal transaction conditions.

d. Receivables from related parties (excluding loans to related parties)

Item	Related Party Category	December 31, 2023	December 31, 2022
Accounts receivable	Associate		
	Anhong Electronic	\$ 3,922	\$ -
	AVCLOUD	550	-
	TECHNOLOGY		
	ITsESG Data	37	160
	Substantial related party	1,026	3,946
	Subsidiary of a significant investor	739	746
Allowance for losses	Subsidiary of a significant investor	(139)	(146)
		<u>\$ 6,135</u>	<u>\$ 4,706</u>

Amounts receivable from related parties that are in circulation have not been guaranteed.

e. Operating rental income

Item	Related Party Category	2023	2022
Other income	Substantial related party		
	Shenghua	\$ 3,937	\$ 3,609
	Rong Jin	-	106
	Other	150	229
	Investors with significant influence	36	36
		<u>\$ 4,123</u>	<u>\$ 3,980</u>

The merged company rents out the premises to related parties for office use, and charges are paid on a monthly or annual basis at a price agreed upon by both parties.

f. Service income

Item	Related person category	2023	2022
Other income	Substantial related party		
	Shenghua	\$ 4,890	\$ 4,201
	Rong Jin	-	455
	Other	<u>212</u>	<u>127</u>
		<u>\$ 5,102</u>	<u>\$ 4,783</u>

g. Rewards for key management levels

The total remuneration of directors and other key management personnel is as follows:

	2023	2022
Short term employee benefits	<u>\$ 15,113</u>	<u>\$ 17,471</u>

The remuneration of directors and other key management members is determined by the remuneration committee based on individual performance and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets have provided guarantees for customs duties on purchased goods and imported goods:

	December 31, 2023	December 31, 2022
Pledged time deposits (classified as financial assets at amortized cost- non-current)	<u>\$ 17,600</u>	<u>\$ 16,100</u>

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is summarized and expressed in terms of foreign currencies other than the functional currencies of each individual entity of the merged company. The exchange rates disclosed refer to the exchange rates at which such foreign currencies are converted into the functional currencies. The foreign currency assets and liabilities with significant impact are as follows:

<u>December 31, 2023</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 20,343	30.705	\$ 624,632
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	2,060	30.705	63,252
 <u>December 31, 2022</u>			
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 19,626	30.710	\$ 602,714
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	3,511	30.710	107,823

Unrealized foreign currency exchange gains and losses with significant impact are as follows:

Foreign Currency	2023		2022	
	<u>Exchange Rate</u>	<u>Net gain (loss) on exchange</u>	<u>Exchange Rate</u>	<u>Net gain (loss) on exchange</u>
USD	30.705 (USD:NTD)	<u>(\$ 5,069)</u>	30.71 (USD:NTD)	<u>\$ 35,330</u>

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on reinvestment business

- 1) Loans of funds to others: Table 1.
- 2) Endorsement guarantee for others: Table 2.
- 3) Situation of securities held at the end of the period (excluding investment subsidiaries, affiliated enterprises and joint venture control parts): Table 3.
- 4) The cumulative purchase or sale of the same securities amounted to NT\$300 million or 20% and above of the paid-in capital: None.
- 5) The amount of real estate acquired reaches NT\$300 million or paid-in capital amount 20% Above: None.

- 6) The amount of real estate disposed of amounted to NT\$300 million or paid-in capital amount 20% Above: None.
- 7) The amount of imports and sales with related persons amounted to NT\$100 million or paid-in capita 20% Above: None.
- 8) Amounts receivable from related parties amount to NT\$100 million or paid-in capital 20% Above: None.
- 9) Engaged in derivatives trading: None.
- 10) Invested company information: Table 4.
- 11) Others: Business relationships and important transactions and amounts between the parent company and its subsidiaries and between subsidiaries: Table 5.

c. Information on investments in mainland China

- 1) Name of the invested company in mainland China, main business items, paid-in capital, investment method, capital remittances, shareholding ratio, investment profits and losses, book amount of investments at the end of the period, repatriated investment profits and losses, and investment limits in mainland China: Table 6.
- 2) The following major transaction matters that occurred directly or indirectly through the third region with mainland invested companies, as well as their prices, payment terms, and unrealized profits and losses:
 - a) Purchase amount and percentage and closing balance and percentage of related payables: None.
 - b) Amount and percentage of sales and closing balance and percentage of related accounts receivable: None.
 - c) The amount of property transactions and the amount of profits and losses generated therefrom: None.
 - d) Ending balance of bills endorsed for guarantee or collateral provided and its purpose: Table 2.
 - e) The maximum balance, ending balance, interest rate range and total interest for the year of financial facilities: Table 1.
 - f) Other transactions that have a significant impact on the current year's profits and losses or financial status, such as the provision or receipt of services, etc.: Table 5.

d. Information on major shareholders: Table 7.

36. SEGMENT INFORMATION

Information provided to key operating decision makers to allocate resources and evaluate department performance, focusing on each type of product or service delivered or provided. The reportable departments of the merged company are as follows:

Security Monitoring System Department - Manufacturing and Sales of Security Monitoring Systems

Electronic Materials Department - Wholesale Electronic Materials

Investment Department - Investment in New Ventures

The merged company revenue and operating results are analyzed by reportable segment as follows:

	Security monitoring system	Electronic Materials	Investment department	Total
<u>2023</u>				
Revenue from external customers	\$ 207,323	\$ 952,198	\$ -	\$ 1,159,521
Inter-segment revenue	<u>49,389</u>	<u>18,824</u>	<u>-</u>	<u>68,213</u>
departmental revenue	<u>\$ 256,712</u>	<u>\$ 971,022</u>	<u>\$ -</u>	1,227,734
internal write-off				(<u>68,213</u>)
Consolidated revenue				<u>\$ 1,159,521</u>
Segment income (loss)	(<u>\$ 47,857</u>)	<u>\$ 59,951</u>	(<u>\$ 125</u>)	\$ 11,969
Interest and other income				70,236
Share of profits of associates accounted for using the equity method				2,681
Other gains and losses				<u>4,453</u>
Net profit before tax				<u>\$ 89,339</u>

	Security monitoring system	Electronic Materials	Investment department	Total
<u>2022</u>				
Revenue from external customers	\$ 209,050	\$ 1,022,159	\$ -	\$ 1,231,209
Inter-segment revenue	<u>41,905</u>	<u>18,825</u>	<u>-</u>	<u>60,730</u>
departmental revenue	<u>\$ 250,955</u>	<u>\$ 1,040,984</u>	<u>\$ -</u>	1,291,939
internal write-off				(<u>60,730</u>)
Consolidated revenue				<u>\$ 1,231,209</u>
Segment income (loss)	(<u>\$ 51,467</u>)	<u>\$ 78,416</u>	(<u>\$ 90</u>)	\$ 26,859
Interest and other income				53,155
Share of profits of associates accounted for using the equity method				681
Other gains and losses				<u>50,226</u>
Net profit before tax				<u>\$ 130,921</u>

Inter-department sales are determined by taking into account market conditions.

Departmental profits refer to the profits earned by each department, excluding other profits and losses, other income and income tax expenses. This measure is provided to the chief operating decision-maker for the purpose of allocating resources to departments and measuring their performance.

As the amounts of segment assets and liabilities are not provided to operating decision makers, they are not presented.

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
LOANS OF FUNDS TO OTHERS
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency, unless otherwise specified)

Table 1

No. (Note1)	Financing Company	Counterparty	Transaction Item (Note2)	Related Party or Not	Maximum Balance for the Period (Note3)	Ending Balance (Note 8)	Amount Actually Drawn (Note 9)	Interest Rate	Interest Rate (Note 4)	Business Interaction Amounts (Note 5)	Reason for Financing (Note 6)	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 7)	Aggregate Financing Limit (Note 7)	Note
													Name	Value			
0	AV TECH CORPORATION	CHIEFTRON INTERNATIONAL	Other receivable	Y	\$ 80,000	\$ -	\$ -	2.30%	(2)	\$ -	Operating capital	\$ -	-	\$ -	\$ 224,313	\$ 224,313	
1	CHIEFTRON INTERNATIONAL	Anhong Electronic	Other receivable	Y	61,410 (USD2,000,000)	- (USD -)	(USD -)	3.50%	(2)	-	Operating capital	-	-	-	82,578	165,156	

Note 1 : The description of the number column is as follows:

(1) Issuer fill in 0.

(2) Invested companies are identified by Arabic numerals 1 Start numbering in sequence.

Note 2 : Amounts receivable from related enterprises, accounts receivable from related parties, transactions with shareholders, advances, and temporary payments listed in the accounts...If the project is of a capital loan nature, this field must be filled in.

Note 3 : The highest balance of funds loaned to others in the current year.

Note 4 : Fund loan and nature should be filled in (1) Be a business associate or (2) There is a need for short-term financing.

Note 5 : If the capital loan is a business transaction in nature, the business transaction amount should be filled in. The amount of business transactions refers to the amount of business transactions between the company lending funds and the loan recipient in the most recent year.

Note 6 : If the nature of the fund loan is such that short-term financing is necessary, the reasons for the necessary loan and funds and the purpose of the funds to be loaned should be specified, such as: repayment of loans, purchase of equipment, business turnover.

Note 7 : The total amount of AV TECH CORPORATION capital loans and others shall not exceed the net value of AV TECH CORPORATION, which has been verified and approved by an accountant recently or the financial statements have been reviewed 10%.

The individual loan and amount of funds of AV TECH CORPORATION shall not exceed the net value of AV TECH CORPORATION as recently verified and certified by an accountant or the financial statements have been reviewed 10%.

The total amount of funds loaned by CHIEFTRON INTERNATIONAL CORPORATION to other parties shall not exceed the net value of CHIEFTRON INTERNATIONAL CORPORATION, which has been recently verified by an accountant or whose financial statements have been reviewed 40%.

If CHIEFTRON INTERNATIONAL CORPORATION has funds to lend to other companies or banks due to business relationships, the individual loan amount shall not exceed the net worth of CHIEFTRON INTERNATIONAL CORPORATION 20% is limited to.

Note 8 : If a publicly issued company relies on the handling of fund loans and endorsement guarantees of publicly issued companies, No. 14 Article 1 If the funds are loaned to the board of directors for resolution one by one, although no funds have been allocated, the amount of the board resolution should still be included in the announced balance to disclose the risks; however, if the funds are subsequently repaid, the balance after repayment should be disclosed to reflect the risk adjustment. If a publicly issued company is subject to processing standards No.14 Article 2 If the board of director's resolution authorizes the chairman to allocate loans in installments or use them on a recurring basis within a certain amount and within a one-year period, the loan amount approved by the board of directors should still be used as the balance reported in the announcement. Although the funds will be repaid later, it is still possible to consider the possibility of loaning again, therefore the fund loan limit approved by the board of directors should still be used as the balance reported in the announcement.

Note 9 : Foreign currency amount is in December 31, 2023 exchange rate USD\$1 = NT\$30.705 is the New Taiwan Dollar.

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
ENDORSEMENT GUARANTEE FOR OTHERS
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency)

Table 2

No. (Note1)	Name of the endorser's company	Endorsement object		Limit of endorsement for single enterprise	Maximum endorsement balance for the current period	Ending endorsement balance	Amount Actually Drawn	Amount of endorsement secured by property	Ratio of accumulated endorsement amount to net value of latest financial statement (%)	Maximum limit Of endorsement	Endorsement of the parent company to the subsidiary company	Endorsement of the Subsidiary company to the parent company	Endorsement to Mainland China	Note
		Name of Company	Relationship (Note 2)											
0	AV TECH CORPORATION	CHIEFTRON INTERNATIONAL	2	\$ 80,000 (註 3)	\$ 45,000	\$ 45,000	\$ -	\$ -	2.01	\$ 80,000 (註 3)	Y	-	-	-
1	CHIEFTRON INTERNATIONAL	Anhong Electronic	1	103,223 (註 4)	21,635 (RMB5,000)	- (RMB -)	- (RMB -)	-	-	412,891 (註 4)	-	-	Y	-

Note 1 : Fill in by the issuer 0, Invested companies by company type by Arabic numerals 1 Start numbering in sequence.

Note 2 : The relationship between the endorser and the person being endorsed and guaranteed is as follows: 7 species, just mark the species:

- (1) A company with business dealings.
- (2) The company directly and indirectly holds shares with voting rights exceeding 50% The company.
- (3) Shares that directly and indirectly hold voting rights in the company exceed 50% The company.
- (4) The company directly and indirectly holds voting rights of up to 90% The above company space.
- (5) Based on the needs of contracting projects, peers in the same industry or jointly establish a company that provides mutual insurance in accordance with the provisions of the contract.

(6) Based on the needs of contracting projects, peers in the same industry or jointly establish a company that provides mutual insurance in accordance with the provisions of the contract.

(7) Among peers, the performance guarantee for pre-sale housing sales contracts is jointly and severally guaranteed in accordance with consumer protection laws and regulations.

Note 3 : The total amount of endorsement guarantee shall not exceed the actual paid-in capital of the endorsement guarantee company 10%.

Note 4 : The total amount of endorsement guarantee shall not exceed the company's net worth 100%, the accumulated amount of endorsement guarantee for a single enterprise shall not exceed the company's net worth 25%.

The total amount of external endorsements and guarantees by CHIEFTRON INTERNATIONAL CORPORATION and its subsidiaries as a whole shall not exceed the net worth of CHIEFTRON INTERNATIONAL CORPORATION 100%, the cumulative amount of the overall endorsement guarantee for a single enterprise shall not exceed the international net worth of CHIEFTRON INTERNATIONAL CORPORATION 25%.

Note 5 : Foreign currency amount is based on December 31, 2023 exchange rate RMB\$1 = NT\$4.327 for the New Taiwan Dollar.

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
SITUATION OF SECURITIES HELD AT THE END OF THE PERIOD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Table 3

Name of Held Company	Type and Name of Marketable Securities	Relationship with the issuer of securities	Financial Statement Account	End of the Period				Highest in the term Number of shares held (in thousands)	Note
				Number of Shares (in thousands)	Carrying amount	Percentage of Ownership	Fair Value		
AV TECH CORPORATION, LTD.	<u>Domestic publicly traded shares</u>								
	Crystalvue Medical Corporation	—	Financial assets at fair value through profit or loss	10	\$ 861	-	\$ 861	20	—
	TTY BIOPHARM COMPANY LIMITED	—	"	10	804	-	804	10	—
	ABILITY ENTERPRISE CO., LTD.	—	"	10	255	-	255	10	—
	AlgoTek, Inc.	—	"	20	1,798	-	1,798	30	—
	<u>Domestic Non-publicly traded shares</u>								
	WK Technology Fund IX II Ltd.	—	Financial assets at fair value through other comprehensive income	5,000	50,000	-	50,000	5,000	
	<u>Corporate bond</u>								
	APPLE Inc. Overseas corporate bond due in 2045		Financial assets measured at amortized cost	500	14,960	-	14,659	500	
	APPLE Inc. Overseas corporate bond due in 2046		"	400	12,148	-	12,123	400	
APPLE Inc. Overseas corporate bond due in 2047		"	300	8,862	-	8,719	300		
TSMC Arizona Overseas corporate bond due in 2029		"	200	6,091	-	6,051	200		
TSMC Arizona Overseas corporate bond due in 2032		"	600	18,169	-	18,185	600		
Shengtike Investment	<u>Domestic Non-publicly traded shares</u>								
	CHECKINPASS CO., LTD.	—	Financial assets at fair value through other comprehensive income	150	-	11.11%	-	150	—
	EASY CONTROL TECHNOLOGY CORP	—	"	-	-	-	-	294	—
YesGo Tech	Rong Jin Technology Co., Ltd	—	"	300	-	10.00%	-	300	—

Note: For information related to investment-related enterprises and subsidiaries, please refer to Table 4 and Table 6.

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
INVESTED COMPANY INFORMATION
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency, unless otherwise specified)

Table 4

Name of investor company	Name of Investee Company	Location	Main Business Activities	Original Investment Amount		Held at the End of The Period			Net Income (Loss) of the Investee	Investment Profit (Loss) Recognized in the Current Period	Note
				End of the Current Note Period	Year-end of the last year	Number of Shares	Ratio%	Carrying amount			
AV TECH CORPORATION, Ltd.	CHIEFTRON INTERNATIONAL	Taiwan	Semiconductor component agent	\$ 190,079	\$ 190,079	15,240,000	84.11	\$ 347,268	\$ 52,807	\$ 44,420	Note 1
	Shengtike Investment	Taiwan	General investment industry	80,000	80,000	8,000,000	100.00	55,509	1,400	1,400	Note 1
	AVTECH Security	Taiwan	Production and sales monitoring anti-theft system	96,000	96,000	9,600,000	96.00	48,351	971	933	Note 1
	Q.S.C. Industry	Taiwan	Electrical and audio-visual electronic product manufacturing	30,000	30,000	3,000,000	100.00	16,801	(6,134)	(6,134)	Note 1
CHIEFTRON INTERNATIONAL	Elcom	British virgin islands	Investment and holding	-	12,125	-	-	-	13,035		Notes 1 and 4
CHIEFTRON INTERNATIONAL	Anhong Electronic	Mainland China	Conductor components agent	12,125	12,125	-	36.42	51,780	6,726		Notes 2 and 3
Shengtike Investment	GIGA	Taiwan	Consumer electronics product development and sales	8,000	8,000	800,000	25.00	6,970	2,537		Note 2
	AirTag	Taiwan	Business management consultant	3,000	3,000	300,000	50.00	-	(528)		Note 2
	ITsESG Data	Taiwan	Software development and sales	5,742	5,742	200,000	40.00	3,029	2,614		Note 2
	YesGo Tech	Taiwan	Closed-circuit surveillance system development	12,700	12,700	432,572	56.70	993	(1,429)		Note 1
	AVCLOUD TECHNOLOGY Info-Tech Corp.	Taiwan	Sales and installation of surveillance and security products	1,760	4,000	176,000	22.00	2,287	2,392		Notes 2 and 5
		Taiwan	Semiconductor component agent	2,000	2,000	62,000	51.67	695	137		Note 1

Note 1 : It is a subsidiary and has been eliminated when preparing consolidated financial statements.

Note 2 : Associate.

Note 3 : The merged company gave up the capital increase of Anhong Electronic in November 2023, causing CHIEFTRON INTERNATIONAL comprehensive shareholding ratio to drop from 65% to 36.42%. Due to the loss of control over Advent Electronics, it was reclassified as an associated enterprise. Please refer to Note 28.

Note 4 : ElcomAt November 2023 Liquidation will be carried out on month, because the CHIEFTRON INTERNATIONAL holds the company 100% Therefore, CHIEFTRON INTERNATIONAL obtained the company's equity interest in Anhong.

Note 5 : The merged company sold 28% of the equity of AVCLOUD TECHNOLOGY in December 2023. Due to the loss of control over AVCLOUD TECHNOLOGY, AVCLOUD TECHNOLOGY will no longer be included in this consolidated financial statement and will be reclassified as an associated enterprise.

Note 6 : Please refer to Table 6 for relevant information on mainland China's invested companies.

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FROM JANUARY 1 TO DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Table 5

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Transaction terms	% to Total Sales or Assets (Note 3)
0	AV TECH CORPORATION	AVTECH Security	1	Sales revenue	\$ 4,599	Same as normal transaction	0.40%
1	AV TECH CORPORATION	Q.S.C. Industry	1	Rent revenue	5,588	"	0.48%
	Q.S.C. Industry	AVTECH Security	3	Sales revenue	26,742	"	2.31%
2	Q.S.C. Industry	AVTECH Security	3	Service revenue	4,491	"	0.39%
	CHIEFTRON INTERNATIONAL	Shenzhen Anhong (Note 5)	3	Sales revenue	4,864	"	0.42%
			3	Purchase	13,757	"	1.19%

Note 1: The Company and its subsidiaries are coded as follows:

(1) Parent company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Between subsidiaries

Note 3 : The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets. If it is an asset and liability account, it is calculated as the ending balance to the consolidated total assets; if it is a profit and loss account, it is calculated as the cumulative amount of the current period to the consolidated total revenue. calculate.

Note 4 : The amount of current transactions disclosed is more than NT\$3,000,000.

Note 5 : Shenzhen Anhong lost control in November 2023, so the amount is only disclosed from January to October 2023.

Note 6 : It has been eliminated when preparing the consolidated financial statements.

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FROM JANUARY 1 TO DECEMBER 31, 2023
(In thousands of NT\$ and foreign currency)

Table 6

Investee Company In Mainland China	Main Business Activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		Accumulated amount of investment remitted out of Taiwan at the end of the period	Net Income (Loss) of the Investee	The company's direct or indirect investment shareholding ratio	Investment Profit (Loss) Recognized in Current Period (Note 2)	Carrying amount of the investment at the end of the period	Repatriated as of this year investment income
					Remitted	Repatriated						
Anhong Electronic	Production and sales closed-circuit monitoring system and related spare parts	\$ 137,250 (RMB 31,074)	(1)	\$ 21,466 (USD 699)	\$ -	\$ -	\$ 21,466 (USD 699)	\$ 6,726	30.63%	\$ 3,442	\$ 51,780	\$ -

The accumulated investment amount remitted from Taiwan to the mainland at the end of this period	The investment review committee of the Ministry of Economic Affairs approved the investment amount	According to the investment review committee regulations of the Ministry of Economic Affairs, there are investment quotas in mainland China.
\$ 21,466 (USD 699)	\$ 21,466 (USD 699)	\$ 1,345,878 (Note 3)

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

- (1) Go directly to the mainland to engage in investment.
- (2) Reinvest in mainland China through third-region companies.
- (3) Other methods.

Note 2 : Investment profits and losses are calculated based on the financial statements of the invested company for the current year that have been reviewed by the parent company's accountant.

Note 3 : According to the Investment Review Commission's "Principles for Review of Investment or Technical Cooperation in the Mainland Area", the limit for investment in the Mainland is 1% of the net value60% .

Note 4 : The relevant amount is based on December 31, 2022 exchange rate RMB\$1 = NT\$4.327 and USD\$1 = NT\$30.705 for New Taiwan Dollars.

AV TECH CORPORATION, LTD.AND SUBSIDIARIES
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Table 7

Name of Major Shareholders	Shareholding	
	Number of Shares Held	Percentage of Ownership
Junyi Investment Co., Ltd.	22,215,044	27.76%
Huang Junru	8,842,984	11.05%
Chen Yilin	7,385,781	9.23%

Note: The information on major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation based on the last business day at the end of the current quarter. The total number of ordinary shares and special shares held by the company that has been completed and delivered without entity registration (including treasury shares) reached by shareholders is up to 5% The above information. The share capital recorded in the company's consolidated financial statements and the actual number of shares delivered without entity registration may be different or different due to different preparation and calculation basis.

VII Review and Analysis of Financial Position and Financial Performance, and Risks Assessment

1. Financial position

Unit: NTD 1000

Item \ Year	2022	2023	Difference	
			Amount	%
Current Assets	1,709,693	1,505,087	-204,606	-11.97%
Property, Plant and Equipment	713,282	708,536	-4,746	-0.67%
Other Assets	33,431	274,618	241,187	721.45%
Total Assets	2,533,993	2,488,241	-45,752	-1.81%
Current Liabilities	137,245	143,952	6,707	4.89%
Non-current Liabilities	31,549	32,111	562	1.78%
Total Liabilities	168,794	176,063	7,269	4.31%
Equity attributable to shareholders of the parent	2,260,502	2,243,130	-17,372	-0.77%
Share Capital	800,000	800,000	0	0.00%
Retained Earnings	1,451,795	1,429,570	-22,225	-1.53%
Other Equity	-9,015	-4,162	4,853	-53.83%
Non-controlling Interest	104,697	69,048	-35,649	-34.05%
Total Equity	2,365,199	2,312,178	-53,021	-2.24%
Note:				
1. The increase in other assets is due to the increase in financial assets generated from investment activities.				
2. The total equity decreased due to the disposal of subsidiary companies..				

2. Financial performance

Unit: NTD 1000

Item \ Year	2022	2023	Increased (Decreased) Amount	% of Change
Net Operating Revenue	1,231,209	1,159,521	-71,688	-5.82%
Operating Costs	1,007,807	951,991	-55,816	-5.54%
Gross Profit	223,402	207,530	-15,872	-7.10%
Operating Expenses	196,543	195,561	-982	-0.50%
Operating Income	26,859	11,969	-14,890	-55.44%
Non-operating Income and Expenses	104,062	77,370	-26,692	-25.65%
Profit before Income Tax for the Year	130,921	89,339	-41,582	-31.76%
Net Profit for the Year	106,005	68,870	-37,135	-35.03%
Other Comprehensive Income (Loss) for the Year (Net After Tax)	2,198	3,533	1,335	60.74%
Total Comprehensive Income (Loss) for the Year	108,203	72,403	-35,800	-33.09%
Net income attributable to shareholders of the parent	94,571	58,603	-35,968	-38.03%
Net income attributable to non-controlling interest	11,434	10,267	-1,167	-10.21%
<p>Analysis of deviation changes:</p> <p>The intense price competition continued and the demand has been decreased for CCTV products and IC products in the year of 2023, resulting the slight decrease of sales income, Then, the operating income was decreased.</p> <p>The fluctuations in non-operating income and expenses were mainly due to a decrease in foreign exchange gains on the US dollar, resulting in a larger variance between the two periods.</p>				

3. Cash flow

3.1 Cash flow analysis for the year of 2023

Unit: NTD 1,000

Beginning Cash Balance ①	Net Cash Flow②	Cash Outflow ③	Cash Surplus ① + ② - ③	Contingency Plan for Cash Deficit	
				Investment Plans	Financial Plans
702,996	217,690	548,994	371,692	—	—
Cash liquidity analysis for the current fiscal year: Operating activities: A cash flow of NT 217,690 thousand is actively collecting receivables. Investment activities: A cash flow of NT 442,967 thousand is acquisition of financial assets measured at amortized cost. Financing activities: A cash outflow of NT 91,400 thousand is generated due to the decrease in cash dividend contribution to the company's owner.					

3.2 Improvement plan for illiquidity

Not applicable.

3.3 Cash liquidity analysis for the coming fiscal year

Unit: NTD 1,000

Beginning Cash Flow Balance①	Estimated Net Cash Flow from Operating Activities②	Estimated Cash Outflow ③	Estimated Cash Surplus (Deficit) ① + ② - ③	Contingency Plan for Estimated Cash Deficit	
				Investment Plans	Financial Plans
371,692	100,000	150,000	321,692	-	-

4. The effect upon financial operations of any major capital expenditures during the most recent fiscal year

4.1 Major capital expenditures and sources of funds

None

4.2 Effect upon financial operations of major capital expenditures

None

4.3 Expected benefits

None

5. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/ losses generated thereby, the plan for improving reinvestment profitability, and investment plans for the coming year

5.1 Reinvestment policy

"Transaction Procedure for Specific Company, Related Party and Related Group" has been established by AVTECH. In the investment cycle, the management procedure for subsidiaries will also be established for the future and the reinvestment companies to follow.

5.2 The main reasons for the profits/losses generated by the company which has been invested over 5% of Paid-in capital , the plan for improving reinvestment profitability, and investment plans for the coming year

5.2.1 Main reasons for profits/losses in the year of 2023 and plan for improving

Company Being Invested	% of Shares	Profits / Losses Recognized for the most recent fiscal year	Main reasons for profits/losses	Plan for improving
Chieftron International Inc.	84.11%	44,420	The reinvestment business operates well currently.	None
AVTECH Investment Inc.	100%	1,400	Losses by investing startup companies	None
AVTECH Security Corporation	96%	933	The reinvestment business operates well currently.	None
Q.S.C. Industry Co., Ltd.	100%	(6,134)	Losses by investing startup companies	None

5.2.2 Investment plan for the coming year

None.

6. The section on risks

6.1 The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

6.1.1 The effect upon the company's profits (losses) of interest rate fluctuation and response measures to be taken in the future

The company has recognized interest income of 21,713 thousand NTD (with a net profit of 58,603 thousand NTD) in 2023. Interest rate fluctuations only affect the company's investment returns as it does not have any borrowing activities from banks. Therefore, changes in interest rates will not affect the company's working capital turnover in terms of fundraising.

6.1.2 The effect upon the company's profits (losses) of exchange rate fluctuation and response measures to be taken in the future

The US dollar is the currency we use to sell products and make payment globally for natural hedges. The foreign exchange profit recognized in 2023 is 702 thousand dollars. Our financial department will continue to pay attention to the fluctuation in foreign currency exchange rate and also try to avoid the risk of financial impact due to exchange rate fluctuations by spot and foreign exchange

forward contracts.

6.1.3 The effect upon the company's profits (losses) of changes in the inflation rate and response measures to be taken in the future

At present, inflation has not had a significant impact on the company's profitability. Our video surveillance products have a closed specification and pricing in the market. Additionally, we refer to statistical data from the Ministry of Economic Affairs and economic indicators from various domestic and foreign research institutions. We periodically review and collect relevant information to provide management with reference for decision-making.

6.2 The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future

The company doesn't involve high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions.

6.3 Research and development work to be carried out in the most recent year, status update for the unfinished research and development work, further expenditures expected for research and development work, estimated time for mass production, and main reasons to affect the success of research and development work

6.3.1 Research & development work in the most recent year

Mobile app, remote surveillance system and IoT surveillance system

6.3.2 Status update for the unfinished research and development work

Ongoing as scheduled

6.3.3 Further expenditures expected for research and development work

NT 30,000 thousand for 2027, NT 40,000 thousand for 2025 and NT 40,000 thousand for 2026

6.3.4 Estimated time for mass production

Expected to be accomplished during 2024 ~ 2026

6.3.5 Main reasons to affect the success of research and development work

Recruit more employees for research and development

6.4 Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad for the most recent year, and measures to be taken in response

None

6.5 Effect on the company's financial operations of developments in science and technology(Including cybersecurity risks.) as well as industrial changes for the most recent year, and measures to be taken in response

Our company enhances the security of our monitoring products by employing military-grade AES256-bit data encryption to prevent data leaks. . During communication with clients, any technology risks related to information security and regulations that clients bring up are addressed in the product planning stage. Technological changes can be effectively managed in terms of their financial impact on the company's operations.

6.6 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response

None

6.7 Expected benefits and possible risks associated with any merger and acquisitions

None

6.8 Expected benefits and possible risks associated with any plant expansion

None

6.9 Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

Our company adopts a decentralized sourcing strategy by purchasing raw materials from several different suppliers to ensure production stability. Similarly, our contract manufacturers also follow a similar approach. On the sales side, we have marketing channels in various countries worldwide and maintain stable and smooth relationships with our partners. As a result, we do not face the risks associated with concentrated procurement or sales.

6.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands

None

6.11 Effect upon and risk to company associated with any change in governance personnel or top management

None

6.12 Litigious and non litigious matters: List major litigious, non litigious or administrative disputes that involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and have been concluded by means of a final and unappealable judgment, or are still under litigation, in which the results could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report shall be disclosed

None

6.13 Risk assessment for cyber security

Our company has established a cybersecurity risk management framework, organization, and system, with the main policies and measures including setting access rights based on job functions, implementing secure system development and maintenance management and supervision, establishing a data center environmental control and equipment security system, establishing firewall and internet use security policies, monitoring network traffic, automatic scanning and detection of viruses, regular backup of

system data, software compliance checks in accordance with legal regulations, ensuring the sustainability of information assets and operations, providing cybersecurity education and training, and respecting and protecting personal data, among other specific security management measures.

6.14 Other important risks

None

7. Other important matters

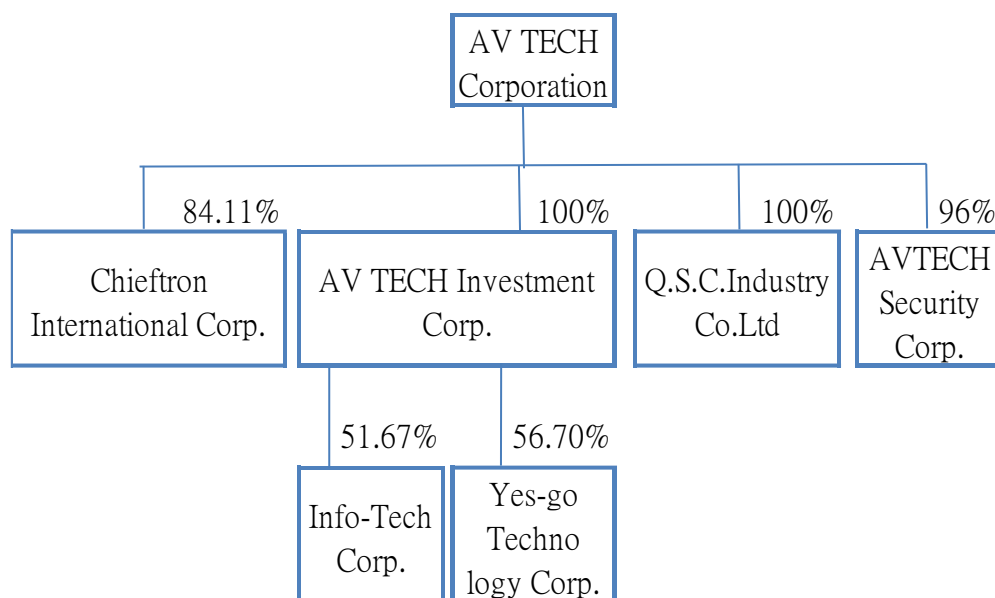
None

VIII Affiliates Information and Other Special Items

1. Affiliates Information

1.1 Consolidated Operational Report of Affiliated Companies

1.1.1 Affiliated Companies Organizational Chart



1.1.2 Basic information of affiliated companies

Unit: NTD 1000

Company	Country of Registration	Date of Incorporation	Paid-in Capital	Main Business or Production Items
Chieftron International Inc.	Taiwan	97.06.04	181,200	Semiconductors & electronic components distribution
AVTECH Investment Inc.	Taiwan	106.11.10	80,000	Venture capital company
AVTECH Security Corporation	Taiwan	108.06.26	100,000	Sales of CCTV products
Q.S.C. Industry Co., Ltd.	Taiwan	108.12.19	30,000	Assembly, test and pack
In-Fo Tech Corp.	Taiwan	110.01.15	1,200	Information Software Services Industry
Yss-Go Technology Corp.	Taiwan	100.03.28	8,000	Electrical and Electronic Materials Sales

1.1.3 Shareholders in common presumed to have a relationship of control and subordination

None

1.1.4 The industries covered by the business operated by the affiliates overall

Manufacturing, assembling and marketing of CCTV systems, distributing of semiconductors and electronic components, and venture capital business

1.1.5 Information of directors, supervisors, and general manager of the affiliated companies

Company	Title	Name or Representative	Shareholding	
			Share	%
Chieftron International Inc.	Chairman	Fu-Cheng, Li, Representative of AVTECH Corporation	15,240,000	84.11%
	Director	Shih-Chung Chen, Representative of AVTECH Corporation	15,240,000	84.11%
	Director	Tsung-Hsien Wang, Representative of AVTECH Corporation	15,240,000	84.11%
	Supervisor	Yuan-Liang Tseng	-	-
AVTECH Investment Inc.	Chairman	Shih-Chung Chen, Representative of AVTECH Corporation	8,000,000	100%
	Director	Chun-Ju Huang, Representative of AVTECH Corporation	8,000,000	100%
	Director	Cheng-Ping Tien, Representative of AVTECH Corporation	8,000,000	100%
	Supervisor	Cheng-Mou Wu	-	-
AVTECH Security Corporation	Chairman	Shih-Chung Chen, Representative of AVTECH Corporation	9,600,000	96%
Q.S.C. Industry Co., Ltd.	Chairman	Tsung-Hsien Wang, Representative of AVTECH Corporation	3,000,000	100%

1.1.6 Operational highlights of affiliated companies (2023)

Unit: NTD 1000

Company	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Net Income	Earnings per Share (NTD)
Chieftron International Inc.	181,200	499,939	87,048	412,891	596,015	53,101	52,807	2.91
AVTECH Investment Inc.	80,000	55,509	0	55,509	0	-88	1,401	0.18
AVTECH Security Corporation	100,000	91,258	19,266	50,366	130,877	-1,977	971	0.1
Q.S.C. Industry Co., Ltd.	30,000	39,382	22,580	16,802	80,178	-7,460	-6,134	-2.04

1.2 Consolidated Financial Statements of Affiliated Companies

Please refer to page 138-218 for the consolidated financial statements.

1.3 Consolidated Financial Declaration Statement of Affiliated Companies

None

- 2. Private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report**
None
- 3. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report**
None
- 4. If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.**
None
- 5. If any of the situations listed in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities during the most recent year up to the date of publication of the annual report**
None
- 6. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities during the most recent year up to the date of publication of the annual report**
None
- 7. Other matters that require additional description**
None

AVTECH Corporation
Statement of Internal Controls

Date: March 13, 2024

According to the examination on internal control system done by the Company itself in 2023, we hereby state as follows:

- (1) The Company's Board of Directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.
- (2) Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- (3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process:
 - (a) control environment, (b) risk assessment and response, (c) control activities, (d) information and communication, and (e) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5) The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2023 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies
- (6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on March 13, 2024. Among the 7 attending Directors, to the contents of this statement.

AVTECH Corporation

Chairman: Shih-Chung Chen

President: Shih-Chung Chen