

SYSCOM COMPUTER ENGINEERING CO.

Parent Company Only Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China.

If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

§ Table of Contents §

	<u>Item</u>	<u>Page</u>	<u>Notes to Financial Statements</u>
1.	Cover	1	-
2.	Table of Contents	2	-
3.	Independent Auditors' Report	3~6	-
4.	Parent Company Only Balance Sheets	7	-
5.	Parent Company Only Statements of Comprehensive Income	8~9	-
6.	Parent Company Only Statements of Changes in Equity	10	-
7.	Parent Company Only Statements of Cash Flows	11~12	-
8.	Notes to Parent Company Only Financial Statements		
	(1) General	13	1
	(2) The Date and Procedures of Authorization of Financial Statements	13	2
	(3) Application of New and Revised Standards and Interpretations	13~14	3
	(4) Summary of Significant Accounting Policies	14~23	4
	(5) Critical Accounting Judgments and Key Sources of Estimation and Uncertainty	23	5
	(6) Explanation of Significant Accounts	23~45	6~24
	(7) Related Parties Transactions	45~47	25
	(8) Assets Pledged as Collateral	47	26
	(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	47	27
	(10) Significant Disaster Loss	-	-
	(11) Significant events after the Balance Sheet Date	-	-
	(12) Other Matters	-	-
	(13) Significant Assets and Liabilities Denominated in Foreign Currencies	47~48	28
	(14) Separately Disclosed Items		
	A. Information on Significant Transactions	48~49、50~51	29
	B. Information on investees	49、52	29
	C. Information on investments in Mainland China	49、53	29
	D. Information on major shareholders	49、54	29
9.	List of major account tiles	55	-

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Syscom Computer Engineering Company

Opinion

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

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter section), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters of the financial statements of the Company for the year ended December 31, 2023 are stated as follows:

Recognition of Contract Revenue

The Company generates revenue through rendering of services according to contract. Revenue from contract is recognized by reference to the stage of completion of contract activity. The stage of completion of the contract is measured based on the proportion of contract cost incurred for work performed to date relative to the estimated total contract cost. The management estimates total contract cost upon signing of the contract. However, the estimated total cost may change as the contract activity progresses and such change may have material impact on revenue recognition;

therefore, the recognition of contract revenue is deemed to be a key audit matter.

We focused on the measurement of stage of completion while testing the recognition of contract revenue. The procedures we performed are the following:

1. We examined the underlying documents of original contract and related addendum used as basis for contract revenue recognized.
2. We verified the accuracy of accumulated incurred cost through test of details.
3. We assessed the appropriateness of underlying information and assumptions the management used in estimating total cost.
4. We performed retrospective review of discrepancy between actual costs incurred and estimated total cost of completed contract.

Please refer to Notes 4 and 5 to the accompanying financial statements for related disclosure on revenue recognition.

Other Matter

The financial statements as of and for the years ended December 31, 2023 and 2022 of some investees in which the Company had equity-method investments were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the accompanying financial statements for these investees, is based solely on the reports of the other auditors. As of December 31, 2023 and 2022, the aforementioned investments accounted for using equity method amounted to NT\$202,135 thousands and NT\$203,541 thousands, which were 4% and 5% of total assets of the Company. For the years ended December 31, 2023 and 2022, investment loss from the aforementioned equity-method investments amounted to NT\$1 thousands and NT\$2,371 thousands, which represented 0% and (0.8%) of the profit before income tax of the Company.

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

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Li-Wen Kuo and Pei-De Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

Notice to Readers

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

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

SYSCOM COMPUTER ENGINEERING CO.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 732,897	16	\$ 446,088	11
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	10,000	-	19,505	-
1136	Financial assets at amortized cost - current (Notes 4, 9 and 26)	184,678	4	164,382	4
1140	Contract assets - current (Notes 4 and 19)	471,815	10	478,405	11
1150	Notes receivable (Note 4)	8,831	-	2,299	-
1172	Accounts receivable (Notes 4, 10, and 25)	1,336,959	28	1,394,927	33
1200	Other receivables (Note 4)	5,578	-	5,103	-
130X	Inventories (Notes 4 and 11)	456,133	10	421,379	10
1410	Prepayments	411,779	9	376,022	9
1479	Other current assets	88,970	2	118,551	3
11XX	Total current assets	<u>3,707,640</u>	<u>79</u>	<u>3,426,661</u>	<u>81</u>
	NON-CURRENT ASSETS				
1517	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	33,026	1	25,737	1
1535	Financial assets at amortized cost - non-current (Notes 4, 9, and 26)	197,630	4	128,829	3
1550	Investments accounted for using the equity method (Notes 4 and 12)	269,993	6	273,059	6
1600	Property, plant and equipment (Notes 4, 13, and 25)	336,501	7	328,345	8
1755	Right-of-use assets (Notes 4 and 14)	81,661	2	3,481	-
1821	Intangible assets (Notes 4 and 15)	392	-	492	-
1840	Deferred tax assets (Notes 4 and 21)	9,606	-	11,643	-
1990	Other non-current assets (Note 4)	53,655	1	46,808	1
15XX	Total non-current assets	<u>982,464</u>	<u>21</u>	<u>818,394</u>	<u>19</u>
1XXX	TOTAL	<u>\$ 4,690,104</u>	<u>100</u>	<u>\$ 4,245,055</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2130	Contract liabilities - current (Notes 4 and 19)	\$ 455,424	10	\$ 220,867	5
2150	Notes payable	131	-	16,026	-
2170	Accounts payable (Note 25)	1,443,177	31	1,390,693	33
2200	Other payables (Note 16)	397,340	9	366,124	9
2230	Current tax liabilities	17,509	-	30,344	1
2280	Lease liabilities - current (Notes 4, 14 and 25)	41,048	1	2,069	-
2399	Other current liabilities	17,379	-	14,017	-
21XX	Total current liabilities	<u>2,372,008</u>	<u>51</u>	<u>2,040,140</u>	<u>48</u>
	NON-CURRENT LIABILITIES				
2572	Deferred tax liabilities (Notes 4 and 21)	9,614	-	10,416	-
2580	Lease liabilities - non-current (Notes 4, 14 and 25)	41,490	1	1,479	-
2640	Net defined benefits liabilities - non-current (Notes 4 and 17)	43,419	1	54,503	1
2645	Guarantee deposits received	14,532	-	17,291	1
2670	Other non-current liabilities (Note 12)	94,834	2	71,381	2
25XX	Total non-current liabilities	<u>203,889</u>	<u>4</u>	<u>155,070</u>	<u>4</u>
2XXX	Total liabilities	<u>2,575,897</u>	<u>55</u>	<u>2,195,210</u>	<u>52</u>
	Equity (Notes 4 and 18)				
3100	Share capital - ordinary shares	1,000,000	21	1,000,000	23
3200	Capital surplus	1,797	-	1,547	-
	Retained earnings				
3310	Legal reserve	330,483	7	303,977	7
3320	Special reserve	17,619	1	17,619	1
3350	Unappropriated earnings	752,580	16	722,955	17
3300	Total retained earnings	<u>1,100,682</u>	<u>24</u>	<u>1,044,551</u>	<u>25</u>
3400	Other equity	11,728	-	3,747	-
3XXX	Total equity	<u>2,114,207</u>	<u>45</u>	<u>2,049,845</u>	<u>48</u>
	TOTAL	<u>\$ 4,690,104</u>	<u>100</u>	<u>\$ 4,245,055</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 12, 2024)

SYSCOM COMPUTER ENGINEERING CO.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2023		2022	
		Amount	%	Amount	%
	OPERATING REVENUE (Notes 4, 5, 19, and 25)				
4100	Sales	\$ 4,666,572	76	\$ 4,328,914	76
4600	Maintenance revenue	1,431,116	24	1,327,885	24
4300	Rental revenue	<u>17,731</u>	<u>-</u>	<u>17,880</u>	<u>-</u>
4000	Total operating revenue	<u>6,115,419</u>	<u>100</u>	<u>5,674,679</u>	<u>100</u>
	OPERATING COSTS (Notes 4, 11, 20, and 25)				
5110	Cost of goods sold	3,531,049	58	3,280,653	58
5600	Maintenance costs	1,019,247	17	962,166	17
5300	Rental costs	<u>14,185</u>	<u>-</u>	<u>14,457</u>	<u>-</u>
5000	Total operating costs	<u>4,564,481</u>	<u>75</u>	<u>4,257,276</u>	<u>75</u>
5900	GROSS PROFIT	<u>1,550,938</u>	<u>25</u>	<u>1,417,403</u>	<u>25</u>
	OPERATING EXPENSES (Notes 10, 17, 20, and 25)				
6100	Selling and marketing expenses	1,047,139	17	936,247	17
6300	Research and development expenses	204,962	3	189,458	3
6450	Expected credit loss recognized on trade receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>1,252,101</u>	<u>20</u>	<u>1,125,705</u>	<u>20</u>
6900	PROFIT FROM OPERATIONS	<u>298,837</u>	<u>5</u>	<u>291,698</u>	<u>5</u>
	NON-OPERATING INCOME AND EXPENSES (Note 4)				
7100	Interest income (Note 20)	7,535	-	2,904	-
7010	Other income (Notes 20 and 25)	52,367	1	60,806	1
7020	Other gains and losses (Note 20)	856	-	(9,085)	-
7050	Finance costs (Notes 20 and 25)	(2,810)	-	(313)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures (Note 12)	(<u>25,684</u>)	<u>-</u>	(<u>36,358</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>32,264</u>	<u>1</u>	<u>17,954</u>	<u>-</u>

(Continued)

Code		2023		2022	
		Amount	%	Amount	%
7900	PROFIT BEFORE INCOME TAX	\$ 331,101	6	\$ 309,652	5
7950	INCOME TAX EXPENSE (Notes 4 and 21)	<u>52,808</u>	<u>1</u>	<u>58,922</u>	<u>1</u>
8200	NET PROFIT FOR THE YEAR	<u>278,293</u>	<u>5</u>	<u>250,730</u>	<u>4</u>
	OTHER COMPREHENSIVE INCOME (Notes 17, 18, and 21)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(4,059)	-	17,235	1
8316	Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	7,289	-	910	-
8330	Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	1,085	-	543	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss	812	-	(3,447)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	861	-	9,855	-
8380	Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(<u>169</u>)	<u>-</u>	(<u>97</u>)	<u>-</u>
8300	Other comprehensive (loss) income for the year, net of income tax	<u>5,819</u>	<u>-</u>	<u>24,999</u>	<u>1</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 284,112</u>	<u>5</u>	<u>\$ 275,729</u>	<u>5</u>
	EARNINGS PER SHARE (Note 22)				
9710	Basic	<u>\$ 2.78</u>		<u>\$ 2.51</u>	
9810	Diluted	<u>\$ 2.78</u>		<u>\$ 2.50</u>	

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

(With Deloitte & Touche auditors' report dated March 12, 2024)

(Concluded)

SYSCOM COMPUTER ENGINEERING CO.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars, except Dividend Per Share)

Code		Share capital - ordinary shares	Capital surplus	Retained earnings			Exchange differences on translating the financial statements of foreign operations	Other equity	Total equity
				Legal reserve	Special reserve	Unappropriated earnings		Unrealized gain or loss on financial assets at fair value through other comprehensive income	
A1	BALANCE AT JANUARY 1, 2022	\$ 1,000,000	\$ 1,547	\$ 281,889	\$ 17,619	\$ 669,982	(\$ 20,350)	\$ 13,429	\$ 1,964,116
	Appropriation of the 2021 earnings								
B1	Legal reserve	-	-	22,088	-	(22,088)	-	-	-
B5	Cash dividends - NT\$1.9 per share	-	-	-	-	(190,000)	-	-	(190,000)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	250,730	-	-	250,730
D3	Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,331</u>	<u>9,758</u>	<u>910</u>	<u>24,999</u>
D5	Total comprehensive income (loss) for the year ended December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,061</u>	<u>9,758</u>	<u>910</u>	<u>275,729</u>
Z1	BALANCE AT DECEMBER 31, 2022	1,000,000	1,547	303,977	17,619	722,955	(10,592)	14,339	2,049,845
	Appropriation of the 2022 earnings								
B1	Legal reserve	-	-	26,506	-	(26,506)	-	-	-
B5	Cash dividends - NT\$2.2 per share	-	-	-	-	(220,000)	-	-	(220,000)
D1	Net profit for the year ended December 31, 2023	-	-	-	-	278,293	-	-	278,293
D3	Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,162)</u>	<u>692</u>	<u>7,289</u>	<u>5,819</u>
D5	Total comprehensive income (loss) for the year ended December 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,131</u>	<u>692</u>	<u>7,289</u>	<u>284,112</u>
C3	Unclaimed dividends	-	522	-	-	-	-	-	522
M5	Actual acquisition of interests in subsidiaries	<u>-</u>	<u>(272)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(272)</u>
Z1	BALANCE AT DECEMBER 31, 2023	<u>\$ 1,000,000</u>	<u>\$ 1,797</u>	<u>\$ 330,483</u>	<u>\$ 17,619</u>	<u>\$ 752,580</u>	<u>(\$ 9,900)</u>	<u>\$ 21,628</u>	<u>\$ 2,114,207</u>

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

(With Deloitte & Touche auditors' report dated March 12, 2024)

SYSCOM COMPUTER ENGINEERING CO.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	\$ 331,101	\$ 309,652
A20010	Adjustments for:		
A20100	Depreciation expenses	100,349	101,337
A20200	Amortization expenses	100	100
A20400	Net gain on financial assets at fair value through profit or loss	(2,300)	(426)
A20900	Finance costs	2,810	313
A21200	Interest income	(7,535)	(2,904)
A21300	Dividend income	(586)	(465)
A22400	Share of loss of subsidiaries, associates and joint ventures	25,684	36,358
A22500	Gain on disposal of property, plant and equipment	(164)	(382)
A23700	Write-downs of inventories	165	167
A24100	Net loss on foreign currency exchange	390	3,475
A30000	Changes in operating assets and liabilities		
A31125	Contract assets	6,590	(152,740)
A31130	Notes receivable	(6,532)	117
A31150	Accounts receivable	57,541	91,132
A31180	Other receivables	(475)	2,057
A31200	Inventories	(42,341)	(161,077)
A31230	Prepayments	(35,757)	(83,003)
A31240	Other current assets	1,171	(1,539)
A32125	Contract liabilities	234,557	29,378
A32130	Notes payable	(15,895)	15,958
A32150	Accounts payable	52,253	85,833
A32180	Other payables	31,216	16,383
A32230	Other current liabilities	3,362	(1,411)
A32240	Net defined benefits liabilities	(15,143)	(4,650)
A33000	Cash generated from operations	720,561	283,663
A33100	Interest received	7,535	2,904
A33200	Dividends received	586	465
A33300	Interest paid	(2,810)	(313)
A33500	Income tax paid	(63,596)	(57,961)
AAAA	Net cash generated from operating activities	<u>662,276</u>	<u>228,758</u>

(Continued)

Code		2023	2022
	CASH FLOWS FROM INVESTING ACTIVITIES		
B00010	Acquisition of financial assets at fair value through other comprehensive income	\$ -	(\$ 2,379)
B00040	Proceeds from sale (acquisition) of financial assets at amortized cost	(89,097)	458
B00100	Purchase of financial assets at fair value through profit or loss	(10,000)	(720,000)
B00200	Proceeds from sale of financial assets at fair value through profit or loss	21,805	935,930
B02700	Payments for property, plant and equipment	(59,092)	(46,733)
B02800	Proceeds from disposal of property, plant and equipment	324	429
B03800	Decrease(Increase) in refundable deposits	21,563	(49,182)
B07600	Dividends from subsidiaries received	<u>2,942</u>	<u>2,664</u>
BBBB	Net cash (used in) generated from investing activities	(<u>111,555</u>)	<u>121,187</u>
	CASH FLOWS FROM FINANCING ACTIVITIES		
C03000	Guarantee deposits received	(2,759)	4,028
C04020	Repayment of the principal portion of lease liabilities	(41,341)	(38,886)
C04500	Dividends paid	(220,000)	(190,000)
C05400	Acquisition of subsidiaries	(602)	-
C09900	Unclaimed dividends	<u>522</u>	<u>-</u>
CCCC	Net cash used in financing activities	(<u>264,180</u>)	(<u>224,858</u>)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
		<u>268</u>	<u>804</u>
EEEE	NET INCREASE IN CASH AND CASH EQUIVALENTS	286,809	125,891
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>446,088</u>	<u>320,197</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 732,897</u>	<u>\$ 446,088</u>

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

(With Deloitte & Touche auditors' report dated March 12, 2024)

(Concluded)

SYSCOM COMPUTER ENGINEERING CO.
Notes to Parent Company Only Financial Statements
Years Ended December 31, 2023 and 2022
(Amounts in thousands of NTD, unless stated otherwise)

1. General

SYSCOM COMPUTER ENGINEERING CO. (the "Company") was incorporated in July 1975. The Company mainly leases and sells computer systems and designs computer software. It also provides services for the integration of computer information systems and maintenances of computer hardware. The Company's shares have been listed on the Taiwan Stock Exchange since May 22, 2001.

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

2. The Date and Procedures of Authorization of Financial Statements

The financial statements were approved by the Board of Directors on March 12, 2024.

3. Application of New and Revised Standards 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, the "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies:

Amendments to IAS 1 "Disclosure of Accounting Policies"

When applying the amendments, the Company refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The accounting policy information is likely to be considered material to the financial statements if that information relates to material transactions, other events or conditions and:

- A. The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- B. The Company chose the accounting policy from options permitted by the standards;
- C. The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;
- D. The accounting policy relates to an area for which the Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or
- E. The accounting is complex, and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for related accounting policy information.

- (2) The IFRS Accounting Standards endorsed by the FSC for application starting from 2024.

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

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

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- (3) IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

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

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. Summary of Significant Accounting Policies

- (1) Statement of Compliance

The financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (2) Basis of Preparation

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

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

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

When preparing the accompanying financial statements, the Company used equity method to account for its investment in subsidiaries, associates and joint ventures. In order for the amounts of the net profit, other comprehensive income and total equity in the parent company only financial statements to be the same with those amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to the captions of “investments accounted for using equity method”, “share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method”, “share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method” and related equity items, as appropriate, in the parent company only financial statements.

(3) 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 twelve months after the reporting period; and
- C. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within twelve months after the reporting period; and
- C. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

(4) Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined and related exchange differences are recognized in profit or loss. Conversely, when the fair value changes were recognized in other comprehensive income, related exchange difference shall be recognized in other comprehensive income.

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

(5) Inventories

Inventories are stated at the lower of cost or net realizable value item by item, except for those that may be appropriate to group items of similar or related inventories. The cost of the prepayments for contracts was evaluated base on each contract. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The calculation of the cost of inventory is derived using the weighted-average method.

(6) Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, the investment in subsidiaries is initially recognized at cost and the increase or decrease of carrying amount reflects the recognition of the Company's share of profit or loss and other comprehensive income of the subsidiaries after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment of the subsidiaries and the fair value of the consideration paid or received is recognized directly in equity.

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

(7) Investments in associates and joint ventures

An associate is an entity over which the company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate and the joint venture. The Company also recognizes the changes in the Company's share of equity of associates and joint ventures.

Any excess of the cost of acquisition over the Company's share of net fair value of the identifiable assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and

is not amortized. Any excess of the Company's share of net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and the joint venture. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and the joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint ventures is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company's financial statements only to the extent of interests in the associate and joint venture that are not related to the Company.

(8) Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(9) Intangible assets

A. 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 estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

B. Derecognition

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

(10) Impairment of property, plant and equipment, right-of-use assets, intangible assets (excluding goodwill) and incremental costs of obtaining contracts

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Company assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

(11) Financial instruments

Financial assets and financial liabilities are recognized when the 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 issuance 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

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

a. Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

(a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 24.

(b) Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

(c) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), lease receivables, as well as contract assets.

The Company always recognizes lifetime Expected Credit Loss (ECL) for accounts receivable, lease receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECL represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

The 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 another entity.

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. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

B. Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

(12) Revenue recognition

The Company identifies the performance obligations in the contract with the customers, allocates transaction price to each performance obligation and recognizes revenue when performance obligations are satisfied.

A. Revenue from sales

Contract revenue

Contract revenue comes from software and hardware integration services.

As the Company provides software and hardware integration services, customers simultaneously receive and consume the benefits provided by the Company's performance. The effort of technical personnel and the completion of the equipment are required to perform software and hardware integration services. The Company measures the stage of completion based on the proportion of contract costs incurred on the work performed to date relative to the estimated total costs. Customers paid in installments according to contract. Contract assets are recognized over the period in which the services are performed and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Company recognizes contract liabilities for the difference.

When it is probable that total contract costs will exceed the total contract revenue, the expected loss is recognized as an expense immediately.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of computer software, hardware and peripherals. The Company recognizes revenue and accounts receivable when performance obligations are satisfied. The performance obligations are satisfied when customers obtain control and right of use of the promised goods and bear inventory risks.

B. Revenue from the rendering of services

Revenue from the rendering of services comes from follow-up maintenance services of software and hardware during the contract period. The Company recognizes revenue over time.

(13) Leases

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

A. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the

lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

B. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed 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 Company uses the lessee's incremental borrowing rates.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(14) Government Grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

(15) 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 defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(16) Income tax

Income tax expense represents the sum of the tax currently payable and 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 in 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, research and development expenditures and personnel training expenditures 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 and interests in joint arrangements, except where the 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 only recognized 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 asset 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are 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 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 tax

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity, respectively.

5. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

In the application of the Company's accounting policies, the 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 developing material accounting estimates, the Company considers the possible impact on the cash flow projection, growth rates, discount rates, profit abilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical accounting judgments

Timing of recognition of revenue

For every contract, the Company determines whether its performance obligation is satisfied over time or at a point in time based on the conditions in the contract and applicable regulation.

The Company generates revenue through rendering of software and hardware integration services according to contract. The effort of technical personnel and the completion of the equipment are required to perform software and hardware integration services. The Company measures the stage of completion based on the proportion of contract costs incurred on the work performed to date relative to the estimated total contract costs. Customers paid in installments according to contract. Contract assets are recognized over the period in which the services are performed. Contract revenue is recognized by reference to the stage of completion of each contract. The Company estimated total contract cost upon signing the contract. If the estimated cost changes, the Company amends the percentage of completion and the related contract revenue.

6. Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 405	\$ 405
Checking accounts and demand deposits	437,531	220,787
Cash equivalents (investments with original maturities of less than 3 months)		
Commercial papers	<u>294,961</u>	<u>224,896</u>
	<u>\$ 732,897</u>	<u>\$ 446,088</u>

The market rate ranges of bank deposits and commercial papers with original maturities of less than 3 months at the balance sheet date were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank demand deposits	0.58%	0.46%
Commercial papers with original maturities of less than 3 months	0.95%	0.78%~0.80%

7. Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Fund beneficial certificates	<u>\$ 10,000</u>	<u>\$ 19,505</u>

8. Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Investments in equity instruments -</u>		
<u>non-current</u>		
Domestic investments		
Listed shares	\$ 31,431	\$ 24,142
Unlisted shares	<u>1,595</u>	<u>1,595</u>
	<u>\$ 33,026</u>	<u>\$ 25,737</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

The Company purchased the common stocks of Turn Cloud Technology Service Inc. in January 2020, which was designated as investment at FVTOCI because it was for the medium to long-term strategic purpose. The company's common stocks will be available for trading on the Pioneer Stock Board of the Emerging Stock Market on November 26, 2021, and as regular Emerging Stock Market stocks starting February 15, 2022. Since September 14, 2023, the company has obtained approval from the Taipei Exchange for the over-the-counter trading of its stocks on the securities market.

9. Financial assets at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Pledged time deposits	\$ 326,187	\$ 230,417
Time deposits with original maturities of more than 3 months	<u>56,121</u>	<u>62,794</u>
	<u>\$ 382,308</u>	<u>\$ 293,211</u>
Current	\$ 184,678	\$ 164,382
Non-current	<u>197,630</u>	<u>128,829</u>
Total	<u>\$ 382,308</u>	<u>\$ 293,211</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.78%-1.54% and 0.76%-1.40% per annum as of December 31, 2023 and 2022, respectively.

Refer to Note 26 for information relating to financial assets at amortized cost pledged as security.

Based on the Company's assessment, the credit risk of the above-mentioned financial assets at amortized cost is not expected to be high and has not increased since initial recognition. The Company does not expect to recognize any credit loss resulting from default events on financial assets at amortized cost that are possible within 12 months after the reporting date. Accordingly, no impairment loss was recognized as of December 31, 2023 and 2022.

10. Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>At amortized cost</u>		
Accounts receivable	\$ 1,337,728	\$ 1,395,696
Less: Allowance for impairment loss	(<u>769</u>)	(<u>769</u>)
	<u>\$ 1,336,959</u>	<u>\$ 1,394,927</u>

The average credit period of sales of goods was 60 to 120 days. No interest was charged on accounts receivable.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for all accounts receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated by reference to past default experience of the debtor, an analysis of the debtor's current financial position, past experience with collecting payments, observable changes in national or local economic conditions that correlate with defaults on receivables, as well as indicators of the industry in which the debtors operate.

The Company writes off a accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Considering the above conditions, the Company assesses the credit risk of individual customers based on the aging schedule of accounts receivable (based on invoice date). The following table details the loss allowance of accounts receivable.

December 31, 2023

	Less than 60 Days	61 to 90 Days	91 to120 Days	Over 121 Days	Total
Gross carrying amount	\$ 1,139,986	\$ 58,181	\$ 6,481	\$ 133,080	\$ 1,337,728
Loss allowance (Lifetime ECL)	-	-	-	(769)	(769)
Amortized cost	<u>\$ 1,139,986</u>	<u>\$ 58,181</u>	<u>\$ 6,481</u>	<u>\$ 132,311</u>	<u>\$ 1,336,959</u>

December 31, 2022

	Less than 60 Days	61 to 90 Days	91 to120 Days	Over 121 Days	Total
Gross carrying amount	\$ 1,155,380	\$ 149,060	\$ 19,356	\$ 71,900	\$ 1,395,696
Loss allowance (Lifetime ECL)	-	-	-	(769)	(769)
Amortized cost	<u>\$ 1,155,380</u>	<u>\$ 149,060</u>	<u>\$ 19,356</u>	<u>\$ 71,131</u>	<u>\$ 1,394,927</u>

The movements of the loss allowance of accounts receivable were as follows:

	2023	2022
Balance at January 1	\$ 769	\$ 769
Impairment loss provided for the year	-	-
Balance at December 31	<u>\$ 769</u>	<u>\$ 769</u>

11. Inventories

	December 31, 2023	December 31, 2022
Commodities	\$ 205,959	\$ 219,550
Prepayments for contracts	244,401	195,721
Inventories in transit	5,397	5,862
Maintenance materials	<u>376</u>	<u>246</u>
Total	<u>\$ 456,133</u>	<u>\$ 421,379</u>

The commodities mainly consisted of computer hardware and software.

Prepayment for contracts are the cost incurred to date related to computer hardware, software and labor.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$3,531,049 thousand and \$3,280,653 thousand, respectively. The cost of goods sold included inventory write-downs of \$165 thousand and \$167 thousand, respectively.

12. Investments accounted for using the equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investments in subsidiaries	\$ 202,135	\$ 203,541
Investments in associates	12,432	15,486
Investments in joint ventures	<u>55,426</u>	<u>54,032</u>
	<u>\$ 269,993</u>	<u>\$ 273,059</u>

(1) Investments in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Unlisted companies</u>		
Casemaker Inc.	\$ 96,751	\$ 98,578
SYSCOM INTERNATIONAL INC.	(94,834)	(71,381)
Wisemaker Technology Co.	60,187	58,256
Netmaker Technology Co., Ltd.	35,643	39,271
Coach Technology Management Inc.	6,550	4,331
Syscom Computer(Thailand)Co., Ltd.	<u>3,004</u>	<u>3,105</u>
	107,301	132,160
Add: Transfer of credit balance of long-term investments to other non-current liabilities	<u>94,834</u>	<u>71,381</u>
	<u>\$ 202,135</u>	<u>\$ 203,541</u>

At the end of the reporting period, the proportions of ownership and voting rights in subsidiaries held by the Company were as follows:

Name of the subsidiary	Proportion of Ownership and Voting Rights		
	December 31, 2023	December 31, 2022	Description
Casemaker Inc.	100.00%	100.00%	(A)
Wisemaker Technology Co.	99.24%	98.72%	(A) 、(B)
SYSCOM INTERNATIONAL INC.(SYSCOM)	100.00%	100.00%	(A)
Netmaker Technology Co., Ltd.	86.60%	86.60%	(A)
Coach Technology Management Inc.	97.50%	97.50%	(A)
Syscom Computer(Thailand)Co., Ltd.	92.47%	91.40%	(A) 、(C)

- A. Except for SYSCOM, whose financial statements for the year ended December 31, 2023 and 2022 have been audited by CPA, the investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiaries' financial statements which have been audited by other auditors for the same period.
- B. In January 、February and August 2023, the Company acquired additional 14 thousand shares of Wisemaker Technology Co. from an unrelated party for \$494 thousand; after

the acquisition of further interests, the Company's percentage of ownership in Wisemaker Technology Co. increased to 99.24%.

- C. In June and July 2023, the Company acquired additional 40 thousand shares of Syscom Computer (Thailand) Co.,Ltd. from an unrelated party for \$108 thousand; after the acquisition of further interests, the Company's percentage of ownership in Syscom Computer (Thailand) Co.,Ltd. increased to 92.47%.

(2) Investments in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Associates that is not individually materiality</u>		
Unlisted companies		
DBMaker Japan Inc.	<u>\$ 12,432</u>	<u>\$ 15,486</u>

All the associates were accounted for using the equity method.

As at the end of the reporting period, the proportions of ownership and voting rights in associates held by the Company were as follows:

	<u>Proportion of Ownership and Voting Rights</u>	
<u>Name of the company</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
DBMaker Japan Inc.	49.89%	49.89%

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	<u>2023</u>	<u>2022</u>
The Company's share of:		
Net profit for the year	(\$ 2,087)	\$ 3,639
Other comprehensive income	(967)	(332)
Total comprehensive income	<u>(\$ 3,054)</u>	<u>\$ 3,307</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were calculated based on the financial statements which have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of associates which have not been audited.

(3) Investments in joint ventures

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Joint ventures of no materiality individually</u>		
Cloudmaster Co., Ltd.	<u>\$ 55,426</u>	<u>\$ 54,032</u>

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entity held by the Company was as follows:

	<u>Proportion of Ownership and Voting Rights</u>	
<u>Name of the company</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cloudmaster Co., Ltd.	50.00%	50.00%

The joint venture is accounted for using the equity method.

The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	<u>2023</u>	<u>2022</u>
The Company's share of:		
Net profit for the year	\$ 1,564	\$ 1,394
Other comprehensive income	(<u>170</u>)	(<u>97</u>)
Total comprehensive income	<u>\$ 1,394</u>	<u>\$ 1,297</u>

In March 2013, under the authorization of the Investment Commission of the Ministry of Economic Affairs, the Company incorporated CloudMaster under the joint venture agreement and had 50% of ownership. CloudMaster provides services in information software, data processing and electronic information. Under the joint venture agreement, in the meetings of the board of directors and the shareholders of CloudMaster, majority rule shall prevail. However, the Company's seat in CloudMaster's board of director does not exceed half of the board. Besides, under CloudMaster's policies, significant strategic decisions should be made by unanimous agreement of the shareholders of both entities, and the Company has no right to obtain the variable rewards which is unavailable to CloudMaster's shareholders and does not have direct ability to affect the rewards from investing in CloudMaster. As a result, the Company has no control over CloudMaster.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the joint venture's financial statements audited by auditors for the same years.

For information on the nature of business, principal place of business and country of incorporation of the above associates and joint ventures, please refer to Table 3 "Information on Investees".

13. Property, plant and equipment

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Assets used by the Company	\$ 317,606	\$ 304,533
Assets leased under operating leases	<u>18,895</u>	<u>23,812</u>
	<u>\$ 336,501</u>	<u>\$ 328,345</u>

(1) Assets used by the Company

	Land	Buildings	Maintenance equipment	Computer equipment	Leasehold improvements	Others	Total
<u>Cost</u>							
Balance at January 1, 2023	\$ 110,307	\$ 75,940	\$ 90,116	\$ 246,637	\$ 99,939	\$ 16,282	\$ 639,221
Addition	-	-	18,548	31,481	6,805	2,258	59,092
Disposal	-	-	(9,045)	(29,986)	-	(1,307)	(40,338)
Reclassification	-	-	6,211	618	-	-	6,829
December 31, 2023	<u>\$ 110,307</u>	<u>\$ 75,940</u>	<u>\$ 105,830</u>	<u>\$ 248,750</u>	<u>\$ 106,744</u>	<u>\$ 17,233</u>	<u>\$ 664,804</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2023	\$ -	\$ 37,670	\$ 55,743	\$ 138,557	\$ 94,948	\$ 7,770	\$ 334,688
Disposal	-	-	(9,045)	(29,986)	-	(1,147)	(40,178)
Depreciation expenses	-	1,289	14,191	32,979	2,509	2,265	53,233
Reclassification	-	-	(361)	(184)	-	-	(545)
December 31, 2023	<u>\$ -</u>	<u>\$ 38,959</u>	<u>\$ 60,528</u>	<u>\$ 141,366</u>	<u>\$ 97,457</u>	<u>\$ 8,888</u>	<u>\$ 347,198</u>
December 31, 2023	<u>\$ 110,307</u>	<u>\$ 36,981</u>	<u>\$ 45,302</u>	<u>\$ 107,384</u>	<u>\$ 9,287</u>	<u>\$ 8,345</u>	<u>\$ 317,606</u>
<u>Cost</u>							
Balance at January 1, 2022	\$ 110,307	\$ 75,940	\$ 88,748	\$ 262,630	\$ 95,186	\$ 15,832	\$ 648,643
Addition	-	-	9,306	30,285	4,753	2,389	46,733
Disposal	-	-	(10,419)	(46,550)	-	(1,939)	(58,908)
Reclassification	-	-	2,481	272	-	-	2,753
December 31, 2022	<u>\$ 110,307</u>	<u>\$ 75,940</u>	<u>\$ 90,116</u>	<u>\$ 246,637</u>	<u>\$ 99,939</u>	<u>\$ 16,282</u>	<u>\$ 639,221</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 36,381	\$ 53,260	\$ 152,423	\$ 85,094	\$ 7,311	\$ 334,469
Disposal	-	-	(10,419)	(46,550)	-	(1,892)	(58,861)
Depreciation expenses	-	1,289	12,929	32,684	9,854	2,351	59,107
Reclassification	-	-	(27)	-	-	-	(27)
December 31, 2022	<u>\$ -</u>	<u>\$ 37,670</u>	<u>\$ 55,743</u>	<u>\$ 138,557</u>	<u>\$ 94,948</u>	<u>\$ 7,770</u>	<u>\$ 334,688</u>
December 31, 2022	<u>\$ 110,307</u>	<u>\$ 38,270</u>	<u>\$ 34,373</u>	<u>\$ 108,080</u>	<u>\$ 4,991</u>	<u>\$ 8,512</u>	<u>\$ 304,533</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	50 to 60 years
Maintenance equipment	6 years
Computer equipment	6 years
Leasehold improvements	1 to 10 years
Others	
- Office equipment	6 to 8 years
-Transportation equipment	5 years

As of December 31, 2023 and 2022, the property, plant and equipment were not pledged as collateral.

(2) Assets leased under operating leases

	Machinery equipment
<u>Cost</u>	
Balance at January 1, 2023	\$ 30,604
Disposals	(507)
Reclassification	<u>48</u>
Balance at December 31, 2023	<u>\$ 30,145</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 6,792
Disposals	(507)
Depreciation expenses	<u>4,964</u>
Balance at December 31, 2023	<u>\$ 11,250</u>
Balance on December 31, 2023, net	<u>\$ 18,895</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 30,406
Reclassification	<u>198</u>
Balance at December 31, 2022	<u>\$ 30,604</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ 1,144
Depreciation expenses	<u>5,648</u>
Balance at December 31, 2022	<u>\$ 6,792</u>
Balance on December 31, 2022, net	<u>\$ 23,812</u>

Operating leases relate to leases of equipment with lease terms between 1 to 3 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2023	December 31, 2022
Year 1	\$ 17,029	\$ 17,323
Year 2	16,787	16,831
Year 3	<u>12</u>	<u>16,740</u>
	<u>\$ 33,828</u>	<u>\$ 50,894</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over 1 to 6 years estimated useful lives.

14. Lease agreements

(1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount		
Buildings	<u>\$ 81,661</u>	<u>\$ 3,481</u>
	<u>2023</u>	<u>2022</u>
Addition to right-of-use assets	<u>\$ 120,331</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 42,151</u>	<u>\$ 36,582</u>

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount of lease liabilities		
Current	<u>\$ 41,048</u>	<u>\$ 2,069</u>
Non-current	<u>\$ 41,490</u>	<u>\$ 1,479</u>

The range of discount rate for lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.20%~2.10%	1.20%~1.50%

(3) Material leasing activities and terms

As lessee, the Company leases buildings for the use as offices and dormitory with lease terms of 2 to 7.3 years. All lease contracts with lease terms over 5 years specify that lease payments will be adjusted every 5 years on the basis of changes in market rental rates. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms.

(4) Other lease information

Lease-out arrangements under operating leases for freehold property, plant, and equipment were set out in Note 13.

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 7,748</u>	<u>\$ 5,548</u>
Total cash outflow from leases	<u>(\$ 51,559)</u>	<u>(\$ 44,865)</u>

As lessee, the Company leases certain buildings and leasehold improvements which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. Intangible assets

	<u>Computer software cost</u>
Balance at January 1, 2023	<u>\$ 492</u>
Amortization expenses	<u>(100)</u>
Carrying amounts at December 31, 2023	<u>\$ 392</u>

	Computer software cost
Balance at January 1, 2022	\$ 592
Amortization expenses	(100)
Carrying amounts at December 31, 2022	<u>\$ 492</u>

Computer software is being depreciated on a straight-line basis and will be amortized over 1 to 10 years.

As of December 31, 2023 and 2022, the Company had assessed that there was no indication that computer software costs may have been impaired and therefore no impairment assessment was performed.

16. Other payables

	December 31, 2023	December 31, 2022
Payables for salaries or bonus	\$ 283,100	\$ 270,900
Payables for value-added tax	42,075	25,582
Payables for insurance	18,872	17,740
Payables for pension	15,469	14,293
Payables for compensation of employees	10,300	9,600
Payables for annual leave	1,505	2,389
Others	<u>25,839</u>	<u>25,620</u>
	<u>\$ 397,340</u>	<u>\$ 366,124</u>

17. Retirement benefit plans

(1) Defined contribution plans

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

(2) Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 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. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligation	\$ 207,129	\$ 202,589
Fair value of plan assets	(163,710)	(148,086)
Net defined benefit liabilities	<u>\$ 43,419</u>	<u>\$ 54,503</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance at January 1, 2022	<u>\$ 220,060</u>	<u>(\$ 143,672)</u>	<u>\$ 76,388</u>
Current service cost	228	-	228
Net interest expense (income)	<u>1,377</u>	<u>(887)</u>	<u>490</u>
Recognized in profit or loss	<u>1,605</u>	<u>(887)</u>	<u>718</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,054)	(11,054)
Actuarial gains - changes in financial assumptions	(8,420)	-	(8,420)
Actuarial losses - experience adjustments	<u>2,239</u>	<u>-</u>	<u>2,239</u>
Recognized in other comprehensive income	<u>(6,181)</u>	<u>(11,054)</u>	<u>(17,235)</u>
Contributions from the employer	<u>-</u>	<u>(5,368)</u>	<u>(5,368)</u>
Benefits paid	<u>(12,895)</u>	<u>12,895</u>	<u>-</u>
Balance at December 31, 2022	<u>202,589</u>	<u>(148,086)</u>	<u>54,503</u>
Current service cost	145	-	145
Interest expense (income)	<u>2,430</u>	<u>(1,763)</u>	<u>667</u>
Recognized in profit or loss	<u>2,575</u>	<u>(1,763)</u>	<u>812</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,530)	(1,530)
Actuarial losses - changes in financial assumptions	1,266	-	1,266
Actuarial losses - experience adjustments	<u>4,323</u>	<u>-</u>	<u>4,323</u>
Recognized in other comprehensive income	<u>5,589</u>	<u>(1, 530)</u>	<u>4,059</u>
Contributions from the employer	<u>-</u>	<u>(15,955)</u>	<u>(15,955)</u>
Benefits paid	<u>(3,624)</u>	<u>3,624</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 207,129</u>	<u>(\$ 163,710)</u>	<u>\$ 43,419</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	2023	2022
Operating expenses	<u>\$ 812</u>	<u>\$ 718</u>

Through the defined benefit plans under the Labor Standards Law, the 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 should not be below the interest rate for a 2-year time deposit with local banks.

- B. Interest rate 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 plan's debt investments.
- 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 were as follows:

	December 31, 2023	December 31, 2022
Discount rate	1.15%	1.25%
Expected rate of salary increase	2.00%	2.00%

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 would increase (decrease) as follows:

	December 31, 2023	December 31, 2022
Discount rate		
0.25% increase	(\$ 3,141)	(\$ 3,352)
0.25% decrease	\$ 3,222	\$ 3,442
Expected rate of salary increase		
0.25% increase	\$ 3,187	\$ 3,408
0.25% decrease	(\$ 3,123)	(\$ 3,336)

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 would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2023	December 31, 2022
Expected contributions to the plans for the next year	\$ 2,314	\$ 2,289
Average duration of the defined benefit obligation	6.14Years	6.71Years

18. Equity

(1) Share capital - ordinary shares

	December 31, 2023	December 31, 2022
Number of authorized shares (in thousands)	157,000	157,000
Amount of authorized shares	\$ 1,570,000	\$ 1,570,000
Number of issued and fully paid shares (in thousands)	100,000	100,000
Amount of issued and fully paid shares	\$ 1,000,000	\$ 1,000,000

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

(2) Capital surplus

Such capital surplus arise from the difference between consideration paid or received and the carrying amount of the subsidiaries' net assets during actual acquisition or disposal under equity transactions and from donated assets.

(3) Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on June 13, 2023 and in that meeting, resolved the amendments to the Company's Articles of Incorporation. Under the dividends policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, unless the legal reserve has reached the Company's total paid-up capital. The remaining profit shall be set aside or reverse a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. However, other additional distribution should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

Under the dividends policy as set forth in the Articles before the amendments where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, unless the legal reserve has reached the Company's total paid-up capital. The remaining profit shall be set aside or reverse a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors, refer to "employee's compensation and remuneration of directors" in Note 20,(7).

The Company distributes both cash and share dividends, taking into account its profitability, future capital expenditure requirements and cash position. The distribution of cash dividends should not be less than 10% of the total dividends of the year. The Company may raise the percentage of cash dividend distribution only if the Company's earnings and cash position are strong.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other equity interests. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

The appropriations of earnings and dividends per share for 2022 and 2021 were approved in the shareholders' meetings on June 13, 2023 and June 15, 2022, respectively, were as follows:

	2022	2021
Legal reserve	\$ 26,506	\$ 22,088
Cash dividends	\$ 220,000	\$ 190,000
Cash dividends per share (NT\$)	\$ 2.2	\$ 1.9

The appropriation of earnings for 2023 had been proposed by the Company's board of directors on March 12, 2024. The appropriation and dividends per share were as follows:

	2023
Legal reserve	\$ 27,613
Cash dividends	\$ 240,000
Cash dividends per share (NT\$)	\$ 2.4

The above appropriations for cash dividends were resolved by the Company's board of directors, other additional distribution should be resolved in the shareholders' meeting to be held on June 12, 2024.

(4) Special reserves

On the first-time adoption of IFRSs, the Company appropriated for special reserve, the amount that was the same as the cumulative translation differences transferred to retained earnings, which was \$17,619 thousand.

(5) Other equity items

A. Exchange differences on translating the financial statements of foreign operations

	2023	2022
Balance at January 1	(\$ 10,592)	(\$ 20,350)
Exchange differences on translating the financial statements of foreign operations	861	9,855
Share from subsidiaries, associates and joint venture accounted for using the equity method	(169)	(97)
Balance at December 31	(\$ 9,900)	(\$ 10,592)

B. Unrealized gain (loss) on financial assets at FVTOCI

	2023	2022
Balance at January 1	\$ 14,339	\$ 13,429
Unrealized (loss) gain - equity instruments	7,289	910
Balance at December 31	\$ 21,628	\$ 14,339

19. Revenue

	2023	2022
Revenue from contracts with customers		
Contract revenue and revenue from sale of goods	\$ 4,666,572	\$ 4,328,914
Revenue from rendering of services	1,431,116	1,327,885
Rental income		
Rental income from equipment	17,731	17,880
	\$ 6,115,419	\$ 5,674,679

(1) Contract information

Revenue from contracts with customers

Contract revenue comes from rendering of computer software and hardware integration services according to contract, which is recognized by reference to the stage of completion of contract activity. The consideration promised is paid by customers based on the schedule in the contract.

Revenue from the sale of goods is recognized when performance obligations are satisfied. The performance obligations are satisfied when customers obtained control and right of use of the promised good and bear inventory risks.

Revenue from rendering of services

Revenue from rendering of services comes from maintenance services. The Company requires partial payments from the customers when the contract is signed. Revenue is recognized on a straight-line basis during the contract period.

(2)	Contract balances		
		December 31, 2023	December 31, 2022
	Accounts receivable (Note 10)	<u>\$ 1,336,959</u>	<u>\$ 1,394,927</u>
	Contract assets		
	System integration services	\$ 471,815	\$ 478,405
	Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	Contract assets - current	<u>\$ 471,815</u>	<u>\$ 478,405</u>
	Contract liabilities		
	System integration services	<u>\$ 455,424</u>	<u>\$ 220,867</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment. Except for adjustments resulting from the changes in the measure of progress, there was no significant change in the current period.

20. Net profit

(1)	Interest income	2023	2022
	Bank deposits	<u>\$ 7,535</u>	<u>\$ 2,904</u>
(2)	Other income	2023	2022
	Government grants	\$ 30,619	\$ 39,070
	Marketing incentive income	13,319	10,563
	Rental income	4,692	4,930
	Others	<u>3,737</u>	<u>6,243</u>
		<u>\$ 52,367</u>	<u>\$ 60,806</u>
(3)	Other gains and losses	2023	2022
	Gain on disposal of property, plant and equipment	\$ 164	\$ 382
	Net gain on fair value changes of financial assets mandatorily classified as at FVTPL	2,300	426
	Net foreign exchange gain	1,303	1,707
	Others	<u>(2,911)</u>	<u>(11,600)</u>
		<u>\$ 856</u>	<u>(\$ 9,085)</u>
(4)	Finance costs	2023	2022
	Interest on lease liabilities	\$ 2,110	\$ 311
	Interest on bank loans	697	-
	Others	<u>3</u>	<u>2</u>
		<u>\$ 2,810</u>	<u>\$ 313</u>

(5) Depreciation and amortization			
		2023	2022
	An analysis of depreciation by function		
	Operating costs	\$ 20,330	\$ 19,629
	Operating expenses	<u>80,019</u>	<u>81,708</u>
		<u>\$ 100,349</u>	<u>\$ 101,337</u>
	An analysis of amortization by function		
	Operating expenses	<u>\$ 100</u>	<u>\$ 100</u>
(6) Employee benefits expenses			
		2023	2022
	Short-term employee benefits		
	Salary	\$ 1,351,135	\$ 1,266,755
	Labor and health insurance	119,283	110,272
	Others	<u>48,323</u>	<u>46,741</u>
		<u>1,518,741</u>	<u>1,423,768</u>
	Post-employment benefits (Note 17)		
	Defined contribution plans	59,895	55,739
	Defined benefit plans	<u>812</u>	<u>718</u>
		<u>60,707</u>	<u>56,457</u>
	Total employee benefits expense	<u>\$ 1,579,448</u>	<u>\$ 1,480,225</u>
	An analysis of employee benefits expense by function		
	Operating costs	\$ 570,980	\$ 582,220
	Operating expenses	<u>1,008,468</u>	<u>898,005</u>
		<u>\$ 1,579,448</u>	<u>\$ 1,480,225</u>

(7) Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation at rates of no less than 3%. The employees' compensation in the amounts of \$10,300 thousand and \$9,600 thousand, representing 3.02% and 3.01% of net profit before tax for the years ended December 31, 2023 and 2022, respectively, were approved by the Company's board of directors on March 12, 2024 and March 17, 2023, respectively. The Company did not accrue remuneration of directors for the years ended December 31, 2023 and 2022.

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

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

Information on the employees' compensation resolved by the Company's board of directors in 2024 and 2023 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. Income tax

(1) Major components of tax expense recognized in profit or loss

	2023	2022
Current tax		
In respect of the current year	\$ 52,393	\$ 59,006
Adjustments for prior years	(1,632)	(2,023)
Deferred tax		
In respect of the current year	<u>2,047</u>	<u>1,939</u>
Income tax expense recognized in profit or loss	<u>\$ 52,808</u>	<u>\$ 58,922</u>

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

	2023	2022
Profit before income tax	<u>\$ 331,101</u>	<u>\$ 309,652</u>
Income tax expense calculated at the statutory rate	\$ 66,220	\$ 61,930
Nondeductible expenses in determining taxable income	2,937	1,512
Tax-exempt income	(1,208)	(1,031)
Investment tax credits	(18,475)	(9,428)
Unrecognized deductible temporary differences	4,966	7,962
Adjustments for prior years' tax	(<u>1,632</u>)	(<u>2,023</u>)
Income tax expense recognized in profit or loss	<u>\$ 52,808</u>	<u>\$ 58,922</u>

(2) Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs of inventories	\$ 351	\$ 33	\$ -	\$ 384
Defined benefit obligations	10,901	(3,029)	812	8,684
Others	<u>391</u>	<u>147</u>	<u>-</u>	<u>538</u>
	<u>\$ 11,643</u>	(<u>\$ 2,849</u>)	<u>\$ 812</u>	<u>\$ 9,606</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries and associates	(<u>\$ 10,416</u>)	<u>\$ 802</u>	<u>\$ -</u>	(<u>\$ 9,614</u>)

For the year ended December 31, 2022

	Opening Balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized write-downs of inventories	\$ 1,523	(\$ 1,172)	\$ -	\$ 351
Defined benefit obligations	15,278	(930)	(3,447)	10,901
Others	<u>390</u>	<u>1</u>	<u>-</u>	<u>391</u>
	<u>\$ 17,191</u>	<u>(\$ 2,101)</u>	<u>(\$ 3,447)</u>	<u>\$ 11,643</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unappropriated earnings of subsidiaries and associates	<u>(\$ 10,578)</u>	<u>\$ 162</u>	<u>\$ -</u>	<u>(\$ 10,416)</u>

(3) Income tax recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred tax</u>		
In respect of the current year		
- Remeasurement of defined benefit plans	<u>(\$ 812)</u>	<u>\$ 3,447</u>

(4) Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Deductible temporary differences	<u>\$ 335</u>	<u>\$ 335</u>

(5) Income tax assessment

The income tax returns of the Company through 2021 have been assessed by the tax authorities.

22. Earnings per share

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

Net profit for the year

	<u>2023</u>	<u>2022</u>
Earnings used in the computation of basic earnings per share	<u>\$ 278,293</u>	<u>\$ 250,730</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 278,293</u>	<u>\$ 250,730</u>

Shares

		(Thousand shares)
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	100,000	100,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>222</u>	<u>447</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,222</u>	<u>100,447</u>

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation 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.

23. Capital management

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2013.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, or the amount of new debt issued or existing debt redeemed

24. Financial instruments

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

The Company's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values. Therefore, the carrying amounts of balance sheet is a reasonable basis for estimating the fair value.

(2) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchyDecember 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Fund beneficial certificates	\$ <u>10,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,000</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
- Listed shares	\$ 31,431	\$ -	\$ -	\$ 31,431
- Unlisted shares	<u>-</u>	<u>-</u>	<u>1,595</u>	<u>1,595</u>
	\$ <u>31,431</u>	\$ <u>-</u>	\$ <u>1,595</u>	\$ <u>33,026</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Fund beneficial certificates	\$ 19,505	\$ -	\$ -	\$ 19,505
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
- Listed shares	\$ 24,142	\$ -	\$ -	\$ 24,142
- Unlisted shares	-	-	1,595	1,595
	\$ 24,142	\$ -	\$ 1,595	\$ 25,737

There were no transfers between Level 1 and Level 2 f in the current and prior periods.

(3) Categories of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 10,000	\$ 19,505
Financial assets at amortized cost (Note 1)	2,466,573	2,141,628
Financial assets at FVTOCI Equity instruments	33,026	25,737
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,840,648	1,772,843

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable and other receivables.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise notes payable, accounts payable and other payables.

(4) Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable and lease liabilities. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

A. Market risk

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

a. Foreign currency risk

The Company have foreign currency sales and purchases, which exposes the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to USD.

The following details the Company's sensitivity to a 10% increase and decrease in New Taiwan dollars (the functional currency) against the relevant

foreign currencies. The sensitivity rate of 10% used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. For the years ended December 31, 2023 and 2022, there would be an increase of \$8,625 thousand and \$5,205 thousand, respectively, in pre-tax profit associated with New Taiwan dollars strengthen 10% against USD. For a 10% weakening of New Taiwan dollars against USD, there would be an equal and opposite impact on pre-tax profit and the balances would be negative. The effect of exchange rate changes was mainly attributable to the exposure outstanding on USD cash, payables and borrowings, which were not hedged at the end of the reporting period.

b. Interest rate risk

The Company is exposed to interest rate risk because the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the 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	\$ 677,269	\$ 518,107
- Financial liabilities	82,538	3,548
Cash flow interest rate risk		
- Financial assets	437,492	220,766

Sensitivity analysis

The sensitivity analysis below was determined based on the 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. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would increase/decrease by \$1,094 thousand and \$552 thousand, respectively.

B. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge its obligation and due to the financial guarantees provided by the Company, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties. Before trading with new customers, the Company assessed the credit quality of potential customer by internal credit checking and set the credit limit which is reassessed annually.

C. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

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

a. Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included 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 repayment dates.

December 31, 2023

	On Demand or Less than 1 Month	1~3 months	3 months~1 year	1~5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ -	\$ 1,840,648	\$ -	\$ -	\$ -
Lease liabilities	3,621	7,242	31,440	41,892	-
Financial guarantee contracts	-	-	423,170	-	-
	<u>\$ 3,621</u>	<u>\$ 1,847,890</u>	<u>\$ 454,610</u>	<u>\$ 41,892</u>	<u>\$ -</u>

Further information about the maturity analysis for lease liabilities was as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$ 42,303</u>	<u>\$ 41,892</u>	<u>\$ -</u>

December 31, 2022

	On Demand or Less than 1 Month	1~3 months	3 months~1 year	1~5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ -	\$ 1,772,843	\$ -	\$ -	\$ -
Lease liabilities	175	350	1,576	1,495	-
Financial guarantee contracts	-	-	495,391	-	-
	<u>\$ 175</u>	<u>\$ 1,773,193</u>	<u>\$ 496,967</u>	<u>\$ 1,495</u>	<u>\$ -</u>

Further information about the maturity analysis for lease liabilities was as follows:

	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>
Lease liabilities	<u>\$ 2,101</u>	<u>\$ 1,495</u>	<u>\$ -</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement with option to demand full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b. Financing facilities

	December 31, 2023	December 31, 2022
Unsecured bank financing facilities, reviewed annually and payable on demand:		
- Amount used	\$ 727,236	\$ 418,077
- Amount unused	<u>1,657,764</u>	<u>1,416,923</u>
	<u>\$ 2,385,000</u>	<u>\$ 1,835,000</u>

25. Related Parties Transactions

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

(1) Related-party and its relationship

Related Party	Relationship
Furly Investment Co., Ltd. (Furly Investment)	Substantive related party
Chuan Gao Investment Co., Ltd. (Chuan Gao Investment)	Substantive related party
Welida Investment Co., Ltd.	Substantive related party
DBMaker Japan Inc.	Associates
CloudMaster Co., Ltd.	Joint venture
Netmaker Technology Co., Ltd.	Subsidiaries
CASEMaker Inc.	Subsidiaries
WiseMaker Technology Co.	Subsidiaries
Syscom Computer(Thailand)Co., Ltd.	Subsidiaries
Coach Technology Management Inc.	Subsidiaries
Syscom Computer(Shenzhen)Co., Ltd.	Subsidiaries
Xian Linan Computer Co., Ltd.	Subsidiaries

(2) Operating revenue (sales, maintenance and rental revenue)

Related Party Categories	2023	2022
Subsidiaries	\$ 4,635	\$ 17,058
Associates	120	230
Joint venture	<u>1,131</u>	<u>113</u>
	<u>\$ 5,886</u>	<u>\$ 17,401</u>

(3) Operating costs (sales, maintenance and rental revenue)

Related Party Categories	2023	2022
Subsidiaries	\$ 52,299	\$ 61,543
Associates	2,797	9,580
Joint venture	<u>4</u>	<u>2,669</u>
	<u>\$ 55,100</u>	<u>\$ 73,792</u>

(4) Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Categories	December 31, 2023	December 31, 2022
Accounts receivable	Subsidiaries	\$ 1,226	\$ 15,075
	Associates	-	178
	Joint venture	247	72
		<u>\$ 1,473</u>	<u>\$ 15,325</u>

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized on accounts receivable from related parties.

(5) Payables to related parties (excluding loans from related parties)

Line Item	Related Party Categories	December 31, 2023	December 31, 2022
Accounts payable	Subsidiaries	\$ 6,653	\$ 26,520
	Associates	1,206	2,151
	Joint venture	1,500	1,473
	Substantive related party	9	10
		<u>\$ 9,368</u>	<u>\$ 30,154</u>

The outstanding accounts payable from related parties are unsecured.

(6) Acquisition of property, plant and equipment

Related Party Categories	Purchase Price	
	2023	2022
Subsidiaries	\$ -	\$ 87
Associates	4,295	7,660
	<u>\$ 4,295</u>	<u>\$ 7,747</u>

(7) Lease agreement

Line Item	Related Party Categories/Name	2023	2022
Acquisition of right-of-use assets	Substantive related party		
	Chuan Gao Investment	\$ 68,488	\$ -
	Furly Investment	51,843	-
		<u>\$ 120,331</u>	<u>\$ -</u>
Lease liabilities	Substantive related party		
	Chuan Gao Investment	\$ 46,923	\$ 1,037
	Furly Investment	34,923	-
		<u>\$ 81,846</u>	<u>\$ 1,037</u>
Line Item	Related Party Categories/Name	December 31, 2023	December 31, 2022
Finance costs	Substantive related party		
	Chuan Gao Investment	\$ 1,194	\$ 163
	Furly Investment	895	106
		<u>\$ 2,089</u>	<u>\$ 269</u>

(8) Endorsement and guarantee

Refer to Table 1 for information relating to endorsements and guarantees provided with related parties.

(9) Rental expenses

Line Item	Related Party Categories/Name	2023	2022
Operating expenses	Substantive related party		
	Chuan Gao Investment	\$ 4,880	\$ 2,709
	Furly Investment	1,302	1,565
	others	-	72
		<u>\$ 6,182</u>	<u>\$ 4,346</u>

(10) Rental revenue

Line Item	Related Party Categories/Name	2023	2022
Other income	Joint venture		
	Cloudmaster Co., Ltd.	\$ 1,779	\$ 1,685
	Subsidiaries		
	Wisemaker Technology Co.	1,132	1,479
	Netmaker Technology Co., Ltd.	500	484
	Others	16	18
		<u>1,648</u>	<u>1,981</u>
		<u>\$ 3,427</u>	<u>\$ 3,666</u>

(11) Compensation of key management personnel

	2023	2022
Short-term employee benefits	\$ 327,660	\$ 291,365
Post-employment benefits	<u>12,765</u>	<u>12,024</u>
	<u>\$ 340,425</u>	<u>\$ 303,389</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

26. Assets Pledged as Collateral

The assets pledged as collaterals for system design contract, bank loans and for product warranty were as follows:

	December 31, 2023	December 31, 2022
Pledge deposits (classified as financial assets at amortized cost)	<u>\$ 326,187</u>	<u>\$ 230,417</u>

27. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2023, for the contracts with customers and the application for government grants, the Company issued guarantee notes and had bank guarantee amounting to \$100,272 thousand and \$727,236 thousand, respectively.

28. Significant Assets and Liabilities Denominated in Foreign Currencies

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2023

	<u>Foreign Currencies</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 3,089	30.705	\$ 94,862
JPY	99	0.2172	22
HKD	236	3.929	927
<u>Non-monetary items</u>			
USD	3,151	30.705	96,751
JPY	57,237	0.2172	12,432
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	281	30.705	8,614
JPY	5,553	0.2172	1,206
HKD	79	3.929	310
<u>Non-monetary items</u>			
USD	3,089	30.705	94,834

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 2,783	30.71	\$ 85,455
JPY	921	0.2324	214
HKD	355	3.938	1,399
<u>Non-monetary items</u>			
USD	3,210	30.71	98,578
JPY	66,636	0.2324	15,486
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	1,088	30.71	33,408
JPY	9,255	0.2324	2,151
<u>Non-monetary items</u>			
USD	2,324	30.71	71,381

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	2023		2022	
	Foreign currency	Exchange rate	Exchange rate	
				Net Foreign Exchange Gain (Loss)
USD	31.155(USD: NTD)	\$ 1,303	29.805 (USD: NTD)	\$ 1,707

29.

Separately Disclosure Items

- (1) Information about significant transactions:
 - A. Financing provided to others: None.
 - B. Endorsements/guarantees provided (Table 1).
 - C. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 2).

- D. Marketable securities acquired and disposed of at costs or prices 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 amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 - 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.
- (2) Information on investees: (Table 3).
- (3) Information on investments in Mainland China:
- A. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: (Table 4).
 - B. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c. The amount of property transactions and the amount of the resultant gains or losses.
 - d. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f. Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- (4) Information of 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 5)

SYSCOM COMPUTER ENGINEERING CO.
Endorsements/Guarantees Provided
For the Year Ended December 31, 2023

Table 1

(In Thousands of New Taiwan Dollars/Foreign Currency)

No.	Endorser/ Guarantor	Endorsee/ Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 1)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement /Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement /Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement /Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement /Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Syscom Computer Engineering Co.	Syscom Computer (Shenzhen) Co., Ltd.	Indirect subsidiary	20% of the net worth \$422,841	\$ 334,685 (USD 10,900)	\$ 282,486 (USD 9,200)	\$ 153,125 (USD 4,987)	\$ -	13.36	50% of the net worth \$1,057,104	Yes	No	Yes
		Xian Linan Computer Co., Ltd.	Indirect subsidiary	Same as above	60,642 (USD 1,975)	40,684 (USD 1,325)	29,947 (USD 975)	-	1.92	Same as above	Yes	No	Yes
		Netmaker Technology Co., Ltd.	Subsidiaries	Same as above	85,000	85,000	7,500	-	4.02	Same as above	Yes	No	No
		Coach Technology Management Inc.	Subsidiaries	Same as above	15,000	15,000	-	-	0.71	Same as above	Yes	No	No

Note: The above amounts were translated into New Taiwan dollar at the prevailing exchange rate as of December 31, 2023.

SYSCOM COMPUTER ENGINEERING CO.
Marketable securities held
December 31, 2023

Table 2

(In Thousands of New Taiwan Dollars and in thousands of Shares (Thousands of Units))

Holding Company Name	Type and name of marketable securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of shares/units	Carrying amount	Percentage of Ownership (%)	Fair value	
SYSCOM COMPUTER ENGINEERING CO.	<u>Beneficial certificates</u>							
	Yuanta Japan Leaders Equity Fund	—	Financial assets at fair value through profit or loss - current	1,000	\$ 10,000	-	\$ 10,000	
	<u>Stocks</u>							
	Engsound Technical Enterprise Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	273	1,595	9.09	1,595	
	Turn Cloud Technology Service Inc.	—	Financial assets at fair value through other comprehensive income - non-current	195	29,898	0.90	29,898	
	Shin Kong Financial Holding Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	166	1,470	-	1,470	
Coach Technology Management Inc.	Dimension Computer Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	2	63	-	63	
	<u>Beneficial certificates</u>							
	Fuh Hwa Money Market Fund	—	Financial assets at fair value through profit or loss - current	31	457	-	457	

Note 1: The securities referred to in this table include stocks, bonds, mutual funds and securities derived from the above - mentioned items within the scope of International Financial Reporting Standard No. 9 “Financial Instruments”.

Note 2: The above shares or certificates were not provided as guarantee.

SYSCOM COMPUTER ENGINEERING CO.
Information on investees
For the Year Ended December 31, 2023

Table 3

(In Thousands of New Taiwan Dollars/Thousands of Shares)

Investor Company	Investee Company	Location	Main Businesses and Products	Original investment amount		Holding at the end of the period			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares (Thousands)	Percentage of Ownership	Carrying amount			
SYSCOM COMPUTER ENGINEERING CO.	Coach Technology Management Inc.	Taipei City	Diagnostic consulting for corporate management, domestic and foreign investment referral, and computerized design consulting.	\$ 19,200	\$ 19,200	1,950	97.50	\$ 6,550	\$ 2,276	\$ 2,219	Subsidiaries
	Casemaker Inc.	California, U.S.A.	Sales of computer software, hardware and related products.	USD 1,300	USD 1,300	1,300	100.00	96,751	(1,922)	(1,922)	Subsidiaries
	SYSCOM INTERNATIONAL INC.	Cayman Islands	Investments in other businesses	USD 6,050	USD 6,050	6,050	100.00	(94,834)	(25,160)	(25,160)	Subsidiaries
	Netmaker Technology Co., Ltd.	Taipei City	Information software, data processing and electronic information supply services	18,763	18,763	2,858	86.60	35,643	(4,752)	(4,115)	Subsidiaries
	Wisemaker Technology Co.	Taipei City	Sales of computer software, hardware and related products.	42,191	41,697	2,679	99.24	60,187	4,003	3,982	Subsidiaries
	DBMaker Japan, Inc.	Tokyo, Japan	Development and sales of computer system software and hardware	JPY 53,260	JPY 53,260	5	49.89	12,432	(4,184)	(2,087)	Investee accounted for using the equity method
	Syscom Computer(Thailand)Co., Ltd.	Thailand	Development and maintenance of software and other businesses	THB 33,134	THB 33,014	3,440	92.47	3,004	(178)	(165)	Subsidiaries
	Cloudmaster Co., Ltd.	Taipei City	Information software, data processing and electronic information supply services	65,000	65,000	6,500	50.00	55,426	3,128	1,564	Investee accounted for using the equity method
Coach Technology Management Inc.	Syscom Computer(Thailand)Co., Ltd.	Thailand	Development and maintenance of software and other businesses	THB 200	THB 200	20	0.54	17	(178)	Not applicable	Subsidiary

Note: The foreign currency amount of the net income of the investee is expressed in New Taiwan dollars at the average exchange rate in 2023.

SYSCOM COMPUTER ENGINEERING CO.
Information on investments in Mainland China
For the Year Ended December 31, 2023

Table 4 (In Thousands of New Taiwan Dollars/Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investmen	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Syscom Computer(Shenzhen)Co., Ltd.	Computer equipment software development, sales of self-developed technical achievements services, computer system integration and network wiring engineering.	\$ 138,173 (USD 4,500)	Note 1	\$ 128,040 (USD 4,170)	\$ -	\$ -	\$ 128,040 (USD 4,170)	(\$ 25,361) ((USD 814)) (Note 2)	98.27%	(\$ 24,922) ((USD 800)) (Note 2)	(\$ 96,311) ((USD 3,137)) (Note 2)	\$ -	
Xian Linan Computer Co., Ltd.	Development and manufacture of computer equipment and computer software; sale of self-manufactured products and provision of technical services.	70,622 (USD 2,300)	Note 1	46,610 (USD 1,518)	-	-	46,610 (USD 1,518)	(2,513) ((USD 81)) (Note 2)	74.38%	(1,869) ((USD 60)) (Note 2)	(4,532) ((USD 148)) (Note 2)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 174,650 (USD 5,688)	\$ 174,650 (USD 5,688) (Note 1(2))	\$ 1,268,524
	13,394 (USD 436) (Note 1(1))	

- Note 1: Investment methods are classified into the following two categories:
(1) An investee of CASEMaker, Inc., a wholly owned subsidiary of Syscom Computer Engineering Company and capital increase from capital surplus.
(2) An investee of Syscom International Inc., a wholly owned subsidiary of Syscom Computer Engineering Company.
- Note 2: Amount was recognized based on the financial statements which were audited by CPAs on December 31, 2023.
- Note 3: According to the "Principles for the Review of Investment or Technical Cooperation in the Mainland Area" stipulated by the Investment Commission of the Ministry of Economic Affairs (MOEAIC), the upper limit is calculated as follows:
60% of the shareholders' equity = \$2,114,207 × 60% = \$1,268,524
- Note 4: The foreign currency amounts of original investment amount and carrying value are expressed in New Taiwan dollars at exchange rate as of December 31, 2023. The foreign currency amount of net income is expressed in New Taiwan dollars at average exchange rate for the year ended December 31, 2023.

SYSCOM COMPUTER ENGINEERING CO.
Information on major shareholders
December 31, 2023

Table 5

Name of major shareholder	Shareholding	
	Number of shares held	Shareholding percentage
Jui-Fu Liu	18,346,787	18.34%
Chi-Shan Liu	7,598,911	7.59%
Su-Chen Yang	7,256,001	7.25%

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 Corporation as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

§THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

Item	Number/Index
Major Accounting Items In Assets, Liabilities And Equity	
Statement of cash and cash equivalents	Statement I
Statement of accounts receivable	Statement II
Statement of inventories	Statement III
Statement of financial assets at fair value through other comprehensive income - non-current	Note 8
Statement of changes in property, plant, and equipment	Note 13
Statement of deferred income tax assets	Note 21
Statement of changes in investments accounted for using equity method	Statement IV
Statement of accounts payable	Statement V
Statement of other payables	Note 16
Statement of deferred income tax liabilities	Note 21
Major Accounting Items In Profit Or Loss	
Statement of operating costs	Statement VI
Statement of operating expenses	Statement VII
Statement of employee benefits, depreciation and amortization expenses by function	Statement VIII

SYSCOM COMPUTER ENGINEERING CO.

Statement of cash and cash equivalents

DECEMBER 31,2023

Statement I

(In Thousands of New Taiwan Dollars/foreign currency, Unless Stated Otherwise)

Item	Maturity date	Annual Interest Rate	Amount
Bank deposits (Note)			
Demand deposits (include NTD433,886 thousand 、 JPY99 thousand 、USD87 thousand and HKD236 thousand)			\$437,492
Checking accounts			39
Cash on hand			405
Commercial papers			<u>294,961</u>
			<u>\$732,897</u>

Note : USD1=NT\$30.705 。

 JPY1=NT\$0.2172 。

 HKD1=NT\$3.929 。

SYSCOM COMPUTER ENGINEERING CO.

Statement of accounts receivable

DECEMBER 31, 2023

Statement II

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company's name	Amount
Related parties	
Netmaker Technology Co., Ltd.	\$ 1,226
Others (Note)	<u>247</u>
	<u>1,473</u>
Non-related parties	
Chunghwa Telecom Co., Ltd. - Network Technology Group	226,660
Chunghwa Telecom Co., Ltd. - Information Technology Group	131,883
Others (Note)	<u>977,712</u>
	1,336,255
Less: Allowance for impairment loss	<u>769</u>
	<u>1,335,486</u>
	<u>\$ 1,336,959</u>

Note: The amount of individual company included in others does not exceed 5% of the account balance.

SYSCOM COMPUTER ENGINEERING CO.

Statement of inventories

DECEMBER 31,2023

Statement III

(In Thousands of New Taiwan Dollars)

Item	Description	Book value	Net realizable value
Prepayments for contracts	Cost of computer hardware, software and labor	\$ 244,401	\$ 244,401
Commodities	Computer hardware	205,959	210,861
Maintenance materials	Parts, etc.	376	376
Inventories in transit	Computer hardware	<u>5,397</u>	<u>5,397</u>
		<u>\$ 456,133</u>	<u>\$ 461,035</u>

SYSCOM COMPUTER ENGINEERING CO.
Statement of changes in investments accounted for using the equity method
DECEMBER 31,2023

Statement IV

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise /Thousands of Shares)

Name of investee Company	Balance, January 1, 2023		Addition		Decrease		Increase (Decrease) in Using the Equity Method (Note4)	Balance, December 31, 2023			Net Equity Value or Market Price
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	Percentage of Ownership (%)	Amount	
Investments accounted for using equity method											
Unlisted stock											
Casemaker, Inc.	1,300	\$ 98,578	-	\$ -	-	\$ -	(\$ 1,827)	1,300	100.00	\$ 96,751	\$ 96,751 (Note1)
Netmaker Technology Co., Ltd.	2,858	39,271	-	-	-	-	(3,628)	2,858	86.60	35,643	35,643 (Note1)
Wisemaker Technology Co.	2,665	58,256	14	494	-	-	1,437	2,679	99.24	60,187	60,187 (Note1)
DBMaker Japan Inc.	5	15,486	-	-	-	-	(3,054)	5	49.89	12,432	12,432 (Note2)
Coach Technology Management Inc.	1,950	4,331	-	-	-	-	2,219	1,950	97.50	6,550	5,957 (Note1)
Cloudmaster Co., Ltd.	6,500	54,032	-	-	-	-	1,394	6,500	50.00	55,426	55,426 (Note1)
Syscom Computer(Thailand)Co., Ltd.	3,400	<u>3,105</u>	40	<u>108</u>	-	-	(<u>209</u>)	3,440	92.47	<u>3,004</u>	<u>3,004</u> (Note1)
		<u>273,059</u>		<u>602</u>		-	(<u>3,668</u>)			<u>269,993</u>	<u>269,400</u>
Other non-current liabilities											
Unlisted shares											
SYSCOM INTERNATIONAL INC.	6,050	(<u>71,381</u>)	-	-	-	-	(<u>23,453</u>)	6,050	100.00	(<u>94,834</u>)	(<u>94,834</u>) (Note1)
		<u>\$ 201,678</u>		<u>\$ 602</u>		<u>\$ -</u>	(<u>\$ 27,121</u>)			<u>\$ 175,159</u>	<u>\$ 174,566</u>

Note 1: The amounts of net equity value were based on audited financial statements on December 31, 2023.

Note 2: The amounts of net equity value were based on financial statements which have not been audited on December 31, 2023.

Note 3: Investments using the equity method were not provided as guarantee.

Note 4: Including

(1) Exchange differences on translating the financial statements of foreign operations	\$ 861
(2) Share of profit or loss of subsidiaries, associates and joint ventures	(25,684)
(3) Difference between consideration and carrying amount of subsidiaries acquired	(272)
(4) Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	916
(5) Acquisition of cash dividends from the investee company	(<u>2,942</u>)
	(<u>\$ 27,121</u>)

SYSCOM COMPUTER ENGINEERING CO.

Statement of accounts payable

DECEMBER 31,2023

Statement V

(In Thousands of New Taiwan Dollars)

<u>The Company's name</u>	<u>Amount</u>
Related parties	
Netmaker Technology Co., Ltd.	\$ 5,802
Others (Note)	<u>3,566</u>
	<u>9,368</u>
Non-related parties	
Zero One Technology Co., Ltd	106,834
Metaage Corporation	105,067
BESTCOM Infotech Corp	102,878
Others (Note)	<u>1,119,030</u>
	<u>1,433,809</u>
	<u>\$ 1,443,177</u>

Note: The amount of individual company included in others does not exceed 5% of the account balance.

SYSCOM COMPUTER ENGINEERING CO.

Statement of operating costs

FOR THE YEAR ENDED DECEMBER 31,2023

Statement VI

(In Thousands of New Taiwan Dollars)

Item	Amount
Inventory at the beginning of the year (Note)	\$ 422,747
Add: Purchases in the current year	2,699,288
Cost of invested software in the current year (including labor and other related expenses)	223,008
Research and development expenses, operating expenses, and transferred maintenance materials	497,946
Costs recognized based on the percentage of completion method (including the wiring costs of outsourced projects)	320,071
Loss on decline in value of inventories	165
Less: Transferred maintenance, leased assets, and other purchases	174,536
Inventory at the end of the year (Note)	<u>457,640</u>
Cost of goods sold	<u>3,531,049</u>
Maintenance materials at the beginning of the year (Note)	387
Add: Purchases in the current year	22,858
Subcontracted works	473,151
Transferred operating expenses	373,648
Transferred merchandises	166,634
Less: Transfer of costs of goods sold, prepayments for purchases and other expenses	17,019
Maintenance materials at the end of the year (Note)	<u>412</u>
Maintenance cost	<u>1,019,247</u>
Rental costs	<u>14,185</u>
	<u><u>\$ 4,564,481</u></u>

Note: The above statement indicates that the amount of all items regarding inventories is recognized by original costs of inventories, with no deduction of allowance for inventory valuation losses.

SYSCOM COMPUTER ENGINEERING CO.
Statement of operating expenses
FOR THE YEAR ENDED DECEMBER 31,2023

Statement VII

(In Thousands of New Taiwan Dollars)		
Item	Selling and marketing expenses	Research and development Expenses
Salary expenses	\$ 695,940	\$ 176,754
Depreciation expenses	72,435	7,584
Insurance premiums	70,391	-
Others (Note)	<u>208,373</u>	<u>20,624</u>
Total	<u>\$ 1,047,139</u>	<u>\$ 204,962</u>

Note: The amount of individual company included in others does not exceed 5% of the account balance.

SYSCOM COMPUTER ENGINEERING CO.

Statement of employee benefits, depreciation and amortization by function

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Statement VIII

(In Thousands of New Taiwan Dollars)

	2023			2022		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expenses						
Salary expenses	\$ 478,441	\$ 871,770	\$1,350,211	\$ 490,788	\$ 775,058	\$1,265,846
Labor and health insurance expenses	48,892	70,391	119,283	48,257	62,015	110,272
Pension expenses	26,548	34,159	60,707	25,825	30,632	56,457
Directors' remuneration	-	924	924	-	909	909
Other employee benefits expenses	17,099	31,224	48,323	17,350	29,391	46,741
	<u>\$ 570,980</u>	<u>\$1,008,468</u>	<u>\$1,579,448</u>	<u>\$ 582,220</u>	<u>\$ 898,005</u>	<u>\$1,480,225</u>
Depreciation expenses	\$ 20,330	\$ 80,019	\$ 100,349	\$ 19,629	\$ 81,708	\$ 101,337
Amortization expenses	\$ -	\$ 100	\$ 100	\$ -	\$ 100	\$ 100

Note 1: The Company's average number of employees in 2023 and 2022 were 1,231 and 1,177, respectively, of which the average number of directors who did not serve as employees were both 5. The calculation basis for employee benefit expenses is consistent.

Note 2: The average employee benefits expense for the current year was NT\$1,288 thousand ("Total employee benefit expense for the current year - Total directors' remuneration" / "Number of employees for the current year - Number of directors who are not concurrently serving as employees").

The average employee benefits expense for the previous year was NT\$1,262 thousand ("Total employee benefit expense for the previous year - Total directors' remuneration" / "Number of employees for the previous year - Number of directors who were not concurrently serving as employees").

Note 3: The average employee benefits expense for the current year was NT\$1,101 thousand (Total salary expenses for the current year / "Number of employees for the current year - Number of directors who are not concurrently serving as employees").

The average employee benefits expense for the previous year was NT\$1,080 thousand (Total salary expenses for the previous year / "Number of employees for the previous year - Number of directors who were not concurrently serving as employees").

Note 4: The average employee salary expense adjustment is 1.9% ("Average employee salary expenses for the current year - Average employee salary expenses for the previous year" / Average employee salary expenses for the previous year).

Note 5: The remuneration policy of the Company (including directors, managers and employees):

The Company's policy (including directors, managers, and employees) is mainly based on the Company's Articles of Incorporation, the "Remuneration System for Directors, Members of Functional Committees, and Managers" (formerly the "Remuneration System for Directors, Supervisors, and Managers") and the Company's measures for determining salaries, and is subject to the Remuneration Committee's review and approval and submitted to the Board of Directors for resolution, and described as follows:

1. Directors:

The remuneration to the Company's directors is mainly determined in accordance with the Company's Articles of Incorporation and the "Remuneration Policy for Directors, Functional Committee Members, and Managers". Currently, the Company's directors are only entitled to fixed remuneration such as monthly remuneration, transportation allowance, attendance fee, and not the related variable remuneration.

2. Managers and employees:

The remuneration to the Company's managers and employees, of which the fixed salary is determined based on education, work experience, professional skills, job functions, etc. The holiday bonuses, performance bonus and other variable remuneration are mainly determined by the business performance of the Company and the achievements of the departments or individuals performance management indicators. In addition, in accordance with the Article of Incorporation, no less than 3% of the annual profits shall be allocated as employees' remuneration, which shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.