Stock Code:6163

HWACOM SYSTEMS INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 AND
INDEPENDENT AUDITORS’ REPORT

INDEX TO FINANCIAL STATEMENTS

The Board of Directors and Shareholders
HwaCom Systems Inc.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's parent company only 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.

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

<u>Revenue recognition</u>

Explanations

Please refer to Note 4 to the parent company only financial statements for the accounting policies of revenue recognition; please refer to Note 5 for the accounting judgment, estimates and assumptions of revenue recognition.

The Company is engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city control business, and service for business customers, etc. As the inherent risk of revenue is high, and significant to the financial statements, revenue recognition is identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and test the internal control and the operating effectiveness relevant to revenue transactions.
2. Obtain an understanding the primary types of revenue, contract terms and transaction terms, to evaluate the rationality of the accounting policies of revenue recognition.
3. Perform sample testing to sales contracts or purchase orders, and evaluate the contract terms and transaction terms, etc., to confirm revenue is recognized in the appropriate period in accordance with company policies.
4. Perform cut-off testing as of year-end, to confirm the correctness of the periods that revenue is attributable to.
5. Check the reasons for significant returns or allowances in the current period and in the subsequent period, and evaluate the rationality of the estimates of returns and allowances.

Inventory valuation

Explanations

Please refer to Note 4 to the parent company only financial statements for the accounting policies of inventory valuation; please refer to Note 5 for the accounting judgment, estimates and assumptions of inventory valuation.

The Company is a system integration supplier of telecommunication media and internet information. The products distributed and the business developed provides the upstream, midstream, and downstream of industry chain with value-added integration and distribution functions. Based on the classification of communication network frameworks, the Company provided customized product mixes depending on different sales counterparties and projects, from the underlying infrastructure of communication network, layer by layer to broadband utilization. As inventory valuation involves management's judgment, is with highly estimate uncertainty, and significant to the financial statements, inventory valuation is identified as one of the key audit matters.

Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below:

1. Obtain an understanding of and evaluate the estimates and policies adopted by inventory valuation.
2. Acquire the data used for the Company to evaluate the net realizable value of inventories, and select samples to verify the relevant information on sales prices and estimated costs to completion.

3. Perform sample testing to the correctness of inventory age data, and obtain an understanding of the condition of inventories with long age and the possibility of destock in the future.

Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance, with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Su-Chen Chang and Winner Hsu.

BOD Taiwan
Taipei, Taiwan
Republic of China

March 7, 2024

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.

HwaCom Systems Inc.

Parent Company Only Balance Sheets
As of December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Code	Assets	Note	December 31, 2023	%	December 31, 2022	%
11XX	Current assets					
1100	Cash and cash equivalents	6.1	$1,077,603	20.88	$725,438	13.64
1110	Financial assets at fair value through profit or loss - current	6.7	8,175	0.16	5,019	0.09
1136	Financial assets at amortized cost - current	6.2	100,000	1.94	-	-
1140	Contract assets - current	6.24	47,481	0.92	30,414	0.57
1150	Notes receivables, net		442	0.01	425	0.01
1170	Accounts receivables, net	6.3	1,241,496	24.06	2,074,507	38.99
1200	Other receivables		25,658	0.50	998	0.02
130X	Inventories	6.4	1,085,634	21.04	1,159,038	21.78
1410	Prepayments	6.5	182,604	3.54	257,320	4.84
1470	Other current assets	6.6	338,279	6.54	213,232	4.01
11XX	Sub-total		4,107,372	79.59	4,466,391	83.95
15XX	Non-current assets					
1517	Financial assets at fair value through other comprehensive income – non-current	6.8	139,392	2.70	132,110	2.48
1550	Investments accounted for using equity method	6.9	100,245	1.94	47,463	0.89
1600	Property, plant and equipment	6.10	265,230	5.14	228,922	4.30
1755	Right-of-use assets	6.11	46,355	0.90	47,341	0.89
1780	Intangible assets		40,573	0.79	23,038	0.43
1840	Deferred tax assets	6.30	34,453	0.67	34,825	0.65
1900	Other non-current assets	6.12	427,121	8.27	340,283	6.41
15XX	Sub-total		1,053,369	20.41	853,982	16.05
1XXX	Total assets		$5,160,741	100.00	$5,320,373	100.00

Code	Liabilities and equity	Note	December 31, 2023	%	December 31, 2022	%
21XX	Current liabilities					
2100	Short-term borrowings	6.13	$326,996	6.34	$421,318	7.92
2130	Contract liabilities - current	6.24	737,465	14.29	897,555	16.87
2170	Accounts payables	6.14	1,142,675	22.14	1,082,873	20.35
2200	Other payables	6.15	271,731	5.27	287,765	5.41
2230	Current income tax liabilities		16,974	0.33	18,547	0.35
2250	Provisions - current	6.17	14,667	0.28	-	-
2280	Lease liabilities - current	6.11	24,489	0.47	24,568	0.46
2300	Other current liabilities	6.16	38,669	0.75	22,311	0.42
21XX	Sub-total		2,573,666	49.87	2,754,937	51.78
25XX	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss – non-current	6.7	-	-	368	0.01
2530	Bonds payables	6.18	-	-	115,450	2.17
2540	Long-term borrowings	6.19	21,300	0.41	26,513	0.50
2550	Provisions – non-current	6.17	12,283	0.24	12,283	0.23
2570	Deferred tax liabilities	6.30	19,645	0.38	17,782	0.33
2580	Lease liabilities – non-current	6.11	22,469	0.44	23,328	0.44
2600	Other non-current liabilities		98,430	1.91	104,831	1.96
25XX	Sub-total		174,127	3.38	300,555	5.64
2XXX	Total liabilities		2,747,793	53.25	3,055,492	57.42
31XX	Equity					
3100	Capital stock	6.21				
3110	Common stock		1,410,502	27.33	1,337,776	25.14
3200	Capital surplus	6.22	402,974	7.81	359,937	6.77
3300	Retained earnings	6.23				
3310	Legal reserve		123,877	2.40	109,359	2.06
3350	Unappropriated earnings (accumulated deficit)		418,000	8.10	406,213	7.64
3400	Other equity		70,842	1.37	64,843	1.22
3500	Treasury stock	6.21	(13,247)	(0.26)	(13,247)	(0.25)
3XXX	Total equity		2,412,948	46.75	2,264,881	42.58
3X2X	Total liabilities and equity		$5,160,741	100.00	$5,320,373	100.00

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

HwaCom Systems Inc.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Code	Item	Note	2023	%	2022	%
4000	Net revenue	6.24	$5,211,993	100.00	$6,077,095	100.00
5000	Costs of revenue	6.4,	(4,172,982)	(80.06)	(4,860,934)	(79.99)
5900	Gross profit		1,039,011	19.94	1,216,161	20.01
5910	Unrealized (profit) loss from sales		(45)	(0.01)	-	-
5950	Gross profit, net		1,038,966	19.93	1,216,161	20.01
6000	Operating expenses	6.27				
6100	Selling expenses		(757,248)	(14.53)	(832,444)	(13.70)
6200	Administrative expenses		(224,526)	(4.31)	(193,348)	(3.18)
6300	Research and development expenses		(53,551)	(1.03)	(58,065)	(0.95)
6450	Expected credit (losses) reversal		8,870	0.18	-	-
6000	Sub-total		(1,026,455)	(19.69)	(1,083,857)	(17.83)
6900	Net operating income (loss)		12,511	0.24	132,304	2.18
7000	Non-operating income and expenses					
7100	Interest income		9,440	0.18	2,827	0.05
7010	Other income	6.25	74,396	1.43	57,058	0.94
7020	Other gains and losses	6.26	(14,567)	(0.28)	217	-
7050	Financial costs	6.27	(12,295)	(0.24)	(14,048)	(0.23)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6.9	1,358	0.03	(14,738)	(0.25)
7000	Total non-operating income and expenses		58,332	1.12	31,316	0.51
7900	Net income (loss) before income tax		70,843	1.36	163,620	2.69
7950	Income tax benefits (expenses)	6.30	(13,223)	(0.25)	(25,523)	(0.42)
8000	Net income (loss) from continuing operations		$57,620	1.11	$138,097	2.27
8200	Net income (loss)		$57,620	1.11	$138,097	2.27
8300	Other comprehensive income					
8310	Items not to be reclassified into profit or loss					
8311	Remeasurements of defined benefit plans		$4,755	0.09	$8,863	0.15
8316	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		14,403	0.28	(67,479)	(1.11)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		221	-	(699)	(0.01)
8349	Income tax related to items of other comprehensive income that will not be reclassified to profit or loss		(2,710)	(0.05)	13,969	0.23
8360	Items that may be subsequently reclassified into profit or loss					
8361	Exchange differences on translation of foreign financial statements		(166)	-	121	-
8300	Other comprehensive income, net of tax		$16,503	0.32	$(45,225)	(0.74)
8500	Total comprehensive income		$74,123	1.43	$92,872	1.53
	Earnings per share (NT$)：	6.31				
9750	Basic earnings per share (NT$)		$0.42		$1.06	
9850	Diluted earnings per share (NT$)		$0.41		$1.01	

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

HwaCom Systems Inc.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Summary	Capital stock	Capital surplus	Retained earnings		Other equity		Treasury stock	Total equity
			Legal reserve	Unappropriated earnings (or accumulated deficit)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		
Balance at January 1, 2022	$1,336,934	$356,799	$92,192	$318,301	$(802)	$117,960	$(59,797)	$2,161,587
Appropriation and distribution of 2021 earnings								
Appropriate of legal reserve	-	-	17,167	(17,167)	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(40,108)	-	-	-	(40,108)
Stock option recognized by issuance of convertible bonds	-	(60)	-	-	-	-	-	(60)
Profit of 2022	-	-	-	138,097	-	-	-	138,097
Other comprehensive income	-	-	-	7,090	122	(52,437)	-	(45,225)
Transfer of corporate bonds payables to ordinary shares	842	572	-	-	-	-	-	1,414
Treasury shares transferred to employees	-	2,626	-	-	-	-	46,550	49,176
Balance at January 1, 2023	$1,337,776	$359,937	$109,359	$406,213	$(680)	$65,523	$(13,247)	$2,264,881
Appropriation and distribution of 2022 earnings								
Appropriate of legal reserve	-	-	14,519	(14,519)	-	-	-	-
Cash dividend of ordinary shares	-	-	-	(41,818)	-	-	-	(41,818)
Stock option recognized by issuance of convertible bonds	-	(5,058)	-	-	-	-	-	(5,058)
Profit of 2023	-	-	-	57,620	-	-	-	57,620
Other comprehensive income	-	-	-	3,804	(166)	12,865	-	16,503
Transfer of corporate bonds payables to ordinary shares	72,726	48,095	-	-	-	-	-	120,821
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	6,700	-	(6,700)	-	-
Rounding to thousands	-	-	(1)	-	-	-	-	(1)
Balance at December 31, 2023	$1,410,502	$402,974	$123,877	$418,000	$(846)	$71,688	$(13,247)	$2,412,948

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

HwaCom Systems Inc.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Item	2023	2022
Cash flows from operating activities		
Profit (loss) before tax from continuing operations	$70,843	$163,620
Consolidated total profit (loss)	70,843	163,620
Adjustments:		
Items of income and expenses		
Depreciation expenses	78,189	70,668
Amortization expenses	24,563	20,507
Expected credit losses (reversal)	(8,870)	-
Net gains or losses from financial assets (liabilities) at fair value through profit or loss	(3,634)	1,035
Interest expenses	12,295	14,048
Interest income	(9,440)	(2,827)
Dividends	(1,283)	(830)
Share-based payments	-	6,551
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	(1,359)	14,738
Losses (gains) from disposal and scrap of property, plant and equipment	(144)	(206)
Unrealized profit (loss) from sales	46	-
Losses (gains) on lease improvements	-	(23)
Changes in operating assets and liabilities		
Decrease (increase) in contract assets	(17,066)	2,055
Decrease (increase) in notes receivables	(17)	300
Decrease (increase) in accounts receivables	841,881	(754,056)
Decrease (increase) in other receivables	(24,281)	14,324
Decrease (increase) in inventories	73,404	707,249
Decrease (increase) in prepaid expenses	(581)	2,438
Decrease (increase) in prepayments	75,298	(26,844)
Decrease (increase) in other current assets	(125,047)	22,230
Increase (decrease) in contract liabilities	(160,091)	(508,676)
Increase (decrease) in accounts payables	59,802	316,261
Increase (decrease) in other payables	(16,038)	7,995
Increase (decrease) in provisions	14,667	(2,536)
Increase (decrease) in advance receipts	17,405	-
Increase (decrease) in other current liabilities	(1,085)	4,805
Increase (decrease) in net defined benefit liabilities	707	286
Interests received	9,062	2,716
Dividends received	1,283	830
Interest paid	(11,467)	(11,487)
Income taxes returned (paid)	(15,274)	(48,359)
Net cash inflow (outflow) provided by operating activities	883,768	16,812
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	-	(6,000)
Disposal of financial assets at fair value through other comprehensive income	7,121	-
Acquisition of financial assets at amortized cost	(100,000)	-
Acquisition of investments accounted for using equity method	(51,414)	(15,000)
Acquisition of property, plant and equipment	(85,220)	(49,116)
Disposal of property, plant and equipment	1,586	1,902
Increase in refundable deposits	(613,770)	(410,971)
Decrease in refundable deposits	515,784	407,934
Acquisition of intangible assets	(42,108)	(22,978)
Disposal of intangible assets	9	3
Increase in prepayments for equipment	(92,256)	(37,069)
Decrease in prepayments for equipment	103,405	15,149
Net cash inflow (outflow) provided by investing activities	(356,863)	(116,146)
Cash flows from financing activities		
Increase in short-term borrowings	968,637	1,545,876
Decrease in short-term borrowings	(1,062,959)	(1,633,593)
Increase in short-term notes payables	-	100,000
Decrease in short-term notes payables	-	(100,000)
Repayment of corporate bonds	(400)	-
Repayments of long-term borrowings	(5,175)	(5,161)
Increase in guaranteed deposits received	1,295	1,532
Decrease in guaranteed deposits received	(3,648)	(3,061)
Repayments of lease principal	(30,672)	(29,522)
Decrease in other non-current liabilities	-	-
Distribution of cash dividends	(41,818)	(40,108)
Treasury shares purchased by employees	-	42,626
Net cash inflow (outflow) provided by financing activities	(174,740)	(121,411)
Net increase (decrease) in cash and cash equivalents	352,165	(220,745)
Cash and cash equivalents at the beginning of period	725,438	946,183
Cash and cash equivalents at the end of period	$1,077,603	$725,438

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

HwaCom Systems Inc.
Notes to the Parent Company Only Financial Statements
December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

1. GENERAL

HwaCom Systems Inc. (the "Company") was established in May, 1994 in accordance with the Company Act. of the R.O.C. The Company is primarily engaged in the services, including telecommunication integration system services, IP broadband network service, media industry service, smart city business, and enterprise customers, etc.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The parent company only financial statements of the Company were authorized for issue by the Board of Directors on March 7, 2024.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FIANACIAL REPORTING STANDARDS

(1) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by International Accounting Standards Board (IASB) and endorsed by the Financial Supervisory Commission (FSC) (collectively, "IFRSs") which have been adopted as of the date of authorization for issue.

The following summarizes new, revised, and amended IFRSs, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2023:

New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023

New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"	May 23, 2023

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

(2) The IFRSs issued by IASB and endorsed by the FSC which have not yet been adopted as of the date of authorization for issue.

The following summarizes new, revised, and amended IFRSs, which have been endorsed by the FSC, effective for annual period beginning on January 1, 2024:

New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024
Amendments to IFRS 16 "Lease Liability in Sale and Leaseback"	January 1, 2024

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

(3) The impact of IFRSs issued by IASB but not yet endorsed by the FSC

The following summarizes the IFRSs issued by IASB but not yet endorsed by the FSC:

New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
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

New, Revised, or Amended Standards or Interpretations	Effective Date Issued by IASB
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

The Company assessed that the aforementioned standards and interpretations would not have a significant impact on the financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary accounting policies adopted by the parent company only financial statements are explained below. Except as otherwise explained, the policies are consistently applicable in all reporting periods.

(1) Statement of Compliance

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

(2) Basis of Preparation

1) The accompanying parent company only financial statements have been prepared on the historical cost basis except for the significant items as follows：

(a) Financial assets and liabilities at fair value through profit or loss

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

(c) Defined benefit liabilities, which is recognized by pension plan assets net of present value of defined benefit obligation

2) Preparing the parent company only financial statements in accordance with IFRSs endorsed by the FSC takes some significant accounting estimates. And in the process of applying the Company' accounting policies involves the managements' judgments. Please refer to Note 5 for the items involving high judgment or complexity or items involving significant assumptions and estimates in the parent company only financial statements.

(3) Foreign Currency Translations

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency. At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measure. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction, and shall not be translated again. The exchange differences shall be recognized in profit or loss.

When preparing the consolidated financial statements, assets and liabilities of foreign operations for each balance sheet shall be translated at the closing rate at the balance sheet date, income and expenses for each statement of comprehensive income shall be translated at the average exchange rates of the period, and all resulting exchange differences shall be recognized in other comprehensive income, and accumulated under exchange differences on translation of foreign financial statements of equity (and attributed to the non-controlling interests as appropriate).

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

1) An asset is classified as current under one of the conditions below：

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(b) The Company holds the asset primarily for the purpose of trading;

(c) The Company expects to realize the asset within twelve months after reporting period;

(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

For those assets that are not current are classified as non-current.

2) A liability is classified as current under one of the conditions below：

(a) The Company expects to settle the liability in normal operating cycle;

(b) The Company holds the liability primarily for the purpose of trading;

(c) The liability is due to be settled within twelve months after the reporting period;

(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

For those liabilities that are not current are classified as non-current.

(5) Cash and Cash Equivalents

Cash equivalents are highly liquid short-term time investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value. If time deposits meet the aforementioned definition, and the Company holds them for the purpose of short-term cash commitment in operation, they are classified as cash equivalents.

(6) Financial Assets at Amortized Cost

1) A financial asset is measured at amortized cost under all of the conditions below:

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

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

2) A regular way purchases or sales of financial assets at amortized cost are recognized and derecognized at a trade date basis.

3) The Company holds the time deposits which are not classified as cash equivalents, with a short maturity period are measured at initial investment amount as the discounting would not have a significant impact..

(7) Financial Assets at Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. A regular way purchases or sales of financial assets at fair value through profit or loss are recognized at fair value at initial recognition using trade date accounting. The relevant transaction costs are recognized in profit or loss. Financial assets at fair value through profit or loss are subsequently measured at fair value, and the gains or losses are recognized in profit or loss. Dividends are recognized as dividend revenue when the entity’s right to receive payment of the dividend is established, and it is probable that the economic benefits associated with the dividend will flow to the entity and the amount or the dividend can be measured reliably.

(8) Financial Assets at Fair Value Through Other Comprehensive Income

1) At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading; or an investment in debt instruments is measured at fair value through other comprehensive income if both of the following conditions are met：

(a) The financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(b) The asset's contractual cash flow characteristics: the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

2) A regular way purchases or sales of financial assets at fair value through other comprehensive income are recognized at fair value at initial recognition using trade date accounting.

3) Financial assets at fair value through other comprehensive income shall be measured at fair value plus transaction costs at initial recognition, and subsequently measure at fair value：

(a) Subsequent changes of fair value of equity instruments shall be recognized in other comprehensive income. At derecognition, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss, instead, directly to retained earnings. Dividends are recognized as dividend revenue when the Company's right to receive payment of the dividend is established, and it is probable that the economic benefits associated with the dividend will flow to the entity and the amount or the dividend can be measured reliably.

(b) Subsequent changes of fair value of debt instruments shall be recognized in other comprehensive income. Any resulting impairment losses, interest revenue and gains or losses on foreign exchange differences before derecognition shall be recognized in profit or loss. At derecognition, the accumulated profit or loss recognized in other comprehensive income shall not be reclassified to profit or loss from equity.

(9) Impairment of Financial Assets

At each reporting date, the Company shall assess the impairment loss of investments in debt instruments at fair value through other comprehensive income and financial assets at amortized cost (accounts receivables and contract assets with significant financial components) by considering all reasonable and supportable information (including foreseeing information). If the credit risk on the financial assets has not increased significantly since initial recognition, the Company shall measure the loss allowance for those financial assets at an amount equal to 12-month expected credit losses. If the credit risk on other financial assets has increased significantly since initial recognition, the Company shall measure the loss allowance for those financial assets at an amount equal to lifetime expected credit losses. The loss allowance for accounts receivables or contract assets without significant financial components shall be measured at an amount equal to lifetime expected credit losses.

(10) Accounts and Notes Receivables

1) A receivable is the Company' right to consideration for transferring goods or rendering services that is unconditional based on the agreement in the contracts.

2) For short-term accounts and notes receivables without bearing interests, as the effect of discounting is insignificant, they are measured at original invoice amount.

(11) Inventories

Inventories are recognized at cost at initial recognition, measured by perpetual inventory system, and the calculation of cost is by weighted-average cost. Inventories are valued at the lower of cost and net realizable value item by item, except inventories under the same categories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Inventories which are defected, damaged or obsolete and whose value is apparently decrease, shall be measured at net realizable value.

(12) Investments in Subsidiaries Accounted for Using Equity Method

1) Subsidiaries are all the entities (including special purpose entities) that the Company has the right to direct their financial and operating policies. The Company generally holds directly or indirectly over 50% of the shares with voting rights. The Company evaluates the investments in subsidiaries in the parent company only financial statements by equity method.

2) The unrealized gains or losses arising from transaction between the Company have been eliminated. Appropriate adjustments of accounting policies of the subsidiaries have been made to be uniform with the accounting policies of the Company.

3) Share of profit or loss of subsidiaries is recognized in profit or loss, and share of other comprehensive income of subsidiaries is recognized in other comprehensive income. If the Company's share of losses of a subsidiary equals or exceeds its interest in the subsidiary, the Company continues recognizing its share of further losses.

4) Changes in parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (ig. transactions with non-controlling interests) are equity transactions, which are transactions with owners in their capacity as owners. The differences between the adjustment amount of non-controlling interests and the fair value of consideration paid or received are recognized in equity.

5) If the Company losses control of a subsidiary, the retained investments in the former subsidiary shall be remeasured at fair value. The differences between the fair value and the carrying amount shall be recognized in profit or loss. The Company shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company shall reclassify the gain or loss from equity to profit or loss when it loses control of the subsidiary.

6) According to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the profit or loss during the period and other comprehensive income presented in parent company only financial reports the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(13) Property, Plant and Equipment

Property, plant and equipment are initially recognized by acquisition cost. The relevant borrowing cost during the period of construction shall be capitalized.

Subsequent costs shall be recognized in the carrying value of the assets or as an individual asset, only if it's probable that future economic benefits associated with the item are expected to flow to the Company, and the costs can be measured reliably. The carrying value of the replaced items shall be derecognized. Other fix and maintenance cost are recognized in profit or loss.

Land shall not be depreciated. Other property, plant and equipment shall be depreciated over estimated useful life by straight-line method under cost model. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The residual value, useful life and depreciation method of an item of property, plant, and equipment shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, or there are significant changes in the pattern in which the asset's future economic benefits are expected to be consumed, the changes shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors." The useful lives of buildings and structures are 8～50 years, and the useful lives of other fixed assets are 1～8 years.

(14) Intangible Assets

Intangible assets include computer software, which are recognized by acquisition costs initially, and amortized by straight-line method over estimated useful lives of 1~10 years.

(15) Lease Transactions of Lessee－Right-of-Use Assets and Lease Liabilities

1) A right-of-use asset and a lease liability shall be recognized at the day that the lease assets can be used by the Company, unless the lease contract is a short-term lease or the underlying assets of the lease is of low value. The Company shall recognize the lease payments associated with a short-term lease or the underlying asset of the lease is of low value as an expense on a straight-line basis.

2) At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments that are not paid shall be recognized at the present value discounted by the Company' incremental borrowing rate:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company are reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company shall measure the lease liabilities on the basis of amortized cost, and recognize interest expenses during the lease term. If changes in lease term or lease payments which are not resulting from modification of contracts, lease liabilities shall be remeasured, and right-of-use assets shall be adjusted accordingly.

3) At the commencement date, the Company shall measure the right-of-use asset at cost, which shall comprise:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received; and
(c) any initial direct costs incurred by the lessee.

The Company shall measure the right-of-use assets by cost model and depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When lease liabilities are remeasured, right-of-use assets shall be adjusted accordingly.

(16) Impairment of Non-Financial Assets

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication is present, the Company is required to estimate the recoverable amount. If the recoverable amount of an asset is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the asset's fair value less selling costs and its value in use. The Company conducts the test by the cash-generating unit to which the individual asset or assets belongs. If the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed to the extent of the losses recognized in prior years.

(17) Loans

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

2) Fees paid to obtain a loan limit, when it is highly probable that a portion or all of the limit will be used, are recognized as transaction costs of the loan. These costs are deferred and recognized as an adjustment to the effective interest rate upon disbursement. If it is unlikely that a portion or all

of the limit will be used, the fees are recognized as a prepaid expense and amortized over the relevant period of the limit.

(18) Corporate Bonds Payables

The convertible corporate bonds payable issued by the Company are embedded with conversion rights, put options and call options. The issue price of convertible corporate bonds payable shall be classified as financial liabilities or equity based on the issue conditions at initial issuance, which shall be treated as follows:

(a) Embedded conversion rights, put options and call option shall be initially measured at net fair value and recognized as "financial liabilities at fair value through profit or loss," and subsequently measured at fair value at each balance sheet date, and the differences shall be recognized as "gains or losses on financial assets (liabilities) at fair value through profit or loss".

(b) The corporate bonds shall be initially measured at the residual value of issue price less the aforementioned "financial assets (liabilities) at fair value through profit or loss," and the difference between the amount and the redemption value shall be recognized as the discount or premium of the bonds payables, which shall be amortized in profit or loss as an adjustment to the "financial costs" over the period of bond outstanding using the effective interest method.

(c) Any transaction costs directly attributable to the issuance of the convertible corporate bonds are allocated to the liability components in proportion to the allocation of initial carrying amount.

(d) When bondholders exercise conversion rights, the liability component (including "bonds payables" and "financial assets or liabilities at fair value through profit or loss") shall be remeasured based on the classification. The carrying value of the aforementioned liability components is the issue costs of ordinary shares transferred.

(19) Provisions

A provision is a present legal or constructive obligation or arising from past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount of provisions is determined by expected future cash flows discounted by current pre-tax interest rate. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization by discounting the provision shall be recognized as interest expenses.

Onerous contracts: When the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it, onerous contract provisions shall be recognized. The provision is measured at the lower of the present value of the expected costs to exit the contracts and the expected net costs to fulfill the contracts. Before recognizing onerous contract provisions, the Company shall recognize any impairment losses that has occurred on assets relevant to the contracts.

(20) Employee Benefits

1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognized as expenses when the employees have rendered service.

2) Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognized as pension expenses when they are due on the accrual basis. Prepaid contributions shall be recognized that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is accrued from the present value of future benefit that employees have earned in return for their services in the current or prior periods. The Company shall recognize the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds with consistent denominated currency and duration.

II. Remeasurements arising from defined benefit plans shall be recognized in other comprehensive income in the period in which they arise and shall be recorded in retained earnings.

III. Expenses related to past service costs shall be recognized in profit or loss immediately.

3) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of benefits in exchange for the termination of employment. The Company shall recognize the expense for termination benefits at the earlier of the dates when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If the termination benefits are not expected to be settled wholly before twelve months after the balance sheet date, the Company shall discount the termination benefits.

4) Employees’, directors’ and supervisors’ remuneration

Employees’, directors’ and supervisors’ remuneration are recognized as expenses and liabilities provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Income Tax

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

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the entities operate and generate taxable income. Management shall periodically evaluate the tax declaration condition, and estimate the income tax liabilities based on the tax expected to be paid to the taxation authority when applicable.

Deferred income tax shall be recognized for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Company shall not recognize the deferred tax liabilities for temporary differences associated with investments in subsidiaries, if the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets shall be recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered and deferred tax assets unrecognized and recognized shall be reassessed at each reporting date.

The Company shall offset current tax assets and current tax liabilities, only if the Company has a legally enforceable right to set off the recognized amount, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities may offset each other, only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities related to the same taxable entity and the same taxation authority, or the deferred income tax assets and liabilities related to different taxable entities, but each entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Tax preferences arising from expenditures invested in procurement of equipment, research and development, and equity shall adopt income tax deduction accounting, and shall be recognized as deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

(22) Treasury Shares

The Company shall measure treasury shares from recovering issued shares at cost. The costs of treasury shares shall deduct the equity in the balance sheets, and the price differences of treasury shares transactions shall be recognized under equity. When cancelling treasury shares, the Company shall credit “treasury shares” and debit in proportion of percentage of ownership “share capital” and “capital surplus-additional paid-in capital”.

(23) Revenue Recognition

1) The revenue from contracts with customers is primarily arising from the services of integration of electric information system, traffic control system and the planning and building of safety monitoring system. Revenue shall be recognized when the control of committed goods or services transferred to customers and the performance of obligations is fulfilled. The Company recognizes revenue based on the agreed prices of contracts or orders and takes into consideration of sales returns and allowances. The cumulative revenue shall be recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

2) When control of goods and services has transferred to customers, but the Company does not have the unconditional right to receive the consideration, contract assets and revenue shall be

recognized. A contract liability shall be recognized for the obligation to transfer goods or services to a customer for which the Company has received part of the consideration from the customer, and shall be transferred to revenue when the performance obligation is fulfilled subsequently.

(24) Financial Income and Financial Costs

Financial income including interest income arising from investments in financial assets, dividends, reversal gains on financial assets impairment losses, gains on disposal of financial assets at fair value and gains on hedge instruments that shall be recognized in profit or loss. Interest income shall be recognized in profit or loss under accrual basis by effective interest rate method. Dividends shall be recognized at the date when the consolidated company has the right to receive the dividends. For securities with quoted prices, the dividends shall be recognized at ex-dividend date. Interest income and dividends shall be recognized as “other income” under non-operating income and expenses; other items shall be recognized with relevant losses by the net amount as “other gains and losses” under non-operating income and expenses.

Financial costs include interest expenses arising from borrowings, interest expenses recognized for discounted provisions as the time goes by, net losses on financial assets (liabilities) at fair value through profit or loss, impairment losses recognized for financial assets, losses on disposal of financial assets at fair value, and losses on hedge instruments that shall be recognized in profit or loss. Financial costs, except for interest expenses, shall be recognized with relevant gains by the net amount as “other gains and losses” under non-operating income and expenses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset shall be recognized in profit or loss by effective interest rate method.

Foreign exchange gains and losses shall be recognized by net amount as “other gains and losses” under non-operating income and expenses.

(25) Earnings Per Share

Basic earnings per share are calculated by net income divided by the weighted-average outstanding number of shares; Calculation of diluted earnings per share shall take into consideration the effect of dilutive potential ordinary shares transferring into ordinary shares. Potential ordinary shares with antidilutive effect shall not be included in the calculation.

5. MAJOR SOURCES OF UNCERTAINTY ARISING FROM SIGNIFICANT ACCOUNTING

JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

When preparing the Company' parent company only financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions based on the reasonable exceptions for future events based on the condition at the balance sheet date. However, these estimates and assumptions could differ from the actual result; thus, they could be assessed and adjusted by considering historical experiences and other factors. The uncertainty of significant accounting judgments, estimates and assumptions is as follows：

(1) Revenue Recognition

Revenue shall be recognized when the control of committed goods or services transferred to customers and the performance of obligations is fulfilled. Returns and allowances are estimated based on historical experiences and other known factors, and recognized as the deduction to sales revenue at the period of the sales. And the Company reviews the rationality of the estimates on a regular basis.

(2) Valuation of Inventories

As inventories shall be measured at the lower of the cost and net realizable value, the Company shall determine the net realizable value of inventories at the end of the reporting period by utilizing judgment and estimates. As the technology changes swiftly, the Company evaluates the amounts of inventories that are consumed normally, obsolete, or without market selling value, and write off the costs of inventories to the net realizable value. As valuation of inventories is estimated based on the demand for the products during a specific period in the future, significant changes may occur.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash on hand and revolving fund	$556	$528
Checking deposits and demand deposits	1,046,362	628,905
Time deposits	30,685	96,005
Total	$1,077,603	$725,438

As the correspondent banks are credible and the Company has several correspondent banks to diversify the credit risk, the probability of default is expected to be very low.

(2) Financial Assets at Amortized Cost

	December 31, 2023	December 31, 2022
Time deposits with maturity over three months	$100,000	$-

The Company and subsidiaries' financial assets at amortized cost are not pledged as collateral to any party.

(3) Accounts Receivables

	December 31, 2023	December 31, 2022
Accounts receivables	$ 1,243,332	$ 2,072,090
Installment accounts receivables	3,610	2,382
Unrealized interest revenue- installment accounts receivable	(70)	(72)
Lease payments receivables	7,067	21,739
Unearned finance income from financial lease	(198)	(517)
Less：loss allowances	(12,245)	(21,115)
Total	$1,241,496	$2,074,507

1) The aging analysis of the accounts receivables of the Company is as follows:

	Undue	Overdue for 1-30 days	Overdue for 31-90 days	Overdue for 91-180 days	Overdue for over 181 days	Total
December 31, 2023						
Expected credit loss rate	0%	10%	20%	0%	98.68%	
Total carrying amount	$1,236,539	$4,413	$1,037	$-	$11,752	$1,253,741
Loss allowances	-	(441)	(207)	-	(11,597)	(12,245)
Amortized cost	$1,236,539	$3,972	$830	$-	$155	$1,241,496

	Undue	Overdue for 1-30 days	Overdue for 31-90 days	Overdue for 91-180 days	Overdue for over 181 days	Total
December 31, 2022						
Expected credit loss rate	0%	10%	16.7%	0%	100%	
Total carrying amount	$1,962,856	$2,506	$114,973	$13,627	$1,660	$2,095,622
Loss allowances	-	(251)	(19,204)	-	(1,660)	(21,115)
Amortized cost	$1,962,856	$2,255	$95,769	$13,627	$-	$2,074,507

2) The changes in loss allowances for accounts receivables of the Company is as follows:

	2023	2022
Beginning balance	$21,115	$21,115
Expected credit loss (gain)	(8,870)	-
Ending balance	$12,245	$21,115

3) The max exposure to credit risk of the accounts receivables is the carrying amount of the accounts receivables.

4) The Company does not hold any collateral.

(4) Inventories

	December 31, 2023	December 31, 2022
Merchandise inventories	$1,143,762	$1,221,798
Allowances for inventory valuation and obsolescence losses	(58,128)	(62,760)
Total	$1,085,634	$1,159,038

Costs of goods sold relevant to inventories are as follows:

	2023	2022
Costs of goods sold	$4,177,614	$4,877,141
Losses on scrap of inventories	-	22,571
Inventory valuation losses (reversal gains)	(4,632)	(38,778)
Total	$4,172,982	$4,860,934

The reversal gains of inventory valuation losses are primarily from scraps and sales of inventories with allowances for inventory valuation.

(5) Prepayments

	December 31, 2023	December 31, 2022
Prepayments	$168,559	$243,851
Others	14,045	13,469
Total	$182,604	$257,320

(6) Other Current Assets

	December 31, 2023	December 31, 2022
Restricted assets (pledged time deposits, reserve deposits)	$335,673	$212,151
Temporary payments	2,224	835
Payment on behalf of others	382	246
Total	$338,279	$213,232

(7) Financial Assets and Liabilities at Fair Value Through Profit or Loss

1) Financial assets:

Item	December 31, 2023	December 31, 2022
Current items:		
Stocks of listed companies	$8,175	$5,019

2) Financial liabilities:

Item	December 31, 2023	December 31, 2022
Non-current items:		
Derivative instruments-Redemption and put options of convertible corporate bonds	$-	$368

(8) Financial Assets at Fair Value Through Other Comprehensive Income

Item	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Stocks of unlisted companies	$40,210	$40,631
Valuation adjustments	99,182	91,479
Total	$139,392	$132,110

As the Company invested in the stocks for mid to long-term strategic purposes, and expects to earn profits by long-term investments, those investments were designated as measured at fair value through other comprehensive income.

(9) Investments Accounted for Using Equity Method

(a) The ending balances of investments in subsidiaries as of December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
TARANTULA NETWORKS LTD.	$10,640	$10,432
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	7,619	7,633
FAMILY PLUS TECHNOLOGY INC.	16,016	8,106
S-LINK SYSTEMS INC.	13,568	21,292
OPEN INFORMATION SECURITY INC.	52,138	-
HWACOM SYSTEMS (H.K.) LTD.	264	-
Total	$100,245	$47,463

(b) The share of interests of subsidiaries accounted for using equity method is valuated based on the audited financial statements in the same period. The shares of profit or loss of subsidiaries, and associates accounted for using equity method for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
TARANTULA NETWORKS LTD.	$(14)	$(46)
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	135	(341)
FAMILY PLUS TECHNOLOGY INC.	7,910	(2,655)
S-LINK SYSTEMS INC.	(7,724)	(11,696)
OPEN INFORMATION SECURITY INC.	1,184	-
HWACOM SYSTEMS (H.K.) LTD.	(133)	-
Total	$1,358	$(14,738)

(c) OPEN INFORMATION SECURITY INC. was established in May, 2023, and the Company's total investment was NT$51,000 thousand with a 100% shareholding.

(d) HWACOM SYSTEMS (H.K.) LTD. was established in October, 2023, and the Company's total investment was NT$414 thousand with a 100% shareholding.

(e) The capital reduction to make up for losses of NT$40,000 thousand and cash capital increase of NT$15,000 thousand of the subsidiary, S-LINK SYSTEMS INC., have been resolved by the board of directors in June, 2022.

(f) The capital reduction to make up for losses of NT$25,000 thousand of the subsidiary, FAMILY PLUS TECHNOLOGY INC., has been resolved by the board of directors in August, 2022.

(g) Please refer to the notes to the consolidated financial statements for the years ended December 31, 2023 for the information on investees.

(10) Property, Plant and Equipment

	Land	Buildings and structures	Office equipment	Other equipment	Total
January 1, 2023					
Costs	$111,724	$82,815	$49,515	$85,566	$329,620
Accumulated depreciation and impairment	-	(30,767)	(22,657)	(47,274)	(100,698)
	$111,724	$52,048	$26,858	$38,292	$228,922
2023					
January 1	$111,724	$52,048	$26,858	$38,292	$228,922
Additions	-	-	17,536	67,684	85,220
Disposals and scraps	-	-	(1,442)	-	(1,442)
Depreciation expenses	-	(2,372)	(17,700)	(27,398)	(47,470)
December 31	$111,724	$49,676	$25,252	$78,578	$265,230
December 31, 2023					
Costs	$111,724	$82,815	$56,916	$129,993	$381,448
Accumulated depreciation and impairment	-	(33,139)	(31,664)	(51,415)	(116,218)
	$111,724	$49,676	$25,252	$78,578	$265,230

	Land	Buildings and structures	Office equipment	Other equipment	Total
January 1, 2022					
Costs	$111,724	$93,413	$41,141	$81,451	$327,729
Accumulated depreciation and impairment	-	(38,889)	(18,994)	(33,406)	(91,289)
	$111,724	$54,524	$22,147	$48,045	$236,440

2022					
January 1	$111,724	$54,524	$22,147	$48,045	$236,440
Additions	-	-	21,075	28,041	49,116
Disposals and scraps	-	-	(1,696)	-	(1,696)
Reclassification	-	-	-	(13,858)	(13,858)
Depreciation expenses	-	(2,476)	(14,668)	(29,936)	(41,080)
December 31	$111,724	$52,048	$26,858	$38,292	$228,922
December 31, 2022					
Costs	$111,724	$82,815	$49,515	$85,566	$329,620
Accumulated depreciation and impairment	-	(30,767)	(22,657)	(47,274)	(100,698)
	$111,724	$52,048	$26,858	$38,292	$228,922

1) As of December 31, 2023 and 2022, the property, plant and equipment held by the Company are not impaired.

2) Please refer to Note 8 “pledged assets” for the information on property, plant and equipment pledge as collaterals.

(11) Lease Transactions－Lessee

1) The underlying assets of the lease transactions that the Company involves include buildings and structure, transportation equipment and miscellaneous equipment. The durations of lease terms are usually 2 to 3 years. The lease contracts are negotiated individually and applicable to different terms and conditions. Except for that the lease assets shall not be used as collaterals, there’s no other restriction imposed to the lease assets.

2) The information on the carrying amount of right-of-use assets and depreciation expenses recognized is as follows:

(a) Carrying amount of right-of-use assets

	December 31, 2023	December 31, 2022
Buildings	$23,610	$26,761
Transportation equipment	21,936	19,350
Miscellaneous equipment	809	1,230

Total	$46,355	$47,341

(b) Depreciation expenses of right-of-use assets

	2023	2022
Buildings	$16,810	$16,096
Transportation equipment	13,487	13,070
Miscellaneous equipment	422	422
Total	$30,719	$29,588

3) The additions to right-of-use assets for the years ended December 31, 2021 and 2022 amounted to NT$29,743 thousand and NT$34,029 thousand, respectively.

4) The lease liabilities are as follows:

	December 31, 2023		
	Minimum future lease payments	Interests	Present value of minimum lease payments
Current	$25,148	$(659)	$24,489
Non-current	22,775	(306)	22,469
Total	$47,923	$(965)	$46,958

	December 31, 2022		
	Minimum future lease payments	Interests	Present value of minimum lease payments
Current	$25,537	$(669)	$24,568
Non-current	23,760	(432)	23,328
Total	$48,997	$(1,101)	$47,896

The total cash outflows for lease for the years ended December 31, 2023 and 2022 amounted to NT$(31,602) thousand and NT$(30,518) thousand, respectively.

(12) Other Non-Current Assets

	December 31, 2023	December 31, 2022
Prepayments for equipment	$10,954	$22,102

Refundable deposits	416,167	318,181
Total	$427,121	$340,283

(13) Short-Term Borrowings

Nature of borrowings	December 31, 2023	December 31, 2022
Procurement loans	$145,814	$323,683
Other bank loans	181,182	97,635
Total	$326,996	$421,318
Interest rate interval	2.05 % ~ 2.53%	1.02 % ~ 2.39%

The Company provided part of the assets as collaterals for aforementioned short-term borrowings. Please refer to Note 8 “pledged assets” for detailed explanation.

(14) Accounts Payables

	December 31, 2023	December 31, 2022
Accounts payables	$1,026,315	$1,038,757
Estimated accounts payables	116,360	44,116
Total	$1,142,675	$1,082,873

(15) Other Payables

	December 31, 2023	December 31, 2022
Wages and salaries payables	$187,908	$182,797
Employees’ remuneration payables	9,224	23,323
Sales tax payables	27,463	39,341
Other accrued expenses payables	47,136	42,304
Total	$271,731	$287,765

(16) Other Current Liabilities

	December 31, 2023	December 31, 2022
Advance receipts	$17,405	$-
Current portion of long-term loan	5,226	5,188
Others	16,038	17,123

Total	$38,669	$22,311

(17) Provisions

	December 31, 2023	December 31, 2022
Current:		
Short-term liabilities from onerous contracts	$14,667	$-
Non-current:		
Long-term liabilities to be determined by legal procedures	$12,283	$12,283

(18) Corporate Bonds Payables

1) The outstanding convertible corporate bonds issued by the Company are as follows:

	December 31, 2023	December 31, 2022
Total amount of convertible corporate bonds issued	$300,000	$300,000
Less：discount on corporate bonds payables	-	(3,350)
Less：accumulated conversion amount	(299,600)	(181,200)
Less：accumulated redemption amount	(400)	-
Total	$-	$115,450

2) The Company issued the fourth domestic unsecured convertible corporate bonds in 2021 for the future operating requirements and repayment of bank loans. The issuance was approved by the letter with No. Financial-Supervisory-Securities-Corporate-1100339335 from the FSC on April 23, 2021. The issuance terms are as follows:

Total amount issued	NT$300,000 thousand
Issue date	May 25, 2021
Coupon rate	0%
Issue period	May 25, 2021~May 25, 2024
Terms of repayment	Unless the bonds are converted to ordinary shares of the Company in accordance with Article 10 of these Regulations, or the Company redeems in advance in accordance with Article 18 of these Regulations, or the Company buys back from the TPEx for the cancellation in accordance with Article 17, the Company shall repay in cash one lump sum by the denomination of bonds when the convertible bonds mature.
Terms of redemption	1. From the day following the three-month period after the issuance of the convertible bonds to 40 days before the expiry of the issuance period, when the closing price of the Company's ordinary shares exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may redeem the outstanding bonds by the denomination of the bonds. 2. From the day following the three-month period after the issuance of the convertible bonds to 40 days before the expiry of the issuance period, when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may redeem the outstanding bonds by the denomination of the bonds.
Terms of demanding pay back by bondholders	40 days before the two-year period after the issuance of the convertible bond, the bondholder may demand the Company to pay back the denomination of bonds plus interest refunds by cash. After two years, it's 100.50% of the denomination of the bonds.
Conversion period	From the day following the three-month period after the issuance of the convertible bonds to the maturity date, the bondholder may request the Company's stock agency for conversion of ordinary shares at any time based on the conversion terms, except during the period in which transfer is suspended by laws.

Conversion price	The conversion price at issuance is NT$16.63. Effective from September 18, 2022, the conversion price adjusted from NT$16.63 to NT$16.30. Effective from September 16, 2023, the conversion price adjusted from NT$16.30 to NT$16.04.

As of December 31, 2023, the Company's domestic unsecured convertible bonds had been redeemed amounting to NT$400 thousand and converted into common stock amounting to NT$299,600 thousand, and no bonds were outstanding.

(19) Long-Term Borrowings

Creditor	Loan period and repayment	December 31, 2023	December 31, 2022
Taiwan Cooperative Bank	The contract period is from June 11, 2013 to June 11, 2028. The loan shall be repaid by installments. Interest rate for the loan is 2.050%.	$12,409	$15,018
Bank of Taiwan	The contract period is from June 12, 2014 to June 12, 2029. The loan shall be repaid by installments. Interest rate for the loan is 2.03%.	14,117	16,683
Less：current portion of long-term borrowings		(5,226)	(5,188)
		$21,300	$26,513

The Company provided part of the assets as collaterals for aforementioned long-term borrowings. Please refer to Note 8 "pledged assets" for detailed explanation.

(20) Pension

1)(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. For employees who are eligible for retirement, pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years (included) and one unit for each additional year thereafter, subject to a maximum of 45 units. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Company assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Company and subsidiaries are required to fund the deficit in one appropriation before the end of next March.

(b) Amounts recognized in balance sheets are as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	$(138,747)	$(140,156)
Fair value of the plan assets	51,466	48,826
Net defined benefit assets	$(87,281)	$(91,330)

(c) Changes in present value of the defined benefit obligations are as follows:

	2023	2022
Present value of the defined benefit obligations as of January 1	$(140,156)	$(146,108)
Current service costs	(1,160)	(1,215)
Interest costs of defined benefit obligations	(1,588)	(1,011)
Benefits paid	-	2,842
Actuarial gains (losses) from experience adjustments經	4,660	(905)
Actuarial gains (losses) from changes in demographic assumptions	(7)	(1)
Actuarial gains (losses) from changes in financial assumptions	(496)	6,242
Present value of the defined benefit obligations	$(138,747)	$(140,156)

as of December 31

(d) Changes in fair value of plan assets are as follows:

	2023	2022
Fair value of plan assets as of January 1	$48,826	$46,203
Expected interest income of plan assets	456	318
Return (losses) on plan assets	598	3,527
Funding by the employer	1,586	1,620
Benefits of plan assets paid	-	(2,842)
Fair value of plan assets as of December 31	$51,466	$48,826

(e) Total amounts of expenses recognized in statements of comprehensive income:

	2023	2022
Current service costs	$1,160	$1,215
Interest costs of defined benefit obligations	1,588	1,011
Interest revenue of plan assets	(456)	(318)
Current pension costs	$2,292	$1,908

The aforementioned expenses are recognized in statements of comprehensive income as various costs and expenses as follows：

	2023	2022
Selling expenses	$1,525	$1,272
Administrative expenses	665	555
Research and development expenses	102	81
Total	$2,292	$1,908

(f) Actuarial gains (losses) recognized in other comprehensive income are as follows:

	2023	2022
Recognized in the current period	$4,755	$8,863
Cumulative amount	$(29,772)	$(34,527)

(g) The employee pension fund of defined benefit plan is deposited under a trust administered by the Bank of Taiwan. Bank of Taiwan follows the proportion and amount of operation items designated in the utilization plan of the fund, according to the items designated in Act. 6 of

Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (which are deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate and its securitization products, etc.), to operate the commission. The related utilization guarantees the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits. For the composition of fair value of the fund assets as of December 31, 2023 and 2022, please refer to the utilization report of labor retirement fund of each year publicly announced by the government.

The expected rate of return of the entire plan asset is estimated by the forecast to the return of the entire period of the obligations based on the trend of historical returns, and referring to the utilizations of the pension fund supervised by the Bureau of Labor Funds, and the estimates take into consideration the effect that the minimum return to be no less than the return attainable from interest rates offered by local banks for two-year time deposits.

(h) Actuarial assumptions related to pension are summarized as follows:

	2023	2022
Discount rate	1.20%	1.25%
Rate of expected future salary increase	3.00%	3.00%

The mortality assumption is based on the sixth and fifth life insurance mortality table of Taiwan’s life insurance industry.

The effects of the present value of defined benefit obligation due to the changes in main actuarial assumptions:

	Discount rate		Rate of expected future salary increase	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2023				
Effects to the present value of defined benefit obligation	$(2,450)	$2,524	$2,474	$(2,414)
December 31, 2022				
Effects to the present value of defined benefit obligation	$(2,695)	$2,782	$2,728	$(2,656)

The sensitivity analyses above have been determined based a method that extrapolates the effects on the net defined obligation as a result of a single change in key assumptions. Practically, the changes of assumptions may be correlated. The method that the sensitivity analyses adopted is the same as what the calculation of net pension liabilities in the balance sheets do.

The method and assumptions used for the sensitivity analyses in the current period are the same as the prior period.

(i) The historical information of experience adjustments is as follows:

	2023	2022
Present value of defined benefit obligations	$(138,747)	$(140,156)
Fair value of plan assets	51,466	48,826
Surplus (deficit) in the plan	$(87,281)	$(91,330)
Experience adjustments of plan liabilities	$(4,157)	$(5,336)
Experience adjustments of plan assets	$598	$3,527

(j) The Company expects to make pension fund contribution of NT$1,588 thousand in 2024.

2)(a) Since July 1, 2005, based on Labor Pension Act., the Company has defined contribution plan covering regular employees with R.O.C. nationality, and make monthly contributions of 6% based on each individual employee’s salary or wage to employees’ pension accounts for employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. The contribution plan accrued dividends from an employee’s individual account is paid monthly or in lump sum upon retirement of an employee.

(b) The pension costs recognized based on the aforementioned pension plan for the years ended December 31, 2023 and 2022 amounted to NT$39,230 thousand and NT$36,015 thousand, respectively.

(21) Share Capital

	December 31, 2023	December 31, 2022
Authorized capital stock	$2,000,000	$2,000,000
Ordinary shares	$1,337,776	$1,336,934
Conversion of corporate bonds	72,726	842
Issued shares	$1,410,502	$1,337,776

1) The outstanding numbers of ordinary shares in the beginning and in the end of the period are reconciled as follows:

(Unit：thousands of shares)

	2023	2022
Beginning number of shares	132,817	129,356
Treasury shares transferred to employees	-	3,377
Ordinary shares from conversion of corporate bonds payables	7,273	84
December 31	140,090	132,817

2) The cash capital increase by private placement was approved by the shareholders meeting on June 28, 2019, and the board of directors resolved that the base date of the private placement is on August 5, 2019, and the number of shares for the private placement is 19,400 thousand of shares with subscription price of NT$13.7 per share. The total amount raised was NT$265,780 thousand. The retroactive handling of public issuance procedures of the private placement of ordinary shares have been approved by Taipei Exchange on November 10, 2022.

3) Treasury shares

(a) The changes in treasury shares are as follows: (Unit：thousands of shares)

	For the year ended December 31, 2023			
Reason of the reacquisition	January	Additions	Reductions	December 31
Transfer the shares to employees	961	-	-	961

	For the year ended December 31, 2022			
Reason of the reacquisition	January	Additions	Reductions	December 31
Transfer the shares to employees	4,338	-	3,377	961

(b) The reacquisition of 4,338 thousand of treasury shares amounting to NT$59,797 thousand has been resolved by the board of directors on March 23, 2020. The board of directors has resolved to transfer 3,377 thousand of treasury shares to employees with the consideration amounting to NT$42,625 thousand at November 7, 2022, and recognized the costs for share-based payments of NT$6,551 thousand. As of December 31, 2023, the balance of treasury shares amounted to NT$13,247 thousand, 961 thousand of shares.

(c) According to the Securities and Exchange Act, the treasury shares held by the Company shall not be pledged. Before transfer, the shareholder's rights, such as dividend distribution, voting, shall not be enjoyed.

(22) Capital Surplus

According to the regulation of the Company Act, where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the company, by issuing new shares or by cash. Based on the regulations of the Securities and Futures Bureau, where a company intends to capitalize the capital surplus, the total amount per year shall not exceed 10 percent of paid-in capital. An amount transferred to capital surplus may not be capitalized until the fiscal year after the competent authority for company registrations approves registration of the capital increase or whatever other matter generated that portion of capital surplus.

	December 31, 2023	December 31, 2022
Additional paid-in capital	$390,487	$342,405
Treasury shares transactions	8,460	8,447
Employee stock options	4,027	4,027
Warrants of corporate bonds	-	5,058
Total	$402,974	$359,937

(23) Retained Earnings

1) Legal reserve

The legal reserve shall not be used except for making good the deficit of the company. Where a company incurs no loss, legal reserve may be distributed by issuing new shares or by cash, for the portion in excess of 25% of the paid-in capital.

2) Special reserve

(a) When distributing distributable earnings, the Company shall set aside special reserve for the net debit elements of other equity according to regulations. If any of the net debit elements under other equity is reversed, the special reserve in the amount equal to the reversal may be reversed for earnings distribution.

(b) The amounts previously set aside by the Company as special reserve at first-time adoption of IFRSs in accordance with the approval letter with reference number Financial-Supervisory-

Securities-Corporate-1010012865 issued on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed, or reclassified subsequently. Such amounts are reversed upon disposal or reclassification if the assets are investment property of land, and reversed over the used period if the assets are investment property other than land.

3) Earnings distribution

(a) According to the Article 20 of the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 10% to 20% of annual profits, and to directors and supervisors at the rate of no higher than 1% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees, directors, and supervisors.

If there is any net profit after closing of a fiscal year, the Company shall first pay income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over; and then set aside a special reserve in accordance with regulations. If there is still remaining balance, the Company may retain part of the profits if necessary and set aside the balance as shareholders' dividends.

As the industry that the Company operates in is in the growth period, in considering the demand of future funding and shareholders' requirements of cash inflows, if there is any net profit after closing of a fiscal year, the ratio of cash dividend shall be lower than 10% of total distribution, and the others shall be paid by stock dividends.

(b) The information about the distribution of earnings of 2022 and 2021 resolved by the shareholders meeting is available at the Market Observation Post System website of TWSE.

(c) Please refer to Note 6.28 for the information on employees', directors', and supervisors' remuneration.

(24) Net Revenue

1) Revenue from contracts with customers

	2023	2022
Sales revenue, net	$3,901,151	$5,022,943
Maintenance revenue	849,541	657,044
Construction revenue	373,814	271,052

Service revenue	70,221	96,001
Other operating revenue	17,266	30,055
Total	$5,211,993	$6,077,095

2) Information on revenue from contracts with customers is as follows:

(a) Classification of revenue

Time point of revenue recognition:

	2023	2022
At a point of time	$3,904,540	$5,041,027
Recognize over time	1,307,453	1,036,068
Total	$5,211,993	$6,077,095

(b) Balances of contracts

	December 31, 2023	December 31, 2022
Contract assets	$47,481	$30,414
Contract liabilities	$737,465	$897,555

As of December 31, 2023 and 2022, the beginning balances of contract liabilities recognized as revenue in the years ended December 31, 2023 and 2022 amounted to NT$793,710 thousand and NT$1,085,987 thousand, respectively.

When control of goods and services has transferred to customers, but the Company does not have the unconditional right to receive the consideration, contract assets shall be recognized. A contract liability shall be recognized for the obligation to transfer goods or services to a customer for which the Company has received part of the consideration from the customer, and shall be transferred to revenue when the performance obligation is fulfilled subsequently.

(25) Other Income

	2023	2022
Income from government grants	$66,887	$36,707
Miscellaneous Income	7,509	20,351
Total	$74,396	$57,058

(26) Other Gains and Losses

	2023	2022
Gains (losses) on disposal and scrap of property, plant and equipment	$144	$206
Net foreign exchange gains (losses)	5,600	21,007
Gains (losses) on valuation of financial liabilities at fair value through profit or loss	3,634	(1,035)
Miscellaneous disbursements	(23,945)	(19,961)
Total	$(14,567)	$217

(27) Additional Information on The Nature of Expenses

	2023	2022
Employee benefits expenses	$1,022,063	$949,897
Depreciation, amortization, and impairment expenses	102,752	91,175
Travelling and insurance expenses	28,838	26,761
Other expenses	60,931	16,024
Total	$1,214,584	$1,083,857

(28) Employee Benefits Expenses

	2023	2022
Payroll expenses	$877,781	$824,190
Labor and health insurance expenses	72,286	64,335
Pension expenses	41,523	37,923
Directors' remuneration	2,315	1,742
Other employment expenses	28,158	21,707
Total	$1,022,063	$949,897

(a) According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate of 10% to 20% of annual profits, and to directors and supervisors at the rate of no higher than 1% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees, directors, and supervisors.

(b) For the years ended December 31, 2023 and 2022, the employees' remuneration accrued amounted to NT$9,224 thousand and NT$22,261 thousand, respectively; the directors' and supervisors' remuneration accrued amounted to NT$769 thousand and NT$1,855 thousand, respectively. The aforementioned amounts are recognized as payroll expenses. There was no difference between the amounts of employees' remuneration and directors' remunerations for 2022 approved by the Company's board of directors and the amounts recognized in the financial statements. Employees' remuneration is paid by cash.

(c) The information about the employees', directors' and supervisors' remuneration approved by the board of directors and resolved by the shareholders meeting is available at the Market Observation Post System website of TWSE.

(29) Financial Costs

	2023	2022
Interest expenses：		
Bank loans	$10,542	$10,697
Lease liabilities	930	996
Corporate bonds	823	2,355
	$12,295	$14,048

(30) Income Tax

1) Income tax expenses comprise

	2023	2022
Current income tax：		
Current income tax charge	$18,221	$16,100
Additional tax on undistributed earnings	240	2,578

Underestimation (overestimation) of income tax of prior periods	(4,763)	(1,883)
Total current income tax	$13,698	$16,795
Deferred income tax：		
Origination and reversal of temporary differences	(475)	8,728
Income tax expenses (benefits)	$13,223	$25,523

2) Relationship between income tax expenses and accounting profits

	2023	2022
Tax payables calculated by profit (loss) before tax multiplying the enacted tax rates	$14,169	$32,724
Tax effect of items that shall not be included in calculating income tax	4,052	(16,624)
Additional tax on undistributed earnings	240	2,578
Tax effect of temporary difference	(475)	8,728
Underestimation (overestimation) of income tax of prior periods	(4,763)	(1,883)
Income tax expenses (benefits)	$13,223	$25,523

3) The amounts of deferred tax assets or liabilities arising from temporary differences, loss carryforwards, and investment tax credits are as follows:

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences：				
-Deferred tax assets				
Recognition of inventory	$12,552	$2,007	$-	$14,559

valuation losses				
Recognition of estimated litigation losses	2,456	-	-	2,456
Recognition of pension expenses	4,448	141	-	4,589
Recognition of net pension costs and actuarial gains and losses	13,791	-	(951)	12,840
Others	1,578	(1,569)	-	9
Total	$34,825	$579	$(951)	$34,453
-Deferred tax liabilities				
Unrealized gains (losses) on valuation of financial liabilities at fair value through other comprehensive income	$ (17,782)	$-	$(1,759)	$ (19,541)
Others	-	(104)	-	(104)
Total	$(17,782)	$(104)	$(1,759)	$(19,645)

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences：				
-Deferred tax assets				
Recognition of inventory valuation losses	$20,309	$(7,757)	$-	$12,552
Recognition of estimated litigation losses	2,456	-	-	2,456
Recognition of pension expenses	4,390	58	-	4,448
Recognition of net pension costs and actuarial gains and losses	15,563	-	(1,772)	13,791
Others	2,607	(1,029)	-	1,578
Total	$45,325	$(8,728)	$(1,772)	$34,825
-Deferred tax liabilities				
Unrealized gains (losses)	$ (33,523)	$-	$15,741	$ (17,782)

on valuation of financial liabilities at fair value through other comprehensive income				
Total	$(33,523)	$-	$15,741	$(17,782)

4) The declaration of the Company's profit-seeking enterprise income tax has been verified by the tax collection authority until the years as follows：

	Verification year
The Company	2021

(31) Earnings Per Share

	2023		
	Amount net of tax	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (NT$)
Basic earnings per share			
Profit attributable to owner of the parent company's ordinary shares	$57,620	137,785	$0.42
Effects of dilutive potential ordinary shares			
The fourth convertible corporate bonds	658	2,304	
Employees' remuneration	-	742	
Diluted earnings per share			
Profit attributable to owner of the parent company's ordinary shares plus the effects of dilutive potential ordinary shares	$58,278	140,831	$0.41

	2022		
	Amount net of tax	Weighted average number of ordinary shares outstanding (thousand)	Earnings per share (NT$)

Basic earnings per share			
Profit attributable to owner of the parent company's ordinary shares	$138,097	129,957	$1.06
Effects of dilutive potential ordinary shares			
The fourth convertible corporate bonds	1,883	7,189	
Employees' remuneration	-	1,830	
Diluted earnings per share			
Profit attributable to owner of the parent company's ordinary shares plus the effects of dilutive potential ordinary shares	$139,980	138,976	$1.01

1) In calculating diluted earnings per share, if the Company may distribute the employees' remuneration in stock, the potential ordinary shares shall be added into the weighted average number of ordinary shares outstanding when they become dilutive. The fair value of the potential ordinary shares at the end of the reporting period is the basis for determination of number of shares issued. Before determining the number of shares distributed as employees' remuneration, in calculating diluted earnings per share, the Company shall keep considering the dilution of the potential ordinary shares.

2) If distribution of employees' remuneration by stock and the number of shares to be distribute has been resolved, it shall be added into the calculation of earnings per share in the year of the resolution.

3) It the operating results of the Company are deficit or adding the potential ordinary shares of convertible bonds is antidilutive, they are not included in the calculation of diluted earnings per share.

Weighted average number of ordinary shares outstanding is calculated as follows:

(Unit：thousands of shares)

	2023	2022
Beginning number of shares	132,817	129,356
Treasury shares transferred to employees	-	563
Corporate bonds converted into ordinary shares	4,968	38
Total	137,785	129,957

7. RELATED PARTY TRANSACTIONS

(1) Names and Relationships of Related Parties

Name of related parties	Relationship with the Company and subsidiaries
TARANTULA NETWORKS LTD.	Subsidiary
FAMILY PLUS TECHNOLOGY INC.	Subsidiary
S-LINK SYSTEMS INC.	Subsidiary
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	Subsidiary
OPEN INFORMATION SECURITY INC.	Subsidiary
HWACOM SYSTEMS (H.K.) LTD.	Subsidiary
ADVANTECH CO., LTD.	Associate

(2) Significant Transactions with Related Parties

1) Purchases

	2023	2022
Subsidiaries	$24,674	$8,132
Associates	2,483	24,486
Total	$27,157	$32,618

The purchases from related parties are based on the general purchase conditions (market price), and the payment terms are 1 to 2 months.

2) Sales

	2023	2022
Subsidiaries	$1,100	$125

The sales to related parties are based on the general purchase conditions (market price), and the payment terms are 1 to 2 months.

3) Payables to related parties

	December 31, 2023	December 31, 2022
Subsidiary	$5,509	$3,485
Associate	90	8,880
	$5,599	$12,365

4) Receivable from related parties

	December 31, 2023	December 31, 2022
Subsidiary	$1,287	$-

(3) Information on Key Management Personnel Compensation

	2023	2022
Payroll and other short-term employee benefits	$84,303	$98,379

8. PLEDGED ASSETS

The assets pledged as collaterals are as follows:

	Carrying amount	
Assets	December 31, 2023	December 31, 2022
Other current assets- time deposits and reserve account	$335,673	$212,151
Property, plant and equipment	161,399	163,772
Total	$497,072	$375,923

(1) The pledged assets are presented at carrying amount.

(2) The pledged assets are provided for collaterals for loans from financial institutions.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

	December 31, 2023	December 31, 2022
(a) Unused usance L/C issued for importing cargo	$4,254	$279,181
(b) Guarantee notes submitted for performance of constructions	367,669	182,044
(c) Letter of guarantee issued for bid bonds and performance bonds	609,669	589,039
Total	$981,592	$1,050,264

(d) The Company purchased equipment from NTT TAIWAN LTD. (hereinafter "NTT") for the "building of Asia Pacific Telecom's server room project" outsourced by NOKIA SOLUTIONS AND NETWORKS TAIWAN CO., LTD. (hereinafter "Nokia"), and dispute occurred. NTT alleged that the Company, Nokia, and Asia Pacific have the cause of not making payments, and complaint and requested joint damage or quasi-joint compensation from the aforementioned 3 companies, including the Company. The case been judged against the Company in the trial of first insurance by Taiwan Shilin District Court on January 14, 2020. The Company has recognized the relevant losses of NT$12,846 thousand (USD428,482 thousand) for the payable amount based on the conservatism principle, which are recognized under non-current liabilities-provisions. The Company appealed and the High Court judged on September 15, 2021 that the Company shall pay NTT USD18,779 thousand and the accrued interest calculated from October 24, 2017 to the repayment date by annual interest rate of 5%. The residual USD409,703 thousand and the interests shall be paid by Asia Pacific Telecom based on the amendment to the judgment.

After consulting legal expert for legal advices, for the USD409,703 appealed by Asia Pacific Telecom and NTT, the Company did not issue purchase order to NTT, and the upstream of the Company, Nokia, did not issue purchase order to the Company. Therefore, the amount shall not be paid by the Company. However, as NTT and Asia Pacific Telecom has appealed for the third instance, and the case has been remanded to the High Court by the Supreme Court, the final result is not determined in July, 2022. Therefore, as of December 31, 2023, the balance of the provisions amounted to NT$12,283 thousand.

(2) Commitments: None.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SIGNIFICANT SUBSEQUENT EVENTS: None.

12. OTHERS

(1) Capital Risk Management

The primary objective of the Company's capital management is to ensure that it operates continuously and maintains optimal balances of debts and equity to maximize the returns to shareholders. The Company maintains good profitability and financial ratios by reviewing and measuring relevant costs, risk and rate of return on a regular basis. The Company balances the entire capital structure by various financing method as appropriate, to cope with the requirements to operating funds, repayments of debts, and dividends in the future.

(2) Financial Instruments

1) Fair value information of financial instruments

(a) All the carrying amounts of financial instruments not measured at fair value (including cash and cash equivalents, financial assets, financial assets at amortized cost, notes receivables, accounts receivables, contract assets and liabilities, other receivables, borrowings, accounts payables, other payables, and financial liabilities) that are not measure at fair value, are the reasonable approximations of fair value.

2) Financial risk management policies

(a) The normal operation of the Company is affected by various financial risks, including market risk (including foreign currency risk, interest rate risk, and price risk), credit risk, and liquidity risk. In order to decrease the potential adverse impact on the financial position and financial performance, the Company's entire risk management policies put emphasis on the unpredictable events in the financial market.

(b) The financial risk management is implemented by the finance department based on the transaction authority approved by the board of directors. The Company's financial department is responsible for identifying, evaluating and hedging financial risk by closely communicating with operating units.

3) Information on significant financial risk

(a) Market risk

I. Foreign currency risk：

i. As part of the cash inflows and outflows are denominated in foreign currencies, there are natural hedging effects. The purpose of the management of foreign currency risk is for hedging, instead for profiting.

ii. The strategies to manage foreign currency risk are to review the net position of assets and liabilities denominated in foreign currencies (primarily USD and JPY) on a regular basis, and implement risk management to the position. The election of instruments to hedge foreign currency risk considers the hedging costs and hedging periods. Currently, raising debts denominated in foreign currencies is the primary tool to hedge foreign currency risk. As the liabilities denominated in foreign currencies are exposed to foreign currency risk, the Company and subsidiaries usually transform the borrowings denominated in foreign currencies into borrowings denominated in NTD. Therefore, significant foreign currency risk is expected not to occur in general.

The information on the monetary assets and liabilities denominated in foreign currencies at the end of the reporting period is as follows:

	December 31, 2023					
	Foreign currency		Carrying amount	Sensitivity analysis		
	(thousand)	Exchange rate	(NTD)	Variation	Impact on profit or loss	Impact on other comprehensive income
Financial assets						
Monetary items						
USD	$2,444	30.69	$75,006	1%	$750	$-
CNY	1,514	4.33	6,556	1%	66	-
Financial liabilities						
Monetary items						
USD	2,226	30.69	68,316	1%	683	-

	December 31, 2022					
	Foreign currency (thousand)	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Variation	Impact on profit or loss	Impact on other comprehensive income
Financial assets						
Monetary items						
USD	$5,674	30.67	$174,022	1%	$1,740	$-
Financial liabilities						
Monetary items						
USD	2,768	30.78	85,199	1%	852	-
JPY	46,980	0.23	10,989	1%	110	-

The unrealized exchange gains (losses) of monetary items with significant influence due to exchange rates fluctuations for the years ended December 31, 2023 and 2022 amounted to NT$521 thousand and NT$(537) thousand, respectively.

II. Price risk: As the investments held by the Company are classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income in the consolidated balance sheets, the Company is exposed to price risk of equity instruments. In order to manage the price risk of equity instruments, the Company controls the risk by diversifying the investment portfolio.

III. Interest rate risk: The interest rate risk is from borrowings from bank. The Company is exposed to cash flow interest rate risk due to borrowings at floating interest rate, and part of the risk is offset by the cash and cash equivalents at floating interest rate. The Company is exposed to fair value interest rate risk due to borrowings at fixed interest rate. The Company's policy is adopting fixed interest rate.

(b) Credit risk

I. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Company The Company is exposed to credit risks from cash, deposited in banks and financial institutions, fixed income investments, other financial instruments and receivables arising from operating activities.

II. Most of the debtors of the receivables are credible companies or government agencies. As there is no significant bad debt in recent years, and the adequacy of loss allowances is reviewed on a regular basis, there is no significant credit risk.

III. The credit risk of bank deposits, fixed income investments and other financial instruments is measured and reviewed by operating management department. As the transaction and performance counterparties are credible banks and financial institutions, there is no significant credit risk.

(c) Liquidity risk

I. The cash flow forecast is summarized by the financial department. The financial department monitors the forecast of working capital requirement, ensures there's enough capital to support the operating requirements, and maintains enough unused commitments of borrowings at any time, to prevent the Company from breaching related credit lines of borrowings or terms.

II. The table below analyzed the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The contractual cash flows disclosed below are not discounted.

Non-derivative financial liabilities December 31, 2023	Within 3 months	3 month to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Short-term borrowings	$120,148	$206,848	$-	$-	$-
Accounts payables	637,431	460,250	2,643	42,351	-
Other payables	254,385	17,346	-	-	-
Lease liabilities (including the current portion)	6,887	18,261	15,937	6,838	-
Long-term borrowings (including the current portion)	1,302	3,924	5,282	14,735	1,283

Non-derivative financial liabilities December 31, 2022	Within 3 months	3 month to 1 year	1 to 2 years	2 to 5 years	Over 5 years
Short-term borrowings	$134,456	$286,862	$-	$-	$-
Accounts payables	464,391	596,021	18,774	3,687	-
Other payables	246,416	40,968	381	-	-
Corporate bonds payables (including the current portion)	-	-	118,800	-	-
Lease liabilities (including the current portion)	7,365	17,872	14,275	9,484	-
Long-term borrowings (including the current portion)	1,293	3,895	5,235	16,001	5,277

(3) Estimates of Fair Value

1) The valuation techniques adopted to analyze the financial instruments at fair value are as the table below. The definitions of each level are as follows:

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

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

Level 3：unobservable inputs for the assets or liabilities. The investment properties held by the Company are in the scope.

The financial assets and liabilities measure at fair value as of December 31, 2023 and 2022 are as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Current financial assets at fair value through profit or loss				
Equity instruments - listed shares	$8,175	$-	$-	$8,175
Non-current financial assets at fair value through other comprehensive income				
Equity instruments - unlisted shares	$-	$-	$139,392	$139,392

December 31, 2022	Level 1	Level 2	Level 3	Total
Current financial assets at fair value through profit or loss				
Equity instruments - listed shares	$5,019	$-	$-	$5,019
Non-current financial assets at fair value through other comprehensive income				
Equity instruments - unlisted shares	$-	$-	$132,110	$132,110
Non-current financial liabilities at fair value through profit or loss				
Derivative instruments - Redemption and put options of convertible bond	$-	$368	$-	$368

(a) For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

(b) Changes in Level 3 financial instruments are as follows:

	Non-derivative equity instruments	
	2023	2022
January 1	$132,110	$193,588
Purchase in current period	-	6,000
Disposal in current period	(7,121)	-
Recognized in other comprehensive income (Recognized as unrealized valuation gains and losses on investments in equity instruments at fair value through other comprehensive income)	14,403	(67,478)
December 31	$139,392	$132,110

2) Valuation techniques used to evaluate financial instruments include：

(a) The quoted price in a public market or from dealers of an identical instrument.

(b) Other valuation techniques to determine the fair value of the other financial instruments, e.g. discounted cash flow analysis.

3) The valuation process of fair value categorized in level 3 is verifying the independent fair value of financial instruments by accounting department, making the valuation results close to market condition by data from independent sources and reviewing on a regular basis, to ensure the valuation results are reasonable.

4) As the Company carefully assessed and selected the valuation model and valuation parameters, the fair value measurement shall be reasonable. However, different valuation model or parameter may result in different valuation results. The quantitative information on the significant unobservable inputs used in valuation models of level 3 fair value measurement is as follows：

	December 31, 2023 Fair value	Valuation techniques	Significant unobservable inputs	Interval (Weighted-average)	Relationship between the inputs and fair value
Non-derivative equity instruments： Stocks of unlisted companies	$139,392	Market approach	Book-to-market ratio, Price-to-sales ratio,	-	The higher the book-to-market ratio is, the higher the fair value is；the higher the

capital structure adjustment ratio	capital structure adjustment ratio is, the lower the fair value is.

As there are changes of ±1% in significant unobservable input, the effects recognized in other comprehensive income amounted to NT$1,569 thousand and NT$(1,578) thousand.

13. OTHER DISCLOSURES

(1) Information on Significant Transactions

1) Loans to others: None.

2) Provision of endorsements and guarantees to others: None.

3) Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security（Note 1）	Relationship with the Company（Note 2）	Account	Ending balance				Note（Note 4）
				Shares or units	Carrying amount（Note3）	Percentage of ownership	Fair value	
HWACOM SYSTEMS INC.	ZERO ONE TECHNOLOGY CO., LTD.	-	Current financial assets at fair value through profit or loss	125	$8,175	0.08%	$8,175	
HWACOM SYSTEMS INC.	GENIE NETWORKS LIMITED	-	Non-current financial assets at fair value through other comprehensive income	906	18,150	3.53%	18,150	
HWACOM SYSTEMS INC.	VERISILICON MICROELECTRONICS (SHANGHAI) CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	693	112,259	0.14%	112,259	
HWACOM SYSTEMS INC.	ACOM NETWORKS TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	380	5,996	19.00%	5,996	
HWACOM SYSTEMS INC.	TAIWAN BOTONG SOFTWARE TECHNOLOGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	500	-	11.63%	-	
HWACOM SYSTEMS INC.	OMNI MEDIA INTERNATIONAL INCORPORATION	-	Non-current financial assets at fair value through other comprehensive income	500	1,945	0.76%	1,945	
HWACOM SYSTEMS INC.	LEON ENERGY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	100	1,042	0.43%	1,042	
TARANTULA NETWORKS LTD.	ZQAM COMMUNICATIONS CORPORATION -ordinary shares	-	Non-current financial assets at fair value through other comprehensive income	56	976	0.77%	976	

TARANTULA NETWORKS LTD.	ZQAM COMMUNICATIONS CORPORATION –preferred shares	-	Non-current financial assets at fair value through other comprehensive income	25	430	-	430	

Note 1：The securities in the table are within the stocks, bonds, beneficiary certificates, and derivative securities of aforementioned items within the scope of IFRS 9 "Financial Instruments: Recognition and Measurement"

Note 2：If the issuer of the security is not a related party, the column shall be left blank.

Note 3：For those measured at fair value, the carrying amount shall be filled in the carrying balance after fair value valuation adjustments and less the accumulated impairment. For those not measured at fair value, the carrying amount shall be filled in the carrying balance of initial acquisition costs or amortized costs less accumulated impairment.

Note 4：If the securities listed are restricted for providing guarantee or collaterals for borrowings, the number of shares provided for guarantee or collateral, the guaranteed or borrowed amount, and the restricted conditions shall be filled in the Note column.

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

5) Acquisition of real estate reaching NT$300 million or 20% of the Company's paid-in capital or more: None.

6) Disposal of real estate reaching NT$300 million or 20% of the Company's paid-in capital or more: None.

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

8) Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

9) Trading in derivative instruments: None.

10) Significant transactions, prices, payments terms and unrealized gains or losses with investees in Mainland China through a holding company registered in a third region: None.

11) Business relationships among the parent company and subsidiaries, and significant intercompany transactions and amounts: Note 7

Note 1：Business relationships among the parent company and subsidiaries, and significant intercompany transactions shall be filled in the No. column as the way below：

1. The parent company:0

2. Investees: sequentially numbered from 1.

Note 2：There are three types of intercompany relationships as follows. Please indicate the type by numbers：

1. Parent to subsidiary

2. Subsidiary to parent

3. Subsidiary to subsidiary

Note 3：Concerning the calculation of percentage accounting for the consolidated net revenue or total assets, for assets and liabilities, the percentage shall be calculated by the ending balance accounting for the consolidated total assets. For profit or loss, the percentage shall be calculated by the cumulative amount accounting for consolidated total revenue

Note 4：The transactions have been eliminated in preparing the consolidated financial statements.

(2) Information on Investees

1) The Information about company names, locations, etc. of Investees（excluding the investees in Mainland China）:

Investor company	Investee company（Note 1, 2）	Location	Main business	Original investment amount		Holding in the end of period			Profit (loss) of investees in the current period（Note 2(2)）	Gains (losses) on investments recognized in the current period（Note 2(3)）	Note
				December 31, 2023	December 31, 2022	Number of shares	Percentage	Carrying amount			

HWACOM SYSTEMS INC.	TARANTULA NETWORKS LTD.	New Taipei City	Information software and communication engineering, etc.	$19,980	$19,980	2,000	100.00	$10,640	$(14)	$(14)	Subsidiary
HWACOM SYSTEMS INC.	FAMILY PLUS TECHNOLOGY INC.	New Taipei City	Information Information software and service industry, etc.	16,000	16,000	1,600	100.00	16,016	7,910	7,910	Subsidiary
HWACOM SYSTEMS INC.	S-LINK SYSTEMS INC.	New Taipei City	Information software and communication engineering, etc.	45,000	45,000	4,500	100.00	13,568	(6,292)	(7,724)	Subsidiary
HWACOM SYSTEMS INC.	OPEN INFORMATION SECURITY INC.	New Taipei City	Data processing, information supply service industry	51,000	-	5,100	100.00	52,138	1,184	1,184	Subsidiary
HWACOM SYSTEMS INC.	HWACOM SYSTEMS (H.K.) LTD.	Hongkong	Information software and service industry, etc.	414	-	100	100.00	264	(133)	(133)	Subsidiary

Note 1：If the public company has established foreign holding companies and the consolidated financial statements are the main financial statements based on local regulations, the information on the foreign investees may be disclosed only to the relevant information of the holding companies.

Note 2：For investees not in the scope of Note 1, the information shall be filled as rules as follows:

(1) "Investee company", "Location", "Main business", "Original investment amount" and "Holding in the end of the period" shall be filled sequentially based on the investment condition of the Company and the investment condition of the investees directly or indirectly controlled by the Company. And the relationship between the investees and the Company shall be filled in the Note column (if they are subsidiaries or sub-subsidiaries).

(2) "Profit (loss) of investees in the current period" shall be filled in the profit or loss of each investee in the current period.

(3) "Gain (loss) on investments recognized in the current period" shall only be filled in the profit or loss of subsidiaries accounted for using equity method. For other condition, the column shall be left blank. When filling "Gain (loss) on investments recognized in the current period", the Company shall ensure the profit or loss of each subsidiary has include the gains or losses of investments that shall be recognized in accordance with regulations.

(3) Information on Investees in Mainland China

Investee in Mainland China	Main business	Paid-in capital	Method of investment（Note 1）	Accumulated outward remittance for investment from Taiwan as of January 1, 2023	Remittance of funds in the Outward	Remittance of funds in the Inward	Accumulated outward remittance for investment from Taiwan as of December 31, 2023	Profit (loss) of investees in the current period	Percentage of ownership of direct or indirect investments	Gains (losses) on investments recognized in the current period（Note 2）	Carrying amount of investments as of December 31, 2023	Accumulated repatriation of gain on investment as of December 31, 2023
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	Data processing, information supply service industry	$15,713	(1)	$15,713	$-	$-	$15,713	$135	100.00%	$135 B	$7,619	$-

Accumulated outward remittance for investment in Mainland China as of December 31, 2023	Investment amount authorized by investment commission, MOEA	Upper limit on the amount of investment stipulated by investment commission, MOEA
$15,713	Invested in HWACOM SYSTEMS (SHANGHAI) CO., LTD. by USD$500,000	$1,447,769

Note 1：There are 3 types of investment method as follows. Fill in the numbers to indicate the type:

(1) Directly invest in invests in Mainland China.

(2) Invest through a holding company registered in a third region. (Please indicate the holding company in the third region)

(3) Other method.

Note 2：In the “Gains (losses) on investments recognized in the current period” column：

(1) If the investee is under preparation without gains (losses) on investments, please indicate.

(2) There are 3 bases to recognize gains (losses) on investments as follows. Please indicate.：

A. The financial statements have been audited and attested by international CPA firms which cooperate with the CPA firms in R.O.C.

B. The financial statements have been audited and attested by the CPA of the parent company in Taiwan.

C. The financial statements are preliminary and not reviewed by CPA.

Note 3：The amounts in the table shall be expressed in New Taiwan Dollars.

Note 4：The Company originally directly held 100% of ownership of HWACOM SYSTEMS (SHANGHAI) CO., LTD. through HWACOM INVESTMENT INC. After approved by the approval letter with No. Investment-Committee-Auditing-II-10900005280 on January 14, 2020, the investee has been directly held by the Company. The registration of cancellation of HAWCOM INVESTMENT INC. has been completed on August 31, 2020.

(4) Information on Major Shareholders：

Shares / Major shareholder	Number of shares held	Percentage of ownership
Advantech Corporate Investment	24,575,000	17.42%

Note 1：The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2 ：If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

HwaCom Systems Inc.
Statements of each Accounts

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Statements of cash and cash equivalents

December 31, 2023

Item	Summary	Amount
Cash on hand		$96
Petty cash /revolving funds		460
Demand deposits (NTD)		1,031,651
Demand deposits (foreign currencies)	(USD 265 thousand，exchange rate 30.69) (CNY 1,501 thousand，exchange rate 4.33) (HKD 20 thousand，exchange rate 3.93)	14,711
Time deposits (foreign currencies)	(USD 1,000 thousand，exchange rate 30.69)	30,685
Total		$1,077,603

Statements of current financial assets at fair value through profit or loss
December 31, 2023

Name of financial instruments	Summary	Thousands of shares	Par value	Total amount	Interest rate	Acquisition costs	Fair value		Changes in fair value attributable to changes in credit risk	Note
							Unit price	Total amount		
Financial assets at fair value through profit or loss -stock										
Zero One Technology		125	$-	$-		$5,000	$65.4	$8,175		
Subtotal						5,000		8,175		
Valuation adjustments of financial assets at fair value through profit or loss						3,175				
Total				$-		$8,175		$8,175		

Statements of current financial assets at amortized cost
December 31, 2023

Name	Summary	Units	Par value	Total amount	Interest rate	Carrying amount	Accumulated Impairment Loss	Note
CTBC Bank	Time deposits (NTD)	1	$100,000	$100,000	1.53%	$100,000		
Total			$100,000	$100,000		$100,000		

Statements of accounts receivables

December 31, 2023

Name of customers	Summary	Amount	Note
Customer A		$396,852	
Customer B		124,523	
Others		732,366	(Each individual amount does not account for at least 5% of the total amount.)
Loss allowances - accounts receivables		(12,245)	
Total		$1,241,496	

Statements of inventories

December 31, 2023

Item	Summary	Amount		Note
		Cost	Net realizable value	
Merchandise inventories		$1,143,762	$1,085,634	Market price is the net realizable value.
Allowances for inventory valuation and obsolescence losses		(58,128)		
Total		$1,085,634		

Statements of prepayments

December 31, 2023

Name of customers	Summary	Amount	Note
Supplier A		$16,552	
Supplier B		15,876	
Supplier C		12,929	
Supplier D		9,470	
Supplier E		9,372	
Others		118,405	(Each individual amount does not account for at least 5% of the total amount.)
Total		$182,604	

Statements of non-current financial assets at fair value through other comprehensive income

For the Year Ended December 31, 2023

Name	Beginning		Additions (Note 1)		Reductions (Note 1)		Ending		Collateral or guarantee provided	Note
	Shares or thousands of shares	Fair value	Shares or thousands of shares	Amount	Shares or thousands of shares	Amount	Shares or thousands of shares	Fair value		
GENIE NETWORKS LIMITED	906	$17,751	-	$399	-	$-	906	$18,150	None	
VERISILICON MICROELECTRONICS (SHANGHAI) CO., LTD.	713	103,886	-	8,793	20	420	693	112,259	None	
ACOM NETWORKS TECHNOLOGY CO., LTD.	380	6,373	-	-	-	377	380	5,996	None	
TAIWAN BOTONG SOFTWARE TECHNOLOGY CO., LTD.	500	-	-	-	-	-	500	-	None	
OMNI MEDIA INTERNATIONAL INCORPORATION	500	2,195	-	-	-	250	500	1,945	None	
LEON ENERGY CO., LTD.	100	1,905	-	-	-	863	100	1,042	None	
Total		$132,110	-	$9,192		$1,910		$139,392		

Note 1：Including valuation amount.

Statements of investments accounted for using equity method

For the Year Ended December 31, 2023

Name	Beginning balance		Additions		Reductions		Ending balance			Market price or net worth of equity		Collateral or guarantee provided	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount		
TARANTULA NETWORKS LTD.	2,000	$10,432	-	$208	-	$-	2,000	100.00%	$10,640	5.32	$10,640	None	Note 1
FAMILY PLUS TECHNOLOGY INC.	1,600	8,106	-	7,910	-	-	1,600	100.00%	16,016	10.01	16,016	None	Note 1
HWACOM SYSTEMS (SHANGHAI) CO., LTD.	500	7,633	-	-	-	(14)	500	100.00%	7,619	15.24	7,619	None	Note 1
S-LINK SYSTEMS INC.	4,500	21,292	-	-	-	(7,724)	4,500	100.00%	13,568	3.63	16,303	None	Note 1
OPEN INFORMATION SECURITY INC.	-	-	5,100	52,138	-	-	5,100	100.00%	52,138	10.23	52,184	None	Note 2
HWACOM SYSTEMS (H.K.) LTD.	-	-	100	414	-	(150)	100	100.00%	264	2.64	264	None	Note 2
Total		$47,463		$60,670		$(7,888)			$100,245		$103,026		

Note 1：Additions and reductions are the share of profit or loss and other comprehensive income of subsidiaries, and associates accounted for using equity method.

Note 2：Additions and reductions are the cash capital increase and the share of profit or loss of subsidiaries, and associates accounted for using equity method.

Statements of changes in right-of-use assets

December 31, 2023

Item	Beginning balance	Additions	Reductions	Ending balance
Costs				
Buildings and structures	$50,350	$13,669	$(5,282)	$58,737
Transportation equipment	39,590	16,073	(9,970)	45,693
Miscellaneous equipment	1,265	-	-	1,265
Subtotal of costs	$91,205	$29,742	$(15,252)	$105,695
Accumulated depreciation				
Buildings and structures	$(23,589)	$(16,810)	$5,272	$(35,127)
Transportation equipment	(20,240)	(13,487)	9,971	(23,756)
Miscellaneous equipment	(35)	(422)	-	(457)
Subtotal of accumulated depreciation	$(43,864)	$(30,719)	$15,243	$(59,340)
Total right-of-use assets	$47,341	$(977)	$(9)	$46,355

Statements of other non-current assets

December 31, 2023

Item	Summary	Amount	Note
Refundable deposits:			
Customer A		$135,301	
Customer C		116,042	
Customer D		70,222	
Others		94,602	(Each individual amount does not account for at least 5% of the total amount of other non-current assets.)
Subtotal		416,167	
Prepayments for equipment			
Others		10,954	
Subtotal		10,954	
Total		$427,121	

Statements of short-term borrowings

December 31, 2023

Types of borrowing	Explanation	Ending balance	Contract period	Interest rate interval	Credit line	Collateral or guarantee	Note
Land Bank of Taiwan -procurement loans		$121,940	August 25, 2023~June 5, 2024	2.20%	150,000	Yes	
Taiwan Business Bank -procurement loans		1,628	August 25, 2023~ March 18, 2024	2.19%	100,000	Yes	
Far Eastern International Bank -procurement loans		22,246	August 25, 2023~ March 1, 2024	2.27%	80,000	Yes	
Mega Bank -revolving funds		28,661	October 31, 2023~ February 27, 2024	2.42%	120,000		
		7,775	July 28, 2023~ July 28, 2024	2.53%	120,000		
		4,297	August 31, 2023~ August 31, 2024		120,000		
		9,297	December 7, 2023~ December 6, 2024		120,000		
Shanghai Commercial & Savings Bank -revolving funds		7,188	January 31, 2023~ August 31, 2024	2.24%	261,000		
		5,819	March 1, 2023~August 31, 2024		261,000		
		1,408	June 30, 2023~ August 31, 2024		261,000		
		547	August 31, 2023~ August 31, 2024		261,000		
		39,402	October 31, 2023~ February 1, 2024	2.05%	100,000		

Types of borrowing	Explanation	Ending balance	Contract period	Interest rate interval	Credit line	Collateral or guarantee	Note
Taipei Fubon Bank - revolving funds		60,598	December 29, 2023~ May 15, 2024	2.10%	100,000		
First Commercial Bank - revolving funds		16,190	October 26, 2023~ October 26, 2025	2.49%	130,000		
Total		$326,996					

Statements of contract liabilities

December 31, 2023

Name of customers	Summary	Amount	Note
Customer E		$121,403	
Customer F		87,525	
Customer G		80,903	
Customer H		80,162	
Customer I		45,820	
Customer D		44,842	
Customer A		40,954	
Others		235,856	(Each individual amount does not account for at least 5% of the total amount.)
Total		$737,465	

Statements of accounts payables

December 31, 2023

Name of suppliers	Summary	Amount	Note
Supplier G		$138,343	
Supplier H		122,208	
Supplier I		77,551	
Supplier J		60,559	
Others		744,014	(Each individual amount does not account for at least 5% of the total amount.)
Total		$1,142,675	

Statements of other payables

December 31, 2023

Item	Summary	Amount
Payroll payables		$187,908
Employees' remuneration payables		9,224
Directors' and supervisors' remuneration payables		769
Business tax payables		27,463
Payables on equipment		7,300
Insurance premium payables		5,700
Pension payables		7,442
Service fee payables		2,015
Others		23,910
Total		$271,731

Statements of lease liabilities

December 31, 2023

Item	Lease term	Discount rate	Amount
Buildings and structures	2021.06~2027.04	2%	$23,950
Transportation equipment	2020.06~2026.09	2%	22,191
Miscellaneous equipment	2022.12~2025.11	2%	817
Less：the current portion			(24,489)
Total			$22,469

Statements of other non-current liabilities

December 31, 2023

Item	Summary	Amount	Note
Accrued pension liabilities		$87,149	
Guaranteed deposits received		11,281	
Total		$98,430	

Statements of operating revenue

For the Year Ended December 31, 2023

Item	Quantity	Amount	Note
Sales revenue			
Sales revenue		$3,903,425	
Sales returns and allowances		(2,274)	
Sales revenue, net		3,901,151	
Maintenance revenue		849,541	
Construction revenue		373,814	
Service revenue		70,221	
Other operating revenue		17,266	
Total		$5,211,993	

Statements of operating costs

For the Year Ended December 31, 2023

Item	Amount
Costs of goods sold:	
Beginning inventories	$1,221,798
Net purchases	3,131,683
Ending balance	(1,143,762)
Losses on scrap	-
Inventory valuation losses (reversal gains)	(4,632)
Costs of goods sold:	$3,205,087
Maintenance costs	527,339
Construction costs	343,767
Other operating costs	96,789
Total	$4,172,982

Statements of selling expenses

For the Year Ended December 31, 2023

Item	Summary	Amount	Note
Payroll expenses		$558,440	
Insurance premiums		45,603	
Depreciation		59,440	
Others		93,765	(Each individual amount does not account for at least 5% of the total amount.)
Total		$757,248	

Statements of administrative expenses

For the Year Ended December 31, 2023

Item	Summary	Amount	Note
Payroll expenses		$135,683	
Entertainment expenses		18,021	
Various amortization		16,175	
Miscellaneous expenses		22,744	
Others		31,903	(Each individual amount does not account for at least 5% of the total amount.)
Total		$224,526	

Statements of research and development expenses

For the Year Ended December 31, 2023

Item	Summary	Amount	Note
Payroll expenses		$40,612	
Insurance premiums		3,493	
Depreciation		2,928	
Others		6,518	(Each individual amount does not account for at least 5% of the total amount.)
Total		$53,551	

Current employee benefits, depreciation, depletion and amortization expenses categorized by function

By function / By nature	2022			2022		
	Recognized in operating costs	Recognized in operating expenses	Total	Recognized in operating costs	Recognized in operating expenses	Total
Employee benefits						
Payroll expenses	$177,204	$700,577	$877,781	$92,035	$732,155	$824,190
Labor and health insurance expenses	17,812	54,474	72,286	13,315	51,020	64,335
Pension expenses	9,679	31,844	41,523	7,349	30,574	37,923
Directors' remuneration	-	2,315	2,315	-	1,742	1,742
Other employee benefits expenses	7,305	20,853	28,158	2,401	19,306	21,707
Depreciation expenses	5,540	72,649	78,189	8,234	62,434	70,668
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	24,563	24,563	-	20,507	20,507

Note:

1. The average numbers of employees are 792 and 750 for the years ended December 31, 2023 and 2022, respectively. Among them, the numbers of directors not serving as employees are 5 and 4, respectively.

   (a) The average employee benefit expenses amounted to NT$1,296 thousand ("Total amount of employee benefits expenses of the current year-total amount of directors' remuneration"/"number of employees of the current year-number of directors not serving as employees") in the current period.

   The average employee benefit expenses amounted to NT$1,271 thousand ("Total amount of employee benefits expenses of the prior year-total amount of directors' remuneration"/"number of employees of the prior year-number of directors not serving as employees") in the prior period.

   (b) The average payroll expenses amounted to NT$1,115 thousand ("Total amount of payroll expenses of the current year"/"number of employees of the current year-number of directors not serving as employees") in the current period.

   The average payroll expenses amounted to NT$1,105 thousand ("Total amount of payroll expenses of the prior year"/"number of employees of the current year-number of directors not serving as employees") in the prior period.

   (c) The rate of changes in average payroll expenses is 0.9% ("Average payroll expenses of the current year-average payroll expenses of the prior year"/ average payroll expenses of the prior year).

   (d) The supervisors' remuneration in the current year amounted to NT$0 thousand, and in the prior year amounted to NT$66 thousand.

   (e) The Company's salary and remuneration policies are as follows:

   A. Directors and supervisors: The monthly compensation is fixed. If the Company earns profit in the year, directors' and supervisors' remuneration shall be provided based on the regulation of the Company's Articles of Incorporation

   B. Managers and employees:

(A) Employees' compensation comprises salary and bonus. Salary is determined by rank and position, and adjusted in the second half of the year based on personal working performance and the entire operation of the Company. Bonus comprise year-end bonus and performance bonus, which is distributed based on operation of the Company in the year and personal performance.

(B) According to the Company's Articles of Incorporation, if the Company earns profit in the year, employees' remuneration shall be provided.