Stock Code: 6160

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements
and
Independent Auditors’ Report

For the Years Ended December 31, 2023 and 2022

Address: 12F, 333, Dunhua S. Rd., Sec. 2, Taipei, Taiwan

Tel: (02)86471166

§TABLE OF CONTENTS§

Declaration of Consolidated Financial Statement of Affiliates

We hereby declare that the entities required to be included in the consolidated financial statements of affiliates for the year ended December 31, 2023, prepared by the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statement prepared in conformity with the International Financial Reporting Standards No. 10. All relevant information that should be disclosed in the consolidated financial statements of affiliate has all been disclosed in the consolidated financial statements. Hence, we will not provide a separate set of consolidated financial statement of affiliates.

CIPHERLAB CO., LTD.

Chairman: Liau, Yi-Yan

March 27, 2024

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd.:

Audit Opinion

We have audited the accompanying consolidated balance sheets of CipherLab Co., Ltd. and its subsidiaries (hereinafter "the Group"), as of December 31, 2023 and 2022; the related consolidated statement of comprehensive income, the consolidated statement of changes in equities, and the consolidated statement of cash flows for the period of January 1 to December 31, 2023 and 2022; and notes to the consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements in all material respects, are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers; and present equitably the consolidated financial status of the Group as of December 31, 2023 and 2022 and its consolidated financial performance and cash flows from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We have conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under these terms and conditions will be further elaborated in the section of the Auditors' Responsibilities for the Audit of the Financial Statement in this report. Abiding by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, we have maintained objective and are independent of the Group, and have fulfilled these ethical standards and other responsibilities. We believe that we have obtained sufficient and appropriate evidence as to the basis for our audit opinions.

Key Audit Matters

The key audit matter refers to the most important content in our audit of the Group's consolidated financial statements for the year 2023 based on our professional judgment. These matters have been addressed in the process of our audit of the consolidated financial statements and in forming of the audit opinions, and we will not provide any additional view on these matters discretely.

The followings are the key audit matters for the Group's consolidated financial statements for the year 2023:

<u>Key audit matter: veracity of sales revenue recognition</u>

The revenue of the Group from the sales of 3 products, RS 36, RK 25 and RK 26, for the year 2023 was NT$370,672 thousand, accounting for 28% of the consolidated sales revenue, which had a significant impact on the consolidated financial statements. Additionally, as the management division was under the pressure of market expectations or expected to obtain the maximum profit return based on business performance, an increase in sales revenue may be a tactic to achieve the business goal. The main risk is the veracity of the sales revenue, which was consequently identified as a key audit matter.

For the accounting policy on the revenue, please refer to Note 4 (11) of the consolidated financial statements.

We understood and tested the sales revenue recognition, which is related to the effectiveness of the design and implementation of internal control, by selecting appropriate samples from the details of sales revenue for the 3 products of RS 36, RK 25 and RK 26, to examine the orders, the export declarations, and the consistency between the payment recipients and the objects of the transaction to ensure no material misstatement in the sales revenue.

Other Matters

We have also audited CipherLab Co., Ltd.'s parent company only financial statements for the year ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

Deloitte & Touche Tohmatsu Limited

Accountant Ruske Ho, Accountant Alice Huang

Securities and Futures Administration Commission R.O.C (Taiwan) Approved Number 0930128050

Securities and Futures Administration Commission R.O.C (Taiwan) Approved Number 0920131587

March 27, 2024

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2023 Amount	%	December 31, 2022 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	$ 182,770	15	$ 216,779	16
1136	Financial assets at amortized cost (Note 4 & 28)	1,500	-	1,500	-
1150	Notes receivable (Note 7 & 19)	2,485	-	803	-
1170	Accounts receivable (Note 4, 7 & 19)	176,098	15	233,122	17
1200	Other receivables (Note 7)	29,162	2	56,633	4
1220	Current tax assets (Note 21)	5,882	-	-	-
130X	Inventories (Note 4, 5 & 8)	527,417	44	559,518	41
1479	Other current assets (Note 13)	43,971	4	44,568	3
11XX	Total current assets	969,285	80	1,112,923	81
	Non-current assets				
1600	Property, plant and equipment (Note 4, 10 & 28)	119,989	10	110,016	8
1755	Right-of-use assets (Notes 4 &11)	27,214	2	51,375	4
1780	Other intangible assets (Note 4 & 12)	4,041	-	9,804	1
1840	Deferred tax assets (Notes 4, 5 & 21)	80,022	7	78,342	5
1990	Other non-current assets (Note 13)	7,642	1	10,235	1
15XX	Total non-current assets	238,908	20	259,772	19
1XXX	Total assets	$ 1,208,193	100	$ 1,372,695	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Short-term borrowings (Note 14)	$ 80,000	7	$ 160,000	12
2170	Accounts payable (Note 15 & 27)	121,129	10	107,944	8
2219	Other payables (Note 16)	97,478	8	125,650	9
2230	Current tax liabilities (Note 21)	-	-	6,051	-
2280	Lease liabilities – current (Note 4 & 11)	9,251	1	24,901	2
2320	Long-term borrowing with maturity under 1 year (Note 14)	983	-	724	-
2399	Other current liabilities (Note 16 & 19)	51,642	4	47,812	3
21XX	Total current liabilities	360,483	30	473,082	34
	Non-current liabilities				
2540	Long-term borrowings (Note 14)	2,295	-	3,276	-
2570	Deferred tax liabilities (Note 4 & 21)	4,343	-	3,906	-
2580	Lease liabilities – non-current (Note 4 & 11)	21,190	2	29,185	2
2640	Net defined benefit liability – non-current (Note 4 &17)	8,366	1	8,764	1
2670	Other non-current liabilities (Note 16 & 19)	51,925	4	49,156	4
25XX	Total non-current liabilities	88,119	7	94,287	7
2XXX	Total liabilities	448,602	37	567,369	41
	Equity attributable to owners of parent company (Note 18)				
3110	Ordinary share capital	684,891	57	684,891	50
3210	Capital surplus	1,151	-	1,151	-
	Retained earnings				
3310	Legal reserve	77,998	6	74,587	5
3320	Special reserve	1,084	-	11,508	1
3350	(Accumulated deficit) Unappropriated retained earnings	(4,346)	-	34,552	3
3300	Total retained earnings	74,736	6	120,647	9
	Other equity				
3410	Exchange differences on translation of foreign financial statements	1,313	-	1,096	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-
3400	Total other equity interest	(867)	-	(1,084)	-
31XX	Total equity interest attributable to owners of parent company	759,911	63	805,605	59
36XX	Non-controlling interest	(320)	-	(279)	-
3XXX	Total equity interest	759,591	63	805,326	59
	Total liabilities and equity	$ 1,208,193	100	$ 1,372,695	100

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

Chairman：Liau, Yi-Yan　　Manager：Liau, Yi-Yan　　Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Except (Losses) Earnings per Share

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Operating revenues (Note 4 & 19)				
4100	Sales revenue	$ 1,310,531	96	$ 1,228,010	98
4600	Service revenue	49,018	4	29,952	2
4000	Total operating revenue	1,359,549	100	1,257,962	100
	Operating costs				
5110	Cost of sales (Note 8,17, 20 & 27)	(859,383)	(63)	(783,697)	(63)
5600	Cost of services	(1,688)	-	(2,188)	-
5000	Total operating costs	(861,071)	(63)	(785,885)	(63)
5900	Operating profit margin	498,478	37	472,077	37
	Operating expenses (Note 17&20)				
6100	Selling expenses	(256,120)	(19)	(226,654)	(18)
6200	Administrative expenses	(67,409)	(5)	(69,739)	(5)
6300	Research and development expenses	(188,133)	(14)	(147,333)	(12)
6450	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 (Note 7)	3,237	1	(1,827)	-
6000	Total operating expenses	(508,425)	(37)	(445,553)	(35)
6900	Net operating profit (loss)	(9,947)	-	26,524	2
	Non-operating income and expenses (Note 20)				
7100	Interest income	3,139	-	1,089	-
7010	Other income (Note 23)	2,245	-	2,205	-
7020	Other gains and losses	1,996	-	12,042	1
7050	Financial costs	(3,777)	-	(4,890)	-
7000	Total non-operating income and expenses	3,603	-	10,446	1
7900	Profit (loss) before tax	(6,344)	-	36,970	3
7950	Income tax benefits (expense) (Note 4 & 21)	1,500	-	(5,776)	(1)
8200	Profit (loss) for the year	(4,844)	-	31,194	2

(Continue)

(Previous)

Code		2023 Amount	2023 %	2022 Amount	2022 %
	Other comprehensive income (Note 17, 18 & 21)				
8310	Items not to be reclassified into profit or loss:				
8311	Remeasurements of defined benefit plans	($ 18)	-	$ 2,324	-
8349	Income tax related to items that will not be reclassified to profit or loss	3	-	(465)	-
8360	Items that may be reclassified to profit or loss::				
8361	Exchange differences in translation of financial statements of foreign operations	271	-	13,030	1
8399	Income tax related to items that will be reclassified to profit or loss	(54)	-	(2,606)	-
8300	Total other comprehensive income (after tax)	202	-	12,283	1
8500	Total comprehensive income	($ 4,642)	-	$ 43,477	3
	Profit (loss) attributable to:				
8610	Owners of parent company	($ 4,366)	-	$ 32,254	2
8620	Non-controlling interests	(478)	-	(1,060)	-
8600		($ 4,844)	-	$ 31,194	2
	Comprehensive income attributable to:				
8710	Owners of parent company	($ 4,164)	-	$ 44,537	3
8720	Non-controlling interests	(478)	-	(1,060)	-
8700		($ 4,642)	-	$ 43,477	3
	Earnings (losses) per share (Note 22)				
9710	Basic	($ 0.06)		$ 0.47	
9810	Diluted	($ 0.06)		$ 0.47	

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

Chairman: Liau, Yi-Yan　　Manager: Liau, Yi-Yan　　Accounting: Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

		Equities attributable to owners of parent company									
				Retained Earnings			Other Equity				
Code		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Exchange differences oin translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
A1	Balance at January 1, 2022	$ 684,891	$ 1,151	$ 70,936	$ 3,062	$ 36,507	($ 9,328)	($ 2,180)	$ 785,039	$ 781	$ 785,820
	Appropriation and distribution of 2021 earnings (Note 18)										
B1	Legal reserve appropriated	-	-	3,651	-	(3,651)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	8,446	(8,446)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(23,971)	-	-	(23,971)	-	(23,971)
D1	Net profit of 2022	-	-	-	-	32,254	-	-	32,254	(1,060)	31,194
D3	Other profit and loss of 2022	-	-	-	-	1,859	10,424	-	12,283	-	12,283
D5	Total profit and loss of 2022	-	-	-	-	34,113	10,424	-	44,537	(1,060)	43,477
Z1	Balance at December 31, 2022	684,891	1,151	74,587	11,508	34,552	1,096	(2,180)	805,605	(279)	805,326
	Appropriation and distribution of 2022 earnings (Note 18)										
B1	Legal reserve appropriated	-	-	3,411	-	(3,411)	-	-	-	-	-
B5	Cash dividend attributable to shareholders of parent company	-	-	-	-	(41,093)	-	-	(41,093)	-	(41,093)
B17	Reversal of special reserve	-	-	-	(10,424)	10,424	-	-	-	-	-
D1	Net loss of 2023	-	-	-	-	(4,366)	-	-	(4,366)	(478)	(4,844)
D3	Other comprehensive income of 2023	-	-	-	-	(15)	217	-	202	-	202
D5	Total comprehensive income of 2023	-	-	-	-	(4,381)	217	-	(4,164)	(478)	(4,642)
M7	Changes in ownership of interests in subsidiaries	-	-	-	-	(437)	-	-	(437)	437	-
Z1	Balance at December 31, 2023	$ 684,891	$ 1,151	$ 77,998	$ 1,084	($ 4,346)	$ 1,313	($ 2,180)	$ 759,911	($ 320)	$ 759,591

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

Chairman：Liau, Yi-Yan　　Manager：Liau, Yi-Yan　　Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, 2023 and 2022

In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A10000	Profit (loss) before tax	($ 6,344)	$ 36,970
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	43,854	48,706
A20200	Amortization expenses	4,598	5,265
A20300	Expected credit impairment loss (reversal gain)	(3,237)	1,827
A20400	Gains on financial assets at fair value through profit or loss	(4)	-
A20900	Financial costs	3,777	4,890
A21200	Interest income	(3,139)	(1,089)
A22500	Losses on disposal of property, plant, and equipment	577	86
A23500	Losses on impairment of intangible assets	2,745	2,610
A23700	Inventory valuation and obsolescence losses	10,798	6,800
A24100	Unrealized foreign exchange gains	(2,022)	(3,235)
A29900	Gains on lease modification	(3)	(5)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	4	-
A31130	Notes receivable	(1,682)	680
A31150	Accounts receivable	60,631	6,887
A31180	Other receivables	27,355	(26,529)
A31200	Inventories	21,643	12,866
A31240	Other current assets	569	(18,385)
A32130	Notes payable	-	(125)
A32150	Accounts payable	14,637	(24,099)
A32180	Other payables	(27,139)	7,897
A32220	Other current liabilities	3,830	26,226
A32240	Net defined benefit liabilities	(416)	(509)
A32990	Other non-current liabilities	2,769	32,870
A33000	Cash flows from operations	153,801	120,604
A33100	Interest received	3,255	973
A33500	Income tax paid	(11,727)	(4,245)
AAAA	Net cash flows generated from operating activities	145,329	117,332

(Continue)

(Previous)

Code		2023	2022
	Cash flows from investing activities		
B02700	Acquisition of property, plant and equipment	($ 16,293)	($ 4,868)
B02800	Disposal of property, plant and equipment	16	-
B04500	Acquisition of intangible assets	(1,580)	(1,955)
B06700	Increase in other non-current assets	(9,772)	(1,637)
BBBB	Net cash flows used in investing activities	(27,629)	(8,460)
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	(80,000)	(22,341)
C01700	Repayment for long-term borrowings	(722)	(8,290)
C04020	Repayment of lease liabilities	(26,035)	(26,677)
C04500	Cash dividends paid	(41,093)	(23,971)
C05600	Interest paid	(3,769)	(4,912)
CCCC	Net cash flows used in financing activities	(151,619)	(86,191)
DDDD	Effect of exchange rate changes on cash and cash equivalents	(90)	4,319
EEEE	Net increase (decrease) in cash and cash equivalents	(34,009)	27,000
E00100	Cash and cash equivalents at beginning of the year	216,779	189,779
E00200	Cash and cash equivalents at end of the year	$ 182,770	$ 216,779

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

Chairman：Liau, Yi-Yan Manager：Liau, Yi-Yan Accounting：Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
January 1 to December 31, 2023 and 2022
(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. COMPANY HISTORY

(1) CIPHERLAB CO., LTD. (hereinafter referred to as "the Company," the Company and entities controlled by the Company, hereinafter referred to as the "consolidated company") was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide services for skincare products, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.

(2) The Company’s stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.

(3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion.

(4) The consolidated financial statements are expressed in New Taiwan dollars, the company's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

The adoption of the amendments to IFRS accounting standards approved and issued by the FSC will not significantly affect the consolidated company’s accounting policies:

(2) IFRS accounting standards applicable for the year 2024 and endorsed by the Financial Supervisory Commission

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

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

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

Note 3: Part of the disclosure regulations is exempt at first-time adoption of the modification.

As of the approval date of the financial statements, the consolidated company evaluates that the application of aforementioned standards and interpretations will not have significant impact on the consolidated company's financial position and financial performance.

(3) IFRS accounting standards issued by the IASB but not yet endorsed and issued into effect by the FSC.

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 17 "Insurance Contract"	January 1, 2023
Amendments to IFRS 17	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(Note 2)

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

Note 2: The amendments apply to annual reporting periods beginning on or after January 1, 2025. The consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the consolidated company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

As of the approval date of the consolidated financial statements, the consolidated company continues to evaluate the impact of the amendments to the other standards and interpretations on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS accounting standards as endorse and issued into effect by the FSC.

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.

B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.

C. Level 3 inputs: unobservable inputs for the assets or liabilities.

(3) Standard for Classification of Current and Non-current Assets and Liabilities

Current assets include:

A. Assets held primarily for the purpose of trading;

B. Assets expected to be realized within 12 months after the date of balance sheet; and

C. Cash and cash equivalents (excluding assets restricted from being exchanged or used to settle a liability exceed 12 months after the date of balance sheet).

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

B. Liabilities due to be settled within 12 months after the date of the balance sheet; and

C. Liabilities with settlement dates that cannot be deferred unconditionally to at least 12 months after the balance sheet date.

Assets and liabilities that cannot be classified as listed above should be classified as non-current.

(4) Basis of Consolidation

The consolidated financial statements include the financial statements of the consolidated company and the individual entities (the subsidiaries) in control of the consolidated company. The financial statements of the subsidiaries have been adjusted so that its accounting policy is in accordance with the consolidated company. All intra-entity transactions, account balance, profit, and loss are eliminated in full when preparing the consolidated financial statements. The total consolidated comprehensive income of the subsidiaries is attributed to the owners of the consolidated company and non-controlling interests even if it causes the deficit balance.

When the change of the consolidated company's and its subsidiaries' ownership interest of the subsidiaries does not cause loss of control, it is treated as an equity transaction. The carrying amounts of the consolidated company and its subsidiaries and non-controlling interests have been adjusted to reflect the related change in interests of the subsidiaries. The difference between the adjusted amount of the non-controlling interests and the fair values of the paid or received considerations are directly recognized as equity and attributed to the consolidated company owner.

When the consolidated company loses control of a subsidiary, disposal of profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost, and (ii) the total of the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The consolidated company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as required if the consolidated company had directly disposed of the related assets or liabilities.

For the detailed information about subsidiaries, including the percentage of ownership and main business, please refer to note 9, chart 4 and chart 5 as attached.

(5) Foreign Currencies

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

Monetary items denominated in foreign currencies are retranslated at the closing rates prevailing on the date of the balance sheet. Exchange differences arising on the settlement of monetary items or on translating monetary items shall be recognized in the profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In preparing the financial report, the assets and liabilities of the foreign operating (Including the Company's subsidiaries that operate in countries with different functional currencies) are converted to NTD at the exchange rate on the date of the balance sheet. The income and expense items are converted at the average exchange rate of the period, and the resulting exchange differences are included in other comprehensive income (and attributable respectively to the Company's owners and non-controlling interest).

If the consolidated company disposes of all equities of the foreign operation, all of the exchange differences accumulated in equity in respect of foreign operation attributable to the owners of the consolidated company are reclassified to profit or loss.

(6) Inventory

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

(7) Property, Plant, and Equipment

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

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

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

(8) Intangible Assets

A. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

B. Derecognition

When derecognizing an intangible asset, the difference between the net disposal proceeds and the asset's carrying amount is recognized in the profit or loss for the year.

(9) Impairment of the Property, Plant and Equipment and Intangible Assets

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

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount (less amortization and depreciation), but only to the extent of the carrying amount that would have been determined with no impairment loss having been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(10) Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. Financial Assets

The regular way purchases or sales of financial assets is recognized and derecognized on a trade date.

(I) Measurement category

Categories of financial assets held by the consolidated company are financial assets measured at amortized cost and equity instrument investments measured at fair value through other comprehensive income.

a. Financial assets measured at amortized cost

Financial assets of the consolidated company, in compliance with the following two conditions simultaneously, are to be classified as financial assets measured by amortized cost:

i. The financial asset is held under a business model for which the objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortized costs after initial recognition are measured at amortized cost and equal the total of the carrying amount determined by the effective interest method less any impairment loss. Any difference in foreign currency exchange is recognized in profit or loss.

Except for the following two cases, the interest income is calculated as the effective interest rate multiplied by the total carrying amount of financial assets:

i. Interest income of purchase or originated credit-impaired financial assets is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets;

ii. Interest income of the financial assets that are not classified as purchased or originated credit-impaired, but subsequently become credit-impaired, should be calculated from the next reporting period after the credit impairment as the effective interest rate multiplied by the financial asset at amortized cost.

A financial asset is credit-impaired when the issuer or the borrower has significant financial difficulties and breach contract; it becomes probable that the borrower might enter bankruptcy or other financial reorganization, or have the active market for that financial asset disappeared due to financial difficulties.

Cash equivalents include time deposits within 3 months from the date of acquisition, which are highly liquid, can be converted into a known amount of cash at any time, with only an insignificant risk of value changes, and are held for meeting short-term cash commitments.

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

The consolidated company can make an irrevocable election at initial recognition to designate the non-held for trading and not recognized as business mergers or investments in equity instruments be measured at fair value through other comprehensive income.

Investments in equity instruments carried at fair value through other comprehensive income are measured at fair value. Subsequent changes in fair value are recognized in other comprehensive income and accumulated in other equity. Accumulated profit or loss will directly transfer to retained earnings but not reclassified to profit or loss when disposing of the investment.

The dividends of the investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the consolidated company has confirmed its right of receivables, unless the dividends are clearly a recoverable amount of the investment cost.

(II) Impairment of financial assets

The consolidated company shall evaluate, with the expected credit loss, the impairment loss of the financial assets measured at amortized cost, including accounts receivable, on each balance sheet date.

Accounts receivables are recorded as loss allowance by expected credit losses in the duration. For other financial assets, it shall evaluate whether the credit risk has increased significantly since the initial recognition. If the credit risk hasn’t increased significantly, the financial assets shall be recognized as loss allowance based on a 12-month expected credit loss. However, if the credit risk has increased significantly, the financial assets will be recognized as loss allowance by the expected credit loss in the duration.

Expected credit loss takes the risk of default as the weighted average credit loss. 12-month expected credit loss is the expected credit loss of possible violation of the financial instrument within 12 months after the reporting date. Expected credit loss in the duration is the expected credit loss of possible violation of the financial instrument in the duration.

For the purpose of internal credit risk management, the consolidated company, without considering the collateral held, determines that the following conditions represent a default in financial assets:

a. There is internal or external information indicating that it is unlikely that the borrower will pay off the debt.

b. An overdue payment of more than 90 days; unless there is reasonable and corroborated information showing that the delayed default is more appropriate.

The carrying amount of all financial assets with impairment loss are adjusted and reduced through the use of an allowance account.

(III) Derecognition of financial assets

The consolidated company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to other enterprise.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Financial Liabilities

(I) Subsequent measurement

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

(II) Derecognition of financial liabilities

When derecognizing the financial liabilities, the difference between the carrying amount derecognized and the consideration paid, (including any non-cash asset transferred or liabilities assumed), is recognized in profit or loss.

(11) Revenue Recognition

Upon confirming with the customers in regards to the contractual obligations, the consolidated company allocates the transaction price to the performance obligations and recognizes the revenue when the performance obligations are satisfied.

A. Sale of Goods

Revenue from sales of goods comes from the sales of handheld industrial computer and handheld barcode scanner. As the customers will have the full discretion over the right to pricing and the usage of the products upon shipment of goods, the customers should take primary responsibility for the resale of the products and the obsolescence risk onwards. The revenue will be recognized as accounts receivable concurrently.

The Company does not recognize revenue on outward processing because it does not involve a transfer of control over the processed products.

B. Rendering of Service

Revenue from the rendering of service comes from product maintenance service As the Company provides the service, customers simultaneously receive and consume the benefits provided by the Company's performance. The income generated by the provision of the services under the contract is recognized, according to the degree of completion of the contract.

(12) Lease

The consolidated company evaluates whether the contract is (or contains) a lease on the date of the establishment of the contract.

<u>The consolidated company as lessee</u>

Except for the exempted low-value asset leases and short-term leases, the lease payments are recognized as expenses during the lease term on a straight-line basis. For other leases, the right-of-use assets and lease liabilities are recognized on the lease start date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease start date less the lease incentive received, the original direct cost, and the estimated cost of recovering the underlying asset). Subsequently, the right-of-use asset is measured with a deduction of accumulated depreciation and the amount after the accumulated impairment loss is determined, and the remeasurement of the lease liability is adjusted. Right-of-use assets are presented separately on the balance sheet.

Depreciation of right-of-use asset is recognized on a straight-line basis from the beginning of the lease over the shorter of the useful life of the asset and the lease term.

Lease liabilities are initially measured at the present value (including fixed payments, actual fixed payments, variable lease payments which depend on an index or a rate, expected payables by the consolidated company under residual value guarantees, and the exercise price of a purchase option if the consolidated company is reasonably certain to exercise that option、 the exercise price for an option to purchase reasonably believed will be exercised, and the lease termination penalties reflected in the lease terms, less any lease incentives) of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the consolidated company uses the lessee’s incremental borrowing rate.

Subsequently, lease liability is measured at the amortized cost using the effective interest method, and the interest expense is allocated over the lease term. If the lease term, expected payables under residual value guarantees, assessment of an option to purchase an underlying asset, or the change in the index or rate used to determine the lease payments results in a change in the future lease payments, the Company will remeasure the lease liability and adjust the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented separately on the balance sheet.

(13) Government Grants

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

Government grants related to revenue intended to compensate for the costs incurred by the consolidated company over the period are recognized in other income.

When the consolidated company receives government grants as compensation for expenses or losses that have already been incurred or to provide immediate financial support with no future related costs, these grants are recognized as the profit or loss during the period in which the grants can be collected.

(14) Employee Benefits

A. Short-term Employee Benefits

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

B. Retirement Benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

Net defined benefit liabilities represent the consolidated company’s actual defined benefit plan deficit.

(15) Income Tax

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

A. Current tax

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

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

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

B. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the consolidated company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

C. Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGEMNT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

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

When the consolidated company develops significant accounting estimates, inflation and market interest rate fluctuations are taken into considerations of significant accounting estimates, and forecast to cash flows, growth rate, discount rate, and profitability, etc., are also taken into consideration of significant accounting estimates. The management will continuously review estimates and basic assumptions.

Main sources of uncertainty in estimates and assumptions

(1) Impairment of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

(2) Income tax

The possibility of realizing deferred income tax assets is primarily determined by whether there will be sufficient profits or taxable temporary differences in the future. Suppose the actual profit falls short of expectations. In that case, there may be significant reversals of deferred income tax assets, which are recorded as profit or loss during the period they occur.

6. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash on hand & revolving fund	$ 144	$ 104
Checking accounts	24,241	28,531
Demand deposits	158,385	132,866
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	55,278
	$ 182,770	$ 216,779

Cash equivalent market interest rate for the above interest-bearing financial assets at the date of the balance sheet is as follows:

	December 31, 2023	December 31, 2022
Bank deposit (including time deposits classified as cash equivalent)	0.05%~1.45%	0.005%~4.20%

7. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, AND OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Notes receivable		
Measurement at amortized costs		
Total carrying amount	$ 2,485	$ 803
Less: loss allowance	-	-
	$ 2,485	$ 803
Arising from operations	$ 2,485	$ 803
Accounts receivable		
Measurement at amortized costs		
Total carrying amount	$ 176,304	$ 236,574
Less: loss allowance	(206)	(3,452)
	$ 176,098	$ 233,122
Other receivables		
Receivables for Outward processing	$ 20,873	$ 49,405
Tax refund receivable	8,106	7,082
Others	183	146
	$ 29,162	$ 56,633

(1) Notes receivable

The consolidated company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation. As of December 31, 2023 and 2022, there are no overdue notes receivable. According to the assessment by the consolidated company, it is not necessary to set aside notes receivable for expected credit losses.

(2) Accounts receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the consolidated company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the consolidated company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the consolidated company has been significantly reduced.

The consolidated company recognizes the loss allowance for notes and accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and also considering the GDP forecast. According to the consolidated company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the consolidated company cannot reasonably estimate the recoverable amount, the consolidated company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The consolidated company's loss allowance for the receivables is estimated using a provision matrix as follows:

December 31, 2023

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.00%~6.33%	0%~7.74%	0.04%~7.86%	4.74%~100%	-	100%	
Total carrying amount	$ 139,216	$ 35,919	$ 1,108	$ 19	$ -	$ 42	$ 176,304
Loss allowance (Lifetime ECL)	(52)	(44)	(65)	(3)	-	(42)	(206)
Amortized cost	$ 139,164	$ 35,875	$ 1,043	$ 16	$ -	$ -	$ 176,098

December 31, 2022

	Not past due	1-30 days overdue	31-60 days overdue	61-90 days overdue	91-120 days overdue	120 days overdue	Total
Expected credit loss rate	0.00%~0.20%	0.00%~0.74%	0.17%~3.77%	16.41%~100%	100%	100%	
Total carrying amount	$ 194,233	$ 32,536	$ 6,676	$ 2,160	$ 679	$ 290	$ 236,574
Loss allowance (Lifetime ECL)	(41)	(78)	(247)	(2,117)	(679)	(290)	(3,452)
Amortized cost	$ 194,192	$ 32,458	$ 6,429	$ 43	$ -	$ -	$ 233,122

Changes in loss allowance for accounts receivable are as follows:

	2023	2022
Balance at the beginning of the year	$ 3,452	$ 6,574
Add: impairment losses recognized in current year	(3,237)	1,827
Less: amount written off	(3)	(5,149)
Exchange difference in foreign currencies	(6)	200
Balance at the end of the year	$ 206	$ 3,452

8. INVENTORY

	December 31, 2023	December 31, 2022
Finished goods	$ 37,895	$ 26,181
Work in process	26,764	16,647
Raw materials	430,111	474,410
Merchandise	32,647	42,280
	$ 527,417	$ 559,518

The costs of goods sold related to inventories in 2023 and 2022 were NT$859,383 thousand and NT$783,697 thousand, respectively.

The costs of goods sold in 2023 and 2022, including inventory depreciation and obsolescence losses, were NT$10,798 thousand and NT$6,800 thousand, respectively.

9. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities of the consolidated financial report were as follows:

Investor company	Subsidiaries	Main business	Percentage of ownership Dec. 31, 2023	Percentage of ownership Dec. 31, 2022	Note
The Company	CIPHERLAB USA, INC.	Electronics sales	100	100	The main business risk is foreign currency risk
〃	CIPHERLAB LIMITED (SAMOA)	Investment holding	100	100	The main business risk is foreign currency risk
〃	MPLUS TECHNOLOGY CO., LTD (MPLUS TECHNOLOGY)	Development and sales of electronic products	95	94	The main business risk is foreign currency risk
CIPHERLAB LIMITED (SAMOA)	CipherLab Electron Trade (Shanghai) Limited Company (CipherLab (Shanghai))	Electronics sales	100	100	The main business risks are political risks and foreign currency risks due to government orders and cross-strait relations

A. CIPHERLAB LIMITED (SAMOA) was established on May 29, 2006 by the relevant laws and regulations of Samoa.

B. CipherLab (Shanghai) was approved and established in Shanghai on November 15, 2006, with an effective operation term from November 15, 2006, to November 14, 2036.

C. CIPHERLAB USA, INC. was approved and established in the USA on January 11, 2007.

D. MPLUS TECHNOLOGY was approved and established in ROC on May 19, 2016. MPLUS TECHNOLOGY implemented cash capital increase of NT$5,000 thousand on February 20, 2023, subscribed by the Company in full, and the payment for the capital increase was offset by the loans to MPLUS TECHNOLOGY. In addition, MPLUS TECHNOLOGY implemented cash capital increase of NT$2,000 thousand on June 30, 2023, subscribed by the Company in full as well. After the capital increase, the percentage of ownership of the Company to MPLUS TECHNOLOGY has increased from 94% to 95%. The difference of NT$437 thousand in the carrying amount of investments decreased the unappropriated earnings.

(2) Subsidiaries included in the consolidated financial statements: None

10. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generating equipment	Other equipment	Total
Cost								
Balance as of January 1, 2023	$ 57,996	$ 55,493	$ 16,406	$ 223,140	$ 1,320	$ 103,787	$ 308	$ 458,450
Addition	-	-	-	10,556	-	5,031	-	15,587
Disposals	-	-	(554)	(288)	-	(5,480)	(82)	(6,404)
Reclassification (Note)	-	-	-	10,390	-	1,975	-	12,365
Net exchange difference	-	-	-	-	-	(3)	(3)	(6)
Balance as of December 31, 2023	$ 57,996	$ 55,493	$ 15,852	$ 243,798	$ 1,320	$ 105,310	$ 223	$ 479,992
Accumulated depreciation and impairment								
Balance as of January 1, 2023	$ -	$ 24,453	$ 15,689	$ 213,208	$ 1,320	$ 93,511	$ 253	$ 348,434
Depreciation	-	991	111	11,629	-	4,651	7	17,389
Disposals	-	-	(554)	(288)	-	(4,895)	(74)	(5,811)
Net exchange difference	-	-	-	-	-	(7)	(2)	(9)
Balance as of December 31, 2023	$ -	$ 25,444	$ 15,246	$ 224,549	$ 1,320	$ 93,260	$ 184	$ 360,003
Net balance as of December 31, 2023	$ 57,996	$ 30,049	$ 606	$ 19,249	$ -	$ 12,050	$ 39	$ 119,989

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generating equipment	Other equipment	Total
Cost								
Balance as of January 1, 2022	$ 57,996	$ 55,493	$ 16,406	$ 220,869	$ 1,190	$ 97,321	$ 457	$ 449,732
Addition	-	-	-	2,157	-	6,067	39	8,263
Disposals	-	-	-	(360)	-	(970)	(200)	(1,530)
Reclassification (Note)	-	-	-	912	-	792	-	1,704
Net exchange difference	-	-	-	-	130	139	12	281
Balance as of December 31, 2022	$ 57,996	$ 55,493	$ 16,406	$ 223,578	$ 1,320	$ 103,349	$ 308	$ 458,450

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-generating equipment	Other equipment	Total
Accumulated depreciation and impairment								
Balance as of January 1, 2022	$ -	$ 23,462	$ 15,578	$ 197,415	$ 1,190	$ 89,770	$ 416	$ 327,831
Depreciation	-	991	111	16,153	-	4,544	6	21,805
Disposals	-	-	-	(360)	-	(904)	(180)	(1,444)
Net exchange difference	-	-	-	-	130	101	11	242
Balance as of December 31, 2022	$ -	$ 24,453	$ 15,689	$ 213,208	$ 1,320	$ 93,511	$ 253	$ 348,434
Net balance as of December 31, 2022	$ 57,996	$ 31,040	$ 717	$ 10,370	$ -	$ 9,838	$ 55	$ 110,016

Note: Reclassified from other non-current assets – prepayments for business facilities, to property, plant, and equipment.

Related depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	55 years
Mechanical equipment	2~10 years
Molding equipment	2~5 years
Transportation equipment	5 years
Income-generating equipment	2~6 years
Other equipment	3~5 years

Property, plant, and equipment pledged as collateral for bank borrowings are set out in Note 28.

11. LEASE ARRANGEMENT

(1) Right-of-use assets

	Buildings	Transportation	Total
Cost			
Balance as of January 1, 2023	$ 75,576	$ 3,334	$ 78,910
Addition	2,777	-	2,777
Reductions	(5,017)	-	(5,017)
Net exchange difference	71	-	71
Balance as of December 31, 2023	$ 73,407	$ 3,334	$ 76,741
Accumulated depreciation			
Balance as of January 1, 2023	$ 26,525	$ 1,010	$ 27,535
Depreciation expenses	25,165	1,300	26,465
Reductions	(4,473)	-	(4,473)
Net exchange difference	-	-	-
Balance as of December 31, 2023	$ 47,217	$ 2,310	$ 49,527
Net Balance as of December 31, 2023	$ 26,190	$ 1,024	$ 27,214

	Buildings	Transportation	Total
Cost			
Balance as of January 1, 2022	$ 73,503	$ 4,782	$ 78,285
Additions	42,719	1,577	44,296
Reductions	(43,667)	(2,988)	(46,655)
Net exchange difference	3,021	(37)	2,984
Balance as of December 31, 2022	$ 75,576	$ 3,334	$ 78,910
Accumulated depreciation			
Balance as of January 1, 2022	$ 43,768	$ 1,651	$ 45,419
Depreciation expenses	25,691	1,210	26,901
Reductions	(43,630)	(1,847)	(45,477)
Net exchange difference	696	(4)	692
Balance as of December 31, 2022	$ 26,525	$ 1,010	$ 27,535
Net Balance as of December 31, 2022	$ 49,051	$ 2,324	$ 51,375

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount of lease liabilities		
Current	$ 9,251	$ 24,901
Non-current	$ 21,190	$ 29,185

The range of the discount rates for lease liabilities is as follows:

	December 31, 2023	December 31, 2022
Buildings	1.111% ~ 5.5%	1.111% ~ 5.5%
Transportation equipment	1.111% ~ 1.167%	1.111% ~ 1.167%

(3) Lease-in activities and terms

The consolidated company leases certain buildings and transportation equipment with lease terms of 2 to 12 years. The consolidated company does not have bargain purchase options to acquire the leasehold buildings and transportation equipment at the end of the lease terms.

(4) Other lease information

	2023	2022
Expenses relating to low-value asset leases	($ 164)	($ 189)
Expenses relating to short-term leases	($ 337)	($ 155)
Total cash outflow for leases	($ 28,097)	($ 28,741)

12. INTANGIBLE ASSETS

	December 31, 2023	December 31, 2022
Computer software	$ 4,041	$ 9,804

	2023	2022
Cost		
Balance at the beginning of the year	$ 63,870	$ 61,609
Separate acquisition	1,580	1,955
Disposals	(43,052)	-
Reclassification (Note)	-	304
Net exchange difference	(1)	2
Balance at the end of year	$ 22,397	$ 63,870
Accumulated amortization and impairment		
Balance at the beginning of the year	$ 54,066	$ 46,189
Amortization expenses	4,598	5,265
Recognition of impairment losses	2,745	2,610
Disposals	(43,052)	-
Net exchange difference	(1)	2
Balance at the end of the year	$ 18,356	$ 54,066
Net Balance at the end of the year	$ 4,041	$ 9,804

Note: Reclassified from other non-current assets – prepayments for business facilities, to computer software.

The Company's subsidiary, MPLUS TECHNOLOGY carried out the impairment test on the intangible assets in 2022, using the discounted cash flow method to calculate the recoverable amount of the intangible assets at an annual discount rate of 13.57% and recognized the carrying amount over the recoverable amount of NT$2,610 thousand as the impairment loss. As the aforementioned intangible assets were evaluated as developmentally limited in 2023, the remaining carrying amount of NT$2,745 thousand has been recognized as impairment losses.

Amortization expenses of computer software are calculated on a straight-line basis over the estimated useful lives of 2~6 years.

13. OTHER ASSETS

	December 31, 2023	December 31, 2022
Prepayments	$ 43,971	$ 44,568
Guarantee deposits paid	6,030	6,321
Prepayment for equipment	1,612	3,914
	$ 51,613	$ 54,803
Current	$ 43,971	$ 44,568
Non-current	7,642	10,235
	$ 51,613	$ 54,803

14. BORROWINGS

(1) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured loans		
Line of credit	$ 30,000	$ 160,000
Secured loans		
Mortgage	$ 50,000	$ -

As of December 31, 2023, and 2022, the interest rates for short-term loans ranged from 1.85% and 1.68% ~ 1.89%, respectively.

(2) Long-term borrowings

	December 31, 2023	December 31, 2022
Unsecured loans		
Bank loan	$ 3,278	$ 4,000
Less: set aside as part due within 1 year	(983)	(724)
Long-term borrowings	$ 2,295	$ 3,276

The consolidated company followed the "Directions for Business Financial Relief and Interest Supplement by the Ministry and Economic Affairs for Businesses with Operational Difficulties Due to COVID-19," and entered into a borrowing contract with the Land Bank of Taiwan. The total amount of the loan was NT$4,000 thousand. The interest rate was calculated based on the Central Bank's guaranteed lending rate plus 0.9%, with an interest subsidy applied. The maximum period for subsidized interest is one year, with an upper limit of NT$220 thousand. The loan is paid back in installments, with a due date of March 8, 2027. The repayment method entails paying monthly interest before April 8, 2023, with the principal and interest amortized every month from April 8, 2023.

15. ACCOUNTS PAYABLE

	December 31, 2023	December 31, 2022
Accounts payable		
Arising from operations	$ 121,129	$ 107,944

16. OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Current		
Other payables		
Processing expense payable	$ 26,260	$ 55,237
Salaries and bonus payable	23,148	40,199
Payables on testing	9,729	874
Payables on R&D projects	4,995	-
Payables on equipment	4,404	5,110
Export expense payable	4,200	3,433
Insurance expense payable	3,611	151
Others	21,131	20,646
	$ 97,478	$ 125,650

	December 31, 2023	December 31, 2022
Other liabilities		
Contractual liabilities (Note 19)	$ 47,837	$ 43,575
Others	3,805	4,237
	$ 51,642	$ 47,812
Non-current		
Other liabilities		
Contractual liabilities (Note 19)	$ 45,467	$ 42,698
Guarantee deposits received	6,458	6,458
	$ 51,925	$ 49,156

17. RETIREMENT CONTRIBUTION PLAN

(1) Defined contribution plan

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

CipherLab (Shanghai) distributes pensions to pension management companies by a specific percentage of the local employees' monthly salaries.

(2) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standard Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the name of the committee. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor, and the Company has no right to influence the investment policy and strategy.

The amount of the defined benefit plans presented in the consolidated balance sheet is as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	$ 26,008	$ 25,482
Fair value of planned assets	(17,642)	(16,718)
Deficit contribution	8,366	8,764
Net defined benefit liability	$ 8,366	$ 8,764

Changes on net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2023	$ 25,482	($ 16,718)	$ 8,764
Service cost			
Current service cost	34	-	34
Interest expense (income)	356	(238)	118
Recognized in profit or loss	390	(238)	152
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(118)	(118)
Actuarial loss - changes in financial assumption	233	-	233
Actuarial gain - experience adjustment	(97)	-	(97)
Recognized in other comprehensive income	$ 136	($ 118)	$ 18
Contribution from the employer	-	(568)	(568)
Balance as of December 31, 2023	$ 26,008	($ 17,642)	$ 8,366
Balance as of January 1, 2022	$ 26,454	($ 14,857)	$ 11,597
Interest expense (income)	198	(113)	85
Recognized in profit or loss	198	(113)	85
Remeasurement			
Return on planned assets (excluding the amount included in the net interest)	-	(1,154)	(1,154)
Actuarial gain - changes in financial assumption	(1,594)	-	(1,594)
Actuarial loss - experience adjustment	424	-	424
Recognized in other comprehensive income	(1,170)	(1,154)	(2,324)
Contribution from the employer	-	(594)	(594)
Balance as of December 31, 2022	$ 25,482	($ 16,718)	$ 8,764

The amount recognized in profit or loss in respect of the defined benefit plan is summarized by function as follows:

	2023	2022
Operating costs	$ 83	$ 45
Selling expenses	42	24
Administrative expenses	19	11
Research and development expenses	8	5
	$ 152	$ 85

Due to the pension system under the "Labor Standards Act", the consolidated company is exposed to the following risks:

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

B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31, 2023	December 31, 2022
Discount rate	1.300%	1.400%
Expected rate of salary increase	3.000%	3.000%

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

	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	($ 592)	($ 623)
Decrease by 0.25%	$ 612	$ 646
Expected rate of salary increase		
Increase by 0.25%	$ 587	$ 620
Decrease by 0.25%	($ 571)	($ 602)

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

The analysis of the average maturity of defined benefit obligations is as follows:

	December 31, 2023	December 31, 2022
Expected contributions to the plans for the next year	$ 568	$ 593
Average duration of the defined benefit obligation	9 years	11 years

18. EQUITY

(1) Ordinary shares

	December 31, 2023	December 31, 2022
Authorized shares (in thousands of shares)	90,000	90,000
Authorized capital	$ 900,000	$ 900,000
Number of shares issued and fully paid (in thousands of shares)	68,489	68,489
Capital issued	$ 684,891	$ 684,891

The par value of each ordinary share issued is NT$10, and each share possesses one voting right and a right to receive dividends.

(2) Capital surplus

	December 31, 2023	December 31, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)		
Additional paid-in capital	$ 1,062	$ 1,062
May only be used to offset a deficit		
Unclaimed dividends (B)	89	89
	$ 1,151	$ 1,151

A. Such capital surplus may be used to offset a deficit. In the case when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus once a year.

B. According to the letter No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained earnings and dividends policy

Suppose the consolidated company made a profit in a fiscal year. In that case, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the consolidated company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder's meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and directors' remuneration, refer to Note 20-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The statutory surplus reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company follows the regulations outlined in the letter No. 1090150022 and "Questions and Answers on Applicable for the Provision of Special Reserve after the Adoption of International Financial Reporting Standards (IFRS accounting standards)" to set aside and reverse the special reserve.

The appropriations for the earnings of years 2022 and 2021 approved at the shareholders' meeting on June 27, 2023 and June 21, 2022, respectively, are as follows:

	2022	2021
Legal reserve	$ 3,411	$ 3,651
Special reserve	($ 10,424)	$ 8,446
Cash dividend	$ 41,093	$ 23,971
Cash dividend per share (NT$)	$ 0.60	$ 0.35

The proposal of making up losses of 2023 has been proposed by the board of directors on March 13, 2024, to cover up the losses by legal reserve of NT$4,129 thousand, and reserve special reserve of NT$217 thousand, and is expected to be resolved by the shareholders' meeting held on June 26, 2024.

(4) Special reserve

	2023	2022
Balance at the beginning of the year	$ 11,508	$ 3,062
Provision (reversal) of special reserve		
Provision of deductions to other equity	-	8,446
Reversal of deductions to other equity	(10,424)	-
Balance at the end of the year	$ 1,084	$ 11,508

(5) Other equities

A. Exchange differences on translation of foreign financial statements:

	2023	2022
Balance at the beginning of the year	$ 1,096	($ 9,328)
Recognized for the year		
Exchange differences arising from translation of a foreign operation	271	13,030
Income tax related to exchange differences arising from translation of a foreign operation	(54)	(2,606)
Balance at the end of the year	$ 1,313	$ 1,096

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2023	2022
Balance at the beginning and the end of the year	($ 2,180)	($ 2,180)

19. REVENUE

	2023	2022
Revenue from contracts with customers		
Sales revenue	$ 1,310,531	$ 1,228,010
Service revenue	49,018	29,952
	$ 1,359,549	$ 1,257,962

(1) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2022
Notes and accounts receivables (Note 7)	$ 178,583	$ 233,925	$ 239,123
Contract liabilities – current (Note 16)			
Sale of goods	$ 14,034	$ 22,516	$ 14,915
Warranty service	33,803	21,059	3,755
	47,837	43,575	18,670
Contract liabilities – non-current (Note 16)			
Warranty service	45,467	42,698	9,677
	$ 93,304	$ 86,273	$ 28,347

The changes in the balance of contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the respective customer’s payment.

Revenue in 2023 and 2022 recognized from the contract liability balance at the beginning of the year were NT$24,357 thousand and NT$2,991 thousand, respectively.

(2) Disaggregation of revenue from contracts with customers

Please refer to Note 32 for information regarding disaggregation of revenue.

(3) Contract with customers not completed in full

The transaction prices allocated to performance obligations not fully completed and the expected time points of revenue recognition are as follows:

	December 31, 2023	December 31, 2022
Warranty service		
- Perform in 2023	$ -	$ 21,059
- Perform in 2024	33,803	19,156
- Perform in 2025	25,698	13,170
- Perform in 2026	13,714	7,360
- Perform in 2027	5,143	3,012
- Perform in 2028	912	-
	$ 79,270	$ 63,757

The aforementioned disclosure does not include sales contracts with maturity less than one year.

20. NET PROFIT

(1) Interest income

	2023	2022
Bank deposits	$ 3,062	$ 1,040
Others	77	49
	$ 3,139	$ 1,089

(2) Other income

	2023	2022
Government Grants (Note 23)	$ 1,624	$ 1,369
Others	621	836
	$ 2,245	$ 2,205

(3) Other gains and losses

	2023	2022
Net foreign exchange gains	$ 5,478	$ 15,340
Impairment losses on intangible assets	(2,745)	(2,610)
Gains on lease modification	3	5
Gains on financial assets measured at fair value through profit or loss	4	-
Losses on disposal of property, plant and equipment	(577)	(86)
Others	(167)	(607)
	$ 1,996	$ 12,042

(4) Financial costs

	2023	2022
Interest on bank loans	$ 2,216	$ 3,170
Interest on lease liabilities	1,561	1,720
	$ 3,777	$ 4,890

(5) Depreciation and amortization

	2023	2022
Property, plant, and equipment	$ 17,389	$ 21,805
Right-of-use assets	26,465	26,901
Intangible assets	4,598	5,265
Total	$ 48,452	$ 53,971
Depreciation expenses by function		
Operating costs	$ 15,484	$ 19,640
Operating expenses	28,370	29,066
	$ 43,854	$ 48,706
Amortization expenses by function		
Operating costs	$ 469	$ 655
Selling expenses	473	317
Administrative expenses	154	1,819
Research and development expenses	3,502	2,474
	$ 4,598	$ 5,265

(6) Employee benefit expenses

	2023	2022
Post-retirement benefit (Note17)		
Defined contribution plan	$ 11,848	$ 11,099
Defined benefit plan	152	85
	12,000	11,184
Other employee benefit	276,116	283,887
Total employee benefit	$ 288,116	$ 295,071
Summarized by function		
Operating costs	$ 50,010	$ 53,768
Operating expenses	238,106	241,303
	$ 288,116	$ 295,071

(7) Employees' compensation and directors' remuneration

The company distributes 0.5% ~ 10% and no higher than 3% of pretax net profit of the current year as employees' compensation and directors' remuneration. As the Company incurred net loss before tax, employees' compensation and directors' remuneration were not accrued. The employees' compensation and directors' remuneration for the year of 2022 were resolved by the board of directors on March 29, 2023 as follows:

Accrual rate

	2022
Compensation of employees	10%
Remuneration of directors	3%

Amount

	2022	
	Cash	Stocks
Compensation of employees	$ 4,209	$ -
Remuneration of directors	1,262	-

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

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

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

(8) Gains or losses on foreign currency exchange

	2023	2022
Total gains on foreign currency exchange	$ 30,234	$ 42,215
Total losses on foreign currency exchange	(24,756)	(26,875)
Net Gains	$ 5,478	$ 15,340

21. INCOME TAX

(1) Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	2023	2022
Current income tax expense		
In respect of current year	$ -	$ 7,859
Adjustment for prior years	(206)	-
Deferred income tax		
In respect of the current year	(1,294)	(2,083)
Income tax expense (benefit) recognized in profit or loss	($ 1,500)	$ 5,776

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

	2023	2022
Net profit (loss) before tax	($ 6,344)	$ 36,970
Income tax calculated at the 20% statutory rate	($ 1,269)	$ 7,394
Non-deductible losses	1	681
Tax-exempt income	(326)	(274)
Unrecognized temporary differences, loss deduction and investment offsets	256	(1,954)
Adjustment of income tax expenses of prior years in current year	(206)	-
Effect of different tax rates applicable to consolidated entities	44	(71)
Income tax expense (benefit) recognized in profit or loss	($ 1,500)	$ 5,776

The tax rates applicable to subsidiaries in China and the United States are 25% and 21%, respectively; the tax incurred for business operations in other locations is calculated according to the tax rates in each relevant jurisdiction.

(2) Income tax recognized in other comprehensive income

	2023	2022
Deferred tax		
In respect of the current year		
- Remeasurement of defined benefit plans	($ 3)	$ 465
- Translation of foreign financial statements	54	2,606
Total income tax recognized in other comprehensive income	$ 51	$ 3,071

(3) Current income tax assets and liabilities

	December 31, 2023	December 31, 2022
Current income tax assets		
Tax refund receivables	$ 5,882	$ -
Current income tax liabilities		
Income tax payables	$ -	$ 6,051

(4) Deferred tax assets and liabilities

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

2023

Deferred tax assets	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
Temporary differences					
Inventory price decline and obsolescence loss	$ 14,765	$ 914	$ -	$ -	$ 15,679
Pension not contributed	2,468	(83)	-	-	2,385
Share of profit or loss of subsidiaries accounted for using equity method	34,209	7,373	-	-	41,582
Unrealized gross profit from sales with subsidiaries	6,974	353	-	-	7,327
Others	29	(5)	-	-	24
	58,445	8,552	-	-	66,997
Loss deduction	19,897	(6,872)	-	-	13,025
	$ 78,342	$ 1,680	$ -	$ -	$ 80,022

Deferred income tax liabilities	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
Temporary differences					
Unrealized currency exchange gains	$ 1,881	$ 386	$ -	$ -	$ 2,267
Exchange differences on foreign operations	274	-	54	-	328
Defined benefit retirement plan	1,751	-	(3)	-	1,748
	$ 3,906	$ 386	$ 51	$ -	$ 4,343

2022

Deferred tax assets	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
Temporary differences					
Inventory price decline and obsolescence loss	$ 15,922	($ 1,157)	$ -	$ -	$ 14,765
Pension not contributed	2,569	(101)	-	-	2,468
Share of profit or loss of subsidiaries accounted for using equity method	24,537	9,672	-	-	34,209
Unrealized gross profit from sales with subsidiaries	4,727	2,247	-	-	6,974
Exchange difference on foreign operations	2,332	-	(2,332)	-	-
Others	308	(279)	-	-	29
	50,395	10,382	(2,332)	-	58,445
Loss deduction	27,355	(7,707)	-	249	19,897
	$ 77,750	$ 2,675	($ 2,332)	$ 249	$ 78,342

Deferred income tax liabilities	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	End balance
Temporary differences					
Unrealized currency exchange gains	$ 1,289	$ 592	$ -	$ -	$ 1,881
Exchange differences on foreign operations	-	-	274	-	274
Defined benefit retirement plan	1,286	-	465	-	1,751
	$ 2,575	$ 592	$ 739	$ -	$ 3,906

(5) Deductible temporary differences and losses not recognized in the consolidated balance sheet as deferred income tax assets

	December 31, 2023	December 31, 2022
Loss deduction	$ 167,928	$ 144,738
Deductible temporary differences		
Impairment losses on intangible assets	$ 4,674	$ 2,610
Financial assets measured at fair value through other comprehensive income	2,180	2,180
Losses on inventory valuation	893	-
Others	22	-
	$ 7,769	$ 4,790

(6) Relevant information on unused loss deduction

As of December 31, 2023, relevant information on loss deduction is as follows:

The Company

Un-deducted balance	Final deduction year
$ 52,481	2030

MPLUS TECHNOLOGY

Un-deducted balance	Final deduction year
$ 4,904	2027
5,694	2028
8,099	2029
2,395	2030
11,923	2032
6,799	2033
$ 39,814	

CipherLab (Shanghai)

Un-deducted balance	Final deduction year
$ 3,501	2024
4,607	2025
9,480	2027
10,773	2028
$ 28,361	

CIPHERLAB USA, INC.

As per the United States income tax law, there is no time limit for deducting losses, but the maximum deduction limit is 80% of the taxable income in the year of profit. As of December 31, 2023, the unused loss deduction is USD3,641 thousand.

(7) Income tax assessments

The tax authorities have assessed the income tax returns of the Company and its subsidiary, MPLUS TECHNOLOGY, through 2021 and 2020, respectively.

22. EARNINGS (LOSSES) PER SHARE

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

Net profit (loss) for the year

	2023	2022
Earnings (losses) used in the computation of basic and diluted earnings per share	($ 4,366)	$ 32,254

Number of shares

Units: Thousands of Shares

	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings (losses) per share	68,489	68,489
Effect of potential dilutive ordinary shares:		
Compensation of employees	-	320
Weighted average number of ordinary shares used in the computation of diluted earnings per share	68,489	68,809

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year. As the Company incurred net loss before tax in 2023, diluted earnings per share shall not be calculated.

23. GOVERNMENT GRANTS

According to the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens”, the consolidated company was eligible to apply for government grants for various expenses. The subsidies received were NT$1,624 thousand and NT$1,369 thousand for 2023 and 2022, respectively, which were recognized under other income.

24. CASH FLOW INFORMATION

(1) Non-cash transaction

The consolidated company entered into the following non-cash transaction investing activities in the years 2023 and 2022:

	2023	2022
Partial cash payment for real property, plant and equipment		
Acquisition of property, plant and equipment	$ 15,587	$ 8,263
Changes in payables on purchases of equipment (Net)	706	(3,395)
Cash paid	$ 16,293	$ 4,868

(2) Changes in liabilities arising from financing activities

2023

	January 1, 2023	Cash flows	Non-cash changes: Addition	Non-cash changes: Less	Non-cash changes: Effective rate	December 31, 2023
Short-term loans	$ 160,000	($ 80,000)	$ -	$ -	$ -	$ 80,000
Long-term loans	4,000	(722)	-	-	-	3,278
Lease liabilities	54,086	(26,035)	2,777	(547)	160	30,441
	$ 218,086	($ 106,757)	$ 2,777	($ 547)	$ 160	$ 113,719

2022

	January 1, 2022	Cash flows	Non-cash changes: Addition	Non-cash changes: Less	Non-cash changes: Effective rate	December 31, 2022
Short-term loans	$ 182,341	($ 22,341)	$ -	$ -	$ -	$ 160,000
Long-term loans	12,290	(8,290)	-	-	-	4,000
Lease liabilities	34,911	(26,677)	44,296	(1,183)	2,739	54,086
	$ 229,542	($ 57,308)	$ 44,296	($ 1,183)	$ 2,739	$ 218,086

25. CAPITAL MANAGEMENT

The consolidated company manages its capital to ensure that every entity within the group can function effectively and generate maximum returns for shareholders by optimizing the balance of liability and equity.

The capital structure is made up of the interests of the consolidated company.

The consolidated company is not subject to meeting other external capital requirements.

26. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The consolidated company's management considers that carrying amount of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair values.

(2) Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets at amortized cost (Note 1)	$ 389,939	$ 508,076
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	281,302	354,787

Note 1: Including financial assets measure at amortized cost such as cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, other receivables (excluding tax refund receivable), and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost such as short-term loans, accounts payable, other payables (excluding salaries and bonus payable, employees' welfare funds, insurance expenses and operating tax), long-term loans with maturity within 1 year, long-term loans and guarantee deposits.

(3) Financial risk management objectives and policies

The consolidated company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable, and lease liabilities. The financial risks relating to the operation of the consolidated company include market risk (including foreign currency risk and interest risk), credit risk, and liquidity risk.

A. Market risk

The main financial risks borne by the consolidated company are foreign currency risk (please refer to (I) below) and interest risk (please refer to (II) below).

There has been no change to the consolidated company's exposure to market risks or the manner in which these risks are managed and measured.

(I) Foreign currency risk

The company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the company regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the consolidated company’s foreign currency denominated monetary assets and monetary liabilities are set out in Note 30.

Sensitivity analysis

The consolidated company is mainly exposed to the US dollar exchange rate fluctuation.

The following table details the consolidated company’s sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the consolidated company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. It is imperative to consider the consolidated company's external borrowing, accounts receivable, and accounts payable in addition to internal receivables from foreign operating institutions and foreign currency bank account balances for sensitivity analysis.

The positive number in the table below means that when the functional currency depreciates by 1% against the U.S. dollar, it will increase the pre-tax net profit; when the functional currency appreciates by 1% relative to the U.S. dollar, the impact on the pre-tax net profit will be the same amount negative number.

	Impact of the US dollar	
	2023	2022
Profit or loss	$ 1,410	$ 2,506

The effects mentioned are primarily caused by the consolidated company's foreign currency borrowings, receivables, payables, and bank account balances that remain circulated on the balance sheet date and have not undergone cash flow hedging measures.

The consolidated company's sensitivity to exchange rates has decreased in 2023 primarily because of the decrease in net assets denominated in foreign currencies.

(II) Interest risk

The consolidated company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the consolidated company's exposure to interest risk.

The carrying amounts of the consolidated company’s financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2023	December 31, 2022
Fair value interest rate risk		
- Financial assets	$ -	$ 55,278
- Financial liabilities	80,441	84,086
Cash flow interest rate risk		
- Financial assets	159,885	134,366
- Financial liabilities	33,278	134,000

Sensitivity analysis

The sensitivity analysis below was determined based on the consolidated company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used when reporting interest rates to the key management in the Consolidate company reflects a 25-basis point increase or decrease per annum. This rate serves as a reference for potential fluctuations to the management team in their evaluations.

If interest rates had been changed by 25 basis points and all other variables were held constant, the consolidated company's pre-tax profit for 2023 would change by NT$317 thousand, and for 2022 NT$1 thousand, respectively, which was mainly due to fluctuations in variable interest rate related to the consolidated company's bank deposits and borrowings.

The consolidated company's sensitivity to interest rates increased in 2023, mainly due to the decrease in financial assets and liabilities at floating interest rates.

B. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated company. As at the end of the reporting period, the consolidated company's maximum exposure to credit risk, which would cause a financial loss to the consolidated company due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The consolidated company has adopted a policy to only carry out transactions with reputable counterparties; therefore, no significant credit risk is anticipated.

C. Liquidity risk

The consolidated company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows through the use of cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

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

(I) Liquidity and interest rate risk tables

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

December 31, 2023

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 147,728	$ 43,643	$ 195	$ 6,458	$ -
Floating instrument					
Floating rate instrument	$ 87	$ 175	$ 30,964	$ 2,357	$ -
Fixed rate instrument	$ 50,018	$ -	$ -	$ -	$ -
Lease liabilities	$ 1,897	$ 4,352	$ 4,232	$ 14,981	$ 10,382

December 31, 2022

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	$ 142,146	$ 42,073	$ 110	$ 6,458	$ -
Floating instrument					
Floating rate instrument	$ 7	$ 100,341	$ 30,955	$ 3,397	$ -
Fixed rate instrument	$ -	$ 30,081	$ -	$ -	$ -
Lease liabilities	$ 1,998	$ 4,582	$ 19,908	$ 20,463	$ 14,109

(II) Financing facilities

	December 31, 2023	December 31,2022
Amount of short-term bank loans		
- Amount used	$ 80,000	$ 160,000
- Amount unused	540,705	380,710
	$ 620,705	$ 540,710
Amount of long-term bank loans		
- Amount used	$ 3,278	$ 4,000
- Amount unused	-	-
	$ 3,278	$ 4,000

27. RELATED PARTY TRANSACTIONS

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

(1) Related party name and category

Related Party Name	Relationship with the Company
AtechOEM Inc.	Substantive Related Parties
Weikeng Industrial Co., Ltd.	Substantive Related Parties

(2) Operating transactions

	2023	2022
Purchases of goods		
Substantive Related Parties	$ 3,757	$ 7,028

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the consolidated company and related parties and those of the third parties.

(3) Payables to related parties

Item	Related party category/Name	December 31, 2023	December 31, 2022
Accounts payable	Substantive related parties	$ 1,129	$ 2,367

The balance of payables to related parties has not been pledged as collateral.

(4) Compensation of key management personnel

	2023	2022
Short-term employee benefits	$ 15,664	$ 18,880
Post-employment benefits	124	108
	$ 15,788	$ 18,988

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

28. ASSETS PLEDGED AS SECURITY

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	December 31, 2023	December 31, 2022
Land	$ 57,996	$ 57,996
Building	30,049	31,040
Pledged time deposits (recognized as financial assets at amortized cost)	1,500	1,500
	$ 89,545	$ 90,536

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the consolidated company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	$ 1,640	$ 10,226

30. SIGNIFICANT FINANCIAL ASSETS AND LIABILITES DENOMIATED IN FOREIGN CURRENCIES

The consolidated company’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the consolidated company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 7,648	30.705 (USD: NTD)	$ 234,852
Foreign currency financial liabilities			
Monetary item			
USD	3,057	30.705 (USD: NTD)	93,856

December 31, 2022

	Foreign currency	Exchange rate	Carrying amount
Foreign currency financial assets			
Monetary item			
USD	$ 11,783	30.710 (USD: NTD)	$ 361,856
Foreign currency financial liabilities			
Monetary item			
USD	3,610	30.710 (USD: NTD)	110,864
CNY	11	6.9646 (USD: CNY)	344

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

	2023		2022	
Foreign currency	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	31.155 (USD: NTD)	$ 5,470	29.805 (USD: NTD)	$ 16,649
CNY	7.0423 (USD: CNY)	8	6.7208 (USD: CNY)	(1,309)
		$ 5,478		$ 15,340

31. OTHER DISCLOSURE

(1) Information on significant transactions:

A. Financing provided to others: None;

B. Endorsements/guarantees provided: None;

C. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): Table 1;

D. Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

E. Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

F. Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

G. Total purchases from or sales to related parties of at least to NT$100 million or 20% of the paid-in capital: Table 2;

H. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

I. Trading in derivative instruments: None;

J. Others: intercompany relationships and significant intercompany transactions: Table 3

(2) Information on investees: Table 4

(3) Information on investment in Mainland China:

A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 5;

B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None;

(I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

(II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(III) The amount of property transactions and the amount of the resultant gains or losses.

(IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 6

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The reportable segments of the consolidated company are as below:

(1) Segment revenue and operating results

Following was an analysis of the consolidated company's revenue and operating results by reportable segments:

	Segment Income		Segment Loss	
	2023	2022	2023	2022
Direct customer department	$ 14,890	$ 6,082	$ 6,476	($ 2,124)
Agency department	1,040,465	905,194	38,369	81,614
US sales department	239,732	254,178	(21,354)	(3,103)
China sales department	47,545	78,856	(16,015)	(20,422)
Other segments	16,917	13,652	(6,999)	(16,324)
Total for operation units	$ 1,359,549	$ 1,257,962	477	39,641

	Segment Income		Segment Loss	
	2023	2022	2023	2022
Interest income			3,139	1,089
Other incomes			2,245	2,205
Other profit or loss			1,996	12,042
Headquarters' management costs and directors' remuneration			(10,424)	(13,117)
Financial costs			(3,777)	(4,890)
Net profit (loss) before tax			($ 6,344)	$ 36,970

Segment profits refer to the earnings by each division, excluding apportionable administrative costs of headquarter and directors' remuneration, interest income, other incomes, other profit or loss, financial costs and income tax expense. The amount of measurement is then provided to the chief operating decision-maker to allocate resources to divisions and evaluate the division's performance.

(2) Total segment assets and liabilities

The amount of measurement for the consolidate company's assets and liabilities was not provided to the chief operating decision-maker, so the relevant information will not be disclosed.

(3) Revenue from major products and services

The following is an analysis of the consolidated company's revenue from its major products and services:

	2023	2022
Electronic instruments	$ 1,310,531	$ 1,228,010
Technology, maintenance service	49,018	29,952
	$ 1,359,549	$ 1,257,962

(4) Geographical information

The consolidated company operates in three principal geographical areas - Taiwan, Mainland China and U.S.A.

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

	Revenue from External Customers		Non-current Assets	
	2023	2022	December 31, 2023	December 31, 2022
Taiwan	$ 1,072,272	$ 924,928	$ 138,965	$ 157,767
Mainland China	47,545	78,856	50	1,184
USA	239,732	254,178	19,871	22,479
	$ 1,359,549	$ 1,257,962	$ 158,886	$ 181,430

Non-current assets exclude deferred tax assets.

(5) Information about major customers

Customers accounted for more than 10% of the consolidated company’s operating income:

	2023	2022
Company B	$ 258,442	(Note)
Company A	144,922	$ 146,847
	$ 403,364	$ 146,847

Note: Amount of revenue did not reach 10% of total operating revenue of the consolidated company.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Marketable securities held at the end of the period

December 31, 2023

Table 1

Unit: In Thousands of New Taiwan Dollars

Holding Company Name	Marketable Securities Type and Name	Relationship with the holding company	Financial Statement Account	End of the reporting period				Note
				Shares / Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CIPHERLAB CO., LTD.	Shares							
	JRC INTERNATIONAL PTY LIMITED	None	Financial assets measured at fair value through other comprehensive income	760	$ -	19	$ -	Note
	WELCOM DESIGN K.K.	〃	〃	40	-	4	-	〃

Note: The abovementioned unlisted (counter) stock investment held by the consolidated company was evaluated and measured at fair value as zero as of the balance sheet date. The unrealized loss of NT$2,180 thousand has been adjusted.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Total purchase from or sales to related parties of at least NT$100 million or 20% of the paid-in capital

January 1 to December 31, 2023

Table 2

Unit: In Thousands of New Taiwan Dollars

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of Total Purchases/Sales (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of Total Notes/Accounts Payable or Receivable (%)	
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Subsidiary	(Sales)	($ 186,313)	(14)	210 days after monthly closing	$ -	15~120 days after monthly closing	$ 5,805	4	Note
CIPHERLAB USA, INC.	CIPHERLAB CO., LTD.	Parent company	Purchases	186,313	100	210 days after monthly closing	-	15~120 days after monthly closing	(5,805)	(100)	〃

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

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Intercompany relationships and significant intercompany transactions

January 1 to December 31, 2023

Table 3

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Company Name	Counterparty	Relationship	Intercompany Transactions			
				Financial Statement Item	Amount (Note 2)	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (%) (Note 3)
0	CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Parent company to subsidiary	Sales revenue	$ 186,313	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	14
				Accounts receivable – related parties	5,805		-
				Unrealized profit of associated companies	36,230		3
				Service costs	217	Warranty fee	-
				Selling expenses	46	Warranty fee	-
				Other payables – related parties	50		-
0	CIPHERLAB CO., LTD.	CipherLab Electron Trade (Shanghai) Limited Company	Parent company to subsidiary	Unrealized profit of associated companies	405		-
0	CIPHERLAB CO., LTD.	MPLUS TECHNOLOGY CO., LTD.	Parent company to subsidiary	Sales revenue	24	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	-
				Service revenue	493	Maintenance service	-
				Other incomes	240	Consulting service	-
				Accounts receivable – related parties	495		-
				Other receivables – related parties	101		-

The business relationship between the parent company and its subsidiaries:

The company is mainly engaged in the manufacture and sales of electronic products. CIPHERLAB LIMITED (SAMOA) is a holding company, CIPHERLAB USA, INC. and CipherLab (Shanghai) are the main business of sales of electronic products, and MPLUS TECHNOLOGY is primarily involved operation of development and sales of electronic products.

Note 1: Significant transaction between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially from “1” according to company type.

Note 2: The table attached only discloses information regarding one-sided transactions that have been written off in the preparation of consolidated financial statements.

Note 3: Regarding the ratio of the transaction amount to the consolidated total operating income or total assets, it is calculated by the ending balance to the consolidated if it is recognized as liabilities; if as profit or loss, then by the ending cumulative amount to the consolidated total operating income.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Name, location, and related information of investees
January 1 to December 31, 2023

Table 4

Unit: In Thousands of New Taiwan Dollars, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Losses) of the Investee	Recognized Investment Income/Losses	Note
				December 31, 2023	December 31, 2022	Shares	Percentage of Ownership (%)	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 48,372 (Note 2)	(NTD 14,612)	(NTD 14,612)	Note 1 and 3
	CIPHERLAB LIMITED(SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 21,435 (Note 2)	(NTD 13,980)	(NTD 13,980)	〃
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 30,000	3,700,000	95	(NTD 5,910)	(NTD 8,752)	(NTD 8,275)	〃

Note 1: No market price is available, and the carrying amount on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit at the period's end was deducted.

Note 3: The amounts have been eliminated at preparing the consolidated financial statement.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on investment in Mainland China

January 1 to December 31, 2023

Table 5

Unit: In Thousands of New Taiwan Dollars, unless specified otherwise

1. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings:

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	Ownership of direct or indirect investment (%)	Current recognized investment profit or loss (Note 2.2.(2))	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
CipherLab Electron Trade (Shanghai) Limited Company	Electronics sales	$ 130,384 (USD 4,150)	(2)	$ 130,384 (USD 4,150)	$ -	$ -	$130,384 (USD 4,150) (Note 4)	($ 13,957)	100	($ 13,957)	$ 20,584	$ -	Has been consolidated and written off when preparing this consolidated financial statement

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 130,384 (USD 4,150)	$ 130,384 (USD 4,150)	$ 455,755

Note 1: The methods for engaging in investment in mainland China include the following:

1. Direct investment in mainland China.
2. Indirect investment in mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
3. Other method

Note 2: The investment income (loss) recognized in current period:

1. No investment income (loss) has been recognized due to the investment is still in the development stage.
2. The investment income (loss) was determined based on the following basis:
   (1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
   (2) The financial statements were reviewed by the parent company’s auditors.
   (3) Others

Note 3: The figures presented in this table are in New Taiwan Dollars.

Note 4: The company has remitted a total of USD4,150 thousand for investment.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on major shareholders

December 31, 2023

Table 6

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Chang En Enterprise Management Co., Ltd.	6,706,934	9.79
Lin, Yong-Fa	6,613,376	9.65
Lin, Jun-Yao	4,638,000	6.77

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