

SYSGRATION LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2023 AND 2022

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

SYSGRATION LTD.
DECEMBER 31, 2023 AND 2022 PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Sysgration Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Sysgration Ltd. as at December 31, 2023 and 2022, and the related parent company only balance statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only 2023 financial statements. These

matters were addressed in the context of our audit of the parent company only financial statements 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 2023 financial statements are stated as follows:

Existence and occurrence of revenue

Description

Please refer to Note 4(30) for accounting policies on revenue recognition and Note 6(23) for details of sales revenue.

Sysgration Ltd. is engaged in the manufacture and sales of automobile electronics products and power management products. Revenue is the main indicator of whether the Company achieves its business and financial goals, and existence and occurrence of revenue have a significant impact on financial reports. Thus, we considered the existence and occurrence of revenue as a key audit matter.

How our audit addressed the matter

The key audit procedures performed in respect of the above included the following:

- A. Obtained an understanding of and tested the internal control procedures of recognition of revenue and tested the effectiveness in exercising internal controls in relation to sales revenue.
- B. Obtained the details of revenue and verified customers' orders, delivery orders, sales invoices, bill of lading and receipt of customers to confirm whether the sales revenue transactions indeed occurred.
- C. Examined the content and related supporting documents of sales returns and discounts after the balance sheet date and checked the subsequent collection to confirm the existence of sales revenue.

Valuation of allowance for inventory valuation losses

Description

Sysgration Ltd. is primarily engaged in the manufacture and sale of automobile electronics products and power management products. Because of the rapid change of electronic products, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. Sysgration Ltd.'s inventories are measured at the lower of cost and net realisable value, and individually assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories. The material's net realisable value is calculated based on the latest purchase price, and the net realisable values of work in process and finished goods are measured at the last sales price as well as taken into consideration of the operating expense ratio.

The industry technology is rapidly changing, and the net realisable value involves subjective judgement result in an uncertainty when assessing the obsolete or slow-moving inventories. Considering that the inventory and allowance for inventory valuation losses were material to the financial statements, the assessment of allowance for inventory valuation losses was identified as a key audit matter.

Refer to Note 4(12) for accounting policy on inventory, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for detailed information on allowance for inventory valuation losses.

How our audit addressed the matter:

The key audit procedures performed in respect of the above included the following:

- A. Assessed the reasonableness of provision policies on allowance for inventory valuation losses based on our understanding of the Sysgration Ltd.'s operations and the characteristics of the industry, including the classification of inventory for determining net realisable value and the reasonableness of determining the obsolescence of inventory.

- B. Obtained an understanding of the Sysgration Ltd.'s warehousing control procedures. Reviewed the annual physical inventory count plan and observed the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.
- C. Obtained an understanding of the policy on inventory aging report and the logic of inventory aging report program. Selected samples to verify the accuracy of inventory aging report.
- D. Verified the reasonableness of inventory valuation basis, including sampled the latest purchase price, purchase invoice, the latest sales price and sales invoices in order to verify that the inventory was measured at the lower of cost and net realisable value.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- B. Obtain an understanding of internal controls 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 controls.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. 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 report to the related disclosures in the parent company only 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Chih, Ping-Chiun

Chiu, Chao-Hsien

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2024

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SYSGRATION LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,408,258	29	\$ 1,132,693	32
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	139	-
1136	Current financial assets at amortised cost	6(4) and 8	-	-	100,501	3
1150	Notes receivable, net	6(5) and 12(2)	4,447	-	2,521	-
1170	Accounts receivable, net	6(5) and 12(2)	942,230	20	848,505	24
1180	Accounts receivable-related parties	7	1,322	-	5,002	-
1200	Other receivables		12,616	-	11,786	1
1210	Other receivables-related parties	7	64,854	2	68,418	2
1220	Current tax assets	6(30)	1,583	-	185	-
130X	Inventories	6(6)	174,993	4	282,236	8
1470	Other current assets		14,244	-	11,119	-
11XX	Current assets		<u>2,624,547</u>	<u>55</u>	<u>2,463,105</u>	<u>70</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	25,103	1	12,460	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	231,456	5	148,952	4
1535	Non-current financial assets at amortised cost	6(4) and 8	16,700	-	20,700	1
1550	Investments accounted for using equity method	6(7)	1,397,283	29	468,566	13
1600	Property, plant and equipment	6(8) and 8	336,101	7	300,506	9
1755	Right-of-use assets	6(9)	41,220	1	16,065	-
1760	Investment property, net	6(10)	3,888	-	4,025	-
1780	Intangible assets	6(11)	23,684	-	16,442	-
1840	Deferred tax assets	6(30)	40,299	1	30,851	1
1900	Other non-current assets		63,863	1	57,971	2
15XX	Non-current assets		<u>2,179,597</u>	<u>45</u>	<u>1,076,538</u>	<u>30</u>
1XXX	Total assets		<u>\$ 4,804,144</u>	<u>100</u>	<u>\$ 3,539,643</u>	<u>100</u>

(Continued)

SYSGRATION LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2120	Current financial liabilities at fair value through profit or loss	6(12)	\$ 3,250	-	\$ -	-
2130	Current contract liabilities	6(23)	5,499	-	7,674	-
2150	Notes payable		936	-	1,723	-
2170	Accounts payable		250,406	5	238,324	7
2180	Accounts payable-related parties	7	386,731	8	371,530	11
2200	Other payables	6(15)(32)	188,880	4	153,019	4
2220	Other payables-related parties	7	120,124	3	1,911	-
2250	Current provisions	6(18)	39,323	1	21,246	1
2280	Current lease liabilities		16,299	-	13,547	-
2320	Long-term liabilities, current portion	6(13)(14) and 8	100,953	2	542,374	15
2399	Other current liabilities, others		14,634	-	15,034	1
21XX	Current liabilities		<u>1,127,035</u>	<u>23</u>	<u>1,366,382</u>	<u>39</u>
Non-current liabilities						
2530	Bonds payable	6(13)	469,333	10	-	-
2540	Long-term borrowings	6(14) and 8	207,078	4	227,589	6
2570	Deferred tax liabilities	6(30)	483	-	-	-
2580	Non-current lease liabilities		25,121	1	2,703	-
2600	Other non-current liabilities		-	-	198	-
25XX	Non-current liabilities		<u>702,015</u>	<u>15</u>	<u>230,490</u>	<u>6</u>
2XXX	Liabilities		<u>1,829,050</u>	<u>38</u>	<u>1,596,872</u>	<u>45</u>
Equity						
Share capital 6(19)						
3110	Ordinary share		1,845,849	38	1,670,605	47
3130	Certificate of entitlement to new shares from convertible bonds		55,073	1	1,360	-
3140	Advance receipts for share capital		2,264	-	8,267	-
Capital surplus 6(20)						
3200	Capital surplus		899,048	19	310,036	9
Retained earnings 6(21)						
3310	Legal reserve		4,497	-	-	-
3320	Special reserve		1,563	-	-	-
3350	Retained earnings		295,125	6	44,968	1
Other equity interest 6(22)						
3400	Other equity interest		(128,325)	(2)	(92,465)	(2)
3XXX	Equity		<u>2,975,094</u>	<u>62</u>	<u>1,942,771</u>	<u>55</u>
Significant contingent liabilities and unrecognised contract commitments 9						
Significant events after the balance sheet date 11						
3X2X	Total liabilities and equity		<u>\$ 4,804,144</u>	<u>100</u>	<u>\$ 3,539,643</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(23) and 7	\$ 3,223,292	100	\$ 3,189,385	100
5000 Operating costs	6(6)(16)(17)(28)(29) and 7	(2,506,165)	(78)	(2,541,172)	(79)
5900 Gross profit from operations		<u>717,127</u>	<u>22</u>	<u>648,213</u>	<u>21</u>
Operating expenses	6(16)(17)(28)(29) and 7				
6100 Selling expenses		(106,442)	(3)	(81,691)	(3)
6200 Administrative expenses		(187,806)	(6)	(166,846)	(5)
6300 Research and development expenses		(204,514)	(6)	(154,294)	(5)
6450 Impairment gain and reversal of impairment loss determined in accordance with IFRS 9	12(2)	(2,242)	-	(5,861)	-
6000 Operating expenses		(501,004)	(15)	(408,692)	(13)
6900 Net operating income		<u>216,123</u>	<u>7</u>	<u>239,521</u>	<u>8</u>
Non-operating income and expenses					
7100 Interest income	6(4)(24)	18,613	-	3,141	-
7010 Other income	6(3)(7)(10)(25) and 7	8,435	-	3,517	-
7020 Other gains and losses	6(2)(9)(12)(26)	33,855	1	30,368	1
7050 Finance costs	6(9)(13)(14)(27)	(12,656)	-	(7,983)	-
7055 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	4,355	-	-	-
7070 Share of (loss) profit of associates and joint ventures accounted for using equity method	6(7)	(13,241)	-	69,935	2
7000 Non-operating income and expenses		<u>39,361</u>	<u>1</u>	<u>98,978</u>	<u>3</u>
7900 Profit before income tax		255,484	8	338,499	11
7950 Income tax expense	6(30)	-	-	-	-
8200 Profit for the year		<u>\$ 255,484</u>	<u>8</u>	<u>\$ 338,499</u>	<u>11</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss	6(3)(22)(30)				
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(\$ 16,833)	-	(\$ 14,372)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		<u>3,513</u>	-	<u>2,874</u>	-
8310 Components of other comprehensive (loss) income that will not be reclassified to profit or loss		(13,320)	-	(11,498)	-
Components of other comprehensive income that will be reclassified to profit or loss	6(22)(30)				
8361 Exchange differences on translation		(27,259)	(1)	15,652	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss		<u>5,452</u>	-	(3,130)	-
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		(21,807)	(1)	<u>12,522</u>	-
8300 Other comprehensive (loss) income for the year, net of tax		(\$ 35,127)	(1)	<u>\$ 1,024</u>	-
8500 Total comprehensive income for the year		<u>\$ 220,357</u>	<u>7</u>	<u>\$ 339,523</u>	<u>11</u>
Basic earnings per share	6(31)				
9750 Basic earnings per share		\$	1.41	\$	2.14
Diluted earnings per share	6(31)				
9850 Diluted earnings per share		\$	1.32	\$	1.99

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital		Capital surplus		Retained earnings		Other equity interest		Total equity	
		Ordinary share	Certificate of entitlement to new shares from convertible bonds	Advance receipts for share capital	Additional paid-in capital	Legal reserve	Special reserve	Retained earnings	Exchange differences on translation of foreign financial statements		Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income
Year 2022											
Balance at January 1, 2022		\$ 1,545,534	\$ -	\$ 9,956	\$ 160,349	\$ -	\$ 35,953	(\$ 454,770)	(\$ 64,048)	(\$ 26,854)	\$ 1,206,120
Profit for the year		-	-	-	-	-	-	338,499	-	-	338,499
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	-	-	-	12,522	(11,498)	1,024
Total comprehensive income (loss)		-	-	-	-	-	-	338,499	12,522	(11,498)	339,523
Share-based compensation cost	6(17)(19)(20)	-	-	-	10,834	-	-	-	-	-	10,834
Convertible bonds	6(19)(20)	7,257	1,360	-	21,144	-	-	-	-	-	29,761
Exercise of employee stock options	6(19)(20)	15,314	-	(1,689)	14,908	-	-	-	-	-	28,533
Proceeds from disposal of equity instruments at fair value through other comprehensive income	6(3)(22)	-	-	-	-	-	-	2,587	-	(2,587)	-
Capital surplus used to offset accumulated deficit	6(20)	-	-	-	(122,699)	-	-	122,699	-	-	-
Special reserve used to offset accumulated deficit		-	-	-	-	-	(35,953)	35,953	-	-	-
Cash capital increase	6(19)	102,500	-	-	225,500	-	-	-	-	-	328,000
Balance at December 31, 2022		<u>\$ 1,670,605</u>	<u>\$ 1,360</u>	<u>\$ 8,267</u>	<u>\$ 310,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,968</u>	<u>(\$ 51,526)</u>	<u>(\$ 40,939)</u>	<u>\$ 1,942,771</u>
Year 2023											
Balance at January 1, 2023		\$ 1,670,605	\$ 1,360	\$ 8,267	\$ 310,036	\$ -	\$ -	\$ 44,968	(\$ 51,526)	(\$ 40,939)	\$ 1,942,771
Profit for the year		-	-	-	-	-	-	255,484	-	-	255,484
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	-	-	-	(21,807)	(13,320)	(35,127)
Total comprehensive income (loss)		-	-	-	-	-	-	255,484	(21,807)	(13,320)	220,357
Share-based compensation cost	6(17)(19)(20)	-	-	-	16,851	-	-	-	-	-	16,851
Convertible bonds	6(19)(20)	36,320	53,713	-	216,853	-	-	-	-	-	306,886
Exercise of employee stock options	6(19)(20)	12,924	-	(6,003)	10,223	-	-	-	-	-	17,144
Proceeds from disposal of equity instruments at fair value through other comprehensive income	6(3)(22)	-	-	-	-	-	-	733	-	(733)	-
Cash capital increase	6(19)	126,000	-	-	315,000	-	-	-	-	-	441,000
Recognition of share option in issuance of convertible bonds		-	-	-	30,085	-	-	-	-	-	30,085
Appropriations of net income for 2022	6(21)	-	-	-	-	4,497	-	(4,497)	-	-	-
Legal reserve appropriated		-	-	-	-	-	-	1,563	(1,563)	-	-
Special reserve appropriated		-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2023		<u>\$ 1,845,849</u>	<u>\$ 55,073</u>	<u>\$ 2,264</u>	<u>\$ 899,048</u>	<u>\$ 4,497</u>	<u>\$ 1,563</u>	<u>\$ 295,125</u>	<u>(\$ 73,333)</u>	<u>(\$ 54,992)</u>	<u>\$ 2,975,094</u>

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 255,484	\$ 338,499
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on financial assets and financial liabilities at fair value through profit or loss	6(2)(12)(26)	(3,025)	878
Expected credit impairment loss	12(2)	2,242	5,861
Depreciation	6(8)(9)(10)(28)	73,352	56,211
Amortisation	6(11)(28)	22,238	16,084
(Gain on reversal) loss on decline for inventory in market value	6(6)	(6,421)	17,099
Profit from lease modification	6(26)	(4)	-
Gain recognised in bargain purchase transaction	6(25)	(2,415)	-
Gain on disposal of property, plant and equipment	6(26)	(48)	(2)
Share of profit of subsidiaries and associates for using the equity method	6(7)	13,241	(69,935)
Interest expense	6(9)(13)(14)(27)	12,656	7,983
Interest income	6(24)	(18,613)	(3,141)
Dividend income	6(25)	(2,836)	(1,105)
Share-based compensation cost	6(17)	16,851	10,834
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,946)	535
Accounts receivable		(95,947)	(331,454)
Accounts receivables - related parties		3,680	(2,159)
Other receivables		(1,025)	(3,361)
Other receivables - related parties		(174,600)	(9)
Inventories		109,336	10,095
Other current assets		(3,253)	2,286
Changes in operating liabilities			
Current contract liabilities		(2,175)	1,092
Notes payable		(787)	737
Accounts payable		12,082	(26,933)
Accounts payable-related parties		15,201	95,437
Other payables		35,329	37,259
Other payables-related parties		118,213	1,823
Current provisions		18,077	14,067
Other current liabilities, others		(400)	(6,836)
Cash inflow generated from operations		394,487	171,845
Interest paid		(4,628)	(3,246)
Interest received		18,808	2,754
Dividend received		2,836	1,105
Income tax paid		(1,398)	(101)
Net cash flows from operating activities		<u>410,105</u>	<u>172,357</u>

(Continued)

SYSGRATION LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 9,000)	(\$ 12,000)
Acquisition of financial assets at fair value through other comprehensive income		(105,981)	(80,786)
Proceeds from disposal of financial assets at fair value through other comprehensive income		6,644	13,500
Proceeds from disposal of investments accounted for using the equity method		(781,542)	-
Increased in financial assets at amortised cost		104,501	4,100
Acquisition of property, plant and equipment	6(32)	(40,292)	(48,140)
Proceeds from disposal of property, plant and equipment		73	37
Acquisition of intangible assets	6(11)	(29,480)	(21,170)
Increase in refundable deposits		(2,458)	(921)
Increase in prepayments for business facilities		(52,324)	(37,656)
Decrease in other current assets		(2,294)	(2,448)
Net cash flows used in investing activities		(912,153)	(185,484)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from long-term borrowings	6(33)	87,801	196,530
Repayment of long-term borrowings	6(33)	(90,769)	(72,186)
Proceeds from convertible bond issuance	6(13)(33)	497,300	-
Repayments of bonds	6(33)	(154,900)	-
Proceeds from exercise of employee stock options	6(19)	17,144	28,533
Payments of lease liabilities	6(9)(33)	(19,765)	(18,970)
Increase in guarantee deposits received		(198)	-
Cash capital increase	6(19)	441,000	328,000
Net cash flows from financing activities		777,613	461,907
Net increase in cash and cash equivalents		275,565	448,780
Cash and cash equivalents at beginning of year	6(1)	1,132,693	683,913
Cash and cash equivalents at end of year	6(1)	\$ 1,408,258	\$ 1,132,693

The accompanying notes are an integral part of these parent company only financial statements.

SYSGRATION LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) SYSGRATION LTD. (the ‘Company’) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on October 14, 1977, and the Company’s shares have been approved by Securities and Futures Commission, Ministry of Finance to be officially traded on Taipei Exchange from December 1995. The Company is primarily engaged in the manufacture and sale of automobile electronics products and power management products.

(2) On April 27, 2023, the Company’s shareholders during their meeting approved to split its energy storage business segment to newly established POWER TANK ENERGY LTD. through a spin-off, and the effective date of the spin-off was set on June 30, 2023. Refer to Note 6(34) for details.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 26, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</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 above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by 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 21, 'Lack of exchangeability'	January 1, 2025

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, the parent company only financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- (a) 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.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income.
- (d) All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

Investments in foreign operations resulting in exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;

- (d) 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.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) 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.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. 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.
- D. 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.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using the equity method - subsidiaries, associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to be consistent with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the parent company only financial statements.
- G. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- H. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- I. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- J. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and

Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~55	years
Machinery	2~20	years
Maintenance equipment and tools	2~5	years
Office equipment	2~30	years
Transportation equipment	5	years
Leasehold improvements	4~5	years or lease period (whichever is shorter)
Others	2~3	years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise

the difference between remeasured lease liability in profit or loss.

(16) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(18) Intangible assets

Intangible assets, mainly computer software, are amortised on a straight-line basis over their estimated useful lives of 1 ~ 10 years.

(19) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

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

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(22) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(23) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable or and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable or as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(25) Provisions

Provisions (including warranties) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate

that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(29) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(30) Revenue recognition

Sales of goods

- A. The Company manufactures and sells of automobile electronic products and power management products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the

customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand	\$ 759	\$ 813
Checking accounts and demand deposits	647,499	551,880
Time deposits	760,000	580,000
	<u>\$ 1,408,258</u>	<u>\$ 1,132,693</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2023 and 2022, cash and cash equivalents amounting to \$16,700 and \$121,201, respectively, as short-term and long-term borrowings were pledged to others as collateral, and were classified as financial assets at amortised cost.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ -	\$ 139
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Private equity fund	\$ 21,000	\$ 12,000
Valuation adjustment	4,103	460
	<u>\$ 25,103</u>	<u>\$ 12,460</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss		
Debt instruments	\$ 3,643	\$ 460
Derivatives	(139)	(1,338)
	<u>\$ 3,504</u>	<u>(\$ 878)</u>

B. Derivatives are call options of the convertible bonds issued by the Company.

C. The Company had no financial assets at fair value through profit or loss pledged to others as collateral.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Listed stocks	\$ 12,042	\$ 21,514
Emerging stocks	60,786	-
Unlisted stocks	<u>229,216</u>	<u>180,459</u>
	302,044	201,973
Valuation adjustment	(<u>70,588</u>)	(<u>53,021</u>)
	<u>\$ 231,456</u>	<u>\$ 148,952</u>

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$231,456 and \$148,952 as at December 31, 2023 and 2022, respectively.
- B. For the years ended December 31, 2023, and 2022, the Company has disposed stock of the investee company. Realised gain has been transferred to retained earnings from other equity.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended <u>December 31, 2023</u>	Year ended <u>December 31, 2022</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(<u>\$ 16,833</u>)	(<u>\$ 14,372</u>)
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ 733</u>	<u>\$ 2,587</u>
Dividend income recognised in profit or loss		
Held at end of period	<u>\$ 2,836</u>	<u>\$ 1,105</u>

- D. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$231,456 and \$148,952, respectively.
- E. The Company had no financial assets at fair value through other comprehensive income pledged to others as collateral.
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Financial assets at amortised cost

Items	December 31, 2023	December 31, 2022
Current items:		
pledged time deposits	\$ <u> -</u>	\$ <u> 100,501</u>
Non-current items:		
pledged time deposits	\$ <u> 16,700</u>	\$ <u> 20,700</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31, 2023	Year ended December 31, 2022
Interest income	\$ <u> 12,003</u>	\$ <u> 2,041</u>

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$16,700 and \$121,201, respectively.

C. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ <u> 4,492</u>	\$ <u> 2,546</u>
Less: Allowance for uncollectible accounts	(<u> 45</u>)	(<u> 25</u>)
	\$ <u> 4,447</u>	\$ <u> 2,521</u>
Accounts receivable	\$ <u> 948,268</u>	\$ <u> 854,566</u>
Less: Allowance for uncollectible accounts	(<u> 6,038</u>)	(<u> 6,061</u>)
	\$ <u> 942,230</u>	\$ <u> 848,505</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2023		December 31, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ <u> 697,878</u>	\$ <u> 4,447</u>	\$ <u> 674,494</u>	\$ <u> 2,521</u>
Up to 30 days	77,871	-	70,541	-
31 to 120 days	165,253	-	103,470	-
121 to 180 days	-	-	-	-
Over 180 days	1,228	-	-	-
	\$ <u> 942,230</u>	\$ <u> 4,447</u>	\$ <u> 848,505</u>	\$ <u> 2,521</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2023 and 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022, the balance of receivables from contracts with customers amounted to \$525,968.
- C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable was \$4,447 and \$2,521, respectively; the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was \$942,230 and \$848,505, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 136,853	(\$ 16,478)	\$ 120,375
Work in progress	43,413	-	43,413
Finished goods	14,886	(3,681)	11,205
	<u>\$ 195,152</u>	<u>(\$ 20,159)</u>	<u>\$ 174,993</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 133,640	(\$ 16,103)	\$ 117,537
Work in progress	78,408	-	78,408
Finished goods	98,504	(12,321)	86,183
Inventory in transit	108	-	108
	<u>\$ 310,660</u>	<u>(\$ 28,424)</u>	<u>\$ 282,236</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31, 2023	Year ended December 31, 2022
Cost of goods sold	\$ 2,512,586	\$ 2,524,073
(Gain on reversal) loss on decline in market value	(6,421)	17,099
	<u>\$ 2,506,165</u>	<u>\$ 2,541,172</u>

- A. The Company had no inventories pledged to others as collateral.
- B. The Company reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because of the continuous clearance of inventory.

(7) Investments accounted for using equity method

	<u>2023</u>	<u>2022</u>
At January 1	\$ 468,566	\$ 382,979
Addition of investments accounted for using equity method	1,187,841	-
Share of profit or loss of investments accounted for using equity method	(13,241)	69,935
Reclassifications (note)	(218,624)	-
Changes in other equity items	(27,259)	15,652
At December 31	<u>\$ 1,397,283</u>	<u>\$ 468,566</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries:		
POWER TANK ENERGY LTD. (note)	\$ 372,088	\$ -
SYSGRATION TECHNOLOGY (SAMOA) LTD. (note)	-	240,592
SYSGRATION (SAMOA) LTD.	276,947	223,702
SYSGRATION USA INC.	4,330	4,272
SYSGRATION INTERNATIONAL INC.	616,424	-
Associates:		
LEADRAY ENERGY CO., LTD.	<u>127,494</u>	<u>-</u>
	<u>\$ 1,397,283</u>	<u>\$ 468,566</u>

For the years ended December 31, 2023 and 2022, share of profit (loss) for using the equity method are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries:		
POWER TANK ENERGY LTD. (note)	(\$ 43,851)	\$ -
SYSGRATION TECHNOLOGY (SAMOA) LTD. (note)	(24,059)	30,617
SYSGRATION (SAMOA) LTD.	54,968	39,273
SYSGRATION USA INC.	60	45
SYSGRATION INTERNATIONAL INC.	2,358	-
Associates:		
LEADRAY ENERGY CO., LTD.	<u>(2,717)</u>	<u>-</u>
	<u>(\$ 13,241)</u>	<u>\$ 69,935</u>

Note: On June 30, 2023, the Company split its energy storage business segment to newly established POWER TANK ENERGY LTD. through a spin-off. POWER TANK ENERGY LTD. was approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) to accept the equity interest of SYSGRATION (SAMOA) LTD. and SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.

A. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2023 for the information regarding the Company’s subsidiaries.

B. Associates

(a) The basic information of the associates that are material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2023	December 31, 2022		
		LEADRAY ENERGY CO., LTD.	R.O.C			35%	-	Strategic Investment	Equity method

(b) The carrying amount of the Company’s interests in all individually immaterial associates and the Company’s share of the operating results are summarised below:

As of December 31, 2023, the carrying amount of the Company’s individually immaterial associates amounted to \$127,494 and \$0, respectively.

	Year ended December 31, 2023	Year ended December 31, 2022
Loss for the period from continuing operations	(\$ 2,717)	\$ -
Total comprehensive loss	(\$ 2,717)	\$ -

C. The consideration for the Company’s acquisition of 35% equity interest of Leadray Energy Co., Ltd. was lower than the Company’s share of fair value of identifiable net assets acquired, resulting in a gain recognised in bargain purchase transaction in the amount of \$2,415 (shown as ‘other income’). The above was assessed based on the appraisal reports from independent experts.

D. The Company is the single largest shareholder of Leadray Energy CO., LTD. Given that other shareholders hold more shares than the Company and considering the past records of the number of voting rights held by other shareholders on the major proposals in the shareholders’ meeting, both of which indicate that the Company has no substantial ability to direct the operating and financial decisions, the Company has no control, but only has significant influence, over the investee.

(8) Property, plant and equipment

	2023								
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 306,325	\$ 198,446	\$ 4,427	\$ 27,097	\$ 8,251	\$ 400	\$ 23,081	\$ 586,834
Accumulated depreciation and impairment	-	(133,870)	(108,168)	(3,751)	(21,641)	(2,579)	(400)	(15,919)	(286,328)
	<u>\$ 18,807</u>	<u>\$ 172,455</u>	<u>\$ 90,278</u>	<u>\$ 676</u>	<u>\$ 5,456</u>	<u>\$ 5,672</u>	<u>\$ -</u>	<u>\$ 7,162</u>	<u>\$ 300,506</u>
Opening net book amount as at January 1	\$ 18,807	\$ 172,455	\$ 90,278	\$ 676	\$ 5,456	\$ 5,672	\$ -	\$ 7,162	\$ 300,506
Additions	-	10,479	22,021	-	3,064	-	-	7,430	42,994
Disposals	-	-	(25)	-	-	-	-	-	(25)
Transfers	-	-	45,513	-	320	2,602	-	1,007	49,442
Transfers- spin-off	-	-	(47)	-	(183)	-	-	(2,799)	(3,029)
Depreciation charge	-	(9,567)	(32,591)	(675)	(4,336)	(1,911)	-	(4,707)	(53,787)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 173,367</u>	<u>\$ 125,149</u>	<u>\$ 1</u>	<u>\$ 4,321</u>	<u>\$ 6,363</u>	<u>\$ -</u>	<u>\$ 8,093</u>	<u>\$ 336,101</u>
At December 31									
Cost	\$ 18,807	\$ 312,056	\$ 254,194	\$ 4,231	\$ 22,555	\$ 10,853	\$ 400	\$ 28,463	\$ 651,559
Accumulated depreciation and impairment	-	(138,689)	(129,045)	(4,230)	(18,234)	(4,490)	(400)	(20,370)	(315,458)
	<u>\$ 18,807</u>	<u>\$ 173,367</u>	<u>\$ 125,149</u>	<u>\$ 1</u>	<u>\$ 4,321</u>	<u>\$ 6,363</u>	<u>\$ -</u>	<u>\$ 8,093</u>	<u>\$ 336,101</u>

	2022								
	Land	Buildings and structures	Machinery	Maintenance equipment and tools	Office equipment	Transportation equipment	Leasehold improvements	Others	Total
At January 1									
Cost	\$ 18,807	\$ 307,249	\$ 168,279	\$ 7,666	\$ 24,534	\$ 6,019	\$ 693	\$ 18,249	\$ 551,496
Accumulated depreciation and impairment	-	(129,295)	(90,736)	(6,298)	(19,665)	(1,003)	(682)	(12,771)	(260,450)
	<u>\$ 18,807</u>	<u>\$ 177,954</u>	<u>\$ 77,543</u>	<u>\$ 1,368</u>	<u>\$ 4,869</u>	<u>\$ 5,016</u>	<u>\$ 11</u>	<u>\$ 5,478</u>	<u>\$ 291,046</u>
Opening net book amount as at January 1	\$ 18,807	\$ 177,954	\$ 77,543	\$ 1,368	\$ 4,869	\$ 5,016	\$ 11	\$ 5,478	\$ 291,046
Additions	-	976	33,564	580	4,357	2,232	-	5,202	46,911
Disposals	-	-	-	-	(35)	-	-	-	(35)
Depreciation charge	-	(6,475)	(20,829)	(1,272)	(3,735)	(1,576)	(11)	(3,518)	(37,416)
Closing net book amount as at December 31	<u>\$ 18,807</u>	<u>\$ 172,455</u>	<u>\$ 90,278</u>	<u>\$ 676</u>	<u>\$ 5,456</u>	<u>\$ 5,672</u>	<u>\$ -</u>	<u>\$ 7,162</u>	<u>\$ 300,506</u>
At December 31									
Cost	\$ 18,807	\$ 306,325	\$ 198,446	\$ 4,427	\$ 27,097	\$ 8,251	\$ 400	\$ 23,081	\$ 586,834
Accumulated depreciation and impairment	-	(133,870)	(108,168)	(3,751)	(21,641)	(2,579)	(400)	(15,919)	(286,328)
	<u>\$ 18,807</u>	<u>\$ 172,455</u>	<u>\$ 90,278</u>	<u>\$ 676</u>	<u>\$ 5,456</u>	<u>\$ 5,672</u>	<u>\$ -</u>	<u>\$ 7,162</u>	<u>\$ 300,506</u>

- A. The significant components of buildings and structures include main plants and structure improvements, which are depreciated over 55 and 2~45 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- C. The Company's property, plant and equipment were for self-use.

(9) Leasing arrangements — lessee

- A. The Company leases various assets including buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and sublet without agreement.
- B. Short-term leases with a lease term of 12 months or less comprise offices. On December 31, 2023 and 2022, payments of lease commitments for short-term leases amounted to \$2,933 and \$1,038, respectively.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023	Year ended December 31, 2023	December 31, 2022	Year ended December 31, 2022
	Carrying amount	Depreciation charge	Carrying amount	Depreciation charge
Buildings	\$ 38,019	\$ 17,056	\$ 10,937	\$ 16,071
Transportation equipment	3,201	2,372	5,128	2,587
	<u>\$ 41,220</u>	<u>\$ 19,428</u>	<u>\$ 16,065</u>	<u>\$ 18,658</u>

- D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$45,058 and \$7,871, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 356	\$ 331
Expense on short-term lease contracts	2,933	1,038
Profit from lease modification	(4)	-
	<u>\$ 3,285</u>	<u>\$ 1,369</u>

- F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$19,765 and \$18,970, respectively.

(10) Investment property

	<u>2023</u>		<u>2022</u>
	<u>Buildings</u>		<u>Buildings</u>
At January 1		At January 1	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation	(2,975)	Accumulated depreciation	(2,838)
	<u>\$ 4,025</u>		<u>\$ 4,162</u>
Opening net book amount as at January 1	\$ 4,025	Opening net book amount as at January 1	\$ 4,162
Depreciation charge	(137)	Depreciation charge	(137)
Closing net book amount as at December 31	<u>\$ 3,888</u>	Closing net book amount as at December 31	<u>\$ 4,025</u>
At December 31		At December 31	
Cost	\$ 7,000	Cost	\$ 7,000
Accumulated depreciation	(3,112)	Accumulated depreciation	(2,975)
	<u>\$ 3,888</u>		<u>\$ 4,025</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended</u> <u>December 31, 2023</u>	<u>Year ended</u> <u>December 31, 2022</u>
Rental income from investment property	<u>\$ 250</u>	<u>\$ 288</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 137</u>	<u>\$ 137</u>

B. The fair value of the investment property held by the Company as at December 31, 2023 and 2022 was both \$7,000, which was based on the trading prices of similar prices in the neighboring areas.

C. The Company had no investment property pledged to others as collateral.

(11) Intangible assets

	2023		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ -	\$ 56,141	\$ 56,141
Accumulated amortisation and impairment	-	(39,699)	(39,699)
	<u>\$ -</u>	<u>\$ 16,442</u>	<u>\$ 16,442</u>
Opening net book amount as at January 1	\$ -	\$ 16,442	\$ 16,442
Additions	-	29,480	29,480
Amortisation charge	-	(22,238)	(22,238)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 23,684</u>	<u>\$ 23,684</u>
At December 31			
Cost	\$ -	\$ 36,160	\$ 36,160
Accumulated amortisation and impairment	-	(12,476)	(12,476)
	<u>\$ -</u>	<u>\$ 23,684</u>	<u>\$ 23,684</u>
	2022		
	<u>Patent right</u>	<u>Software</u>	<u>Total</u>
At January 1			
Cost	\$ 17,407	\$ 34,971	\$ 52,378
Accumulated amortisation and impairment	(17,407)	(23,615)	(41,022)
	<u>\$ -</u>	<u>\$ 11,356</u>	<u>\$ 11,356</u>
Opening net book amount as at January 1	\$ -	\$ 11,356	\$ 11,356
Additions	-	21,170	21,170
Amortisation charge	-	(16,084)	(16,084)
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ 16,442</u>	<u>\$ 16,442</u>
At December 31			
Cost	\$ -	\$ 56,141	\$ 56,141
Accumulated amortisation and impairment	-	(39,699)	(39,699)
	<u>\$ -</u>	<u>\$ 16,442</u>	<u>\$ 16,442</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Operating costs	\$ 3,859	\$ 1,577
Selling expenses	1,405	1,742
Administrative expenses	7,091	4,972
Research and development expenses	9,883	7,793
	<u>\$ 22,238</u>	<u>\$ 16,084</u>

(12) Financial liabilities at fair value through profit or loss

Items	December 31, 2023	December 31, 2022
Current items:		
Financial liabilities designated as at fair value through profit or loss		
Derivative instruments	\$ 3,250	\$ -

A. Amounts recognised in profit or loss and other comprehensive income in relation to financial liabilities at fair value through profit or loss are as follows:

	December 31, 2023	December 31, 2022
Financial assets designated as at fair value through profit or loss		
Derivative instruments	(\$ 479)	\$ -

B. Derivatives are call options of the convertible bonds issued by the Company.

(13) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	\$ 500,000	\$ 462,100
Less: Discount on bonds payable	(30,667)	(3,136)
	469,333	458,964
Less: Current portion or exercise of put options	-	(458,964)
	<u>\$ 469,333</u>	<u>\$ -</u>

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the fourth domestic secured convertible bonds issued by the Company are as follows:

- i. The Company issued \$500,000, 0% of coupon rate, fourth domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 20, 2020 ~ October 20, 2023) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 20, 2020.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after 3 months (January 21, 2021) of the bonds issue to the maturity date (October 20, 2023), except for the stop transfer period as

specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the conversion price of the convertible bonds was NT\$34.1 (in dollars) per share.
 - iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% of the face value as interests upon two years from the issue date.
 - v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
 - vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (b) As of December 31, 2023, the convertible bonds totaling NTD\$345,100 (face value) had been converted into 10,087,888 common shares, of which 5,507,306 common shares were resolved by the Board of Directors on January 17, 2024 for the effective date on January 17, 2024, and the registration of changes of the common shares had been completed.
- (c) The terms of the fifth domestic secured convertible bonds issued by the Company are as follows:
- i. The Company issued \$500,000, 0% of coupon rate, fourth domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (August 8, 2023 ~ August 8, 2026) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on August 8, 2023.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after 3 month (November 9, 2023) of the bonds issue to the maturity date(August 8, 2026), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

- iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the conversion price of the convertible bonds was NT\$39.7 (in dollars) per share.
 - iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5006% of the face value as interests upon two years from the issue date.
 - v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue (November 9, 2023) to 40 days before the maturity date (June 29, 2026), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (November 9, 2023) to 40 days before the maturity date (June 29, 2026).
 - vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of convertible bonds, the non-equity conversion options, call options, put options and conversion price resetting options embedded in bonds payable were separated from their host contracts which was classified as 'capital surplus—share options' amount to \$30,085 and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 2.4894%.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable	1.75%	None	\$ 23,000
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable	1.66%	None	11,695
Secured borrowings	Borrowing period is from April 15, 2021 to April 15, 2026; interest is repayable monthly.	2%	Note	31,220
Unsecured borrowings	Borrowing period is from May 17, 2021 to May 17, 2026; interest is repayable monthly.	2%	None	9,854
Secured borrowings	Borrowing period is from December 29, 2021 to April 15, 2026; interest is repayable monthly.	1.945%	Note	16,433
Unsecured borrowings	Borrowing period is from March 30, 2022 to March 30, 2027; interest is repayable monthly.	1.695%	None	29,900
Secured borrowings	Borrowing period is from April 15, 2022 to April 15, 2027; interest is repayable monthly.	1.65%	Note	32,000
Secured borrowings	Borrowing period is from May 16, 2022 to May 16, 2027; interest is repayable monthly.	1.93%	Note	54,667
Secured borrowings	Borrowing period is from October 17, 2022 to October 15, 2027; interest is repayable monthly.	1.5%	Note	17,566

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Long-term bank borrowings				
Secured borrowings	Borrowing period is from March 10, 2023 to October 15, 2027; interest is repayable monthly.	1.5%	Note	\$ 21,293
Secured borrowings	Borrowing period is from September 12, 2023 to October 15, 2027; interest is repayable monthly.	1.5%	Note	29,723
Secured borrowings	Borrowing period is from December 26, 2023 to December 26, 2028; interest is repayable	1.85%	Note	30,680
				<u>308,031</u>
Less: Current portion				<u>(100,953)</u>
				<u>\$ 207,078</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 20, 2020 to May 20, 2023; interest is repayable monthly.	1.77%	None	\$ 2,777
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.5%	None	35,000
Unsecured borrowings	Borrowing period is from December 1, 2020 to November 15, 2025; interest is repayable monthly.	1.41%	None	17,797
Secured borrowings	Borrowing period is from April 15, 2021 to April 15, 2026; interest is repayable monthly.	1.875%	Note	44,600

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 17, 2021 to May 17, 2026; interest is repayable monthly.	1.82%	None	\$ 23,233
Secured borrowings	Borrowing period is from December 29, 2021 to April 15, 2026; interest is repayable monthly.	1.875%	Note	14,077
Unsecured borrowings	Borrowing period is from March 30, 2022 to March 30, 2027; interest is repayable monthly.	1.445%	None	39,100
Secured borrowings	Borrowing period is from April 15, 2022 to April 15, 2027; interest is repayable monthly.	1.525%	Note	41,600
Secured borrowings	Borrowing period is from May 16, 2022 to May 16, 2027; interest is repayable monthly.	1.805%	Note	70,667
Secured borrowings	Borrowing period is from October 17, 2022 to October 15, 2027; interest is repayable monthly.	1.375%	Note	22,148
				<u>310,999</u>
Less: Current portion				(<u>83,410</u>)
				<u>\$ 227,589</u>

Note: Information about the assets that were pledged to long-term borrowings as collateral is provided in Note 8.

A. For the years ended December 31, 2023 and 2022, interest expense were recognised in profit or loss amounted to \$4,589 and \$3,232, respectively.

B. Aforementioned borrowings from financial institutions are guaranteed by related parties as joint guarantor, please refer to Note 7 for details.

(15) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and salaries payable	\$ 110,904	\$ 106,060
Payables for machinery and equipment	5,068	2,366
Others	72,908	44,593
	<u>\$ 188,880</u>	<u>\$ 153,019</u>

(16) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022, were \$14,852 and \$13,151, respectively.

(17) Share-based payment

- A. On November 12, 2019 and December 27, 2016, the Board of Directors of the Company resolved to issue employees’ options of 5,000 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 5,000,000 shares with the exercise price of \$33.80 (in dollars)) and 4,500 units (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 4,500,000 shares with the exercise price of \$10.00 (in dollars)), except for the 4,731 units were issued out of 5,000 units on August 20, 2020, others were issued 5,000 units on October 15, 2018. The exercise price under the aforementioned stock-based employee compensation plan is at least the closing price of the Company’s common stock at the grant date. There will be adjustment to the exercise price in accordance with specific formula if there is any change in the Company’s ordinary shares or distribution of cash dividend after the issuance of stock options. The life of the option is 5 years. After 2 years from the date of grant, employees may exercise the options in accordance with certain schedules as prescribed in the option plan.
- B. To attract and retain talents, encourage employees and strengthen coherence of the Company, the Board of Directors at their meeting on October 18, 2022 resolved to issue employees’ stock options of 10,000 units. The issuance had been approved by the competent authority and could be issued over several installments within two years. The first issuance of 7,000 units was on July 7, 2023 (every unit can purchase 1,000 shares of the Company’s common share, the total number of common shares which can be purchased was 7,000,000 shares with exercise price of \$38.55 (in dollars)).
- C. For the years ended December 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2018.10.15	4,500	5 years	2 ~ 4 years' service
Employee stock options	2019.08.20	4,731	5 years	2 ~ 4 years' service
Employee stock options	2023.07.07	7,000	5 years	2 ~ 4 years' service

D. Details of the share-based payment arrangements are as follows:

i. Employees' options which were issued in 2023

	2023	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	7,000	\$ 38.55
Options granted	-	-
Options exercised	-	-
Options forfeited (Note)	(754)	-
Options outstanding at the end of the year	<u>6,246</u>	\$ 38.55
Options exercisable at the end of the year	<u>-</u>	

ii. Employees' options which were issued in 2020

	2023		2022	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,424	\$ 33.80	3,493	\$ 33.80
Options granted	-	-	-	-
Options exercised	(429)	33.80	(626)	33.80
Options forfeited (Note)	(68)	-	(443)	-
Options outstanding at the end of the year	<u>1,927</u>	\$ 33.80	<u>2,424</u>	\$ 33.80
Options exercisable at the end of the year	<u>1,050</u>		<u>608</u>	

Note: Due to employees' retirement or termination.

iii. Employees' options which were issued in 2018

	2023		2022	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	336	\$ 10.00	1,182	\$ 10.00
Options granted	-	-	-	-
Options exercised	(263)	10.00	(736)	10.00
Options forfeited (Note)	(73)	-	(110)	-
Options outstanding at the end of the year	-	\$ -	336	\$ 10.00
Options exercisable at the end of the year	-		336	

Note: Due to employees' retirement or termination.

E. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2023		December 31, 2022	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2018.10.15	2023.10.14	-	\$ 10.00	336	\$ 10.00
2020.08.20	2025.08.19	1,927	33.80	2,424	33.80
2023.07.07	2028.07.06	6,246	38.55	-	-

F. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2018.10.15	\$10.00	43.64% ~44.73%	3.5~4.5 years	0%	0.69% ~0.73%	1.90 ~2.19
Employee stock options	2020.08.20	33.80	49.75% ~53.32%	3.5~4.5 years	0%	0.28% ~0.31%	13.02 ~13.74
Employee stock options	2023.07.07	38.55	46.02%	3.5~4.5 years	0%	1.07% ~1.10%	13.33 ~15.04

G. Expenses incurred on share-based payment transactions are shown below:

	Year ended	Year ended
	December 31, 2023	December 31, 2022
Equity-settled	\$ 16,851	\$ 10,834

(18) Provisions

	2022	2021
	Warranty	Warranty
At January 1	\$ 21,246	\$ 7,179
Additional provisions	28,804	20,535
Used during the year	(10,727)	(6,468)
At December 31	<u>\$ 39,323</u>	<u>\$ 21,246</u>

The Company gives warranties on automotive electronic products sold. Provision for warranty is estimated based on historical warranty data of automotive electronic products. It is expected that provision for warranty will be used in the following one year.

(19) Share capital

- A. As of December 31, 2023, the Company's authorised capital was \$3,000,000, consisting of 300,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,845,849 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2023(Note)	2022(Note)
At January 1	\$ 167,061	\$ 154,553
Employee stock options exercised	1,292	1,532
Conversion of convertible bonds	3,632	726
Cash capital increase-private placement	12,600	10,250
At December 31	<u>\$ 184,585</u>	<u>\$ 167,061</u>

Note: Expressed in thousands of shares.

- B. To increase the Company's working capital, the shareholders at their meeting on April 29, 2022 resolved to conduct private placements of common shares with a par value at \$10 (in dollars) per share, and the total number of shares issued shall not exceed 25,000 thousand shares which would be issued over several installments within one year from the date of the shareholders' meeting resolution. On October 18, 2022, the Board of Directors resolved the first effective date of capital increase through private placement was set on November 1, 2022 and total number of private ordinary shares amounted to 10,250 thousand with an issuance price of NT\$32 (in dollars) per share. The total amount of private placement was NTD 328,000 thousand and the registration of changes had been completed. On March 9, 2023, the Board of Directors resolved the second effective date of capital increase through private placement was set on March 23, 2023 and total number of private ordinary shares amounted to 12,600 thousand with an issuance price of NT\$35 (in dollars) per share. The total amount of private placement was NTD 441,000 thousand and the registration of changes had been completed. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than

these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

- C. On January 18, 2022, the Company's board of directors resolved to issue 775.6 thousand shares with a subscription price of NT\$10. The subscription base date was determined by the board of directors to be January 18, 2022, the registration of changes had been completed.
- D. On May 10, 2022, the Company's board of directors resolved to issue 39 thousand shares with a subscription price of NT\$10. The subscription base date was determined by the board of directors to be May 10, 2022, the registration of changes had been completed.
- E. On August 9, 2022, the Company's board of directors resolved to issue 66 thousand shares with a subscription price of NT\$10. The subscription base date was determined by the board of directors to be August 9, 2022, the registration of changes had been completed.
- F. On October 18, 2022, the Company's board of directors resolved to issue 430.8 thousand shares with a subscription price of NT\$33.8. The subscription base date was determined by the board of directors to be October 18, 2022, the registration of changes had been completed.
- G. On January 9, 2023, the Company's board of directors resolved to issue 826.7 thousand shares of which 631.1 thousand shares with a subscription price of NT\$10 and 195.6 thousand shares with a subscription price of NT\$33.8. The subscription base date was determined by the board of directors to be January 9, 2023, the registration of changes had been completed.
- H. On May 9, 2023, the Company's board of directors resolved to issue 95.3 thousand shares of which 7.5 thousand shares with a subscription price of NT\$10 and 87.8 thousand shares with a subscription price of NT\$33.8. The subscription base date was determined by the board of directors to be May 9, 2023, the registration of changes had been completed.
- I. On August 8, 2023, the Company's board of directors resolved to issue 184.8 thousand shares of which 90 thousand shares with a subscription price of NT\$10 and 94.8 thousand shares with a subscription price of NT\$33.8. The subscription base date was determined by the board of directors to be August 8, 2023, the registration of changes had been completed.
- J. On November 8, 2023, the Company's board of directors resolved to issue 185.6 thousand shares of which 86.1 thousand shares with a subscription price of NT\$10 and 99.5 thousand shares with a subscription price of NT\$33.8. The subscription base date was determined by the board of directors to be November 8, 2023, the registration of changes had been completed.
- K. On January 17, 2024, the Company's board of directors resolved to issue 86.4 thousand shares of which 79 thousand shares with a subscription price of NT\$10 and 7.4 thousand shares with a subscription price of NT\$33.8. The subscription base date was determined by the board of directors to be November 8, 2023, the registration of changes had been completed.

(20) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that

the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Movements of the Company's capital surplus in 2023 and 2022 are as follows:

2023						
	Share premium		Employee stock options		Share options	Total
	\$		\$		\$	\$
At January 1	257,567		41,977		10,492	310,036
Employee stock options exercised	12,579	(	2,356)		-	10,223
Exercise of conversion right of convertible bonds	227,140		-	(	10,287)	216,853
Share-based compensation cost	-		16,851		-	16,851
Cash capital increase-private placement	315,000		-		-	315,000
Recognition of share option in issuance of convertible bonds	-		-		30,085	30,085
At December 31	<u>812,286</u>		<u>56,472</u>		<u>30,290</u>	<u>899,048</u>

2022						
	Share premium	Employee stock options	Share options	Treasury share transactions	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
	\$	\$	\$	\$	\$	\$
At January 1	74,352	56,488	17,162	2,654	9,693	160,349
Employee stock options exercised	10,253	4,655	-	-	-	14,908
Exercise of conversion right of convertible bonds	21,814	-	(670)	-	-	21,144
Capital surplus used to offset loss	(74,352)	(30,000)	(6,000)	(2,654)	(9,693)	(122,699)
Share-based compensation cost	-	10,834	-	-	-	10,834
Cash capital increase-private placement	225,500	-	-	-	-	225,500
At December 31	<u>257,567</u>	<u>41,977</u>	<u>10,492</u>	<u>-</u>	<u>-</u>	<u>310,036</u>

(21) Unappropriated retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and appropriate or reverse for special reserve as required by the operating needs of the Company or regulations when necessary. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and to be resolved by the stockholders at the stockholders' meeting.
- B. For the long-term business development of the Company, the needs of capital in the future and long-term business plan, the distributable earnings can be distributed no higher than 90% as shareholders' bonus every year. However, the distributable earnings may not to be distributed if the accumulated distributable earnings lower than 5% of paid-in capital. The cash dividend can not be lower than 10% of total dividends. However, when the cash dividend per share is lower than \$0.5, it can be distributed in stock dividend at full amount.
- C. The Company's shareholders' meeting resolved the profit and loss appropriation for the year of 2022 on April 27, 2023. After offsetting losses from previous years, setting aside a legal reserve of 10% of the remaining profits of \$4,497 and a special reserve of \$1,563. The shareholders' meeting resolved the deficit compensation for the year of 2021 on April 29, 2022. Details of the resolution of deficit compensation are provided in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- D. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- E. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(22) Other equity items

	2023		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 40,939)	(\$ 51,526)	(\$ 92,465)
Revaluation adjustment	(13,320)	-	(13,320)
Disposal of financial assets at fair value through other comprehensive income	(733)	-	(733)
Currency translation differences	-	(21,807)	(21,807)
At December 31	<u>(\$ 54,992)</u>	<u>(\$ 73,333)</u>	<u>(\$ 128,325)</u>

	2022		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 26,854)	(\$ 64,048)	(\$ 90,902)
Revaluation adjustment	(11,498)	-	(11,498)
Disposal of financial assets at fair value through other comprehensive income	(2,587)	-	(2,587)
Currency translation differences	-	12,522	12,522
At December 31	<u>(\$ 40,939)</u>	<u>(\$ 51,526)</u>	<u>(\$ 92,465)</u>

(23) Operating revenue

	Year ended	Year ended
	December 31, 2023	December 31, 2022
Revenue from contracts with customers	<u>\$ 3,223,292</u>	<u>\$ 3,189,385</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

Year ended December 31, 2023	Automobile electronic products	Power management products	Total
Total segment revenue	\$ 3,105,050	\$ 118,242	\$ 3,223,292
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 3,105,050</u>	<u>\$ 118,242</u>	<u>\$ 3,223,292</u>

Year ended December 31, 2022	Automobile electronic products	Power management products	Total
Total segment revenue	\$ 2,702,385	\$ 487,000	\$ 3,189,385
Inter-segment revenue	-	-	-
Revenue from external customer contracts	<u>\$ 2,702,385</u>	<u>\$ 487,000</u>	<u>\$ 3,189,385</u>

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Contract liabilities –			
Advance sales receipts	<u>\$ 5,499</u>	<u>\$ 7,674</u>	<u>\$ 6,582</u>

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Advance sales receipts	<u>\$ 7,157</u>	<u>\$ 5,189</u>

(24) Interest income

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Interest income from bank deposits	\$ 6,609	\$ 1,099
Interest income from financial assets measured at amortised cost	12,003	2,041
Other interest income	<u>1</u>	<u>1</u>
	<u>\$ 18,613</u>	<u>\$ 3,141</u>

(25) Other income

	Year ended December 31, 2023	Year ended December 31, 2022
Rent income	\$ 1,351	\$ 1,386
Dividend income	2,836	1,105
Gain recognised in bargain purchase transaction	2,415	-
Government grant revenues	149	-
Other income, others	1,684	1,026
	<u>\$ 8,435</u>	<u>\$ 3,517</u>

(26) Other gains and losses

	Year ended December 31, 2023	Year ended December 31, 2022
Foreign exchange gains	\$ 30,778	\$ 31,269
Gains on disposals of property, plant and equipment	48	2
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	3,025	(878)
Profit from lease modification	4	-
Other losses	-	(25)
	<u>\$ 33,855</u>	<u>\$ 30,368</u>

(27) Finance costs

	Year ended December 31, 2023	Year ended December 31, 2022
Interest expense	\$ 4,589	\$ 3,364
Interest expense on lease liabilities	356	331
Interest expense on convertible bonds	7,711	4,288
	<u>\$ 12,656</u>	<u>\$ 7,983</u>

(28) Expenses by nature

	Year ended December 31, 2023	Year ended December 31, 2022
Employee benefit expense	\$ 438,939	\$ 408,931
Depreciation charges on property, plant and equipment	53,787	37,416
Depreciation charges on right-of-use assets	19,428	18,658
Depreciation charges on investment property	137	137
Amortisation charges on intangible assets	22,238	16,084
	<u>\$ 534,529</u>	<u>\$ 481,226</u>

(29) Employee benefit expense

	Year ended <u>December 31, 2023</u>	Year ended <u>December 31, 2022</u>
Wages and salaries	\$ 349,379	\$ 339,588
Employee stock options	16,851	10,834
Labour and health insurance fees	30,416	27,021
Pension costs	14,852	13,151
Other personnel expenses	27,441	18,337
	<u>\$ 438,939</u>	<u>\$ 408,931</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be between 10%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued at \$30,000 and \$5,000, respectively; while directors' remuneration was accrued at \$8,000 and \$0, respectively.
- C. The employees' compensation and directors' remuneration were estimated and accrued based on 10.22% and 2.73% of distributable profit of current year for the year ended December 31, 2023.
- D. Employees' compensation and directors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended <u>December 31, 2023</u>	Year ended <u>December 31, 2022</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended <u>December 31, 2023</u>	Year ended <u>December 31, 2022</u>
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 3,513	\$ 2,874
Exchange differences on translation of foreign financial statements	<u>5,452</u>	<u>(3,130)</u>
	<u>\$ 8,965</u>	<u>(\$ 256)</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended <u>December 31, 2023</u>	Year ended <u>December 31, 2022</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 51,097	\$ 67,700
Expenses disallowed by tax regulation	1,331	438
Temporary differences not recognised as deferred tax assets	6,348	(14,273)
Use tax losses not recognised in prior years	(58,776)	(53,366)
Change in assessment of realisation of deferred tax assets	<u>-</u>	<u>(499)</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and market value decline	\$ 5,685	(\$ 1,653)	\$ -	\$ 4,032
Valuation of financial assets measured at fair value through other comprehensive income	10,603	-	3,513	14,116
Exchange differences on translation of foreign financial statements	12,884	-	5,452	18,336
Unrealised foreign exchange loss	1,082	2,120	-	3,202
Others	597	16	-	613
	<u>\$ 30,851</u>	<u>\$ 483</u>	<u>\$ 8,965</u>	<u>\$ 40,299</u>
Deferred tax liabilities:				
-Temporary differences:				
Investment income	\$ -	(\$ 483)	\$ -	(\$ 483)
	<u>\$ -</u>	<u>(\$ 483)</u>	<u>\$ -</u>	<u>(\$ 483)</u>
Income tax expense	<u>\$ 30,851</u>	<u>\$ -</u>	<u>\$ 8,965</u>	<u>\$ 39,816</u>
	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for obsolescence and market value decline	\$ 2,265	\$ 3,420	\$ -	\$ 5,685
Valuation of financial assets measured at fair value through other comprehensive income	7,729	-	2,874	10,603
Exchange differences on translation of foreign financial statements	16,014	-	(3,130)	12,884
Unrealised foreign exchange loss	2,174	(1,092)	-	1,082
Others	2,925	(2,328)	-	597
Income tax expense	<u>\$ 31,107</u>	<u>\$ -</u>	<u>(\$ 256)</u>	<u>\$ 30,851</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed	Unused amount	Unrecognised assets	Expiry year
2019	210,051	71,018	71,018	2029
2020	267,968	267,968	267,968	2030

December 31, 2022				
Year incurred	Amount filed	Unused amount	Unrecognised assets	Expiry year
2017	\$ 253,720	\$ 75,560	\$ 75,560	2027
2018	89,297	89,287	89,287	2028
2019	210,051	210,051	210,051	2029
2020	267,968	267,968	267,968	2030

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deductible temporary differences	\$ 734,867	\$ 672,987

F. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(32) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2023	Year ended December 31, 2022
Purchase of property, plant and equipment	\$ 42,994	\$ 46,911
Add: Opening balance of payable on equipment	2,366	3,595
Less: Ending balance of payable on equipment	(5,068)	(2,366)
Cash paid during the year	<u>\$ 40,292</u>	<u>\$ 48,140</u>

B. Financing activities with no cash flow effects

	Year ended December 31, 2023	Year ended December 31, 2022
Convertible bonds being converted to capital stocks	<u>\$ 306,886</u>	<u>\$ 29,761</u>

(33) Changes in liabilities from financing activities

	2023			
	Long-term borrowings	Lease liabilities	Bonds payable	Liabilities from financing activities-gross
At January 1	\$ 310,999	\$ 16,250	\$ 458,964	\$ 786,213
Changes in cash flow from financing activities	(2,968)	(19,765)	342,400	319,667
Changes in other non-cash items	-	44,579	(332,031)	(287,452)
Interest expense on lease liabilities	-	356	-	356
At December 31	<u>\$ 308,031</u>	<u>\$ 41,420</u>	<u>\$ 469,333</u>	<u>\$ 818,784</u>

	2022			
	Long-term borrowings	Lease liabilities	Bonds payable	Liabilities from financing activities-gross
At January 1	\$ 186,655	\$ 27,018	\$ 484,437	\$ 698,110
Changes in cash flow from financing activities	124,344	(18,970)	-	105,374
Changes in other non-cash items	-	7,871	(25,473)	(17,602)
Interest expense on lease liabilities	-	331	-	331
At December 31	<u>\$ 310,999</u>	<u>\$ 16,250</u>	<u>\$ 458,964</u>	<u>\$ 786,213</u>

(34) Reorganization

On April 27, 2023, the Company's shareholders during their meeting approved to split its energy storage business segment to newly established POWER TANK ENERGY LTD. through a spin-off, and the effective date of the spin-off was set on June 30, 2023. The assets and liabilities for POWER TANK ENERGY LTD. are as follows:

	<u>Amount</u>	
Other receivables due from related parties	\$	178,164
Inventories		4,328
Other current assets		128
Investments accounted for using equity method		218,624
Property, plant and equipment		3,029
Other non-current assets		1,742
Liabilities	(	2,131)
Net assets	\$	<u>403,884</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company has no parent company nor ultimate controlling party.

(2) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
POWER TANK ENERGY LTD.	Subsidiaries
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	"
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	"
SYSGRATION USA INC.	"
LEADRAY ENERGY CO., LTD.	Other related party
LEE, YI-REN	The Company's chairman

(3) Significant related party transactions

A. Operating revenue:

	<u>Year ended</u> <u>December 31, 2023</u>	<u>Year ended</u> <u>December 31, 2022</u>
Sales of goods:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 1,894	\$ 33,667
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	141	900
	<u>\$ 2,035</u>	<u>\$ 34,567</u>

Prices and collection terms for services and goods provided to subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

B. Purchases:

	<u>Year ended</u> <u>December 31, 2023</u>	<u>Year ended</u> <u>December 31, 2022</u>
Purchases of goods:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 1,324,229	\$ 1,112,574
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	<u>57,764</u>	<u>357,666</u>
	<u>\$ 1,381,993</u>	<u>\$ 1,470,240</u>

Prices and payment terms for purchasing from subsidiaries are based on the mutual agreement since no similar transaction can be compared with.

C. Operating costs and operating expenses:

	<u>Year ended</u> <u>December 31, 2023</u>	<u>Year ended</u> <u>December 31, 2022</u>
SYSGRATION USA INC.	<u>\$ 1,212</u>	<u>\$ 913</u>

Expenses for product marketing and service fee are based on the mutual agreement.

D. Operating cost

	<u>Year ended</u> <u>December 31, 2023</u>	<u>Year ended</u> <u>December 31, 2022</u>
LEADRAY ENERGY CO., LTD.	<u>\$ 40</u>	<u>\$ -</u>

Costs associated with providing the Company's battery module installation are determined through mutual agreement..

E. Receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 1,322	\$ 4,808
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	<u>-</u>	<u>194</u>
	<u>\$ 1,322</u>	<u>\$ 5,002</u>

Receivables from related parties arise from sale transactions of goods. The receivables are due 120 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

F. Accounts payable:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 386,731	\$ 359,860
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	<u>-</u>	<u>11,670</u>
	<u>\$ 386,731</u>	<u>\$ 371,530</u>

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

G. Other receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables: SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	\$ 64,854	\$ 68,418

It pertained to the payments collected by the subsidiaries on behalf of the parent company.

H. Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other payables: POWER TANK ENERGY LTD.	\$ 118,164	\$ -
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	1,800	7
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	-	1,808
SYSGRATION USA INC.	118	96
LEADRAY ENERGY CO., LTD.	<u>42</u>	<u>-</u>
	<u>\$ 120,124</u>	<u>\$ 1,911</u>

Other payables to POWER TANK ENERGY LTD. were payments collected by the Company on behalf of POWER TANK ENERGY LTD. due to reorganisation. According to the mutual agreement, the payments will be paid based on the capital requirements and are expected to be fully paid before the end of 2024.

I. Leasing arrangements -lessee

(i) The Company leases buildings from POWER TANK ENERGY LTD. with seven-month agreements and monthly rent payments.

(ii) Rent expense

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
POWER TANK ENERGY LTD.	\$ 1,156	\$ -

J. Endorsements and guarantees provided to related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
POWER TANK ENERGY LTD.	\$ 172,800	\$ -

(4) Key management compensation

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Salaries and other short-term employee benefits	\$ 31,893	\$ 27,398
Post-employment benefits	594	675
Share-based payments	984	567
	<u>\$ 33,471</u>	<u>\$ 28,640</u>

(5) Endorsements and guarantees provided by related parties

For the years ended December 31, 2023 and 2022, the Company borrowed from financial institutions. LEE, YI-REN is the guarantor (the Company's Chairman), aforementioned financing facilities which were provided by related parties were \$2,594,200 and \$2,136,840, respectively.

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Time deposit (classified as financial assets at amortised cost)	\$ 16,700	\$ 121,201	Short-term, long-term borrowings and issuance of convertible bonds
Land	18,807	18,807	
Buildings and structures	153,491	158,548	
Machinery	5,304	7,655	
	<u>\$ 194,302</u>	<u>\$ 306,211</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

On August 6, 2018, the Company received a notification of civil court from the Taiwan Taipei District Court. Tsuzuki Denki Co., Ltd. filed a civil litigation to the Taiwan Taipei District Court and claimed that the quality problem of tablet computers which were purchased from the Company caused damage to Tsuzuki Denki Co., Ltd. It claimed for a return of the full price of inventories and compensation amounting to US\$5,306 thousand and JPY\$1,225 thousand, respectively. The Company has appointed lawyers to handle the case to protect the rights of the Company and its shareholders. The Company's appointed lawyer comments are as follows: 'The counterparty complained that there were flaws in the inventory and deferred payment, but refused to return the inventory which should have been repaired by the Company, therefore, the counterparty's claim is not reasonable. In addition, it is reasonable that our side took counter-action to claim the payment for inventory and rework expenses in the total amount of US\$996 thousand, because the Company had completed the work and delivered the said inventories. As of December 31, 2023, the case is still under trial with the Taiwan Taipei District Court. The Company

has accounts receivable from Tsuzuki Denki Co., Ltd. in the amount of \$19,370 which was provisioned for impairment at full amount.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On February 26, 2024, the Board of Directors of the Company resolved to distribute cash dividends of \$133,228 after setting aside a legal reserve of 10% of the remaining profits of \$25,622 and a special reserve of \$74,768.

B. Please refer to Notes 6(13), and 6(19) for the related information.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital in order to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may issue new shares, issue convertible bonds or sell assets to reduce debt.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 1,829,050	\$ 1,596,872
Total equity	<u>2,975,094</u>	<u>1,942,771</u>
Total capital	<u>\$ 4,804,144</u>	<u>\$ 3,539,643</u>
Gearing ratio	<u>38%</u>	<u>45%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 25,103	\$ 12,599
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	231,456	148,952
Financial assets at amortised cost		
Cash and cash equivalents	1,408,258	1,132,693
Financial assets at amortised cost	16,700	121,201
Notes receivable	4,447	2,521
Accounts receivable	942,230	848,505
Accounts receivable-related parties	1,322	5,002
Other receivables	12,616	11,786
Other receivables-related parties	64,854	68,418
Refundable deposits	9,589	7,131
	<u>\$ 2,716,575</u>	<u>\$ 2,358,808</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Notes payable	\$ 936	\$ 1,723
Accounts payable	250,406	238,324
Accounts payable-related parties	386,731	371,530
Other accounts payable	188,880	153,019
Other accounts payable-related parties	120,124	1,911
Bonds payable (including current portion)	469,333	458,964
Long-term borrowings (including current portion)	308,031	310,999
Guarantee deposits received	-	198
	<u>\$ 1,724,441</u>	<u>\$ 1,536,668</u>
Lease liabilities	<u>\$ 41,420</u>	<u>\$ 16,250</u>

B. Financial risk management policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD and other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2023						
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)	Sensitivity analysis		
	amount (In thousands)	Exchange rate		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 30,923	30.71	\$ 949,487	1%	\$ 9,495	\$ -
RMB:NTD	15,073	4.33	65,222	1%	652	-
HKD:NTD	1,295	3.93	5,089	1%	51	-
EUR:NTD	418	33.98	14,218	1%	142	-
<u>Non-monetary items</u>						
USD:NTD	29,236	30.71	897,701	1%	-	8,977
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 18,135	30.71	\$ 556,833	1%	\$ 5,568	-
HKD:NTD	2,246	3.93	8,823	1%	88	-
December 31, 2022						
(Foreign currency: functional currency)	Foreign currency		Book value (NTD)	Sensitivity analysis		
	amount (In thousands)	Exchange rate		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 34,859	30.71	\$ 1,070,518	1%	\$ 10,705	\$ -
HKD:NTD	786	3.94	3,094	1%	31	-
<u>Non-monetary items</u>						
USD:NTD	15,258	30.71	468,566	1%	-	4,686
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 6,339	30.71	\$ 194,676	1%	\$ 1,947	\$ -

iv. The total exchange gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, amounted to \$30,778 and \$31,269, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased

by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by \$251 and \$126, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,315 and \$1,490, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2023 and 2022 would have increased/decreased by \$2,464 and \$2,488, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions with no recent major defaults are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company assumes that if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; if past due over 360 days, a default has been occurred.
- iv. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the modified approach using a provision matrix based on the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The following indicators are used to determine whether the credit impairment of debt instruments have occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2023 and 2022, the provision matrix, loss rate methodology is as follows:

<u>At December 31, 2023</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 704,539	(\$ 2,214)
Up to 30 days	1%	78,684	(813)
31 to 120 days	1%~5%	167,464	(2,211)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	2,073	(845)
		<u>\$ 952,760</u>	<u>(\$ 6,083)</u>
<u>At December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.3%	\$ 679,086	(\$ 2,071)
Up to 30 days	1%	71,259	(718)
31 to 120 days	1%~5%	106,767	(3,297)
121 to 180 days	10%	-	-
Over 180 days	40%~100%	-	-
		<u>\$ 857,112</u>	<u>(\$ 6,086)</u>

- vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	<u>2023</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 6,061	\$ 25
Provision for impairment loss	2,222	20
Write-offs	(2,245)	-
At December 31	<u>\$ 6,038</u>	<u>\$ 45</u>

	2022	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 4,667	\$ 31
Provision for (reversal of) impairment loss	5,867 (	6)
Write-offs	(4,473)	-
At December 31	<u>\$ 6,061</u>	<u>\$ 25</u>

The Company recognised an expected credit gain for the year ended December 31, 2023 due to the recovery of \$4,355 of accounts receivable previously written off and recognised as bad debts.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2023 and 2022, the Company held money market position of \$1,407,499 and \$1,131,880, respectively, and capital-guaranteed income-based wealth management products and derivatives from convertible bonds (classified as current financial assets at fair value through profit or loss) of \$0 and \$139, respectively, and private equity fund (classified as non-current financial assets at fair value through profit or loss) of \$25,103 and \$12,460, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. As at December 31, 2023 and 2022, the Company has the undrawn borrowing of \$1,257,509 and \$1,344,607, respectively.
- iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 936	\$ -	\$ -	\$ -
Accounts payable (including related parties)	637,137	-	-	-
Lease liability	16,299	16,074	9,047	-
Other payables (including related parties)	309,004	-	-	-
Long-term borrowings (including current portion)	100,953	100,718	106,360	-
Bonds payable	-	-	469,333	-
December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Notes payable	\$ 1,723	\$ -	\$ -	\$ -
Accounts payable (including related parties)	609,854	-	-	-
Lease liability	13,547	1,533	1,170	-
Other payables (including related parties)	154,930	-	-	-
Long-term borrowings (including current portion)	83,410	81,972	145,617	-
Bonds payable	458,964	-	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in convertible bonds is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market and financial assets mandatorily measured at fair value through profit or loss are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of the Company's financial instruments, including cash and cash

equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables which not measured at fair value are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Assets				
Financial assets at fair value through profit or loss-current				
Derivative instruments	\$ -	\$ -	\$ -	\$ -
Private equity fund	-	-	25,103	25,103
Financial assets at fair value through other comprehensive income-non-current				
	34,586	131,847	65,023	231,456
Liabilities				
Financial liabilities at fair value through profit or loss-current				
Derivative instruments	-	3,250	-	3,250
	<u>\$ 34,586</u>	<u>\$ 135,097</u>	<u>\$ 90,126</u>	<u>\$ 259,809</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Assets				
Financial assets at fair value through profit or loss-current				
Derivative instruments	\$ -	\$ 139	\$ -	\$ 139
Private equity fund	-	-	12,460	12,460
Financial assets at fair value through other comprehensive income-non-current				
	32,809	-	116,143	148,952
	<u>\$ 32,809</u>	<u>\$ 139</u>	<u>\$ 128,603</u>	<u>\$ 161,551</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- ii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions.
- iii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2023 and 2022:

	2023	
	Equity instrument	Debt instrument
At January 1	\$ 116,143	\$ 12,460
Gains recognised in profit or loss	-	3,643
Losses recognised in other comprehensive income	(76,989)	-
Acquired in the year	105,982	9,000
Transfers into level 3	156	-
Transfers out from level 3	(80,269)	-
At December 31	<u>\$ 65,023</u>	<u>\$ 25,103</u>
	2022	
	Equity instrument	Debt instrument
At January 1	\$ 60,593	\$ -
Gains recognised in profit or loss	-	460
Losses recognised in other comprehensive income	(9,149)	-
Acquired in the year	80,786	12,000
Sold in the year	(16,087)	-
At December 31	<u>\$ 116,143</u>	<u>\$ 12,460</u>

Note: Shown as valuation adjustment for financial assets at fair value through other comprehensive income.

G. For the years ended December 31, 2023 and 2022, there was no transfer from Level 3.

H. The valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of external financial instruments entrusted by finance segment.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 65,023	Market comparable companies	No open market saleability discount	25%	The higher the discount for lack of marketability, the lower the fair value
Private equity fund	25,103	Net asset value method	Net asset value	Not applicable	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 116,143	Market comparable companies	No open market saleability discount	25%	The higher the discount for lack of marketability, the lower the fair value
Private equity fund	12,460	Net asset value method	Net asset value	Not applicable	The higher the net asset value, the higher the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2023				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 650	(\$ 650)
Debt instrument	Net asset value method	±1%	\$ 251	(\$ 251)	\$ -	\$ -

December 31, 2022

	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
			Financial assets			
Equity instrument	No open market saleability discount	±1%	\$ -	\$ -	\$ 1,161	(\$ 1,161)
Debt instrument	Net asset value method	±1%	\$ 125	(\$ 125)	\$ -	\$ -

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

Not applicable.

SYSGRATION LTD.
Loans to others
For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Other receivables	Y	\$ 68,993	\$ 64,783	\$ 64,783	-	Having business relationship	\$ 1,324,229	-	\$ -	None	\$ -	\$ 1,324,229	\$ 1,190,038	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on April 30, 2020, the ceiling on total loans granted and to individuals of the Company's were as follows:

- (1) The ceiling on total loans granted to others is 40% of the Company's net assets.
- (2) Loans granted to a single party for business transactions: Limit on loans granted to a single party for business transactions is the total value of business transactions in 1 year or 12 months. The value of business transactions refers to the higher of purchase or sales.

SYSGRATION LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2023 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
			Relationship with the endorser/ guarantor (Note 2)	Relationship with the endorser/ guarantor (Note 2)											
0	SYSGRATION LTD.	SYSGRATION LTD.	1		\$ 892,528	\$ 3,000	\$ 3,000	\$ 656	\$ -	0.10%	\$ 1,338,792	N	N	N	
0	SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	2		892,528	88,900	-	-	-	-	1,338,792	Y	N	Y	
0	SYSGRATION LTD.	POWER TANK ENERGY LTD.	2		892,528	172,800	172,800	-	-	5.81%	1,338,792	Y	N	N	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) The performance guarantees for the sale of pre-sales contracts under the Consumer Protection Law are jointly guaranteed.

Note 3: In accordance with the Company's amended "Procedures for Provision of Loans" as approved by the shareholders on June 14, 2019, the limit on endorsements/guarantees provided for subsidiaries whose 50% of the shares are directly and indirectly held is 30% of the Company's net assets and the ceiling on total amount of endorsements/guarantees provided is 45% of the Company's net assets based on the Company's latest financial statements.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

SYSGRATION LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2023				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership	Fair value	
SYSGRATION LTD.	SINTRONIC TECHNOLOGY INC.	None	Financial assets at fair value through other comprehensive income - non-current	53,399	\$ 156	0%	\$ 156	
SYSGRATION LTD.	ARCHERS INC.	None	Financial assets at fair value through other comprehensive income - non-current	1,000,000	-	3%	-	
SYSGRATION LTD.	NEXTRONICS ENGINEERING CORP.	None	Financial assets at fair value through other comprehensive income - non-current	447,100	32,996	1%	32,996	
SYSGRATION LTD.	ORO TECHNOLOGY CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	256,000	-	9%	-	
SYSGRATION LTD.	GOMORE INC.	None	Financial assets at fair value through other comprehensive income - non-current	25,216,865	774	5%	774	
SYSGRATION LTD.	EXCELLENCE OPTOELECTRONICS INC.	None	Financial assets at fair value through other comprehensive income - non-current	50,000	1,590	0%	1,590	
SYSGRATION LTD.	IMEIER GREEN TECHNOLOGY CO., LTD	None	Financial assets at fair value through other comprehensive income - non-current	2,000,000	19,260	8.8%	19,260	
SYSGRATION LTD.	ION ELECTRONIC MATERIALS CO., LTD	None	Financial assets at fair value through other comprehensive income - non-current	1,126,894	131,847	3%	131,847	
SYSGRATION LTD.	ADAT TECHNOLOGY CO., LTD	None	Financial assets at fair value through other comprehensive income - non-current	800,000	6,112	4%	6,112	
SYSGRATION LTD.	BIOMEDICA CORPORATION	None	Financial assets at fair value through other comprehensive income - non-current	156,225	9,738	3%	9,738	
SYSGRATION LTD.	REALWEAR INC.	None	Financial assets at fair value through other comprehensive income - non-current	1,545,955	28,983	1%	28,983	
SYSGRATION LTD.	FUYOU PRIVATE EQUITY	None	Financial assets at fair value through profit or loss - non-current	2,100,000	25,103	3%	25,103	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

SYSGRATION LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
SYSGRATION LTD.	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Subsidiary	Purchases	\$ 1,324,229	62%	120 days	Note	Note	(\$ 386,731)	61%	

Note: Based on the mutual agreement since no similar transaction can be compared with.

SYSGRATION LTD.

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2023

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	Subsidiary	\$ 386,731	3.55	\$ -	-	\$ -	-
POWER TANK ENERGY LTD.	SYSGRATION LTD.	Subsidiary	118,164	-	-	-	-	-

SYSGRATION LTD.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Accounts receivable	\$ 386,731	Note 6 8%
1	SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	SYSGRATION LTD.	2	Sales of goods	1,324,229	Note 6 40%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amount that did not reach NT\$100 million or 20% of paid-in capital or more will not be disclosed. Additionally, the counter related parties' of the transaction will also not be disclosed.

Note 4: Ratios of asset/liability are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 5: The loans granted and endorsement and guarantees between the Company and subsidiaries, please refer to table 1 and 2.

Note 6: There are no comparable transaction to non-related parties. The conditions of transactions are agreed upon by both parties.

SYSGRATION LTD.
Information on investees
For the year ended December 31, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Note 1, 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2(2))	Investment income(loss) recognised by the Company for the year ended December 31, 2023 (Note 2(3))	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership	Book value			
SYSGRATION LTD.	POWER TANK ENERGY LTD.	TAIWAN	Manufacturing and sale of energy storage products	\$ 413,884	\$ -	41,388,434	100%	\$ 372,088	(\$ 43,851)	(\$ 43,851)	Note 3
POWER TANK ENERGY LTD.	SYSGRATION TECHNOLOGY (SAMOA)	SAMOA	Investment holding of overseas companies	218,659	671,762	21,800,000	100%	200,137	(24,059)	(24,059)	Note 4
SYSGRATION LTD.	SYSGRATION (SAMOA) LTD.	SAMOA	Investment holding of overseas companies	505,131	505,131	15,938,000	100%	276,947	54,968	54,968	
SYSGRATION LTD.	SYSGRATION USA INC.	U.S.A.	Sale of electronic products	10,062	10,062	300,000	100%	4,330	60	60	
SYSGRATION LTD.	SYSGRATION INTERNATIONAL INC.	U.S.A.	Investment holding of overseas companies	643,746	-	15,000,000	100%	616,424	2,358	2,358	
SYSGRATION INTERNATIONAL INC.	SYSGRATION AMERICA CORPORATION	U.S.A.	Manufacturing and sale of electronic products	97,650	-	3,000,000	100%	92,640	533	533	
SYSGRATION LTD.	LEADRAY ENERGY CO., LTD.	TAIWAN	Manufacturing and sale of lighting equipments	127,796	-	11,617,791	35%	127,494	(14,515)	(2,717)	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2023' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2023' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2023' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3 : On June 30, 2023, the Company split its energy storage business segment to newly established POWER TANK ENERGY LTD. through a spin-off.

Note 4 : SYSGRATION TECHNOLOGY (SAMOA) LTD was owned by the Company at the end of last year and was transferred to POWER TANK ENERGY LTD. on June 19, 2023, with the permission of the Department of Investment Review, MOEA, SYSGRATION TECHNOLOGY (SAMOA) LTD's investment profits and losses from January 1 to June 30, 2023 are recognized by the Company, while those from July 1 to December 31, 2023 are recognized by POWER TANK ENERGY LTD.

SYSGRATION LTD.
Information on investments in Mainland China
For the year ended December 31, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 5)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023 (Note 5, and Note 8)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023 (Note5)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 5, and Note 8)	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.	Manufacturing and sale of energy storage products	\$ 663,228	2	\$ 215,604	-	-	\$ 215,604	(\$ 45,068)	100%	(\$ 45,068)	\$ 189,830	-	Note 6
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	Manufacturing and sale of electronic products	113,609	2	113,609	-	-	113,609	56,120	100%	56,120	214,304	-	Note 7

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 (Note 3, and Note 5)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 5)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)	Footnote
POWER TANK ENERGY LTD.	\$ 215,604	\$ 215,604	\$ 223,253	
SYSGRATION LTD.	113,609	113,609	1,785,056	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2023' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.' through 'SYSGRATION TECHNOLOGY (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10100477000, No.10200372350, No.10300319430, No.1040023080, No.10500055360 and No.10500105990. Because the Company split its energy storage business segment to newly established company through a spin-off, the Company reinvested in 'SYSGRATION TECHNOLOGY (SAMOA) LTD.' and 'SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.' through 'POWER TANK ENERGY LTD.' which was approved by Jing-Shen-II-Zi No.11200074130 and No.11200124140. Additionally, the Company reinvested in 'SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.' through 'SYSGRATION (SAMOA) LTD.' which was invested by the Company under the approval of Jing-Shen-II-Zi No.10400006240, No.10400023090, No.10400163350, No.10400251280 and No.10500072680.

Note 4: The ceiling is NT\$80 million and 60% of the net assets or consolidated net assets, whichever is higher.

Note 5: It was translated to NTD at the exchange rate on December 31, 2023.

Note 6: Through SYSGRATION TECHNOLOGY (SAMOA) LTD..

Note 7: Through SYSGRATION (SAMOA) LTD..

Note 8: Under the approval of Jing-Shen-II-Zi No.11200124140, POWER TANK ENERGY LTD. reinvested in the net value at the spin-off of 'SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.'s through 'SYSGRATION TECHNOLOGY (SAMOA) LTD.', therefore, it is different from the remitted amount.

SYSGRATION LTD.

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2023

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Other accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Interest for the year ended December 31, 2023	Others
	Amount	%	Amount	%	Balance at December 31, 2023	%	Balance at December 31, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate			
SYSGRATION ELECTRONICS TECHNOLOGY (HUIZHOU) CO., LTD.	(\$ 1,324,229)	62%	\$ -	-	(\$ 386,731)	61%	\$ 64,854	84%	Note	Note	\$ 68,993	\$ 64,783	-	\$ -	-	

Note: Please refer to table 2.

SYSGRATION LTD.

Major shareholders information

December 31, 2023

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership
LEE, YI-REN	12,880,210	6.77%

SYSGRATION LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 1

Item	Description	Amount
Cash on hand		\$ 759
Bank deposits		
Demand deposits		590,872
Checking accounts deposits		2,240
Time deposits		760,000
Foreign currency demand deposits	USD 1,144 thousands with exchange rate at 30.71	35,144
Foreign currency demand deposits	Other various foreign currency	19,243
		\$ 1,408,258

SYSGRATION LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 2

<u>Client name</u>	<u>Amount</u>	<u>Note</u>
Client A	\$ 611,604	
Client B	179,003	
Others	<u>157,661</u>	Balance of each client has not exceeded 5% of total account balance
	948,268	
Less: Allowance for doubtful accounts (	<u>6,038)</u>	
	<u>\$ 942,230</u>	

Note: Because the Company promised the customers that the name of customers cannot be disclosed, the customers' name above was substituted with code number.

SYSGRATION LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 3

Item	Description	Amount		Note
		Cost	Market price	
Raw materials		\$ 136,853	\$ 133,442	Use the net realisable value as market price
Work in progress		43,413	43,413	
Finished goods		14,886	15,450	
		<u>195,152</u>	<u>\$ 192,305</u>	
Less: Allowance for valuation loss		(20,159)		
		<u>\$ 174,993</u>		

SYSGRATION LTD.
STATEMENT OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 4

<u>Item</u>	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
<u>Cost</u>					
Buildings	\$ 51,586	\$ 44,138	(\$ 35,159)	\$ 60,565	
Transportation equipment	11,950	920	(3,658)	9,212	
<u>Accumulated depreciation</u>					
Buildings	(40,649)	(17,056)	35,159	(22,546)	
Transportation equipment	(6,822)	(2,372)	3,183	(6,011)	
	<u>\$ 16,065</u>	<u>\$ 25,630</u>	<u>(\$ 475)</u>	<u>\$ 41,220</u>	

SYSGRATION LTD.
STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 5

Item	Description	Lease term	rate	Amount	Note
Buildings	Leased office, etc.	2~5 years	1.50%	\$ 38,158	
Transportation equipment	Rental cars	1~5 years	"	3,262	
				<u>41,420</u>	
Less: Lease liabilities - current				(<u>16,299</u>)	
				<u>\$ 25,121</u>	

SYSGRATION LTD.

STATEMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 6

Name	Beginning balance		Increase		Decrease		Ending balance		Collateral or pledge	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Listed stocks:										
NEXTRONICS ENGINEERING CORP. OPTOELECTRONICS INC.	447,100	\$ 26,872	-	\$ 6,124	-	\$ -	447,100	\$ 32,996	None	
	255,000	<u>5,725</u>	-	<u>2,510</u>	(205,000)	(<u>6,645</u>)	50,000	<u>1,590</u>	"	
		<u>32,597</u>		<u>8,634</u>		(<u>6,645</u>)		<u>34,586</u>		
Emerging stock:										
ION ELECTRONIC MATERIALS CO., LTD	1,126,894	<u>80,268</u>	-	<u>51,579</u>	-	-	1,126,894	<u>131,847</u>	None	
Unlisted shares:										
SINTRONIC TECHNOLOGY INC.	53,399	<u>213</u>	-	-	-	(<u>57</u>)	53,399	<u>156</u>		
COREMATE TECHNICAL CO., ARCHERS INC.	265,200	-	-	-	-	-	265,200	-	None	
ORO TECHNOLOGY CO., LTD.	1,000,000	-	-	-	-	-	1,000,000	-	"	
GOMORE INC.	256,000	-	-	-	-	-	256,000	-	"	
IMEIER GREEN TECHNOLOGY CO., LTD.	25,216,865	774	-	-	-	-	25,216,865	774	"	
ADAT TECHNOLOGY CO., LTD	2,000,000	15,100	-	4,160	-	-	2,000,000	19,260	"	
BIOMEDICA CORPORATION	800,000	20,000	-	-	-	(13,888)	800,000	6,112		
REALWEAR INC.	-	-	156,225	10,056	-	(318)	156,225	9,738		
	-	-	1,545,955	<u>95,925</u>	-	(<u>66,942</u>)	1,545,955	<u>28,983</u>		
		<u>36,087</u>		<u>110,141</u>		(<u>81,205</u>)		<u>65,023</u>		
		<u>\$ 148,952</u>		<u>\$ 170,354</u>		(<u>\$ 87,850</u>)		<u>\$ 231,456</u>		

SYSGRATION LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 7

Name	Beginning balance		Increase		Decrease		Ending balance			Market value or net equity		Valuation bases	Collateral or pledge	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership	Amount	Unit price	Total price			
SYSGRATION TECHNOLOGY (SAMOA) LTD.	21,800,000	\$ 240,592	-	\$ -	(Note 1) (21,800,000)	(\$ 240,592) (Note 2)	-	-	\$ -	-	-	Equity method	None	
SYSGRATION USA INC.	300,000	4,272	-	58	(Note 1)	-	-	(Note 1) 300,000	100%	4,330	-	4,330	Equity method	None
SYSGRATION (SAMOA) LTD.	15,938,000	223,702	-	53,245	(Note 1)	-	-	(Note 1) 15,938,000	100%	276,947	-	276,947	Equity method	None
POWER TANK ENERGY LTD.	-	-	41,388,434	413,884	(Note 2)	(	41,796) (Note 1)	41,388,434	100%	372,088	-	372,088	Equity method	None
SYSGRATION INTERNATIONAL INC.	-	-	15,000,000	643,746		(	27,322) (Note 1)	15,000,000	100%	616,424	-	616,424	Equity method	None
LEADRAY ENERGY CO., LTD.	-	-	11,617,791	127,796		(	302)	11,617,791	35%	127,494	-	127,494	Equity method	None
		<u>\$ 468,566</u>		<u>\$1,238,729</u>			<u>(\$ 310,012)</u>			<u>\$1,397,283</u>		<u>\$ 1,397,283</u>		

Note1: Exchange differences on translation, subsidiaries, associates and joint ventures (loss) profit accounted for using equity method for the year ended December 31, 2023.

Note2: On June 30, 2023, the Company split its energy storage business segment to newly established POWER TANK ENERGY LTD. through a spin-off.

POWER TANK ENERGY LTD. was approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) to accept the equity interest of SYSGRATION (SAMOA) LTD. and SYSGRATION ELECTRONICS TECHNOLOGY (ZHENJIANG) CO., LTD.

SYSGRATION LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 8

Creditor	Description	Amount	Contract period	Interest rate	Collateral or pledge	Note
First Commercial Bank, Ltd.	Five-year long-term loans	\$ 23,000	2020.12.1-2025.11.15	1.75%	Time deposits of NTD 3,600 were pledged as collaterals (maturity date is 2024.11.24).	
Chang Hwa Commercial Bank, Ltd.	Five-year long-term loans	11,695	2020.12.1-2025.11.15	1.66%	Time deposits of NTD 5,500 were pledged as collaterals (maturity date is 2024.11.28).	
Hua Nan Commercial Bank, Ltd.	Five-year long-term loans	31,220	2021.4.15-2026.4.15	2%	Land ,buildings and structures ,and machinery.	
The Shanghai Commercial & Savings Bank, Ltd.	Five-year long-term loans	9,854	2021.5.17-2026.5.17	2%	Time deposits of NTD 3,000 were pledged as collaterals (maturity date is 2024.5.5).	
Hua Nan Commercial Bank, Ltd.	Five-year long-term loans	16,433	2021.12.29-2026.4.15	1.945%	Land ,buildings and structures ,and machinery.	
Taiwan Shin Kong Commercial Bank Company Ltd.	Five-year long-term loans	29,900	2022.3.30-2027.3.30	1.695%	Time deposits of NTD 4,600 were pledged as collaterals (maturity date is 2024.3.28).	
Mega International Commercial Bank Co., Ltd.	Five-year long-term loans	32,000	2022.4.15-2027.4.15	1.65%	Land ,buildings and structures.	
Hua Nan Commercial Bank, Ltd.	Five-year long-term loans	54,667	2022.5.16-2027.5.16	1.93%	Land ,buildings and structures ,and machinery.	
Mega International Commercial Bank Co., Ltd.	Five-year long-term loans	17,566	2022.10.17-2027.10.15	1.5%	Land ,buildings and structures.	
Mega International Commercial Bank Co., Ltd.	Four-year long-term loans	21,293	2023.3.10-2027.10.15	1.5%	Land ,buildings and structures.	

SYSGRATION LTD.
STATEMENT OF LONG-TERM BORROWINGS (Cont.)
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 8	Creditor	Description	Amount	Contract period	Interest rate	Collateral or pledge	Note
	Mega International Commercial Bank Co., Ltd.	Four-year long-term loans	29,723	2023.9.12-2027.10.15	1.5%	Land ,buildings and structures.	
	Hua Nan Commercial Bank, Ltd.	Five-year long-term loans	<u>30,680</u>	2023.12.26-2028.12.26	1.85%	Land ,buildings and structures ,and machinery.	
			308,031				
	Less: Current portion		(<u>100,953</u>)				
			<u>\$ 207,078</u>				

SYSGRATION LTD.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 9

Bonds name	Trustee	Issuance date	Interest payment date	Coupon rate	Amount						
					Total issuance amount	Repayment paid	Ending balance	Unamortised premiums (discounts)	Carrying amount	Repayment term	Collateral	Note
Fifth domestic unsecured convertible bonds	Hua Nan Commercial Bank, Ltd.	2023.8.8 ~ 2026.8.8	Note 1	0%	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$500,000</u>	<u>(\$ 30,667)</u>	<u>\$469,333</u>	Note 1	Note 2

Note 1: Please refer to Note 6(13) for details of interest payments and repayment terms.

Note 2: Please refer to Note 8 for details of collaterals.

SYSGRATION LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 10

<u>Item</u>	<u>Quantities</u>	<u>Amount</u>
Automobile electronic products	9,881 thousand pieces	\$ 3,105,458
Power management products	9 thousand pieces	118,538
Total		3,223,996
Less: Sales return and allowance		(704)
Operating revenue-net		<u>\$ 3,223,292</u>

SYSGRATION LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 11

Item	Amount	Note
Beginning raw materials	\$ 133,640	
Add: Raw materials purchased	786,157	
Less: Ending raw materials	(136,853)	
Transferred to manufacturing or operating expenses	(5,132)	
Cost of materials sold	(10,534)	
Raw materials used	767,278	
Direct labor	65,514	
Manufacturing overhead	146,214	
Manufacturing cost	979,006	
Add: Beginning work in progress	78,408	
Less: Ending work in progress	(43,413)	
Cost of finished goods	1,014,001	
Add: Beginning finished goods	98,504	
Goods purchased	1,362,548	
Less: Ending finished goods	(14,886)	
Transferred to manufacturing or operating expenses	(8,623)	
Subtotal	2,451,544	
Cost of materials sold	10,534	
Other operating costs	50,508	
Cost of goods sold	2,512,586	
Gain on reversal of market value	(6,421)	
Operating costs	\$ 2,506,165	

SYSGRATION LTD.
STATEMENT OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 12

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Indirect labor	\$ 71,326	
Depreciation expenses	42,107	
Utilities expenses	9,323	
Others	23,458	
	<u>\$ 146,214</u>	None of the balances of remaining items is greater than 5% of this account balance.

SYSGRATION LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 13

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 42,243	
Commission expense	29,031	
Professional service fees	6,134	
Travel expenses	5,663	
Insurance expenses	4,772	
Others	<u>18,599</u>	None of the balances of remaining items is greater than 5% of this account balance.
	<u>\$ 106,442</u>	

SYSGRATION LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 14

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 96,724	
Depreciation expenses	14,129	
Professional service fees	27,863	
Others	49,090	
	<u>\$ 187,806</u>	None of the balances of remaining items is greater than 5% of this account balance.

SYSGRATION LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 15

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries	\$ 116,692	
Depreciation expenses	13,593	
Professional service fees	18,061	
Others	56,168	None of the balances of remaining items is greater than 5% of this account balance.
	<u>\$ 204,514</u>	

SYSGRATION LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 16

Function Nature	Year ended December 31, 2023			Year ended December 31, 2022		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ 110,571	\$ 255,659	\$ 366,230	\$ 110,472	\$ 239,950	\$ 350,422
Labour and health insurance fees	12,316	18,100	30,416	11,646	15,375	27,021
Pension costs	3,925	10,927	14,852	3,887	9,264	13,151
Directors' remuneration	-	10,588	10,588	-	2,145	2,145
Other personnel expenses	10,028	6,825	16,853	9,977	6,215	16,192
Total	\$ 136,840	\$ 302,099	\$ 438,939	\$ 135,982	\$ 272,949	\$ 408,931
Depreciation expense	\$ 42,107	\$ 31,245	\$ 73,352	\$ 29,792	\$ 26,419	\$ 56,211
Amortisation expense	\$ 3,859	\$ 18,379	\$ 22,238	\$ 1,577	\$ 14,507	\$ 16,084

- Note:
- 1.As at December 31, 2023 and 2022, the Company had 354 and 368 employees, respectively, including 4 non-employee directors for both years.
 - 2.A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) Average employee benefit expense in current year was \$1,224 per capita.
Average employee benefit expense in previous year was \$1,118 per capita.
 - (2) Average employee wages and salaries in current year was \$1,046 per capita.
Average employee wages and salaries in previous year was \$963 per capita.
 - (3) Adjustments of average employee wages and salaries was +8.62%.

SYSGRATION LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION (Cont.)

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 16

(4) Salary and remuneration policies of the Company

I. Directors' remuneration

When directors acted their responsibilities on behalf of the Company, the Board of Directors was authorised to determine the remuneration with reference to the standard of domestic and foreign industry. If the Company has profit in the annual settlement, the Company's Articles of Incorporation Article 25 will be performed.

II. Managers' remuneration

Managers' remuneration of the Company including salary, bonus and employees' compensation, the remuneration payment policy was based on his or her education background, experience and responsibility of his or her position in the Company, according to the Company's operating strategy, profit, performance and position contribution and other factors, taking into consideration the standard of salary market, suggested by the Remuneration Committee and was executed after being approved by the Board of Directors.

III. Employees' remuneration

- i. Primarily includes monthly salary (monthly salary including basic salary, meal allowances, duty allowance and other special allowance), business bonus, operating performance bonus and year-end bonus.
- ii. Execution based on the Company's Articles of Incorporation Article 25. The profit of the current year shall be distributed by no lower than 10% and no higher than 15% as employees' compensation and distributed no higher than 3% as directors' remuneration. If the Company has an accumulated deficit, earnings should be reserved to cover losses. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned employees' compensation in stock or cash.
- iii. Year-end bonus: year-end bonus was distributed based on the operation of the Company and was referred to employees' performance review score as basis of year-end bonus.

SYSGRATION LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY
FUNCTION (Cont.)

FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Form 16

iv. Annual salary adjustment: the salary adjustment was based on the Company's operation, and was referred to the salary market, price index, salary adjustment in the industry and law of government, and then set the salary adjustment range based on individual performance score.

v. Employee stock options

Distribution standard: Limited to all formal employees in the Company and domestic and foreign subsidiaries. Employees who can actually recognise shares and the number they can be granted were referred to the seniority, job grade, performance, contribution or special merit. This will be recognised after the approval of chairman and the resolution adopted by a majority vote at a meeting of Board of Directors attended by more than two-thirds of the total number of directors. However, for managers, shall be approved by the Remuneration Committee first.

Expenses recognition: Executed based on the IFRS 2, 'Share-based Payment', and periodically commissioned actuarial firms to do appraisal report, calculate the fair value of employee stock options issued by company and the labor cost shall be recognised based on 'issuance and purchase of employee stock options method', plan of employee stock options, change of employee stock options and related assumptions.