

Tricorntech Corporation
Financial Statements and Independent Auditors'
Report
December 31, 2023 and 2022
(Stock code: 6909)

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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, or any difference in the interpretation of the English version and the original Chinese version, the Chinese language independent auditors' report and financial statements shall prevail.

Tricorntech Corporation
December 31, 2023 and 2022 Financial Statements and Independent
Auditors' Report
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Independent Auditors' Report

Ref. No. (2024) Cai-Shen-Bao-Zi No. 23004129

To the Board of Directors and Shareholders of Tricorntech Corporation:

Auditor's Opinion

We have duly reviewed the accompanying Statement of Financial Position of Tricorntech Corporation for the years ended December 31, 2023 and 2022, and the related Statement of Comprehensive Income, of Statement of Changes in Equity and of Statement of Cash Flows for the period from January 1 to December 31, 2023 and 2022, and notes to the financial statements, including a summary of significant accounting policies.

Based on the review results of the attesting CPAs, all material aspects of the abovementioned Financial Statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed by the Financial Supervisory Commission (FSC). The accompanying financial statements present fairly, in all material respects, the financial position of Tricorntech Corporation as of December 31, 2023 and 2022, and the financial performance and cash flow for the period from January 1 to December 31, 2023 and 2022.

Basis for Opinion

We have duly conducted the audit 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. The responsibilities of the attesting CPAs under these standards will be further explained in the auditor's responsibility section of the audit of the financial statements. We are independent of Tricorntech Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

Key audit matters for the Company's financial statements for the year ended 2023 are stated as follows:

Key Audit Matter - Evaluating Inventory Valuation Impairment

Description

For details of the inventory valuation policy, please refer to Note IV (X) to the financial statements; for details of the accounting estimates and assumptions adopted in the valuation of inventories, please refer to Note V to the parent company only financial statements; and for details of the allowance for price decline in inventories, please refer to Note VI (IV) to the financial statements

Tricorntech Corporation primarily engages in the manufacturing and sale of gas detection equipment. The Company maintains inventory reserves based on projected sales plans and material safety stock levels. Deviations between projected and actual sales plans may result in slow inventory turnover and potential obsolescence.

Inventory valuation at Tricorntech Corporation is performed using the lower of cost or net realizable value method, supplemented by an assessment of inventory aging to determine its value. Identifying individual obsolete inventory items often involves subjective judgment, resulting in estimation uncertainties. Therefore, our have identified the evaluation of inventory impairment as one of the most significant matters in this year's audit.

Corresponding Audit Procedures Undertaken

The principal audit procedures performed regarding the aforementioned key audit matters include:

1. Obtaining the Company's inventory impairment provisioning policy and assessing the reasonableness of the assumptions made by management regarding net realizable value and inventory turnover, ensuring consistency throughout the financial reporting period.
2. Assessing the appropriateness of the logic behind inventory net realizable value and aging reports, verifying the accuracy of information as of the reporting date and its consistency with the Company's policies.
3. Understanding warehouse management processes, reviewing the annual inventory count plan, and participating in inventory observations to evaluate the effectiveness of management's identification and handling of obsolete inventory.

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 all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed by the Financial Supervisory Commission (FSC), and for such internal control as management determines is necessary to enable the preparation of the 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 members of the Audit and Risk 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 in the financial statements can arise from either 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 relevant notes and disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of Tricorntech Corporation 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.

PwC Taiwan

Sheng-Wei Teng

Certified Public Accountant

Yu-Fang Yen

Financial Supervisory Commission

Approval No.: Jin-Guan-Zheng-Shen-Zi No.1020013788

Jin-Guan-Zheng-SHen-Zi No.1080323093

March 8, 2024

Tricorntech Corporation
Statement of Financial Position
For the years ended December 31, 2023 and 2022

Unit: NTD thousands

Assets	Notes	December 31, 2023		December 31, 2022		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI(I)	\$ 483,643	53	\$ 394,006	47
1136	Financial assets at amortized cost	VI(II)	2,500	-	2,500	-
1140	Contract assets	VI(XVI)	99,715	11	105,882	13
1150	Notes receivable, net	VI(III)	531	-	60	-
1170	Accounts receivable, net	VI(III)	69,263	8	99,273	12
1200	Other receivables		814	-	465	-
130X	Inventories	VI(IV)	98,925	11	89,834	11
1410	Prepayments		4,430	-	18,286	2
11XX	Total current assets		<u>759,821</u>	<u>83</u>	<u>710,306</u>	<u>85</u>
Non-current assets						
1600	Property, plant and equipment	VI(V)	30,154	4	30,123	3
1755	Right-of-use assets	VI(VI)	20,852	2	5,287	1
1780	Intangible assets	VI(VII)	45,820	5	55,486	7
1840	Deferred income tax assets	VI(XXI)	48,047	5	22,937	3
1920	Refundable deposits		5,413	1	3,182	-
1930	Long-term notes and receivables	VI(III)	-	-	8,036	1
15XX	Total non-current assets		<u>150,286</u>	<u>17</u>	<u>125,051</u>	<u>15</u>
1XXX	Total assets		<u>\$ 910,107</u>	<u>100</u>	<u>\$ 835,357</u>	<u>100</u>

(continued on next page)

Tricorntech Corporation
Statement of Financial Position
For the years ended December 31, 2023 and 2022

Unit: NTD thousands

Total liabilities and equity		Notes	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
Current liabilities						
2130	Contract liabilities	VI(XVI)	\$ 14,510	2	\$ 20,907	3
2170	Accounts payable		8,248	1	16,219	2
2200	Other payables	VI(VIII)	64,413	7	83,271	10
2250	Liability reserves	VI(XII)	6,837	1	7,373	1
2280	Lease liabilities		10,472	1	2,713	-
2320	Current portion of long-term liabilities	VI(IX)	1,667	-	10,000	1
2399	Other current liabilities		723	-	673	-
21XX	Total current liabilities		<u>106,870</u>	<u>12</u>	<u>141,156</u>	<u>17</u>
Non-current liabilities						
2540	Long-term borrowings	VI(IX)	-	-	1,667	-
2570	Deferred income tax liabilities	VI(XXI)	1,880	-	1,864	-
2580	Lease liabilities - non-current		10,681	1	2,495	1
25XX	Total non-current liabilities		<u>12,561</u>	<u>1</u>	<u>6,026</u>	<u>1</u>
2XXX	Total liabilities		<u>119,431</u>	<u>13</u>	<u>147,182</u>	<u>18</u>
Equity						
Share capital		VI(XIII)				
3110	Common stock		602,347	66	558,753	67
Capital surplus		VI(XIV)				
3200	Capital surplus		55,295	6	49,142	6
Retained earnings		VI(XV)				
3310	Legal reserve		8,028	1	-	-
3350	Unappropriated earnings		125,006	14	80,280	9
3XXX	Total equity		<u>790,676</u>	<u>87</u>	<u>688,175</u>	<u>82</u>
3X2X	Total liabilities and equity		<u>\$ 910,107</u>	<u>100</u>	<u>\$ 835,357</u>	<u>100</u>

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

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Gisele LU

Tricorntech Corporation
Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022

Unit: NTD thousands
(Except earnings per share in NTD)

	Item	Notes	Year Ended December 31, 2023		Year Ended December 31, 2022	
			Amount	%	Amount	%
4000	Operating revenue	VI(XVI) and VII	\$ 406,637	100	\$ 394,697	100
5000	Operating cost	VI(IV) and VII	(152,356)	(37)	(136,165)	(35)
5900	Gross operating profit		254,281	63	258,532	65
	Operating expenses	VI(XX) and VII				
6100	Marketing expenses		(65,226)	(16)	(73,570)	(19)
6200	Administrative expenses		(47,351)	(12)	(43,097)	(11)
6300	Research and development expenses		(86,788)	(21)	(75,673)	(19)
6450	Expected credit impairment gain	XII(II)	2,046	-	1,875	1
6000	Total operating expenses		(197,319)	(49)	(190,465)	(48)
6900	Operating profit		56,962	14	68,067	17
	Non-operating income and expenses					
7100	Interest income		8,503	2	1,155	1
7010	Other income		849	-	1,001	-
7020	Other gains and losses	VI(XVII)	2,947	1	23,968	6
7050	Financial cost	VI(XVIII)	(537)	-	(413)	-
7000	Total non-operating income and expenses		11,762	3	25,711	7
7900	Net profit before tax		68,724	17	93,778	24
7950	Income tax benefits	VI(XXI)	24,393	6	21,072	5
8200	Profit for the year		\$ 93,117	23	\$ 114,850	29
8500	Total comprehensive income for the year		\$ 93,117	23	\$ 114,850	29
	Earnings per share	VI(XXII)				
9750	Basic earnings per share		\$ 1.55		\$ 2.05	
9850	Diluted earnings per share		\$ 1.53		\$ 2.01	

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

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Gisele LU

Tricorntech Corporation
Statements of Changes in Equity
For the years ended December 31, 2023 and 2022

Unit: NTD thousands

	Notes	Common stock capital	Capital surplus	Retained earnings		Total
				Legal reserve	Unappropriated earnings (losses to be covered)	
<u>2022</u>						
Balance at January 1, 2022		\$ 499,663	\$ 471,358	\$ -	(\$ 482,199)	\$ 488,822
Profit for the year		-	-	-	114,850	114,850
Total comprehensive income for the year		-	-	-	114,850	114,850
Compensation cost for employee stock options	VI(XI)	-	2,601	-	-	2,601
Execution of employee stock options	VI(XIII)	59,090	22,812	-	-	81,902
Capital surplus to make up for deficits	VI(XV)	-	(447,629)	-	447,629	-
Balance at December 31, 2022		<u>\$ 558,753</u>	<u>\$ 49,142</u>	<u>\$ -</u>	<u>\$ 80,280</u>	<u>\$ 688,175</u>
<u>2023</u>						
Balance at January 1, 2023		<u>\$ 558,753</u>	<u>\$ 49,142</u>	<u>\$ -</u>	<u>\$ 80,280</u>	<u>\$ 688,175</u>
Profit for the year		-	-	-	93,117	93,117
Total comprehensive income for the year		-	-	-	93,117	93,117
Compensation cost for employee stock options	VI(XI)	-	2,149	-	-	2,149
Execution of employee stock options	VI(XIII)	7,267	4,004	-	-	11,271
Earning appropriation and distribution for 2022	VI(XV)					
Legal reserve		-	-	8,028	(8,028)	-
Cash dividends		-	-	-	(4,036)	(4,036)
Stock dividends		36,327	-	-	(36,327)	-
Balance at December 31, 2023		<u>\$ 602,347</u>	<u>\$ 55,295</u>	<u>\$ 8,028</u>	<u>\$ 125,006</u>	<u>\$ 790,676</u>

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

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Gisele LU

Tricorntech Corporation
Statement of Cash Flows
For the years ended December 31, 2023 and 2022

Unit: NTD thousands

	<u>Notes</u>	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
<u>Cash flow from operating activities</u>			
Net income before tax for the year		\$ 68,724	\$ 93,778
Items for adjustment			
Income and expenses			
Expected credit impairment gain	XII(II)	(2,046)	(1,875)
Depreciation expense	VI(V)(VI) (XIX)	24,868	19,590
Amortization expense	VI(VII) (XIX)	11,478	11,197
Interest income		(8,503)	(1,155)
Interest expense	VI (XVIII)	537	413
Compensation cost for employee stock options	VI (XI)	2,149	2,601
Loss (gain) from disposal of property, plant and equipment	VI (XVII)	(388)	608
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Contract assets		6,167	(31,390)
Notes receivable, net		(471)	82
Accounts receivable, net		32,056	66,886
Receivable - related parties		-	1,353
Inventories		(14,189)	(26,407)
Other receivables		(1,051)	1,551
Prepayments		13,856	(1,774)
Long-term notes and receivables		8,036	(8,036)
Net changes in liabilities related to operating activities			
Contract liabilities		(6,397)	13,655
Accounts payable		(7,971)	7,802
Payable to related parties		-	(273)
Other payables		(19,064)	45,636
Liability reserves		(536)	713
Other current liabilities		56	219
Cash inflow from operations		107,311	195,174
Interest collected		8,503	1,155
Interest paid		(542)	(408)
Net cash inflow from operating activities		<u>115,272</u>	<u>195,921</u>
<u>Cash flow from investing activities</u>			
Acquisition of property, plant and equipment	VI (XXIII)	(11,188)	(3,425)
Disposal of property, plant and equipment		1,874	-
Acquisition of intangible assets	VI (VII)	(1,812)	(2,554)
Increase in refundable deposits		(5,586)	(537)
Decrease in refundable deposits		3,355	77
Net cash outflow from investing activities		<u>(13,357)</u>	<u>(6,439)</u>
<u>Cash flow from financing activities</u>			
Lease principal repayment	VI (XXIV)	(9,513)	(8,550)
Repayment of long-term borrowings	VI (XXIV)	(10,000)	(10,000)
Execution of employee stock options	VI (XI)	11,271	81,902
Distribution of shareholders' cash dividends	VI (XV)	(4,036)	-
Net cash inflow (outflow) from financing activities		<u>(12,278)</u>	<u>63,352</u>
Increase in cash and cash equivalents for the period		89,637	252,834
Opening balance of cash and cash equivalents		394,006	141,172
Closing balance of cash and cash equivalents		<u>\$ 483,643</u>	<u>\$ 394,006</u>

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

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Gisele LU

Tricorntech Corporation
Notes to Financial Statements
2023 and 2022

Unit: NT\$ thousands
(except as otherwise indicated)

I. General

Tricorntech Corporation (hereinafter referred to as the "Company") was approved to be incorporated on January 15, 2010. In June 2017, the Company changed its name from Tricorntech Biotech Corporation to Tricorntech Corporation through a resolution of the shareholders. The Company is primarily engaged in the research and development, production and sale of gas detection and pollution prevention equipment.

The Company completed retroactive handling of public issuance procedures on July 18, 2022, and was registered as an Emerging Stock Market (ESB) Company on March 30, 2023.

II. The authorization of the financial statements

The accompanying financial statements were approved and authorized for issue by the Board of Directors on March 8, 2024.

III. Application of new and revised international financial reporting standards

(I) Impacts of the adoption of new and amended IFRSs, endorsed and issued into effect by the Financial Supervisory Commission ("FSC")

The following table summarizes the newly issued, amended, and revised standards and interpretations of the IFRSs applicable in 2023 that were endorsed and issued by the FSC:

<u>New/amended/revised standards and interpretations</u>	<u>International Accounting Standards Board</u> <u>Effective Date of Promulgation</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'international tax reform – pillar two model rules'	May 23, 2023

The Company has assessed that the standards and interpretations above have no material impact on the financial position and financial performance of the Company.

(II) Impacts of not adopting the new and revised IFRSs approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of the IFRSs applicable in 2024 that were endorsed by the FSC:

International Accounting

Standards Board

Effective Date of

Promulgation

New/amended/revised standards and interpretations

Amendments to IFRS 16, 'Lease liability in a sale and leaseback'

Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'

Amendments to IAS 1, 'Non-current liabilities with covenants'

January 1, 2024

January 1, 2024

January 1, 2024

International Accounting
Standards Board
Effective
Date of Promulgation
January 1, 2024

New/amended/revised standards and interpretations
Amendments to IAS 7 and IFRS 7, 'Supplier finance
arrangements'

The Company has assessed that the standards and interpretations above have no material impact on the financial position and financial performance of the Company.

(III) Impacts of IFRSs issued by the IASB but not yet endorsed by the FSC

The following table summarizes the newly released, amended, and revised standards and interpretations of the IFRSs issued by the IASB but not yet recognized by the FSC:

<u>New/amended/revised standards and interpretations</u>	<u>International Accounting Standards Board Effective Date of Promulgation</u>
Amendments to IFRS 10 and IAS 28 "The Sale or Investment of Assets between Investors and Their Affiliates or Joint Ventures"	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS No. 21 "Lack of Convertibility"	January 1, 2025

The Company has assessed that the standards and interpretations above have no material impact on the financial position and financial performance of the Company.

IV. Summary of material accounting policy information

The significant accounting policies adopted in the preparation of this financial statement are described as follows. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance Statement

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission (collectively referred herein as the "IFRSs").

(II) Basis of preparation

1. Except for the following items, the financial statements have been prepared under the historical cost convention:

Financial assets measured at fair value through profit or loss.

2. The preparation of financial statements, in conformity with the IFRSs, requires the use of certain critical accounting estimates, and the exercise of management's judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the

consolidated financial statements are disclosed in Note 5.

(III) Foreign currency translation

The Company's functional currency, New Taiwan Dollar (NT\$), is used for the presentation of the financial statements.

Transactions and balances in foreign currencies

1. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
2. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising.
3. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

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

1. Assets that meet one of the following conditions are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (2) Assets held mainly for trading purposes;
- (3) Assets that are expected to be realised within twelve months from the balance sheet date;
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The Company classifies all assets that do not meet the above conditions as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be settled within twelve months from the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies all liabilities that do not meet the above conditions as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in

operation are classified as cash equivalents.

(VI) Financial assets at amortized cost

1. Financial assets at amortised cost are those that meet all of the following criteria:

(1) The objective of the Company's business model is achieved by collecting contractual cash flows.

(2) The assets' contractual cash flows represent solely payments of principal and interest..

2. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

4. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(VII) Accounts and notes receivable

1. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(VIII) Impairment of financial assets

On the Statement of Financial Position date each year, based on the debt instrument investment at fair value through other comprehensive income and financial assets at amortized cost, and accounts receivable that includes significant financial components and contract assets, taking into account all reasonable and probable information (including forward-looking information), the Company conducts the following: For financial assets whose credit risk has not increased significantly since initial recognition, the allowance for loss is measured at the 12-month expected credit loss; if the credit risk has increased significantly since initial recognition, the allowance for loss is measured at the expected credit loss over the duration; for accounts receivable that do not contain significant financial components, the allowance for loss is also measured at the expected credit loss over the duration.

(IX) Derecognition of financial assets

When the contractual right to receive the cash flow from the financial asset expires, the financial asset will be derecognized.

(X) Inventories

Inventories are recognized at the actual cost obtained. The cost is calculated using the weighted average method. The ending inventory is measured at the lower of cost or net realizable value. When comparing cost or net realizable value, whichever is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost

of necessary to make the sale.

(XI) Property, plant and equipment

1. Property, plant and equipment are recorded at acquisition cost.
2. The subsequent cost is included in the book value of the asset or recognized as an individual asset only when the future economic benefits related to the item are probable to flow into the Company and the cost of the item can be reliably measured. The book value of the replaced part shall be derecognized. All other maintenance expenses are recognized in profit or loss for the current period when incurred.
3. The equipment is measured at cost subsequently, and depreciation is accrued using the straight-line method according to the estimated useful years. Significant components of the equipment are depreciated separately.
4. The Company reviews the residual value, useful life and depreciation method of each asset at the end of each fiscal year. If the residual value and the expected useful life are different from the previous estimates, or there is a significant change in the expected consumption pattern of the future economic benefits contained in the asset, from the date of occurrence of the change, the treatment is handled in accordance with the provisions of IAS No. 8 "Accounting Policies, Changes in Accounting Estimates and Errors" for changes in accounting estimates. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment for 3 - 8 years

Lease for improvements for 1 - 5 years

Other equipment for 3 - 6 years

(XII) Leasing arrangements (lessor) - right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Company. When the lease contract is a short-term lease or the lease of the underlying asset of low value, the lease payment is recognized as expenses using the straight-line method over the lease period.
2. Lease liabilities are recognized by discounting the unpaid lease payments at the present value of the Company's incremental borrowing rate at the commencement date of the lease. Lease payments are fixed payments less any lease incentives receivable. They are subsequently measured at amortized cost using the interest method, with interest expense recognized over the lease terms. When the lease period or lease payment changes, other than contract modification, the lease liabilities will be reassessed and the right-of-use assets will be remeasured.
3. The right-of-use asset is recognized at cost on the lease start date, and the cost is the originally measured amount of the lease liability. The subsequent measurement is based on the cost model, and the depreciation expense is recognized at the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When the lease liability is reassessed, the right-of-use asset adjusts any remeasurement of the lease liability.

(XIII) Intangible assets

1. Patents and know-how

Patents and know-how are recognized at acquisition cost, and amortized using the straight-line method over the years of estimated economic benefits.

2. Computer software

Computer software is recognized at acquisition cost and amortized using the straight-line method over the estimated useful lives.

(XIV) Impairment of non-financial assets

On the Statement of Financial Position date, the recoverable amount of assets with signs of impairment is estimated. When the recoverable amount is lower than the book value, the impairment loss is recognized. The recoverable amount is the fair value of an asset less the cost of disposal or its value in use, whichever is higher. When the impairment loss of the asset recognized in prior years does not exist or decreases, the impairment loss is reversed. However, the book value of the asset increased by the reversal of the impairment loss shall not exceed the depreciation or amortization of the asset if the impairment loss is not recognized the book value thereafter.

(XV) Borrowings

Long-term and short-term borrowings from banks. The Company measures their fair value less transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in the outstanding period according to the amortization procedure in profit or loss.

(XVI) Accounts and notes payable

1. Refers to debts incurred from the purchase of raw materials, commodities or labor services on credit, and notes payable due to business and non-business reasons.
2. For short-term accounts and notes payable with unpaid interest, the impact of discounting is insignificant, and the Company measures them at the original invoice amount.

(XVII) Derecognition of financial liabilities

The Company derecognizes financial liabilities when its contractual obligations are fulfilled, cancelled or expired.

(XVIII) Provision for liabilities

The provision for warranty liabilities is recognized when there is a present legal or constructive obligation due to a past event, and it is probable that the outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. The reserve for liabilities shall be measured based on the best estimated present value of the expenditure required to settle the obligation on the Statement of Financial Position date. The discount rate is based on the pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the liability. and recognized as interest expense. No liability reserve shall be recognized for future operating losses.

(XIX) Employee Benefits

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid, and are recognized as expenses when the related services are provided.

2. Pension

For the defined contribution plan, the amount that should be contributed to the pension fund is recognized as the current pension cost on an accrual basis. Prepaid allocations are recognized as assets within the scope of refundable cash or reduced future payments.

3. Remuneration to employees and directors/supervisors

Employee remuneration and remuneration of directors and supervisors are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any discrepancy between the actual distributed amount and the estimated amount, it will be treated as a change in accounting estimate.

(XX) Employee share-based payment

1. Under the share-based payment arrangement, the labor service provided by the employee is measured at the fair value of the equity instrument granted on the grant date, and is recognized as the remuneration cost during the vested period, and the equity is adjusted accordingly. The fair value of equity instruments shall reflect the vested and non-vested conditions of the market value. The recognized remuneration cost is adjusted according to the quantity of remuneration expected to meet the service conditions and non-market value vested conditions, until the amount recognized is ultimately recognized based on the vested quantity on the vested date.

2. Restricted employee shares

- (1) On the grant date, the remuneration cost is recognized in the vested period based on the fair value of the equity instruments given.
- (2) An employee acquires new restricted employee shares gratis. If the employee meets the vested conditions, the Company will take back the shares gratis and cancel the shares that are not vested.

(XXI) Income tax

1. Income tax expenses include current and deferred income tax. Income tax is recognized in profit or loss, except when income tax relating to items recognized in other comprehensive income or recognized directly in equity.
2. Deferred income tax is recognized based on the temporary difference generated between the tax bases of assets and liabilities and their book values in the balance sheet using using the balance sheet liability method. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted by the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or deferred income tax liabilities are settled.
3. Deferred income assets shall be recognized when the temporary difference is probable that future taxable profit will be available against which the temporary differences can be utilised. The unrecognized and recognized deferred income tax assets shall be re-evaluated on each balance sheet date.

(XXII) Share capital

Common shares are classified as equity. The incremental cost directly attributable to the issuance of new shares or stock options is recognized as a deduction in equity, net of tax.

(XXIII) Dividend distribution

Dividends distributed to the Company's shareholders are recognized in the financial statements when the dividend distribution is resolved in the shareholders' meeting. Cash dividends are recognized as liabilities and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the effective date of issuance of new shares.

(XXIV) Revenue recognition

1. Revenue from gas detection equipment

- (1) The Company manufactures and sells air quality monitor related products. Revenue is the fair value of the consideration received or receivable in the course of business activities, expressed as the net of sales tax, sales returns, volume discounts and allowances. Revenue from the sale of goods is recognized when the goods are delivered to the buyer, the sales amount can be reliably measured, and it is probable that future economic benefits will flow into the enterprise. When the significant risks and rewards related to ownership have been transferred to the customer, the Company neither continuously participates in the management nor maintains effective control of the product, and the customer accepts the product according to the sales contract, or there is objective evidence to show that all acceptance terms have been complied with. The delivery of the product has occurred.
- (2) Some customer contracts include integrated equipment sales and installation services. Equipment and installation are indistinguishable. Therefore, it is identified as a performance obligation that is gradually satisfied over time. The Company recognizes revenue based on the proportion of the input cost to the estimated total cost. The customer pays the contract price according to the agreed payment schedule. When the service provided by the company exceeds the payable amount, it is recognized as a contract asset; if the payable payment exceeds the service provided by the company, it is recognized as a contract liability.
- (3) The Company's estimates of income, cost and level of completion are revised as the circumstances change. Any increase or decrease in estimated revenue or cost resulting from a change in estimate is reflected in profit or loss in the period in which the result of the revision is recognized by the management.

2. Service revenue

The Company provides maintenance services and monitoring data services for air quality monitor-related products. The labor service revenue is recognized as revenue during the financial reporting period of the service provided to the customer. If the

contract with the customer includes variable consideration, when the uncertainty related to the expected variable consideration is eliminated and it is highly probable that no significant revenue reversal will result, the variable consideration is included in the transaction price.

(XXV) Government grants

Government grants are recognized at fair value when it is reasonably assurance that the company will comply with the conditions attached to the government grants and that the grants will be received. If the nature of the government grants is to compensate the expenses incurred by the Company, the government grants shall be recognized as current profit or loss on a systematic basis in the period in which the relevant expenses are incurred.

(XXVI) Operating Department

The information of the Company's operating segments is reported in a manner consistent with the internal management reports provided to major operating decision makers. The chief operational decision-maker is responsible for allocating resources to operating departments and evaluating their performance. The identified main operational decision-maker of the Company is the Board of Directors.

V. Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

When the Company prepared these financial statements, the management used its judgment to determine the accounting policies adopted, and made accounting estimates and assumptions based on the reasonable expectations of future events as of the balance sheet date. The significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions have risks that may result in critical adjustments to the book values of assets and liabilities in the next financial year. Please refer to the following descriptions of critical accounting estimates and uncertainties of assumptions:

Critical accounting estimates and assumptions

1. Evaluation of inventories

Since inventories must be valued at the lower of cost or net realizable value, the Company must use its judgment and estimation to determine the net realizable value of inventories on the balance sheet date. Since inventories must be valued at the lower of cost or net realizable value, the Company must use its judgment and estimation to determine the net realizable value of inventories on the balance sheet date. The evaluation of the inventory is mainly based on the demand for products in a specific period in the future, so there may be changes to the evaluation.

On December 31, 2023, the book value of the Company's inventories was \$98,925.

2. Realizability of deferred income tax assets

Deferred income tax assets are recognized when it is probable that there will be sufficient taxable income in the future for the use of deductible temporary differences. When assessing the realizability of deferred income tax assets, critical accounting judgments and estimation by the management must be involved, including assumptions such as expected future sales revenue growth and profit margin, available income tax credits, and tax planning. Any changes in the global economic environment, industrial environment and changes in laws and regulations may cause critical adjustments to deferred income tax assets.

On December 31, 2023, the deferred income tax assets recognized by the Company were \$48,047.

VI. Details of significant accounts

(I) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 86	\$ 101
Checking accounts and demand deposits	376,090	393,905
Time deposits	<u>107,467</u>	<u>-</u>
Total	<u>\$ 483,643</u>	<u>\$ 394,006</u>

1. The credit quality of the financial institutions with which the Company interacts is good, and the Company interacts with multiple financial institutions to diversify credit risks. The probability of default is expected to be very low.

2. The Company does not pledge any cash or cash equivalents.

(II) Financial assets measured at amortized cost

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current Items:		
Time deposits of more than 3 months	<u>\$ 2,500</u>	<u>\$ 2,500</u>

1. Financial assets measured at amortized cost and recognized in profit or loss are as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Interest income	<u>\$ 32</u>	<u>\$ 19</u>

2. The Company does not pledge financial assets measured at amortized cost.

3. For information on the credit risk of financial assets measured at amortized cost, please refer to Note XII (II). The counterparties of the Company's time deposit certificates are financial institutions with good credit quality, and the probability of default is expected to be very low.

(III) Accounts and notes receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 531</u>	<u>\$ 60</u>
Accounts receivable	\$ 69,329	\$ 109,421
Less: Recorded as long-term receivables	-	(8,036)
Less: Loss allowance	<u>(66)</u>	<u>(2,112)</u>
	<u>\$ 69,263</u>	<u>\$ 99,273</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

<u>December 31, 2023</u>	<u>December 31, 2022</u>
--------------------------	--------------------------

Not overdue	\$	61,804	\$	95,656
Within 30 days		-		-
31-90 days		5,557		3,440
91-180 days		1,218		8,312
181-360 days		1,250		-
More than 361 days		31		2,073
	\$	<u>69,860</u>	\$	<u>109,481</u>

The above is an aging analysis based on the number of overdue days.

- The balances of accounts receivable and notes receivable on December 31, 2023 and 2022 were all generated from contracts with customers.
- The Company does not hold any collateral for accounts receivable.
- Without considering the collateral or other credit enhancements held, the maximum amount of credit risk exposure that best represents the Company's notes and accounts receivable on December 31, 2023 and 2022 is the book value.

(IV) Inventories

		December 31, 2023		
		Cost	Allowance for devaluation losses	Book value
Raw materials	\$	49,828	(\$ 11,593)	\$ 38,235
Work in process		16,024	-	16,024
Semi-finished products		41,602	(8,665)	32,937
Finished goods		22,460	(10,731)	11,729
Total	\$	<u>129,914</u>	<u>\$ 30,989)</u>	<u>\$ 98,925</u>
		December 31, 2022		
		Cost	Allowance for devaluation losses	Book value
Raw materials	\$	39,728	(\$ 7,911)	\$ 31,817
Work in process		8,703	-	8,703
Semi-finished products		42,847	(8,767)	34,080
Finished goods		25,272	(10,038)	15,234
Total	\$	<u>116,550</u>	<u>\$ 26,716)</u>	<u>\$ 89,834</u>

1. Inventory cost recognized as expense losses by the Company in the current period:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cost of sold inventory	\$ 64,928	\$ 66,001
Labor service cost	72,325	57,434
Warranty cost	9,326	9,775
Loss on devaluation	5,712	2,667
Inventory deficit	65	288
	<u>\$ 152,356</u>	<u>\$ 136,165</u>

2. The Company does not pledge or guarantee the Company's inventory.

(V) Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Lease improvement</u>	<u>Other equipment</u>	<u>Equipment pending acceptance</u>	<u>Total</u>
January 1, 2023					
Cost	\$ 46,644	\$ 14,529	\$ 16,996	\$ -	\$ 78,169
Accumulated depreciation	(24,878)	(10,444)	(12,724)	-	(48,046)
	<u>\$ 21,766</u>	<u>\$ 4,085</u>	<u>\$ 4,272</u>	<u>\$ -</u>	<u>\$ 30,123</u>
<u>2023</u>					
January 1	\$ 21,766	\$ 4,085	\$ 4,272	\$ -	\$ 30,123
Additions	8,777	2,576	-	41	11,394
Disposals	(1,486)	-	-	-	(1,486)
Transfer from inventories	5,098	-	-	-	5,098
Depreciation expense	(8,091)	(4,316)	(2,568)	-	(14,975)
December 31	<u>\$ 26,064</u>	<u>\$ 2,345</u>	<u>\$ 1,704</u>	<u>\$ 41</u>	<u>\$ 30,154</u>
December 31, 2023					
Cost	\$ 58,550	\$ 17,032	\$ 15,539	\$ 41	\$ 91,162
Accumulated depreciation	(32,486)	(14,687)	(13,835)	-	(61,008)
	<u>\$ 26,064</u>	<u>\$ 2,345</u>	<u>\$ 1,704</u>	<u>\$ 41</u>	<u>\$ 30,154</u>

Machinery and equipment Lease improvement Other equipment Total

January 1, 2022								
Cost	\$	31,704	\$	11,774	\$	15,918	\$	59,396
Accumulated depreciation	(	20,662)	(	7,113)	(	11,450)	(	39,225)
	\$	<u>11,042</u>	\$	<u>4,661</u>	\$	<u>4,468</u>	\$	<u>20,171</u>
<u>2022</u>								
January 1	\$	11,042	\$	4,661	\$	4,468	\$	20,171
Additions		232		2,755		438		3,425
Disposals	(	607)		-	(	1)	(	608)
Transfer from inventories		16,377		-		1,862		18,239
Depreciation expense	(	5,278)	(	3,331)	(	2,495)	(	11,104)
December 31	\$	<u>21,766</u>	\$	<u>4,085</u>	\$	<u>4,272</u>	\$	<u>30,123</u>
December 31, 2022								
Cost	\$	46,644	\$	14,529	\$	16,996	\$	78,169
Accumulated depreciation	(	24,878)	(	10,444)	(	12,724)	(	48,046)
	\$	<u>21,766</u>	\$	<u>4,085</u>	\$	<u>4,272</u>	\$	<u>30,123</u>

(VI) Lease transactions - Lessee

1. The underlying assets leased by the Company include buildings and official vehicles. The lease contract term is usually between 1 and 5 years. Lease contracts are negotiated individually and contain various terms and conditions. No other restrictions are imposed except that the leased assets may not be used as loan guarantees.
2. The book value of the right-of-use assets and the information of recognized depreciation expenses are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Book value</u>	<u>Book value</u>
Office	\$ 19,947	\$ 5,125
Transportation equipment (official vehicle)	905	162
	<u>\$ 20,852</u>	<u>\$ 5,287</u>
	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2023</u>

	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Office	\$ 9,493	\$ 8,208
Transportation equipment (official vehicle)	400	278
	<u>\$ 9,893</u>	<u>\$ 8,486</u>

3. The increase in the Company's right-of-use assets for the years ended December 31, 2023 and 2022 were \$25,458 and \$3,841, respectively.

4. The information of income items related to lease contracts is as follows:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
<u>Items affecting current profit and loss</u>		
Interest expense of lease liabilities	<u>\$ 395</u>	<u>\$ 129</u>
Expenses of short-term lease contracts	<u>\$ 2,927</u>	<u>\$ 1,059</u>
Expenses of low-value asset lease	<u>\$ 86</u>	<u>\$ 73</u>

5. The total cash outflow for the lease expenditures of the Company for the years ended December 31, 2023 and 2022 were \$12,921 and \$9,811, respectively.

(VII) Intangible assets

	Patents and IP	Computer software	Total
January 1, 2023			
Cost	\$ 134,897	\$ 5,986	\$ 140,883
Accumulated amortization	(79,562)	(4,313)	(83,875)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 53,813</u>	<u>\$ 1,673</u>	<u>\$ 55,486</u>
<u>2023</u>			
January 1	\$ 53,813	\$ 1,673	\$ 55,486
Increase in the current period	-	1,812	1,812
Current amortization	(9,569)	(1,909)	(11,478)
December 31	<u>\$ 44,244</u>	<u>\$ 1,576</u>	<u>\$ 45,820</u>
December 31, 2023			
Cost	\$ 134,897	\$ 7,798	\$ 142,695
Accumulated amortization	(89,131)	(6,222)	(95,353)
Accumulated impairment	(1,522)	-	(1,522)

	<u>\$</u>	<u>44,244</u>	<u>\$</u>	<u>1,576</u>	<u>\$</u>	<u>45,820</u>
		<u>Patents and IP</u>		<u>Computer software</u>		<u>Total</u>
January 1, 2022						
Cost	\$	134,897	\$	3,432	\$	138,329
Accumulated amortization	(	69,992)	(	2,686)	(	72,678)
Accumulated impairment	(	1,522)	-	(	1,522)	
	\$	<u>63,383</u>	\$	<u>746</u>	\$	<u>64,129</u>
<u>2022</u>						
January 1	\$	63,383	\$	746	\$	64,129
Increase in the current period		-		2,554		2,554
Current amortization	(	9,570)	(	1,627)	(	11,197)
December 31	\$	<u>53,813</u>	\$	<u>1,673</u>	\$	<u>55,486</u>
December 31, 2022						
Cost	\$	134,897	\$	5,986	\$	140,883
Accumulated amortization	(	79,562)	(	4,313)	(	83,875)
Accumulated impairment	(	1,522)	-	(	1,522)	
	\$	<u>53,813</u>	\$	<u>1,673</u>	\$	<u>55,486</u>

1. The details of amortization of intangible assets are as follows:

	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Administrative expenses	\$ 1,394	\$ 1,157
Research and development expenses	10,084	10,040
Total	<u>\$ 11,478</u>	<u>\$ 11,197</u>

2. The Company obtained the gas detection and analysis patent and specialized technology from the related party TRICORNTECH CORPORATION in 2013 and 2017.

(VIII) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Salaries and bonuses payable	\$ 38,555	\$ 51,796
Payable commission	13,987	15,615
Service expense payable	4,324	3,312
Payables on equipment	206	-
Others	7,341	12,548
	<u>\$ 64,413</u>	<u>\$ 83,271</u>

(IX) Long-term borrowings

<u>Debt</u>	<u>Duration and repayment</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2023</u>	
Loans amortization					
Secured loans	From February 23, 2021 to February 23, 2024, the principal was amortized evenly over 36 months, and the interest was paid monthly.	2.06%	None	\$	1,667
					<u>1,667</u>
Less: Long-term borrowings due within one year or one business cycle				(	<u>1,667</u>)
				\$	<u>-</u>

<u>Nature of loan</u>	<u>Duration and repayment method</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>December 31, 2022</u>	
Loans to be repaid in installments					
Secured loans	From February 23, 2021 to February 23, 2024, the principal was amortized evenly over 36 months, and the interest was paid monthly.	2.06%	None.	\$	11,667
					<u>-</u>
					<u>11,667</u>
Less: Long-term borrowings due within one year or one business cycle				(	<u>10,000</u>)
				\$	<u>1,667</u>

1. For the years 2023 and 2022, the interest expense recognized in profit or loss was \$141 and \$284, respectively.
2. The undrawn short-term comprehensive lines of credit of the Company as of December 31, 2023 and 2022 were \$110,000. The above-mentioned long-term borrowings and undrawn short-term comprehensive lines of credit are jointly guaranteed by the Chairman of the Company.

(X) Pension expense

In accordance with the "Labor Pension Act," the Company has established a retirement contribution allocation policy, which is applicable to employees that are natural citizens. For the employees who choose to apply the labor pension system under the "Labor Pension Act", the Company contributes 6% of the monthly salary to the individual accounts of the employees with the Labor Insurance Bureau. The pension payment for the employees is based on the individual pension accounts of the employees and the amount of accumulated income withdrawn as monthly pension or one-time lump sum.

For the years ended December 31, 2023 and 2022, the pension cost recognized by the Company in accordance with the above regulations on pensions was \$5,486 and \$4,693, respectively.

(XI) Share-based payment

1. As of December 31, 2023, the Company's share-based payment agreements are as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Quantity granted</u> <u>(Unit) (Note 1)</u>	<u>Vested conditions</u>	<u>Duration of contract</u>
Employee stock option plan L	2019.12.01	100.00	1~4 years service	10 years (Note 2)
Employee stock option plan M	2021.07.01	2,464.20	1~4 years service	10 years (Note 2)
Employee stock option plan O	2022.06.06	506.80	1~4 years service	10 years (Note 3)

Note 1: Each unit is entitled to 1,000 shares.

Note 2: Pursuant to the Company's Regulations Governing the Issuance of Employee Stock Option Certificates and Stock Subscription, employees who meet the conditions set by the Company may exercise the vested stock in advance with the consent of the Board of Directors when the Company applies for a public offering of stock or for Emerging Stock Market listing. The above conditions were agreed in December 2021 and the Chairman was authorized to handle the matter. The Chairman of the Company approved and announced the relevant early enforcement measures in December 2021, and set a batch base date between February and March 2022.

Note 3: The chairman of the Company approved the announcement of the relevant early enforcement measures in January 2023, and set the batch base date between January and February 2023.

2. Details of the above share-based payment agreements are as follows:

	<u>Year Ended</u> <u>December 31, 2023</u>		<u>Year Ended</u> <u>December 31, 2022</u>	
	<u>Quantity of</u> <u>stock options</u> <u>(thousand</u> <u>shares)</u>	<u>Weighted</u> <u>average strike</u> <u>price (NT\$)</u>	<u>Quantity of</u> <u>stock options</u> <u>(thousand</u> <u>shares)</u>	<u>Weighted</u> <u>average</u> <u>strike price</u> <u>(NT\$)</u>
Outstanding stock options at the beginning of January 1	1,462	\$ 15.91	6,977	\$ 14.14
Stock options granted in the current period	-	-	537	16.00
Stock options waived and expired in the current period	(6)	15.00	(143)	14.73
Stock options exercised in the current period	(<u>727</u>)	15.51	(<u>5,909</u>)	13.86

Number of outstanding shares at the end of December 31	<u>729</u>	15.00	<u>1,462</u>	15.91
Stock options not exercisable as of December 31	<u>169</u>		<u>321</u>	

3. The maturity date and exercise price of the outstanding stock options at the Statement of Financial Position date are as follows:

Approved date of issuance	Maturity date	December 31, 2023		December 31, 2022	
		Number of shares (thousand shares)	Exercise price (NT\$)(Note)	Number of shares (thousand shares)	Exercise price (NT\$)
March 1, 2014	February 29, 2024	-	\$ 10	7	\$10
July 1, 2014	June 30, 2024	-	11.7	26	12.5
December 30, 2016	December 29, 2026	22	15.0	76	16
July 1, 2021	June 30, 2031	513	15.0	846	16
June 6, 2022	June 5, 2032	194	15.0	507	16

Note: Due to the capital increase from retained earnings by the Company in July 2023, the exercise price of the employee stock options was adjusted in accordance with the provisions of the Regulations Governing Employee Stock Options.

4. The Company used the Black-Scholes option evaluation model for the share-based payment transaction on the grant date to estimate the fair value of the stock option. Relevant information is as follows:

Grant date	Stock price (NT\$)	Exercise price per share (NT\$) (Note 3)	Expected weighted average volatility	Expected duration (years)	Expected dividend yield	Risk-free interest rate	Fair value per share Value (NT\$)
2014.03.01	7.97	10.0	38.44%	6.25	0.00%	1.26%~1.43%	2.5864
2014.07.01	8.24	11.7	28.42%	4.27	0.00%	0.81%~1.12%	0.6633
2016.12.30	16.44	15.0	32.47%	6.25	0.00%	1.08%~1.14%	5.7319
2021.07.01	14.20	15.0	31.04%	6.25	0.00%	0.31%~0.35%	3.8075
2022.06.06	15.63	15.0	31.40%	6.25	0.00%	1.10%~1.15%	5.0229

Note 1: The Company was not a publicly traded company at the time of issuing the warrants, so the income from the cash flow method was used to calculate the

weighted average stock price by taking into account liquidity discounts.

Note 2: The expected volatility is estimated based on the standard deviation during a sample interval of the latest stock prices of TWSE/TPEX-listed companies in the same industry that is approximately equivalent to the expected duration of the stock option.

Note 3: Due to the capital increase from retained earnings by the Company in July 2023, the exercise price of the employee stock options was adjusted in accordance with the provisions of the Regulations Governing Employee Stock Options.

5. The remuneration cost recognized by the Company for the above-mentioned employee stock warrants in 2023 and 2022 were \$2,149 and \$2,601, respectively.
6. The Company's shareholders' meeting has on May 29, 2023, resolved to approve the issuance of 600,000 restricted employee shares gratis. The vested conditions are as follows:
 - (1) All employees are still serving on the maturity date.
 - (2) No breach of contract or the Company's work rules during each vested period.
 - (3) Meeting the employee performance evaluation indicators set by the Company.
 - (4) The percentage of shares that can satisfy the vested conditions in each year is as follows:
 - 1 year service after allotment: 20% of allotted shares;
 - 2-year service after allotment: 20% of allotted shares;
 - 3-year service after allotment: 30% of allotted shares;
 - 4-year service after allotment: 30% of allotted shares.

Approved by the Financial Supervisory Commission, but not yet issued by the Company as of December 31, 2023.

(XII) Provision for liabilities

The changes in warranty provisions are as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance as of January 1	\$ 7,373	\$ 6,660
Provisions for liabilities added in the current period	9,326	9,775
Provisions for liabilities used in the current period	(9,862)	(9,062)
Balance as of December 31	<u>\$ 6,837</u>	<u>\$ 7,373</u>

The warranty liability provisions of the Company are primarily associated with the sales of gas detection equipment and are estimated based on the historical warranty data of the product.

(XIII) Share capital

1. As of December 31, 2023, the Company's registered capital and paid-in capital were \$1,200,000 and \$602,347, respectively, for 60,235 thousand shares with a par value of

NT\$ 10 per share. The payment for the issued shares of the Company has been received. The Company's outstanding common stock shares at the beginning and the end are adjusted as follows:

	Unit: Thousand shares	
	Year Ended December 31, 2023	Year Ended December 31, 2022
January 1	\$ 55,875	\$ 49,966
Exercise of stock options	727	5,909
Capital increase from retained earnings	3,633	-
December 31	<u>\$ 60,235</u>	<u>\$ 55,875</u>

- On May 29, 2023, the Company's shareholders' meeting resolved to approve the unappropriated earnings of \$36,327 to be used for the issuance of new shares to increase capital for 3,633 thousand shares. The ex-right date is July 22, 2023. The relevant change procedures are in progress.

(XIV) Capital surplus

- Pursuant to the Company Act, the premium from the issuance of shares above par value and the capital surplus from the receipt of gifts may be used to offset losses. If the Company has no accumulated losses, new shares shall be issued or cash is to be paid in proportion to the original shares. The Company may not use the capital surplus to cover the capital deficit when the surplus reserve is insufficient to cover it.
- In April 2022, the Company's shareholders' meeting resolved to offset the deficit with the capital surplus of \$447,630.
- Changes in capital surplus are as follows:

	Year Ended December 31, 2023			
	Issuance premium	Employee stock options	Others	Total
January 1	\$ 40,394	\$ 8,321	\$ 427	\$ 49,142
Compensation cost for employee stock options	-	2,149	-	2,149
Execution of employee stock options	11,319 (	7,315)	-	4,004
Expiration of employee stock warrants	-	(940)	940	-
December 31	<u>\$ 51,713</u>	<u>\$ 2,215</u>	<u>\$ 1,367</u>	<u>\$ 55,295</u>
	Year Ended December 31, 2022			
	Issuance premium	Employee stock options	Others	Total
January 1	\$ 445,004	\$ 23,728	\$ 2,626	\$ 471,358

Compensation cost for employee stock options	-	2,601	-	2,601
Execution of employee stock options	40,393	(17,581)	-	22,812
Expiration of employee stock warrants	-	(427)	427	-
Capital surplus to make up for deficits	(445,003)	-	(2,626)	(447,629)
December 31	<u>\$ 40,394</u>	<u>\$ 8,321</u>	<u>\$ 427</u>	<u>\$ 49,142</u>

(XV) Retained earnings

- According to the Company's Articles of Incorporation, dividends and bonuses are distributed based on the percentage of shares held by each shareholder. If the Company has no earnings, it shall not distribute dividends and bonuses. The Company's annual earnings, if any, shall be distributed in the following order:
 - Payment of taxes.
 - Make up for accumulated losses.
 - Appropriate 10% for the legal reserve, except when the legal reserve has reached the amount of the Company's total paid-in capital.
 - Appropriate or reverse special reserve according to laws or regulations.
 - The unappropriated earnings accumulated in the previous year shall be set aside in whole or in part as the earnings available for distribution. The Board of Directors shall draft the earnings appropriation depending on the actual operating conditions. When the distribution method is via the issuance of new shares, the distribution can only be processed after submitting the plan to the shareholders meeting for resolution.
- The Company is now in a growth period. The dividend policy adopted is the residual dividend policy. It will be determined based on the current and future investment environment, capital needs, domestic and international competition, capital budget, shareholders' interests and other factors. After retaining an appropriate amount based on the relevant operation needs, the distributable earnings shall be allocated to shareholders in the form of dividends, and the proportion of cash dividends distributed shall not be less than 10% of the total dividends.
- The Company's shareholders' meeting on April 26, 2022 passed a resolution to offset the deficit with the capital surplus of \$447,630.
- The appropriations earnings of 2023 had been approved by the shareholders meeting of May 29, 2023. The details are as follows:

Year Ended December 31, 2022

	Amount	Dividends per share (NT\$)
Legal reserve	\$ 8,028	
Shareholders' stock dividends	36,327	\$ 0.64
Shareholders' cash dividends	4,036	0.07
	<u>\$ 48,391</u>	

5. On March 8, 2024, the Board of Directors proposed and approved the proposal for the appropriations earnings of 2023. The details are as follows:

	Year Ended December 31, 2023	
	Amount	Dividends per share (NT\$)
Legal reserve	\$ 9,312	
Shareholders' cash dividends	48,188	\$ 0.8
	<u>\$ 57,500</u>	

(XVI) Operating revenue

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenue from gas detection equipment	\$ 226,546	\$ 249,919
Maintenance and other service income	180,091	144,778
Total	<u>\$ 406,637</u>	<u>\$ 394,697</u>

1. Breakdown of revenue from contracts with customers

The Company's revenue comes from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be subdivided into the following:

For the year ended December 31, 2023	Revenue from gas detection equipment	Maintenance and other service income	Total
Taiwan	\$ 92,476	\$ 123,713	\$ 216,189
China	72,001	34,655	106,656
Japan	14,446	7,821	22,267
Singapore	30,318	4,065	34,383
North America	13,660	9,837	23,497
Malaysia	3,645	-	3,645
	<u>\$ 226,546</u>	<u>\$ 180,091</u>	<u>\$ 406,637</u>
For the year ended December 31, 2022	Revenue from gas detection equipment	Maintenance and other service income	Total
Taiwan	\$ 163,590	\$ 109,392	\$ 272,982
China	34,602	23,563	58,165
Japan	25,147	4,701	29,848
Singapore	5,406	1,053	6,459

North America	21,174	6,069	27,243
	<u>\$ 249,919</u>	<u>\$144,778</u>	<u>\$ 394,697</u>

2. Contract assets and liabilities

The contract assets and contract liabilities related to the revenue from contracts with customers recognized by the Company are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract assets:			
Contract assets - sale and installation of gas detection equipment	\$ 54,422	\$ 58,589	\$ 70,986
Contract assets - maintenance and other service income	45,293	47,293	3,506
	<u>\$ 99,715</u>	<u>\$ 105,882</u>	<u>\$ 74,492</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Contract liabilities - sale and installation of gas detection equipment	\$ 2,461	\$ 11,222	\$ 3,145
Contract liabilities - maintenance and other service income	12,049	9,685	4,107
Total	<u>\$ 14,510</u>	<u>\$ 20,907</u>	<u>\$ 7,252</u>

Recognized income of contract liabilities at the beginning of the period

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Opening balance of contract liabilities		
Recognized as income in the current period	<u>\$ 19,656</u>	<u>\$ 1,661</u>

(XVII) Other gains and losses

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Net foreign exchange gain	\$ 2,559	\$ 24,576
Gain (loss) from disposal of property, plant and equipment	388	(608)
Total	<u>\$ 2,947</u>	<u>\$ 23,968</u>

(XVIII) Financial cost

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Interest expense:		
Interest on lease liabilities	\$ 396	\$ 129

Borrowing interest	141	284
	<u>\$ 537</u>	<u>\$ 413</u>

(XIX) Additional Information on Nature of Expenses

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Employee welfare expenses	\$ 164,363	\$ 159,780
Depreciation expense of property, plant and equipment	\$ 24,868	\$ 19,590
Amortization expense of intangible assets	\$ 11,478	\$ 11,197

(XX) Employee welfare expenses

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Salary expenses	\$ 134,166	\$ 135,540
Share-based compensation expense	2,149	2,601
Labor and health insurance premiums	11,141	9,260
Pension expense	5,486	4,693
Directors' Remuneration	4,572	3,196
Other employee expenses	6,849	4,490
	<u>\$ 164,363</u>	<u>\$ 159,780</u>

1. If the Company makes a profit (i.e. profit before tax less the distribution of employees' remuneration and remuneration of directors/supervisors), it shall appropriate amounts as remunerations to employees and directors/supervisors. However, if the Company still has accumulated deficits, it shall reserve the amount to compensate.
 - (1) Employees' remuneration shall be appropriated at no less than 5% of the aforementioned basis;
 - (2) The remuneration to directors and supervisors shall be appropriated at no more than 3% of the calculation basis referred to in the preceding paragraph.
 - (3) Employees' remuneration may be paid in the form of shares or cash, and the recipients of the remuneration may include employees of controlled subsidiaries that meet certain criteria.
 - (4) The remuneration to employees and remuneration to directors and supervisors referred to in the preceding paragraph shall be implemented by resolution of the board of directors with the attendance of more than two-thirds of the directors and with the consent of a majority of the directors present, and shall be reported to the shareholders' meeting.
2. The estimated amounts for the year 2023 is \$ 6,177; the amount of remuneration to directors and supervisors is \$2,316, respectively, and the aforementioned amount are recognized as salary expense, which were estimated based on 2023 profit after deducting losses from previous years.
3. The 2022 remuneration to directors and employees was approved by the board of directors

on March 27, 2022 which was consistent with the recognized amount in the 2022 financial statements.

4. The estimated amounts for the year 2022 is \$ 9,960; the amount of remuneration to directors and supervisors is \$2,130, respectively, and the aforementioned amount are recognized as salary expense, which were estimated based on 2022 profit after deducting losses from previous years.
5. Information on the remuneration to employees and directors/supervisors approved by the Company's Board of Directors is available on the Market Observation Post System.

(XXI) Income tax

1. Income tax expenses

(1) Components of income tax expense:

	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
Current income tax:		
Income tax on current income	\$ -	\$ -
Imposing surtax on unappropriated earnings	703	-
Overestimation of prior year income tax	<u>2</u>	<u>-</u>
Total income tax for the period	<u>701</u>	<u>-</u>
Deferred income tax:		
Original reversal of temporary difference	<u>25,094</u>	<u>21,072</u>
Income tax benefits	<u>(\$ 24,393)</u>	<u>(\$ 21,072)</u>

(2) Relationship between income tax expense and accounting profit

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Income tax on net profit before tax calculated at the statutory tax rate	\$ 13,745	\$ 18,756
Expenses to be removed in accordance with the tax law	236	249
Overestimation of prior year income tax	(2)	-
Imposing surtax on unappropriated earnings	703	-
Assessment of realizable changes in deferred income tax assets	39,075	(24,574)
The losses from deferred tax assets not recognized in previous years offset against the current period's deduction amount.	<u>(-)</u>	<u>(15,503)</u>
Income tax benefits	<u>(\$ 24,393)</u>	<u>(\$ 21,072)</u>

2. The amounts of deferred income tax assets or liabilities arising from temporary differences, tax losses and investment tax credits are as follows:

	Year Ended December 31, 2023			
	January 1	Recognized in profit or loss	Recognized in equity	December 31
Deferred income tax assets:				
Valuation of inventory allowance	\$ 5,343	\$ 855	\$ -	\$ 6,198
Warranty provisions	1,475	(107)	-	1,368
Allowance for bad debt	203	(203)	-	-
Others	718	187	-	905
Taxable losses	15,198	24,378	-	39,576
Subtotal	\$ 22,937	\$ 25,110	\$ -	\$ 48,047
Deferred income tax liabilities:				
Unrealized exchange gain	(1,864)	(16)	-	(1,880)
Total	\$ 21,073	\$ 25,094	\$ -	\$ 46,167
	Year Ended December 31, 2022			
	January 1	Recognized in profit or loss	Recognized in equity	December 31
Deferred income tax assets:				
Valuation of inventory allowance	\$ -	\$ 5,343	\$ -	\$ 5,343
Warranty provisions	-	1,475	-	1,475
Allowance for bad debt	-	203	-	203
Others	-	718	-	718
Taxable losses	-	15,198	-	15,198
Subtotal	\$ -	\$ 22,937	\$ -	\$ 22,937
Deferred income tax liabilities:				
Unrealized exchange gain	-	(1,864)	-	(1,864)
Total	\$ -	\$ 21,073	\$ -	\$ 21,073

3. The effective period of the Company's unused tax losses and the related amount of unrecognized deferred income tax assets are as follows:

December 31, 2023

<u>Year of occurrence</u>	<u>Authorized Amount</u>	<u>Amount yet to be credited</u>	<u>Amount of deferred tax assets not recognized</u>	<u>Last year of credit</u>
2016	\$73,038	\$ 63,532	-	2016
2017	87,010	87,010	-	2017
2018	64,610	64,610	17,272	2018
2019	59,269	59,269	59,269	2019
Total	<u>\$ 283,927</u>	<u>\$ 274,421</u>	<u>\$ 76,541</u>	

December 31, 2022

<u>Year of occurrence</u>	<u>Authorized Amount</u>	<u>Amount yet to be credited</u>	<u>Amount of deferred tax assets not recognized</u>	<u>Last year of credit</u>
2014	\$ 58,293	\$ 19,868	\$ -	2024
2015	44,105	44,105	-	2025
2016	73,038	73,038	61,022	2026
2017	87,010	87,010	87,010	2027
2018	64,610	64,610	64,610	2028
2019	59,269	59,269	59,269	2029
Total	<u>\$ 386,325</u>	<u>\$ 347,900</u>	<u>\$ 271,911</u>	

4. The income tax on the Company's profit-seeking business has been approved by the tax collection authority up to 2021.

(XXII) Earnings per share

	<u>Year Ended December 31, 2023</u>		
	<u>After-tax amount</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>Loss per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 93,117	60,021	\$ 1.55
<u>Diluted earnings per share</u>			
Net income attributable to common shareholders	93,117	60,021	
Employee stock options	-	542	
Remuneration to employees	-	338	
	<u>\$ 93,117</u>	<u>60,901</u>	<u>\$ 1.53</u>

Year Ended December 31, 2022
After-tax

	<u>amount</u>	<u>Weighted average outstanding shares (thousand shares)</u>	<u>Earning per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 114,850	56,076	\$ 2.05
<u>Diluted earnings per share</u>			
Net income attributable to common shareholders	114,850	56,076	
Employee stock options	-	374	
Remuneration to employees	-	679	
	<u>\$ 114,850</u>	<u>57,129</u>	<u>\$ 2.01</u>

The above-mentioned retroactive adjusted number of shares for 2023 and 2022 has been retroactively adjusted in accordance with the ratio of 2022 earnings transferred to capital increase.

(XXIII) Supplementary information on cash flow

1. Investment activities that partially involved cash transactions:

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Acquisition of property, plant and equipment	\$ 11,394	\$ 3,425
Less: Equipment payable at end of period	(206)	-
Cash paid during the current period	<u>\$ 11,188</u>	<u>\$ 3,425</u>

2. Financing activities that do not affect cash flow

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Appropriation of stock dividends	<u>\$ 36,327</u>	<u>\$ -</u>

(XXIV) Changes in liabilities from financing activities

	<u>Long-term borrowings</u>	<u>Lease liabilities</u>
January 1, 2023	\$ 11,667	\$ 5,208
Changes in cash flow from financing	(10,000)	(9,513)
Other non-cash changes		
Increase in right-of-use assets	-	25,458
December 31, 2023	<u>\$ 1,667</u>	<u>\$ 21,153</u>

	<u>Long-term borrowings</u>	<u>Lease liabilities</u>
January 1, 2022	\$ 21,667	\$ 9,917
Changes in cash flow from financing	(10,000)	(8,550)
Other non-cash changes		
Increase in right-of-use assets	<u>-</u>	<u>3,841</u>
December 31, 2022	<u>\$ 11,667</u>	<u>\$ 5,208</u>

VII. Related party transactions

(I) Related parties and their relationship

<u>Name of Related Party</u>	<u>Relationship with the Company</u>
Leo WANG	Chairman of the Company
INFOCHAMP SYSTEMS CORPORATION (Note)	Substantive related party

Note: The substantial related party of the company resigned the director position on September 23, 2022, and hence was no longer a related party of the company from that date forward.

(II) Significant transactions with related parties

1. Labor service revenue

	<u>Year Ended December 31, 2022</u>
INFOCHAMP SYSTEMS CORPORATION	<u>\$ 4,067</u>

Year Ended December 31, 2023: No such events occurred.

It is a product maintenance service, and the payment terms are processed according to the terms negotiated by both parties.

2. Purchasing

	<u>Year Ended December 31, 2022</u>
INFOCHAMP SYSTEMS CORPORATION	<u>\$ 7,821</u>
It is a product maintenance service, and the payment terms are processed according to the terms negotiated by both parties.	

The Company's purchase price and payment period to related parties are processed according to the terms negotiated by both parties. The payment term is 30 days after receiving the goods.

3. Guarantee provided by related parties

The Chairman of the Company provided the Company with a joint guarantee for the loan

from Taishin Bank. Please refer to Note VI (IX) for the details of the loan period and repayment method.

(III) Remuneration of key management personnel

	Year Ended December 31, 2023	Year Ended December 31, 2022
Salary and short-term employee benefits	\$ 30,118	\$ 31,915
Share-based payment	725	1,334
Total	<u>\$ 30,843</u>	<u>\$ 33,249</u>

VIII. Pledged assets

None.

IX. Significant contingent liabilities and unrecognized contract commitments

None.

X. Significant disaster loss

None.

XI. Events after the reporting period

None.

XII. Others

(I) Capital management

The Company's capital management objective at the current stage is to ensure the continued operation of the Company, maintain the optimal capital structure to reduce the cost of capital, and provide shareholders with sustained and steady returns after the operation turns losses into profits in the future. In order to achieve the aforementioned goals, the Company maintains or adjusts the capital by means of, including but not limited to, cash capital increase, short-term financing from specific individuals or institutions, bank borrowings, issuance of corporate bonds, asset disposal to repay debts or enrich working capital, distribution of dividends, and capital reduction. The Company uses the debt/equity ratio to monitor and manage capital. This ratio is calculated by dividing "net debt" by "total equity". The interim net debt is calculated as "total liabilities" less cash and cash equivalents, and the calculation of the "Total Equity" was taken from the "Total Equity" as reported in the Statement of Financial Position.

The Company's strategy in 2023 is the same to that of 2022, i.e. staying committed to maintaining the debt to equity ratio at or below 60%. As of December 31, 2023 and 2022, the total liabilities of the Company was less than the cash and cash equivalents, so the debt to equity ratio was 0.

(II) Financial instruments

1. Types of financial instruments

	December 31, 2023	December 31, 2022
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 483,643	\$ 394,006
Financial assets measured at amortized cost	2,500	2,500
Notes receivable	531	60
Accounts receivable (including related parties)	69,263	99,273
Other receivables	814	465
Long-term receivables	-	8,036
Refundable deposits	5,413	3,182
	\$ 562,164	\$ 507,522

	December 31, 2023	December 31, 2022
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Accounts payable (including related parties)	\$ 8,248	\$ 16,219
Other payables	64,413	83,271
Long-term borrowings (including those due within one year or one business cycle)	1,667	11,667
	\$ 74,328	\$ 111,157
Lease liabilities	\$ 21,153	\$ 5,208

2. Risk management policies

The Company's daily operations are affected by multiple financial risks, including market risk (consists of exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the Company's financial position and financial performance.

3. Nature and extent of significant financial risk

(1) Market risk

Exchange rate risk

A. The Company's business involves several non-functional currencies (the Company's functional currency is NT\$), therefore it is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

<u>December 31, 2023</u>			
	<u>Foreign currency (In thousand)</u>	<u>Exchange rate</u>	<u>Book value (NT\$)</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 9,714	30.71	\$ 298,280
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	375	30.71	11,501

<u>December 31, 2022</u>			
	<u>Foreign currency (In thousand)</u>	<u>Exchange rate</u>	<u>Book value (NT\$)</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 10,652	30.71	\$ 327,170
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	541	30.71	16,222

B. The aggregate amount of exchange gains (including realized and unrealized) recognized in 2023 and 2022 of the Company's monetary items significantly affected by exchange rate fluctuations was \$2,559 and \$24,576, respectively.

C. The analysis of the Company's risk in the foreign currency market due to significant exchange rate fluctuations is as follows:

	<u>Year Ended December 31, 2023</u>		
	<u>Sensitivity analysis</u>		
	<u>Range of change</u>	<u>Impact on gain or loss</u>	<u>Impact on other comprehensive income</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 2,983-	\$ -
<u>Financial liabilities</u>			

Monetary items

USD: NTD 1% 115 - -

Year Ended December 31, 2022

	<u>Range of change</u>	<u>Sensitivity analysis</u>	
		<u>Impact on gain or loss</u>	<u>Impact on other comprehensive income</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	1%	\$ 3,272	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	1%	162	-

Price risk

Since the investments held by the Company are classified as financial assets measured at fair value through profit and loss on the Statement of Financial Position, the Company is not exposed to the commodity price risk. In order to manage the price risk of equity instrument investment, the Company will diversify its investment portfolio according to the limits set by the Company.

Cash flow and fair value interest rate risk

The Company's long-term borrowings are issued at fixed interest rates, so there is no cash flow interest rate risk.

(2) Credit risk

- A. The credit risk of the Company is the risk of financial losses to the Company due to the failure of customers or counterparties to perform their contractual obligations. It mainly derives from the accounts receivable that the counterparties are unable to repay according to the payment terms and is categorized as the contractual cash flow of debt instrument investment measured at amortized cost.
- B. The Company manages credit risk from the corporate perspective. According to the internal credit policy, each operating entity within the Company must manage each new customer and perform credit risk analysis on them before establishing the terms and conditions for payment and delivery. The internal risk control evaluates customers' credit quality by considering their financial status, past experience and other factors. Limits for individual risks are set in accordance with Approval Authority Management Regulations, and the use of credit limits is monitored regularly.

C. The Company shall deem a contract to have been breached when the contract amount is overdue for more than 361 days according to the agreed payment terms.

D. The Company adopts the following hypotheses under IFRS 9 as the basis for judging whether the credit risk of financial instruments has increased significantly since the initial recognition:

When the contract amount is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the initial recognition.

E. The indicators used by the Company to determine the credit impairment of debt instrument investment are as follows:

(A) The issuer is in major financial difficulty, or the possibility of bankruptcy or other financial reorganizations is greatly increased;

(B) The active market for the financial assets disappears due to the issuer's financial difficulty;

(C) The issuer delays or fails to repay the interest or principal;

(D) Unfavorable changes in national or regional economic conditions that lead to the issuer's default.

F. The Company classifies the accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit losses based on the loss rate method.

G. The Company takes into account the future considerations and adjusts the loss rate established according to the historical and current information of a specific period to estimate the loss allowance of accounts receivable. The loss ratio method as of December 31, 2023 and 2022 is as follows:

	Group A	Individual assessment	Total
<u>December 31, 2023</u>			
Expected loss rate	0.00-100%	0.00-1.402%	
Total book value	\$ 47,588	\$ 22,272	\$ 69,860
Allowance for loss	54	12	66
	<u>Group A</u>	<u>Individual assessment</u>	<u>Total</u>
<u>December 31, 2022</u>			
Expected loss rate	0.00-0.04%	0.00-100%	
Total book value	\$ 82,706	\$ 26,775	\$ 109,481
Allowance for loss	2	2,110	2,112

Group A: Customers other than those individually assessed. This group of customers are recognized for sound management, have a normal history of payment for

transactions, and are rated as having good credit by the Company's internal credit evaluation. Our Company incorporates the consideration of the time value of money in the loss rate to estimate the allowance for doubtful accounts on receivables.

H. The Company's simplified statement of changes in the loss allowance on accounts receivable is as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
	Accounts receivables	Accounts receivables
January 1	\$ 2,112	\$ 4,379
Reversal of impairment losses	(2,046)	(1,875)
Write-offs in the current period	<u>-</u>	<u>(392)</u>
December 31	<u>\$ 66</u>	<u>\$ 2,112</u>

(3) Liquidity risk

A. Cash flow forecast is carried out by each operating entity within the Company and summarized by the Company's Finance Department. The Finance Department of the Company monitors the forecast of the Company's working capital needs to ensure that there are sufficient funds to meet the operating needs.

B. The following table shows the Company's non-derivative financial liabilities, which are grouped according to the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the Statement of Financial Position date to the contractual maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

Non-derivative financial liabilities:

December 31, 2023	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
Accounts payable	\$ 8,248	\$ -	\$ -	\$ -
Other payables	64,413	-	-	-
Lease liabilities	10,944	10,016	800	-
Long-term borrowings (including those due within one year or one year of operation)	1,671	-	-	-
	-	-	-	-

Non-derivative financial liabilities:

December 31, 2022	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
Accounts payable	\$ 16,219	\$ -	\$ -	\$ -

Other payables	83,271	-	-	-
Lease liabilities	2,917	1,014	1,558	-
Long-term borrowings (including those due within one year or one year of operation)	10,146	1,671	-	-

(III) Fair value information

1. The Company's financial instruments not measured at fair value, including cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits, long-term receivables, accounts payable, other payables, and long-term borrowings are a reasonable approximation of the fair value.
2. The Company had no financial and non-financial instruments measured at fair value as of December 31, 2023 and 2022.

XIII. Notes to disclosure

(I) Information about important transactions

1. Loaning of funds to others: None.
2. Making endorsements/guarantees for others: None.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliated companies, and jointly controlled entities): None.
4. The cumulative amount of the same securities purchased or sold reaching NT\$300 million or 20% of the paid-in capital or more: None.
5. The amount of acquired real estate exceeding NT\$300 million or 20% of the paid-in capital or more: None.
6. Disposal of real estate for an amount exceeding NT\$300 million or 20% of the paid-in capital or more: None.
7. The amount of purchases from and sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: None.
8. Accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: None.
9. Engaged in derivative transactions: None.
10. The business relationship and important transactions between the parent company and its subsidiaries: None.

(II) Information on re-invested businesses

The name and location of the investee company and other relevant information (excluding

investee companies in Mainland China): None.

(III) Investment information in Mainland China

1. Basic information: None.

Note: On March 31, 2021, the Company's board of directors resolved to establish a subsidiary, Tricorntech (Shanghai) Co., Ltd., which is 100% held by the Company. As of the date of the financial statements, the company has not yet remitted the investment funds, and the company has not yet commenced business.

2. Major transactions with investee companies in Mainland China directly or indirectly through enterprises in a third region: None.

XIV. Segment Information

(I) General information

The Company only operates in a single industry and the operating decision-maker of the Company has identified the Company as a reportable department based on the overall performance assessment and resource allocation.

(II) Measurement of segment information

The accounting policies of the Company's operating segments are the same as the summary of the significant accounting policies described in Note IV to the financial statements. The profit or loss of the operating segment is measured by the net profit (loss) after tax and serves as the basis for evaluating the performance of the operating segment.

(III) Reconciliation information of segment profit and loss

The department assets, liabilities, and net loss after tax presented by the Company to the major operating decision-makers are measured in the same manner as the Statement of Financial Position and Statement of Comprehensive Income, and no adjustment is required.

(IV) Information on products and services

Please refer to Note VI (XV) for details.

(V) Information by Region

The Company's information by region in 2023 and 2022 is as follows:

	<u>Year Ended December 31, 2023</u>		<u>Year Ended December 31, 2022</u>	
	<u>Income</u>	<u>Non-current assets</u>	<u>Income</u>	<u>Non-current assets</u>
Taiwan	\$ 216,189	\$ 96,826	\$ 272,982	\$ 90,896
China	106,657	-	58,165	-
Japan	22,267	-	29,848	-
Singapore	34,382	-	6,459	-
North America	23,497	-	27,243	-
Malaysia	3,645	-	-	-
Total	<u>\$ 406,637</u>	<u>\$ 96,826</u>	<u>\$ 394,697</u>	<u>\$ 90,896</u>

(VI) Major customer information

The Company's 2023 and 2022 sales to a single customer accounted for more than 10% of the Company's operating revenues as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Customer T	\$ 148,832	\$ 143,144

Tricorntech Corporation
Cash and cash equivalents
December 31, 2023

Statement I

Unit: NTD thousands

Items	Summary	Amount
Cash on hand		\$ 86
Demand deposit - NT\$		233,466
Demand deposits - foreign currency	USD \$4,635 thousand (exchange rate USD1: NTD30.71)	142,311
	RMB 4 thousand (exchange rate RMB1: NTD4..327)	19
	EUR \$9 thousand (exchange rate 1 EUR : NTD33.98)	294
Time deposits - foreign currency	USD \$3,500 thousand (exchange rate USD1: NTD30.71)	107,467
		<u>\$ 483,643</u>

The maturity dates for the aforementioned time deposits are January 6, 2024, and January 20, 2024, with interest rates of 5.33% and 5.30%, respectively.

Tricomtech Corporation
Accounts receivable
December 31, 2023

Statement II

Unit: NTD thousands

<u>Customer name</u>	<u>Amount</u>	<u>Remarks</u>
Customer H	\$ 14,438	
Customer S	12,914	
Customer P	8,827	
Customer T	5,174	
Customer R	3,654	
Others	<u>24,322</u>	The balance of each individual customer does not exceed 5% of the total amount of the account
Subtotal	\$ 69,329	
Less: Loss allowance	(<u>66</u>)	
Total	<u><u>\$ 69,263</u></u>	

Tricorntech Corporation
Inventories
December 31, 2023

Statement III

Unit: NTD thousands

Item	Amount		Remarks
	Cost	Market price	
Raw materials	\$ 49,828	\$ 51,574	Replacement cost or net realizable value as the market price
Work in process	16,024	16,024	Net realizable value as the market price
Semi-finished products	41,602	41,348	Net realizable value as the market price
Finished goods	22,460	44,740	Net realizable value as the market price
	129,914	<u>\$ 153,686</u>	
Less: Allowance for valuation and obsolescence losses	(<u>30,989</u>)		
	<u>\$ 98,925</u>		

Tricorntech Corporation
Statement of Operating Revenue
Year Ended December 31, 2023

Statement IV

Unit: NTD thousands

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Revenue from gas detection equipment	99	\$ 226,546	
Maintenance and other service income		180,091	
		<u>\$ 406,637</u>	

Tricorntech Corporation
Operating cost
For the year ended December 31, 2023

Statement V

Unit: NTD thousands

Items	Amount
Raw materials, beginning	\$ 39,728
Add: Materials purchased	70,635
Reclassification of raw materials	255
Less: Raw materials, ending	(49,828)
Raw material inventory deficit	(1)
Scrapped in current period	(280)
Raw materials transfer to machinery and equipment	(106)
Raw materials transfer to expenses	(3,047)
Raw materials consumed	57,356
Direct labor	10,610
Manufacturing expenses	42,594
Manufacturing cost	110,560
Add: Semi-finished products at beginning of period	42,847
Work-in-progress at beginning of period	8,703
Purchase of semi-finished products	1
Inventory reclassification of semi-finished goods	46
Less: Work-in-progress at end of period	(16,024)
Semi-finished products, ending	(41,602)
Inventory deficit of semi-finished products	(59)
Semi-finished product transfer to equipment	(3,068)
Semi-finished product transfer to expenses	(11,783)
Scrapped in current period	(1,865)
Cost of finished goods	87,756
Add: Finished goods at beginning of period	25,272
Purchase of finished goods	40,676
Less: Finished goods at end of period	(22,460)
Inventory deficit of finished goods	(4)
Finished goods transfer equipment	(1,924)
Finished product transfer to expenses	(3,755)
Inventory reclassification of finished goods	(300)
Transfer to labor service cost	(60,333)
Current production and sales cost	64,928
Labor service cost	72,325
Inventory deficit	65
Loss on inventory valuation and obsolescence	5,712
Warranty cost	9,326
	\$ 152,356

Tricorntech Corporation
Manufacturing expenses
For the year ended December 31, 2023

Statement VI

Unit: NTD thousands

Item	Amount	Remarks
Salary expenses	\$ 30,181	
Depreciation	4,739	
Production consumables	4,576	
Other expenses	<u>3,098</u>	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	<u>\$ 42,594</u>	

Tricorntech Corporation
Marketing expenses
For the year ended December 31, 2023

Statement VII

Unit: NTD thousands

Item	Amount	Remarks
Salary expenses	\$ 24,486	
Business travel expenses	6,824	
Commission expenses	6,870	
Depreciation expense	5,469	
Insurance expenses	3,244	
Export expenses	3,220	
Other expenses	<u>15,113</u>	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	<u>\$ 65,226</u>	

Tricorntech Corporation
Administrative and general affairs expenses
For the year ended December 31, 2023

Statement VIII

Unit: NTD thousands

Item	Amount	Remarks
Salary expenses	\$ 28,039	
Depreciation expense	7,088	
Export expenses	4,278	
Insurance expenses	2,519	
Other expenses	<u>5,427</u>	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	<u>\$ 47,351</u>	

Tricorntech Corporation
Research and development expenses
For the year ended December 31, 2023

Statement IX

Unit: NTD thousands

Item	Amount	Remarks
Salary expenses	\$ 41,340	
Amortization expense	10,085	
Test material expenses	7,989	
Export expenses	7,979	
Depreciation expense	7,572	
Other expenses	<u>11,823</u>	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	<u>\$ 86,788</u>	

Tricorntech Corporation

Summary statement of employee benefits, depreciation and amortization expenses incurred in the current period by function

For the year ended December 31, 2023

Statement X

Unit: NTD thousands

By function By nature	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee welfare expenses						
Salary expenses	\$ 51,065	\$ 85,250	\$ 136,315	\$ 46,628	\$ 91,513	\$138,141
Labor and health insurance premiums	2,877	8,264	11,141	2,612	6,648	9,260
Pension expense	1,443	4,043	5,486	1,331	3,362	4,693
Directors' Remuneration	-	4,572	4,572	-	3,196	3,196
Other employee expenses	1,991	4,858	6,849	1,532	2,958	4,490
Total	57,376	106,987	164,363	52,103	107,677	159,780
Depreciation expense	4,739	20,129	24,868	3,936	15,654	19,590
Amortization expense	-	11,478	11,478	-	11,197	11,197

The number of employees of the Company as of December 31, 2023 and 2022 were 133 and 131, respectively.

Of these, the number of directors who did not hold concurrent employee positions was 8 and 9, respectively.