

**Powertip Technology Corporation and  
Subsidiaries**

**Consolidated Financial Statements and  
Independent Auditor's Report**

**2023 and 2022**

**Company address: No. 8, Gongyequ 6th Road, Xitun District, Taichung City**  
**TEL: (04)2355-8168**

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## **Declaration**

Affiliated enterprises subject to the preparation of consolidated business reports under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under IFRS10 for fiscal year 2023 (from January 1 to December 31, 2023). All mandatory disclosures of the consolidated business report have been disclosed in the consolidated financial statements for parent company and subsidiaries, therefore no separate consolidated financial statements for the affiliated enterprises were prepared.

This declaration is solemnly made by

Company name: Powertip Technology Corporation

Chairman: Shih-Yue Wang

Date: March 12, 2024

## **Independent Auditor's Report**

To the board of directors of Powertip Technology Corporation:

### **Audit opinions**

We have audited the consolidated balance sheet of Powertip Technology Corporation and subsidiaries (Powertip Technology Group) as at December 31, 2023 and 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to December 31, 2023 and 2022.

In our opinion, all material disclosures of the consolidated financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and published by the Financial Supervisory Commission, and presented a fair view of the consolidated financial position of Powertip Technology Group as at December 31, 2023 and 2022, and consolidated business performance and cash flow for the periods January 1 to December 31, 2023 and 2022.

### **Basis of audit opinion**

We have conducted our audits on the financial statements in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards. Our responsibilities as an auditor for the consolidated financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Powertip Technology Group when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

### **Key audit issues**

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2023 consolidated financial statements of Powertip Technology Group. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore we do not provide opinions separately for individual issues. Below are the key audit issues that we consider relevant for disclosure in this audit report:



## I. Revenue recognition

Please refer to Note 4 (14) “Revenue recognition” in the consolidated financial statements for the accounting policy on revenue recognition; please refer to Note 6 (14) “Revenue from contracts with customers” for additional information on revenue.

Explanation of key audit issues:

Powertip Technology Group mainly engages in the manufacturing and sales of various LCD modules. Operating revenue is one of the important items in the consolidated financial statements, and the amount and changes in the operating revenue may affect the financial statement users’ understanding of such statements. For this reason, revenue recognition testing was identified as one of our key audit matters when we audited the financial statements of Powertip Technology Group.

Audit procedures:

Our main audit procedures for the above key audit matter included testing the control over the sales and collection cycle, checking and adjusting the sales system data and the general ledger, sampling and testing the details of the relevant supporting documents, and assessing if the timings of Powertip Technology Group's recognition of operating revenue and the recognized amounts were handled in accordance with the relevant standards.

## Other matters

Powertip Technology Corporation has prepared parent company only financial statements for 2023 and 2022, to which we issued an independent auditor's report with unqualified opinion.

### **Responsibilities of the management and governance body to the consolidated financial statements**

Responsibilities of the management were to prepare and ensure fair presentation of consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the version of IFRS, IAS, IFRIC and interpretations thereof approved and effected by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing consolidated financial statements also involved: assessing the ability of Powertip Technology Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate Powertip Technology Group or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Powertip Technology Group (including the Audit Committee) is responsible for supervising the financial reporting process.

### **Responsibilities of the auditor when auditing consolidated financial statements**

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with the auditing principles do not necessarily guarantee detection of all

material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the consolidated financial statement user.

When conducting audits in accordance with the auditing principles, we exercised judgments and skepticism as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Powertip Technology Group.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Powertip Technology Group to operate as a going concern, based on the audit evidence obtained. We are bound to remind users of consolidated financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Powertip Technology Group no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by the group, and expressing opinions on consolidated financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on the group.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects identified in internal control) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics of the Republic of China, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the

2023 consolidated financial statements of Powertip Technology Group. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

KPMG

Wang Yiwen

CPA:

Guo Guanying

Approval  
reference of the  
securities authority

Jin-Guan-Zheng-Shen-0990013761  
: Jin-Guan-Zheng-Shen-1010004977

March 12, 2024

**Notes to Readers**

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

**Powertip Technology Corporation and Subsidiaries**  
**Consolidated Balance Sheet**  
**As at December 31, 2023 and 2022**

**Unit: NT\$ thousand**

		<b>2023.12.31</b>		<b>2022.12.31</b>				<b>2023.12.31</b>		<b>2022.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						<b>Liabilities and equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 879,631	40	773,869	34	2170	Accounts payable	\$ 117,420	5	244,176	11
1110	Financial assets at fair value through profit or loss - current (Note 6(2))	5,222	-	8,866	-	2200	Other payables	111,723	5	130,492	6
1170	Notes and accounts receivable - net (Note 6(3))	200,146	9	304,781	13	2230	Current income tax liabilities	10,594	-	25,228	1
1310	Inventory (Note 6(4))	270,636	12	414,560	18	2300	Other current liabilities (Note 6(14))	43,882	2	52,484	2
1476	Other financial assets - current (Notes 6(7), 7, and 8)	9,091	-	11,428	-	2322	Long-term borrowings due within 1 year or 1 business cycle (Notes 6(9) and 8)	42,431	2	32,900	1
1470	Other current assets	15,666	1	24,433	1			326,050	14	485,280	21
		1,380,392	62	1,537,937	66	<b>Non-current liabilities:</b>					
<b>Non-current assets:</b>						2540	Long-term borrowings (Notes 6(9) and 8)	11,198	1	53,629	2
1550	Equity-accounted investments (Note 6(5))	278,362	13	234,230	10	2640	Net defined benefit liabilities - non-current (Note 6(10))	12,667	1	14,284	1
1600	Property, plant and equipment (Notes 6(6) and 8)	538,375	25	557,543	24	2645	Guarantee deposits received (Note 7)	2,420	-	2,436	-
1780	Intangible assets	2,107	-	3,173	-	2572	Deferred income tax liabilities (Note 6(11))	1,304	-	1,304	-
1840	Deferred income tax assets (Note 6(11))	8,741	-	8,662	-			27,589	2	71,653	3
1900	Other non-current assets (Notes 6(8) and 8)	7,338	-	6,059	-	<b>Total liabilities</b>		353,639	16	556,933	24
		834,923	38	809,667	34	<b>Equity (Note 6(12)):</b>					
<b>Total assets</b>		<b>\$ 2,215,315</b>	<b>100</b>	<b>2,347,604</b>	<b>100</b>	3110	Common share capital	1,621,732	74	1,621,732	69
						3200	Capital reserve	5,626	-	7,060	-
						3310	Legal reserve	29,562	1	4,137	-
						3320	Special reserve	6,423	-	6,336	-
						3350	Unappropriated earnings	315,295	14	254,334	11
						3400	Other equity item	(116,962)	(5)	(102,928)	(4)
						<b>Total equity</b>		1,861,676	84	1,790,671	76
						<b>Major contingent liabilities and unrecognized contractual commitments (Note 9)</b>					
						<b>Total liabilities and equity</b>		<b>\$ 2,215,315</b>	<b>100</b>	<b>2,347,604</b>	<b>100</b>

( Please refer to the attached notes to consolidated financial statements)

Chairman: Shih-Yue Wang

Manager: Shih-Yue Wang

Head of Accounting: Shao-Ling Liu

**Powertip Technology Corporation and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**For the Periods January 1 to December 31, 2023 and 2022**

Unit: NT\$ thousand

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4100	<b>Net sales revenue</b> (Note 6(14))	\$ 1,708,393	100	2,153,753	100
5000	<b>Operating costs</b> (Notes 6(4), 10, 7, and 12)	1,416,727	83	1,765,828	82
5900	<b>Gross profit</b>	291,666	17	387,925	18
	<b>Operating expenses</b> (Notes 6(10), 7 and 12):				
6100	Selling and marketing expenses	73,681	4	83,960	4
6200	General and administrative expenses	88,070	5	85,196	4
6300	Research and development expenses	53,857	3	51,674	2
		215,608	12	220,830	10
6900	<b>Operating profit</b>	76,058	5	167,095	8
	<b>Non-operating income and expenses:</b>				
7100	Interest income	20,572	1	4,810	-
7190	Other income (Note 7)	17,559	1	17,628	1
7235	Gain on financial assets at fair value through profit or loss	-	-	238	-
7230	Gain (loss) on foreign exchange (Note 6(16))	22,633	1	54,591	2
7775	Share of gain from subsidiaries, associated companies, and joint ventures accounted using the equity method (Note 6(5))	85,479	5	50,154	2
7510	Interest expenses	(1,050)	-	(3,492)	-
7590	Sundry income	(414)	-	(71)	-
		144,779	8	123,858	5
7900	<b>Profit before tax</b>	220,837	13	290,953	13
7950	<b>Less: income tax expense</b> (Note 6(11))	17,519	1	41,919	2
	<b>Current net income</b>	203,318	12	249,034	11
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not reclassified into profit or loss</b>				
8311	Remeasurement of defined benefit plan	(1,313)	-	6,518	-
8349	Income tax on items not reclassified into profit or loss (Note 6(11))	-	-	1,304	-
		(1,313)	-	5,214	-
8360	<b>Items likely to be reclassified into profit or loss</b>				
8361	Exchange differences on translation of financial statements of foreign operations	(13,703)	(1)	16,207	1
8370	Share of other comprehensive income from equity-accounted associated companies and joint ventures - likely to be reclassified into profit or loss	(3,071)	-	709	-
8399	Income tax expense related to items likely to be reclassified into profit or loss (Note 6(11))	(2,740)	-	3,241	-
	<b>Sum of items likely to be reclassified into profit or loss</b>	(14,034)	(1)	13,675	1
8300	<b>Other comprehensive income - current</b>	(15,347)	(1)	18,889	1
	<b>Total comprehensive income - current</b>	<b>\$ 187,971</b>	<b>11</b>	<b>267,923</b>	<b>12</b>
9750	<b>Basic earnings per share</b> (NTD) (Note 6(13))	<b>\$ 1.25</b>		<b>1.54</b>	
9850	<b>Diluted earnings per share</b> (NTD)	<b>\$ 1.25</b>		<b>1.52</b>	

( Please refer to the attached notes to consolidated financial statements)

Chairman: Shih-Yue Wang

Manager: Shih-Yue Wang

Head of Accounting: Shao-Ling Liu

**Powertip Technology Corporation and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**For the Periods January 1 to December 31, 2023 and 2022**

Unit: NT\$ thousand

	Common share capital	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Other equity items Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total	Total equity
<b>Balance as at January 1, 2022</b>	\$ 1,621,732	7,902	-	-	41,372	(77,113)	(39,490)	(116,603)	1,554,403
Earnings provision and distribution:									
Legal reserve	-	-	4,137	-	(4,137)	-	-	-	-
Special reserve	-	-	-	6,336	(6,336)	-	-	-	-
Cash dividends on common stock	-	-	-	-	(30,813)	-	-	-	(30,813)
			4,137	6,336	(41,286)				(30,813)
Current net income	-	-	-	-	249,034	-	-	-	249,034
Other comprehensive income (loss) - current	-	-	-	-	5,214	13,675	-	13,675	18,889
Total comprehensive income (loss) - current	-	-	-	-	254,248	13,675	-	13,675	267,923
Changes in associated companies accounted for using the equity method	-	(842)	-	-	-	-	-	-	(842)
<b>Balance as at December 31, 2022</b>	1,621,732	7,060	4,137	6,336	254,334	(63,438)	(39,490)	(102,928)	1,790,671
Earnings provision and distribution:									
Legal reserve	-	-	25,425	-	(25,425)	-	-	-	-
Special reserve	-	-	-	87	(87)	-	-	-	-
Cash dividends on common stock	-	-	-	-	(113,521)	-	-	-	(113,521)
	-	-	25,425	87	(139,033)	-	-	-	(113,521)
Current net income	-	-	-	-	203,318	-	-	-	203,318
Other comprehensive income (loss) - current	-	-	-	-	(1,313)	(14,034)	-	(14,034)	(15,347)
Total comprehensive income (loss) - current	-	-	-	-	202,005	(14,034)	-	(14,034)	187,971
Changes in associated companies accounted for using the equity method	-	(1,434)	-	-	(2,011)	-	-	-	(3,445)
<b>Balance as at December 31, 2023</b>	<b>\$ 1,621,732</b>	<b>5,626</b>	<b>29,562</b>	<b>6,423</b>	<b>315,295</b>	<b>(77,472)</b>	<b>(39,490)</b>	<b>(116,962)</b>	<b>1,861,676</b>

( Please refer to the attached notes to consolidated financial statements)

Chairman: Shih-Yue Wang

Manager: Shih-Yue Wang

Head of Accounting: Shao-Ling Liu

**Powertip Technology Corporation and Subsidiaries**  
**Consolidated Cash Flow Statement**  
**For the Periods January 1 to December 31, 2023 and 2022**

Unit: NT\$ thousand

	2023	2022
<b>Cash flow from operating activities:</b>		
Current profit before tax	\$ 220,837	290,953
Adjustments:		
Income, expenses and losses:		
Depreciation expenses	39,384	45,814
Amortization expenses	1,182	1,205
Interest expenses	1,050	3,492
Interest income	(20,572)	(4,810)
Share of gain from associated companies and joint ventures accounted using the equity method	(85,479)	(50,154)
Others	571	217
Total income, expenses and losses	(63,864)	(4,236)
<b>Change in assets and liabilities related to operating activities:</b>		
Net change in assets related to operating activities:		
Increase (decrease) in financial assets mandatory to be carried at fair value through profit or loss	3,644	(2,749)
Decrease in notes and accounts receivable	104,294	31,950
Decrease in inventory	144,202	58,400
(Increase) decrease in other financial assets	2,550	(604)
Decrease in other current assets	8,767	29,288
Total net change in assets related to operating activities	263,457	116,285
Net change in liabilities related to operating activities:		
Decrease in accounts payable	(126,756)	(52,809)
Increase (decrease) in other payables and other current liabilities	(27,532)	56,469
Decrease in net defined benefit liabilities	(2,930)	(3,157)
Total net change in liabilities related to operating activities	(157,218)	503
Total net change in assets and liabilities related to operating activities	106,239	116,788
Total adjustments	42,375	112,552
Cash inflow from operating activities	263,212	403,505
Interest received	20,355	4,867
Interest paid	(1,065)	(3,773)
Income tax paid	(29,388)	(16,725)
<b>Net cash inflow from operating activities</b>	253,114	387,874
<b>Cash flow from investing activities:</b>		
Acquisition of property, plant and equipment	(21,207)	(14,293)
Acquisition of intangible assets	(208)	(1,020)
Increase in prepayments for business facilities	(1,387)	183
Dividends received	34,831	11,605
Other investing activities	(108)	1,814
<b>Net cash inflow (outflow) from investing activities</b>	11,921	(1,711)
<b>Cash flow from financing activities:</b>		
Repayment of long-term borrowings	(32,900)	(38,333)
Increase in guarantee deposits received	(16)	156
Increase in other financial liabilities	-	(379)
Payout of cash dividends	(113,521)	(30,813)
<b>Net cash outflow from financing activities</b>	(146,437)	(69,369)
<b>Effects of exchange rate change</b>	(12,836)	14,070
<b>Increase in cash and cash equivalents for the current period</b>	105,762	330,864
<b>Opening cash and cash equivalents balance</b>	773,869	443,005
<b>Closing cash and cash equivalents balance</b>	\$ 879,631	773,869

( Please refer to the attached notes to consolidated financial statements)

Chairman: Shih-Yue Wang

Manager: Shih-Yue Wang

Head of Accounting: Shao-Ling Liu

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

**Powertip Technology Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements**

**2023 and 2022**

**(Unless otherwise specified, all amounts are presented in NTD thousands)**

**I. Company history**

Powertip Technology Corporation (the Company) was incorporated on September 2, 1991 under the approval of the Ministry of Economic Affairs, and has business address registered at No. 8, Gongyequ 6th Road, Xitun District, Taichung City. Consolidated financial statements as at December 31, 2023 include the Company and its subsidiaries (collectively referred to as "Consolidated Entity" below). The Consolidated Entity is mainly involved in the manufacturing, processing, and trading of various types of LCD display module. Please see Note 4(3) for more detailed explanation. Shares of the Company are listed on Taipei Exchange.

**II. Financial statement approval date and procedures**

The consolidated financial statements were passed during the board of directors meeting dated March 12, 2024.

**III. Application of new and amended standards and interpretations**

- (I) Effect of adopting the latest and amended standards and interpretations approved by Financial Supervisory Commission ("FSC")

The Consolidated Entity became subject to the newly revised international financial reporting standards listed below since January 1, 2023, and the adoption of which had no material impact on the consolidated financial statements.

- Amendments to IAS 1 regarding "Disclosure of Accounting Policies"
- Amendments to IAS 8 regarding "Definition of Accounting Estimates"
- Amendments to IAS 12 regarding "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Consolidated Entity became subject to the newly revised international financial reporting standards listed below since May 23, 2023, and the adoption of which had no material impact on the consolidated financial statements.

Amendments to IAS No. 12 "International Tax Reform- "Pillar 2 Template"

- (II) Impact of not adopting FSC-approved IFRS

Based on the Consolidated Entity's own evaluation, adopting the newly revised international financial reporting standards listed below that take effect from January 1, 2024 onwards do



## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

not have material impact on the consolidated financial statements.

- Amendments to IAS 1 regarding "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

(III) Newly published/revised standards and interpretations that are not yet approved by FSC

The Consolidated Entity expects no material impact from the following newly published and revised standards that are not yet approved by FSC.

- Amendments to IFRS 10 and IAS 28 regarding "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 - Insurance Contracts and amendments to IFRS 17
- Amendment to IAS No. 21 "Lack of Convertibility"

### **IV. Summary of significant accounting policies**

Below is a summary of significant accounting policies adopted for the preparation of consolidated financial statements. Unless otherwise specified, the following accounting policies have been applied consistently across all periods presented in this financial statement.

#### **(I) Statement of compliance**

This consolidated financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Preparation Regulations") and FSC-approved international financial reporting standards, international accounting standards, and interpretations thereof (collectively referred to as "FSC-approved IFRS").

#### **(II) Basis of preparation**

##### **1. Basis for measurement**

This financial statement is prepared on the basis of historical cost, except for the key balance sheet items listed below:

- (1) Financial assets at fair value through profit or loss (including derivatives);
- (2) Financial assets at fair value through other comprehensive income; and
- (3) Net defined benefit liabilities, which is measured by deducting the present value of defined benefit plan obligations and the effect of the limits described in Note 4(15) from the fair value of pension fund assets.

##### **2. Functional currency and presentation currency**

Every entity within the Consolidated Entity has designated its functional currency as the main currency used in the economic environment where operations take place. The consolidated financial statements are presented using the Company's functional currency

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

(NTD). All financial figures denominated in NTD have been presented in NTD thousands.

### (III) Basis of consolidation

#### 1. Basis of preparation for consolidated financial statement

The consolidated financial statements include the Company and entities that the Company has control over (i.e. subsidiaries). The Company is considered to exercise control if it is exposed or entitled to variable returns generated by an investee and has the power to affect such return through influence over the investee.

Subsidiaries are included into the consolidated financial statements from the day control is gained, and removed on the day control is lost. Transactions, balances, and any unrealized gains, expenses, and losses between members of the Consolidated Entity have been fully eliminated when preparing the consolidated financial statements. Total comprehensive income generated by subsidiaries is divided into amounts that are attributable to owners of the Company and amounts that are attributable to non-controlling shareholders, even if the allocation would put non-controlling equity in negative balance.

Subsidiaries have had financial statements adjusted appropriately to ensure alignment of accounting policies with those of the Consolidated Entity.

Change of ownership interest in a subsidiary without losing control is treated as equity transaction between owners. Difference between the adjusted amount of non-controlling equity and the fair value of consideration paid/received is directly recognized as equity attributable to owners of the Company.

#### 2. Subsidiaries included in the consolidated financial statement:

Investment company name	Name of subsidiary	Business activities	Shareholding percentage		Expla nation
			2023.12.31	2022.12.31	
The Company	Powertip Technology Inc. (USA)(referred to as Powertip USA below)	Trading of LCD display modules, electronic parts, and computer peripherals	100.00%	100.00%	
The Company	Powertip Technology Ltd. (H.K.) (referred to as Powertip HK below)	Processing and manufacturing of LCD display modules	100.00%	100.00%	
The Company	America Technology Corp. (referred to as Powertip Samoa below)	General investments	100.00%	100.00%	
The Company	Ta Cheng International Investing Co., Ltd. (referred to as Ta Cheng)	General investments	100.00%	100.00%	
The Company	Ta Ho International Investing Co., Ltd. (referred to as Ta Ho)	General investments	100.00%	100.00%	
The Company	Ta Yang International Investing Co., Ltd. (referred to as Ta Yang)	General investments	100.00%	100.00%	
Powertip	Powertip Technology (C.I.) Corp.	General	100.00%	100.00%	

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

Samoa	(referred to as Powertip C.I.)	investments			
Powertip C.I.	Powertip (Jiangsu) Photoelectric Co., Ltd. (referred to as Powertip (Jiangsu) )	Manufacturing of LCD displays	100.00%	100.00%	
Powertip HK	Powertip (Dongguan) Photoelectric Co., Ltd. (referred to as Powertip (Dongguan))	Processing and manufacturing of LCD devices and electronic components	100.00%	100.00%	Note 1

Note 1: The Company founded Powertip (Dongguan), a 100% indirectly owned subsidiary with a share capital of HKD 10,000 thousand, by contributing HKD 5,792 thousand of cash capital through Powertip HK and HKD 4,208 thousand of in-lieu capital in the form of electronics plant previously owned by Dongkeng Jiuzheng Photoelectric, a Mainland investment approved by Investment Commission, Ministry of Economic Affairs, which was valued at HKD 4,208 thousand. The founding of Powertip (Dongguan) was approved by Investment Commission on July 13, 2012 and was completed in the second quarter of 2013.

### (IV) Foreign currency

#### 1. Foreign currency transactions

Foreign currency transactions are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items outstanding at the end of each reporting period (referred to as reporting date below) are subsequently converted into the functional currency using exchange rate applicable on that day.

Foreign currency-denominated non-monetary items carried at fair value are converted into the functional currency using exchange rate as of the valuation date. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Differences from foreign currency conversion are generally recognized through profit or loss, or recognized through other comprehensive income under the following circumstances:

- (1) Equity instruments designated to be carried at fair value through other comprehensive income;
- (2) Financial liabilities designated to hedge net investment in foreign operations, within the effective scope of hedge; or
- (3) Qualifying cash flow hedge, within the effective scope of hedge.

#### 2. Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising at the time of acquisition, are converted into NTD using exchange rates as at the reporting date. Income, expenses, and losses are converted into NTD using average exchange rate for the current period. Any differences on exchange are recognized through other comprehensive income.

If a disposal of foreign operation results in a loss of control, joint control, or significant influence, all conversion differences previously accumulated on the foreign operation are reclassified into profit or loss. In a partial disposal of subsidiary that contains foreign operations, conversion differences previously accumulated on the subsidiary are re-

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

allocated proportionally to non-controlling shareholders. In a partial disposal of associated company or joint venture that contains foreign operations, conversion differences previously accumulated on the investment are reclassified proportionally to profit or loss.

For monetary receivables or payables of foreign operations that do not have defined settlement plans and are impossible to be settled in the foreseeable future, any gains/losses arising from foreign currency exchange are treated as a part of net investments in the foreign operation and recognized through other comprehensive income.

### **(V) Classification of current and non-current assets and liabilities**

Assets that meet one of the following conditions are classified as current assets; assets that do not meet the criteria for current asset are classified as non-current assets:

1. Assets that are expected to be realized, or intended to be sold or consumed, over the normal operating cycle;
2. Assets that are held mainly for the purpose of trading;
3. Assets that are expected to be realized within 12 months after the end of the reporting period; or
4. Cash or cash equivalents, except those that will be swapped or used to repay liabilities at least 12 months from the reporting period, and those with restricted uses.

Liabilities that match any of the following criteria are classified as current liabilities; liabilities that do not meet the criteria for current liability are classified as non-current liabilities:

1. Liabilities that are expected to be repaid within the normal operating cycle;
2. Liabilities that are held mainly for the purpose of trading;
3. Liabilities that are expected to be repaid within 12 months after the end of the reporting period; or
4. Liabilities with repayment terms that cannot be extended unconditionally beyond 12 months after the reporting period. Liabilities with terms that give counterparties the option to be repaid in the form of equity instruments do not affect their classification.

### **(VI) Cash and cash equivalents**

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Time deposit that meets the abovementioned definition and is intended to meet short-term cash commitment instead of investment or other purposes is stated as cash equivalent.

### **(VII) Financial instruments**

Accounts receivable and debt securities issued are recognized at the time occurred. All other financial assets and financial liabilities are recognized at initiation when the Consolidated

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

Entity becomes a party to a financial instrument contract. Financial assets or liabilities that are not carried at fair value through profit or loss (excluding accounts receivable without major financial component) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable without major financial component are initially measured at transaction price.

### **1. Financial assets**

Purchase and sale of financial asset that conforms with customary practices is accounted using trade day accounting, and the same approach is applied consistently to financial assets of the same classification.

Financial assets are classified at initiation into: financial assets carried at amortized cost, debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit or loss.

Only when the Consolidated Entity changes the ways financial assets are managed will it reclassify the affected financial assets according to policy, starting from the next reporting period.

#### **(1) Financial assets carried at amortized cost**

Financial assets that meet all of the following conditions and are not designated to be carried at fair value through profit or loss are carried at amortized cost:

- Financial assets that are held for the purpose of collecting contractual cash flow.
- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

These assets are subsequently carried at initial cost plus/less accumulated amortization calculated using the effective interest rate method and after adjusting for loss provisions. Interest income, gain/loss on foreign currency exchange, and impairment loss are recognized through profit or loss. When removed from balance sheet, gains or losses are recognize through profit or loss.

#### **(2) Financial assets at fair value through other comprehensive income**

Debt instruments that satisfy all of the following conditions and are not designated to be carried at fair value through profit or loss are carried at fair value through other comprehensive income:

- Financial assets that are held for the purpose of collecting contractual cash flow and sale.
- Contractual terms of the financial asset give rise to cash flows on specific dates,

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

At initiation, the Consolidated Entity can make an irrevocable choice to account for subsequent fair value changes through other comprehensive income for equity instruments that are not held for trading. The above choice is determined on an instrument-by-instrument basis.

Investments in debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, gain/loss on currency exchange, and impairment loss are recognized through profit or loss; other net gains or losses are recognized through other comprehensive income. When removed from balance sheet, amounts accumulated under other comprehensive income are reclassified into profit or loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized through profit or loss (unless the dividends clearly represent a partial recovery of the investment cost). Other net gains or losses are recognized through other comprehensive income and are not reclassified into profit or loss.

Dividend income from equity investments are recognized on the day the Consolidated Entity becomes entitled to collect them (which is usually the ex-dividend day).

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

Financial assets that are neither carried at amortized cost nor at fair value through other comprehensive income (such as those held for trading and for management and performance evaluation at fair value) are carried at fair value through profit or loss; this includes derivative financial assets. At initial recognition, the Consolidated Entity can make an irrevocable decision to designate financial assets that satisfy the criteria of being carried at amortized cost or at fair value through other comprehensive income to be carried at fair value through profit or loss, for the purpose of eliminating or reducing accounting mismatch.

Balance is initially measured at fair value with transaction costs recognized through profit or loss, and subsequently measured at fair value with remeasurement gains or losses (including dividend and interest income) recognized through profit or loss.

(4) Impairment on financial assets

The Consolidated Entity recognizes loss provisions on financial assets carried at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposits paid, and other financial assets) based on expected credit loss.

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

Loss provisions for the following financial assets are made based on 12-month expected credit loss; for all other financial assets, loss provisions are made based on expected credit loss for the remaining lifetime:

- Debt securities that are deemed to be of low risk as of the reporting date; and
- Other debt securities and bank deposits that exhibit no significant increase in credit risk (i.e. risk of default over the financial instrument's expected duration) since initial recognition.

Loss provisions for accounts receivable are measured based on expected credit loss over the remaining lifetime.

When assessing whether a financial instrument has significantly increased in credit risk since initial recognition, the Consolidated Entity uses reasonable and verifiable information (that can be obtained without excessive cost or investment) including qualitative and quantitative data in conjunction with its own past experience, credit rating, and forecasts.

The Consolidated Entity considers a debt security to be of low credit risk if it is awarded a credit risk rating equivalent to the "investment grade" commonly recognized in the world (i.e. BBB by Standard & Poor-, Baa3 by Moody's, or twA by Taiwan Ratings, or higher).

The Consolidated Entity considers credit risk to have increased significantly if contractual payment is overdue for more than 30 days.

The Consolidated Entity considers financial asset to have defaulted if contractual payment is overdue for more than 90 days, or if the borrower is unlikely to fulfill credit obligation and make pay full payment to the Consolidated Entity.

Expected credit loss for the remaining lifetime refers to the amount of credit losses that the financial instrument is likely to incur due to any possible default event in the remaining lifetime.

12-month expected credit loss refers to the amount of credit loss that a financial instrument may incur due to default event in the next 12 months (or shorter, if the financial instrument's expected remaining lifetime is less than 12 months).

The longest duration by which expected credit loss is measured is the maximum contract duration in which the Consolidated Entity is exposed to credit risk.

Expected credit loss is estimated by weighing credit losses for the remaining lifetime of a financial instrument against probability of occurrence. Credit losses are measured as the shortfall of cash collected, which is the difference between the amount of contractual cash flow collectible and the amount of cash flow the Consolidated Entity

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

expects to collect. Expected credit losses are discounted at effective interest rate applicable to the financial asset.

The Consolidated Entity assesses financial assets carried at amortized cost for credit impairment on every reporting date. A financial asset is deemed to have credit-impaired if estimated future cash flow exhibits one or several adverse events. Evidence of credit impairment includes any observable data that can be used to establish the following with respect to a financial asset:

- The borrower or issuer encounters significant financial distress;
- Event of default, such as delinquency or more than 90-day overdue;
- The Consolidated Entity grants compromise to the borrower for reasons relating to financial distress or contractual obligation that the Consolidated Entity would not have done so otherwise;
- The borrower is very likely to file for bankruptcy or undergo financial restructuring; or
- Occurrence of financial distress that may cause the financial asset to be removed from active market.

Loss provisions on financial assets carried at amortized cost are deducted from book value. Loss provisions and reversals are recognized through profit or loss.

When the Consolidated Entity has reason to believe that it may not recover part or all of a financial asset, the total book value of financial asset is reduced directly to reflect the expectation. If the counterparty is a corporate entity, the Consolidated Entity would analyze the timing and amount of charge-off based on rational expectations about recoverability. The Consolidated Entity expects no major reversal of amounts that it has charged off. However, the Consolidated Entity may still make claims on charged-off financial assets according to its recovery procedures.

### **(5) Removal of financial assets**

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns of ownership assumed by another party, or in situations where the Consolidated Entity neither transfers nor retains virtually all risks and returns associated with ownership and retains no control over such financial asset.

The Consolidated Entity will continue recognizing financial assets it has signed transfer agreement for on the balance sheet if it retains virtually all risks and returns associated with the ownership of the transferred asset.

## **2. Financial liabilities and equity instruments**



**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

(1) Classification of liabilities or equity

Debt and equity instruments issued by the Consolidated Entity are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

(2) Equity transactions

Equity instrument refers to any contract that represents the Consolidated Entity's entitlement to assets net of liabilities. Equity instruments issued by the Consolidated Entity are recognized at the amount of proceeds received net of direct issuing costs.

(3) Financial liabilities

Financial liabilities are classified into those that are carried at amortized cost and those that are carried at fair value through profit or loss. Financial liabilities are carried at fair value through profit or loss if they are held for trading, characterized as derivative instrument, or designated to be so at initial recognition. Financial liabilities at fair value through profit or loss are carried at fair value with net gains and losses, including any interest expense, recognized through profit or loss.

Other financial liabilities are recognized at fair value plus directly attributable transaction costs at initiation, and subsequently measured at amortized cost using the effective interest method. Interest expenses and gains/losses on currency exchange are recognized through profit or loss. When removing from balance sheet, any gains or losses incurred are also recognized through profit or loss.

(4) Removal of financial liabilities

Financial liabilities are removed from the consolidated balance sheet upon fulfillment, cancellation, or expiry of contractual obligation. If a change in the terms of a financial liability alters cash flow by a significant extent, the old financial liability is removed and a new financial liability will be recognized based on the revised terms.

When a financial liability is removed, the difference between book value and the consideration paid or payable (including any non-cash assets transferred or any additional liabilities borne) is recognized through profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported on the balance sheet in net amount only when the Consolidated Entity is legally entitled to do so, and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

3. Derivative instruments and hedge accounting

The Consolidated Entity holds derivative instruments for hedging foreign currency and

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

interest rate risks. For instruments with embedded derivatives, the embedded derivatives are accounted separately from the master contract if they meet certain criteria and that the master contract is not a financial asset. These derivatives are measured at fair value at initiation, and subsequently measured at fair value with remeasurement gains or losses recognized directly through profit or loss.

### **(VIII) Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost includes all costs incurred to acquire, produce, process, and bring inventory to its usable state and location, and is calculated using the weighted average method. Manufacturing overheads are allocated into finished goods and work-in-progress based on normal capacity of production equipment, whereas variable manufacturing expenses are allocated based on actual volume produced. Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances.

### **(IX) Investment in associated companies**

Associated company is an entity in which the Consolidated Entity has significant influence over financial and operating decisions, but no single or joint control.

The Consolidated Entity accounts for associated companies using the equity method. Under the equity method, investments are accounted at acquisition cost at initiation; acquisition cost includes transaction cost. The book value of associated company includes goodwill recognized at initiation less any cumulative impairment losses.

The consolidated financial statements include profit or loss and other comprehensive income from associated companies, recognized based on percentage of equity ownership and adjusted for consistency of accounting policy, from the day the Consolidated Entity gains significant influence until the day it no longer exercises significant influence. If an associated company undergoes a change of equity that is not attributed to profit, loss, or other comprehensive income and has no impact on the Consolidated Entity's shareholding percentage, the Consolidated Entity will recognize the change of equity proportionally in "Capital reserve."

Unrealized gains and losses arising from transactions between the Consolidated Entity and associated companies are recognized in corporate financial statements only for the percentage of ownership that is controlled by non-related investors.

The Consolidated Entity will stop recognizing losses on associated companies when its share of the loss equals or exceeds the value of equity held. The Consolidated Entity will recognize extra losses and liabilities only for legal obligations and constructive obligations occurred, or payments made on behalf of investees.

### **(X) Property, plant, and equipment**

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

### **1. Recognition and measurement**

Property, plant, and equipment are recognized and measured using the cost method, and presented at original cost less accumulated depreciation and impairment. The original cost includes all cash outlays directly related to the acquisition of the asset. Furthermore, any software purchased for the purpose of integrating equipment functions is treated as a part of the equipment and is capitalized.

For any property, plant, or equipment that comprises several different components, each major component is treated as a separate property, plant, or equipment if it makes up a material part relative to total cost and if use of different depreciation rate or method is deemed more appropriate.

Gain or loss on disposal of property, plant, and equipment is recognized through profit or loss.

### **2. Subsequent costs**

Subsequent expenditures are capitalized only when the Consolidated Entity is very likely to realize future economic benefits.

### **3. Depreciation**

Depreciation is calculated using the straight-line approach, in which the cost of asset net of residual value is divided by the useful life of each component, and recognized through profit or loss.

No depreciation is provided on land.

The following useful life estimates are used for the current and comparative periods:

- (1) Buildings and accessory equipment: 1-50 years
- (2) Machinery: 1-18 years
- (3) Molding equipment: 1-6 years
- (4) Transport equipment: 1-13 years
- (5) Office and sundry equipment: 1-17 years

The Consolidated Entity reviews its depreciation method, useful life, and residual value estimates yearly on each reporting date. Changes are made as deemed necessary and appropriate.

## **(XI) Leases**

The Consolidated Entity evaluates whether a contract meets the criteria of (or contains arrangements characterized as) lease on the day of establishment. A contract is considered as lease or deemed to contain lease elements if it involves a transfer of control over identified assets for a period of time in exchange for consideration.

### **1. As a lessee**

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

The Consolidated Entity recognizes right-of-use assets and lease liabilities on the lease start date. Right-of-use assets are measured at cost at initiation; this cost includes the initial amount of lease liability, adjusted for any lease payments paid on or before the lease start date, plus any initial direct costs incurred and any estimated costs to dismantle/remove the asset and restore the location or the asset to its original state, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life of right-of-use asset or until expiry of the lease tenor, whichever the earlier. Furthermore, the Consolidated Entity regularly assesses right-of-use assets for impairment and accounts for impairment losses as they occur. Right-of-use assets are also adjusted in circumstances where lease liabilities are subject to remeasurement.

Lease liabilities are initially measured as the present value of unpaid lease payments as at the lease start date. Interest rate implicit in a lease is used as the discount rate if it can be easily determined; if the rate can not be easily determined, the Consolidated Entity's incremental borrowing rate will be used as the discount rate instead. In general, the Consolidated Entity uses incremental borrowing rate as the discount rate.

The types of lease payments included in the calculation of lease liabilities include:

- (1) Fixed payments, including in-kind fixed payments;
- (2) Variable lease payments that are determined by certain index or rate, which are initially measured using index or rate as at the lease start date.

Lease liabilities subsequently accrue interest using the effective interest approach, and are remeasured in the following circumstances:

- (1) When there is a change in the index or rate used for determining lease payments, which leads to changes in future lease payments;
- (2) When there is a change in the likelihood of exercising lease extension/termination option, which may alter expectation about the lease tenor; and
- (3) When there is a change in leased asset, scope of lease, or other terms.

When lease liability is remeasured due to a change in the index or rate used to determine lease payment or due to a change in the assessment of purchase, extension, or termination option, a corresponding adjustment is also made to the book value of right-of-use asset at the same time. When book value of the right-of-use asset has been reduced to zero, further remeasurements are recognized through profit or loss instead.

Any contract amendment that reduces the scope of lease is accounted by reducing the book value of right-of-use asset by an amount that reflects partial or total termination of lease arrangement. Any difference between right-of-use asset and remeasured lease liability is

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

recognized through profit or loss.

Right-of-use assets that do not meet the definition of investment property and lease liabilities are presented on the balance sheet as single-line items.

For short-term leases such as corporate vehicles and photocopiers and leases of low-value assets, the Consolidated Entity chooses not to recognize right-of-use asset or liability, but instead recognizes lease payments as expenses over the course of the lease tenor on a straight-line basis.

### **2. As a lessor**

For lease arrangements where the Consolidated Entity is a lessor, the terms of the lease contract are evaluated to determine whether virtually all risks and returns associated with ownership of the asset are transferred on the day of lease commencement. If so, the contract would be classified as a financial lease; if not, the asset would be classified as an operating lease. When evaluating leases, the Consolidated Entity takes into consideration whether the lease tenor covers a major portion of the asset's useful life, among other indicators.

For lease arrangements where the Consolidated Entity is an intermediate lessor, the Consolidated Entity accounts for the master lease and the sublease separately, and classifies the sublease based on the right-of-use asset given rise by the master lease. If the master lease is short-term in nature and is exempted from lease recognition, the sublease is classified as operating lease.

## **(XII) Intangible assets**

### **1. Research and development**

Expenses relating to research activities are recognized in profit or loss when incurred.

Development expenses are capitalized only if: the amount can be measured reliably; the product or process being developed is technologically or commercially feasible; the Consolidated Entity is very likely to receive future economic benefits; and the Consolidated Entity has both the intention and adequate resources to complete the development and make use or sell the completed result. All other development expenses are recognized through profit or loss when incurred. After initial recognition, capitalized development expenses are measured at cost less accumulated amortization and impairment.

### **2. Other intangible assets**

Other intangible assets of limited useful life acquired by the Consolidated Entity, including customer relations, patents, and trademarks, are measured at cost less accumulated amortization and impairment.

### **3. Subsequent expenses**

Subsequent expenses are capitalized only if they are able to increase future economic

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

benefits of certain assets. All other expenses are recognized through profit or loss when incurred, including internally developed goodwill and brands.

### **4. Amortization**

Exception for goodwill, amortization is calculated using the straight-line approach, in which the cost of asset net of residual value is divided by the estimated useful life and recognized through profit or loss from the time the intangible asset reaches its usable state.

The following useful life estimates are used for the current and comparative periods:

- (1) Cost of computer software: 1-5 years
- (2) Patent: amortized over the number of useful years

The Consolidated Entity examines its amortization method, useful life, and residual value estimates for intangible assets on each reporting date. Changes are made as deemed necessary and appropriate.

### **(XIII) Impairment of non-financial assets**

The Consolidated Entity evaluates non-financial assets (excluding inventory, contractual assets, deferred income tax assets, investment properties measured at fair value, and biological assets) for signs of impairment in the book value on each reporting date. Assets that exhibit any of the signs will have recoverable amount estimated. Goodwill is subjected to annual impairment tests.

For the purpose of impairment testing, assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets are determined as a smallest identifiable group of assets. Goodwill acquired through business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination.

Recoverable amount is determined as fair value less disposal cost or the utilization value, whichever the higher. Utilization value is assessed by discounting projected cash flows to the present value using the pre-tax discount rate. This discount rate reflects the time value that the market has currently priced for the given currency, and risks that are specific to the given asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit falls below its book value, the difference is recognized as impairment loss.

Impairment losses are immediately recognized through current profit or loss against a reduction to the book value of goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce book values of other assets within the unit on a pro-rated basis (i.e. proportionally based on book value weight of each asset).

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

Goodwill impairment is not reversed in any case. For non-financial assets other than goodwill, impairment losses can be reversed provided that doing so does not exceed the new book value (net of depreciation or amortization) of the particular asset if impairment losses were not recognized in the first place.

### **(XIV) Revenue recognition**

#### **1. Revenue from contracts with customers**

Income is measured as the amount of consideration expected to receive for the delivery of merchandise or service. The Consolidated Entity recognizes income when control of merchandise or service has been transferred to customers and the contractual obligations fulfilled. A more detailed description by main revenue categories is as follows:

#### **2. Sale of merchandise - LCD display module**

The Consolidated Entity manufactures and sells LCD display modules, and recognizes revenues when control of product is transferred. Product control is deemed to have transferred upon delivery, at a time when customer is able to exercise full discretion over the use of sales channel and selling price and no unfulfilled obligations exist that may otherwise affect customer's acceptance of the product. Delivery is deemed to have taken place when products are shipped to the designated location where all risks of obsolescence and loss are assumed by the customer, and that the customer accepts the products according to sales contract, thereby voiding the acceptance clause, or under any other circumstances where the Consolidated Entity has objective evidence to prove having satisfied all inspection criteria.

The Consolidated Entity recognizes accounts receivable at the time merchandise is delivered, as the Consolidated Entity has unconditional rights to collect consideration at this point.

#### **3. Financial component**

The Consolidated Entity expects no more than one year between the time at which merchandise or service is transferred to customers and the time at which payment is received for such merchandise or service for all its customers. As a result, no time value adjustment is made to the transaction price.

### **(XV) Employee benefits**

#### **1. Defined contribution plan**

Obligated contributions under the defined contribution plan are recognized as employee benefit expense through profit or loss for the duration of services rendered.

#### **2. Defined benefit plan**

Pension plans other than defined contribution plan are treated as defined benefit plans. The Consolidated Entity's net obligation under defined benefit plans are determined as the

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

present value of employees' future benefits earned from current or previous services rendered. Fair value of any plan asset is deducted from net defined obligations. The discount rate is determined based on market yield of a government bond that has maturity date close to expiration of the Consolidated Entity's net obligation and is denominated in the same currency as expected benefit payment as of the reporting date.

Net obligations are estimated by a qualified actuary using the Projected Unit Credit Method on a yearly basis. Where actuarial results are favorable to the Consolidated Entity, the asset ceiling is determined as the present value of economic benefits available in the form of refund or reductions in future contributions. When calculating present value of economic benefit, the Consolidated Entity takes into consideration the minimum contribution requirement of all applicable plans. A benefit is considered to provide economic value to the Consolidated Entity if it can be realized over the course of a plan or upon settlement of plan liabilities.

Should plan benefits improve in the future, the increase in benefit that is attributed to previous services rendered by employees are recognized as expense immediately through profit or loss.

Remeasurement of net defined benefit obligation (asset) includes: (1) Actuarial gains/losses; (2) Return on plan assets, but excluding net interests that are already included as apart of net defined benefit obligation (asset); and (3) Changes in the effect of the asset ceiling, but excluding net interests that are already included as apart of net defined benefit obligation (asset). Remeasurement of net defined benefit obligation (asset) is recognized under other comprehensive income. However, the Consolidated Entity may choose to transfer amounts that have been recognized under other comprehensive income into retained earnings or other equity item. Amounts that have been transferred into other equity item can no longer be reclassified into profit or loss or retained earnings in subsequent periods, and such practices are applied consistently in future periods. The Consolidated Entity recognizes remeasurements of defined benefit plan in retained earnings.

The Consolidated Entity recognizes gain or loss on curtailment or settlement of defined benefit plan at the time it takes place. Gain/loss on curtailment or settlement includes all fair value changes in the plan asset and all present value changes in defined benefit obligation.

### **3. Short-term employee benefits**

Short-term employee benefit obligation is measured on a non-discounted basis, and recognized as expense when relevant services are rendered.

If the Consolidated Entity has a statutory or constructive obligation to pay benefits in the current period due to services rendered by employee in the past and such obligation can be



## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

estimated reliably, the amount of short-term cash bonus or amount expected to be paid under the profit-sharing plan is recognized as liability.

### **(XVI) Income tax**

Income tax expense comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognized through profit or loss, except for amounts that arise in relation to business combination and items that are recognized directly under equity or other comprehensive income.

Based on the Consolidated Entity's judgment, interest and penalties related to income taxes (including uncertainty over income tax treatments) do not meet the definition of income tax, and are therefore subject to the accounting treatment of IAS 37.

Current income tax includes all income taxes refundable/payable for the current year, which is calculated based on current year's taxable income (or loss), plus any adjustment to income tax payable/refundable in previous years. This amount reflects uncertainty over income tax treatments (if any), and represents the best estimate for the amount payable/collectible using statutory or substantively enacted tax rates as of the reporting date.

Deferred income tax represents the tax impact of temporary differences between asset/liability figures presented on reporting date and asset/liability figures used for taxation basis. No deferred income tax is recognized on temporary differences that arise under the following circumstances:

1. Assets or liabilities that are not originally recognized due to a merger transaction, and at the time of the transaction, (i) affect neither accounting profit nor taxable profit (tax loss), and (ii) do not give rise to equal taxable and deductible temporary differences.
2. Temporary differences arising from investment in subsidiaries, associated companies, and joint ventures, where the Consolidated Entity has control over the timing at which temporary difference is reversed and that the temporary difference is unlikely to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

Unused tax losses and tax credits can be carried forward, added to deductible temporary differences, and recognized as deferred income tax assets to the extent that is likely to be offset against taxable income earned in the future. Deferred income tax assets are evaluated on each reporting date. Tax benefits that are not very likely to be realized will be reduced down to the realizable amount, and amounts previously reduced may be reversed up to the point where sufficient taxable income can be generated.

Deferred income tax is calculated using tax rate that is expected to be effective at the time the temporary difference is reversed. In this financial statement, the statutory tax rate or

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

substantively enacted tax rate is used for calculation, and is deemed to have reflected uncertainty over income tax treatments (if any).

The Consolidated Entity will offset deferred income tax assets against deferred income tax liabilities only when the following conditions are met:

1. When it is legally entitled to offset current income tax assets against current income tax liabilities; and
2. The deferred income tax assets and deferred income tax liabilities arise in relation to income taxes imposed by the same tax authority, and the tax-paying entities meet any of the following conditions:
  - (1) The tax-paying entities are one and the same; or
  - (2) The tax-paying entities are different, but all entities have the intent to settle current income tax liabilities and assets on a netted basis or realize them at the same time, for every future period in which they expect to recover deferred income tax assets and settle deferred income tax liabilities.

Additional business income tax on unappropriated retained earnings is treated as income tax expense for the following year after a resolution is sought during the annual general meeting to retain the earning.

### **(XVII) Earnings per share**

The Consolidated Entity presents earnings per share attributable to the Company's common shareholders in basic and diluted terms. Basic earnings per share of the Consolidated Entity is calculated by dividing the amount of profits attributable to the Company's common shareholders with the weighted average number of outstanding common shares for the given period. Diluted earnings per share is calculated after adjusting the amount of profits attributable to the Company's common shareholders and weighted average number of common shares for the dilutive effect of potential common shares. Common shares with potential dilutive effect include convertible corporate bonds and stock options granted to employees.

### **(XVIII) Segment information**

An operating segment is a section of the Consolidated Entity that generates income and incurs expenses as part of its activities (including income and expenses from transacting with other sections of the Consolidated Entity). Operating results of all segments are reviewed regularly by the Consolidated Entity's main decision maker for resource allocation and performance evaluation. All operating segments report financial information separately.

## **V. Sources of uncertainty to significant accounting judgments, estimates, and assumptions**

When preparing the consolidated financial statements in compliance with the Preparation Regulations, the management is required to make judgments, estimates, and assumptions in

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

accordance with FSC-approved IFRS. These judgments, estimates, and assumptions may affect the types of accounting policies adopted and amounts of asset, liability, income, and expense reported. The actual outcome may differ from initial estimates.

The management examines its estimates and assumptions on an ongoing basis. Impacts from changes in accounting estimate are recognized in the year the changes take place and in future years when impacts materialize.

Accounting policies that involve significant judgment and have material effect on the amounts recognized in the consolidated financial statements are explained below:

Existence of control and material influence over associated companies:

The Consolidated Entity holds 34.27% of voting rights and is the largest shareholder of Powertip Image Corp. Although the remaining 65.73% voting rights of Powertip Image Corp. are not concentrated to any particular shareholder, the Consolidated Entity only acquired two directorships on the board of directors. For this reason, the Consolidated Entity is deemed to have significant influence over Powertip Image Corp. See Note 6(5) for details.

Below is a list of assumptions and estimates that are highly uncertain and may result in significant adjustments in the following year:

(I) Valuation of inventory

Due to the fact that inventory is measured at the lower of cost and net realizable value, the Consolidated Entity assesses inventory on each reporting date for any decrease in sales value due to normal wear, obsolescence, or absence of market demand, and reduces inventory cost to net realizable value accordingly. This inventory valuation is made by estimating product demand within a specific period of time in the future, which may give rise to significant changes due to rapid development of the industry. For details on inventory valuation, please refer to Note 6(4).

### **VI. Notes to major accounts**

(I) Cash and cash equivalents

	<u>2023.12.31</u>	<u>2022.12.31</u>
Petty cash and cash on hand	\$ 414	934
Check and current deposits	679,026	753,135
Time deposits	200,191	19,800
	<u><b>\$ 879,631</b></u>	<u><b>773,869</b></u>

Please see Note 6(16) for detailed disclosure of exchange rate risk, interest rate risk, and sensitivity analysis on the Consolidated Entity's financial assets and liabilities.

Some of the Consolidated Entity's time deposits have been placed as collateral and presented as Other financial assets - current. Please see Note 6(7) and 8 for details.

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

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

	<u>2023.12.31</u>	<u>2022.12.31</u>
Financial assets mandatory to be carried at fair value through profit or loss:		
Financial assets		
Structured deposits	<u>\$ 5,222</u>	<u>8,866</u>

The Consolidated Entity has acquired principal-protected floating rate investments as a way to make more efficient use of capital. Principal-protected investments outstanding as at December 31, 2023 and 2022, are explained below:

<u>2023.12.31</u>			
<u>Contract sum (thousands)</u>	<u>Agreed interest rate</u>	<u>Maturity</u>	<u>Amount</u>
RMB1,200	1.10%~3.76%	2024.1.22~2024.1.31	<u>\$ 5,222</u>
1			
<u>2022.12.31</u>			
<u>Contract sum (thousands)</u>	<u>Agreed interest rate</u>	<u>Maturity</u>	<u>Amount</u>
RMB2,000	1.30%~3.29%	2023.1.13~2023.3.21	<u>\$ 8,866</u>
1			

None of the Consolidated Entity's financial assets at fair value through profit or loss was placed as collateral as at December 31, 2023 and 2022.

Please see Note 6(16) for detailed disclosure of exchange rate risk, interest rate risk, and sensitivity analysis on the Consolidated Entity's financial assets and liabilities.

(III) Notes and accounts receivable

	<u>2023.12.31</u>	<u>2022.12.31</u>
Notes receivable - from operation	\$ 6	1,469
Accounts receivable - at amortized cost	<u>200,140</u>	<u>303,312</u>
	200,146	304,781
Less: loss provisions	<u>-</u>	<u>-</u>
Notes and accounts receivable (net)	<u>\$ 200,146</u>	<u>304,781</u>

The Consolidated Entity adopts the simplified approach to estimate expected credit loss on all notes and accounts receivable, which involves measuring expected credit loss for the duration of its receivables. To facilitate this approach, notes and accounts receivable are divided into several groups of common credit risk characteristics by assessing customers' ability to make contractual payments at maturity. This approach takes into account historical credit loss data as well as forward-looking information such as future economic outlook and rational predictions. Expected credit loss analysis for notes and accounts receivable is explained below:

2023.12.31

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

	<b>Book value of notes and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Provision for expected credit loss over the remaining duration</b>
Current	\$ 194,001	0%	-
Overdue 31 - 60 days	3,699	0%	-
Overdue 61 - 90 days	1,016	0%	-
Overdue 91 - 180 days	1,430	0%	-
Overdue 181 days and above	<u>-</u>	0%	<u>-</u>
	<b><u>\$ 200,146</u></b>		<b><u>-</u></b>

**2022.12.31**

	<b>Book value of notes and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Provision for expected credit loss over the remaining duration</b>
Current	\$ 281,737	0%	-
Overdue 31 - 60 days	14,555	0%	-
Overdue 61 - 90 days	4,941	0%	-
Overdue 91 - 180 days	2,602	0%	-
Overdue 181 days and above	<u>946</u>	0%	<u>-</u>
	<b><u>\$ 304,781</u></b>		<b><u>-</u></b>

Changes in loss provisions on notes and accounts receivable in 2023 and 2022 are explained below:

	<b>2023</b>	<b>2022</b>
Opening balance	\$ -	28,722
Impairment loss recognized	341	-
Unrecoverable amount charged off in the current year	(341)	(28,765)
Gain/loss on foreign currency exchange	<u>-</u>	<u>43</u>
Closing balance	<b><u>\$ -</u></b>	<b><u>-</u></b>

None of the Consolidated Entity's notes receivable and accounts receivable was discounted or placed as collateral as at December 31, 2023 and 2022.

Please see Note 6(16) for more details on exchange rate risk and sensitivity analysis concerning the Consolidated Entity's notes and accounts receivable for 2023 and 2022.

(IV) Inventory

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

	<u>2023.12.31</u>	<u>2022.12.31</u>
Finished goods	\$ 59,872	70,956
Work-in-progress and semi-finished goods	74,705	144,281
Raw materials	<u>136,059</u>	<u>199,323</u>
	<u><b>\$ 270,636</b></u>	<u><b>414,560</b></u>

Details of operating costs recognized by the Consolidated Entity:

	<u>2023</u>	<u>2022</u>
Selling costs and expenses	\$ 1,421,167	1,772,387
Inventory obsolescence and devaluation loss (reversal gain)	(17,083)	(22,536)
Inventory write-off	<u>12,643</u>	<u>15,977</u>
	<u><b>\$ 1,416,727</b></u>	<u><b>1,765,828</b></u>

The Consolidated Entity scrapped the inventories in 2023 and 2022 so that the net realizable values of the inventories were lower than the costs, resulting in a reversal of the allowance for losses.

None of the Consolidated Entity's inventory was pledged as collateral as at December 31, 2023 and 2022.

(V) Equity-accounted investments

The Consolidated Entity's equity-accounted investments as at the reporting date are presented below:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Associated companies	<u><b>\$ 278,362</b></u>	<u><b>234,230</b></u>

The Consolidated Entity's share of profit or loss from associated companies for 2023 and 2022 is summarized below:

	<u>2023</u>	<u>2022</u>
The Consolidated Entity's share of current net income from associated companies	<u><b>\$ 85,479</b></u>	<u><b>50,154</b></u>

1. Information of associated companies that are significant to the Consolidated Entity:

<b>Name of associate company</b>	<b>Nature of relationship with the Consolidated Entity</b>	<b>Main business location/co untry of registration</b>	<b>Percentage of ownership/voting right</b>	
			<u>2023.12.31</u>	<u>2022.12.31</u>
Powertip	Main business activities are the	Taiwan	34.27%	34.52%
Image	manufacturing of electronic parts		Note 2	Note 1
Corp.	and optical instruments			

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

Note 1: Powertip Image, an associate of the Consolidated Entity, granted a total of 316,000 shares of employee stock options in July 2022, resulting in the dilution of Powertip Technology Group's shareholding in Powertip Image to 34.52%.

Note 2: Powertip Image, an associate of the Consolidated Entity, granted a total of 140,000 and 160,000 shares of employee stock options in June and July 2023, resulting in the dilution of Powertip Technology Group's shareholding in Powertip Image to 34.27%.

The following is a collective disclosure of financial information for the Consolidated Entity's significant associated companies. The figures of each associated company have been adjusted when preparing IFRS-compliant consolidated financial statements to reflect the amount of adjustments the Consolidated Entity had made for fair value and difference in accounting policy at the time of acquisition:

Summary financial information of Powertip Image Corp.:

	<b>2023.12.31</b>	<b>2022.12.31</b>
Current assets	\$ 973,943	702,759
Non-current assets	330,441	355,979
Current liabilities	(388,576)	(302,786)
Non-current liabilities	(103,546)	(89,284)
Net asset attributable to owners of the investee	<b><u>\$ 812,262</u></b>	<b><u>666,668</u></b>
	<b>2023</b>	<b>2022</b>
Operating revenues	\$ 881,952	678,003
Current net income from continuing operations	251,913	147,464
Other comprehensive income	(8,919)	2,003
Total comprehensive income attributable to owners of the investee	<b><u>\$ 242,994</u></b>	<b><u>149,467</u></b>
	<b>2023</b>	<b>2022</b>
Opening share of net asset in associated companies	\$ 228,137	188,694
Dividends received from associated companies in the current period	(34,831)	(11,605)
Total comprehensive income attributable to the Consolidated Entity in the current period	83,434	51,890
Changes in equity owned by associated companies during this period	(3,444)	(842)
Closing share of net asset in associated companies	273,296	228,137
Plus: land use rights	3,391	3,504
Buildings	1,675	2,589
Closing book value of equity in associated company	<b><u>\$ 278,362</u></b>	<b><u>234,230</u></b>

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

2. Collateral

None of the Consolidated Entity's equity-accounted investment was pledged as collateral as at December 31, 2023 and 2022.

(VI) Property, plant and equipment

Changes in property, plant, and equipment of the Consolidated Entity:

		<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Others</b>	<b>Total</b>
Cost or deemed cost:						
Balance as at January 1, 2023	\$	198,371	654,087	1,150,474	132,002	2,134,934
Additions		-	2,251	3,710	15,428	21,389
Inward (outward) reclassification		-	-	-	(6)	(6)
Disposals		-	-	(94,698)	(16,164)	(110,862)
Effects of exchange rate change		(3)	(2,828)	(2,212)	(546)	(5,589)
Balance as at December 31, 2023	<b>\$</b>	<b>198,368</b>	<b>653,510</b>	<b>1,057,274</b>	<b>130,714</b>	<b>2,039,866</b>
Balance as at January 1, 2022	\$	196,963	643,791	1,123,811	139,355	2,103,920
Additions		-	1,971	5,208	10,217	17,396
Inward (outward) reclassification		-	-	3,193	(5,333)	(2,140)
Disposals		-	-	(13,949)	(14,217)	(28,166)
Effects of exchange rate change		1,408	8,325	32,211	1,980	43,924
Balance as at December 31, 2022	<b>\$</b>	<b>198,371</b>	<b>654,087</b>	<b>1,150,474</b>	<b>132,002</b>	<b>2,134,934</b>
Depreciation or impairment loss:						
Balance as at January 1, 2023	\$	-	368,881	1,100,667	107,843	1,577,391
Depreciation		-	18,333	12,005	9,046	39,384
Disposals		-	-	(94,698)	(16,161)	(110,859)
Effects of exchange rate change		-	(2,347)	(1,745)	(333)	(4,425)
Balance as at December 31, 2023	<b>\$</b>	<b>-</b>	<b>384,867</b>	<b>1,016,229</b>	<b>100,395</b>	<b>1,501,491</b>
Balance as at January 1, 2022	\$	-	343,914	1,065,878	109,262	1,519,054
Depreciation		-	18,212	16,021	11,212	45,445



**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

Disposals	-	-	(13,949)	(14,217)	(28,166)
Effects of exchange rate change	-	6,755	32,717	1,586	41,058
Balance as at December 31, 2022	<u>\$ -</u>	<u>368,881</u>	<u>1,100,667</u>	<u>107,843</u>	<u>1,577,391</u>
Book value:					
December 31, 2023	<u>\$ 198,368</u>	<u>268,643</u>	<u>41,045</u>	<u>30,319</u>	<u>538,375</u>
December 31, 2022	<u>\$ 198,371</u>	<u>285,206</u>	<u>49,807</u>	<u>24,159</u>	<u>557,543</u>
January 1, 2022	<u>\$ 196,963</u>	<u>299,877</u>	<u>57,933</u>	<u>30,093</u>	<u>584,866</u>

The Consolidated Entity had placed some of its property, plant, and equipment as collateral for long-term borrowings and credit limits as at December 31, 2023 and 2022. Please see Note 8 for details.

(VII) Other financial assets - current

	<u>2023.12.31</u>	<u>2022.12.31</u>
Restricted bank deposits	\$ 2,500	2,500
Other receivables (including related parties)	6,591	8,928
	<u>\$ 9,091</u>	<u>11,428</u>

The Consolidated Entity had placed some of its time deposits that did not meet the definition of cash equivalent as collaterals for customs guarantee as at December 31, 2023 and 2022. Please see Note 8 for details.

(VIII) Right-of-use asset (presented as other non-current assets)

1. The Consolidated Entity had land use rights of NT\$3,914,000 and NT\$4,122,000 as at December 31, 2023 and 2022, respectively. No material change had taken place.

Land use rights acquired by the Consolidated Entity:

<b>Company name</b>	<b>Location of lease</b>	<b>Total land transaction fees</b>	<b>Tenor of usage</b>	<b>Area</b>
Powertip (Jiangsu)	Jiangsu Province, China	CNY 1,524 thousand	2003.07-2053.12 (50 years and 6 months)	89,143m <sup>2</sup>

All of the Consolidated Entity's land use rights were placed as collateral for borrowings. Please see Note 8 for details.

2. Other leases

The Consolidated Entity rents corporate vehicles and photocopiers for tenors ranging from 1 to 3 years. These leases are short-term or low-value in nature, for which the Company has opted the exemption rule to forgo recognition of right-of-use asset and lease liability.

(IX) Long-term borrowings

Details, conditions, and terms of the Consolidated Entity's medium-term and long-term

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

borrowings are as follows:

	<b>2023.12.31</b>		
	<b>Currency</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured bank borrowings	NTD	114	\$ 11,667
Secured bank borrowings	NTD	114	41,962
Less: portion maturing within 1 year			(42,431)
			<b>\$ 11,198</b>
Unused limit			<b>\$ 104,538</b>
Interest rate range			<b>1.45%~1.48%</b>

	<b>2022.12.31</b>		
	<b>Currency</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured bank borrowings	NTD	2023–2025	\$ 21,667
Secured bank borrowings	NTD	2023–2025	64,862
Less: portion maturing within 1 year			(32,900)
			<b>\$ 53,629</b>
Unused limit			<b>\$ 104,538</b>
Interest rate range			<b>1.33%~1.35%</b>

1. Please see Note 6(16) for details on the Consolidated Entity's interest rate, exchange rate, and liquidity risk exposure.

2. Collaterals placed for bank borrowings

(1) Please see Note 7 for details on joint guarantees offered by key management for the Consolidated Entity's long-term and short-term borrowing agreements.

(2) Please see Note 8 for bank borrowings secured with the Consolidated Entity's assets.

(X) Employee benefits

1. Defined benefit plan

Reconciliation between present value of defined benefit obligations and fair value of plan assets:

	<b>2023.12.31</b>	<b>2022.12.31</b>
Present value of defined benefit obligations	\$ (63,469)	(64,653)
Fair value of plan assets	50,802	50,369
Net defined benefit liabilities	<b>\$ (12,667)</b>	<b>(14,284)</b>

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

Contributions for defined benefit plan are made to a dedicated pension fund account opened with Bank of Taiwan. For retirees who opted for the pension scheme mentioned in the Labor Standards Act, the amount of pension benefit is calculated based on average salary for the six months preceding their retirement and the number of basis points accumulated over the duration of their service.

### (1) Composition of plan assets

Pension fund contributions that the Consolidated Entity has made in accordance with the Labor Standards Act are collectively managed by the Bureau of Labor Funds (BLF), Ministry of Labor. Pursuant to "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," plan assets can only be allocated to investments that offer annual yields higher than the 2-year time deposit rate quoted by local banks.

As at the reporting date, balance of the Consolidated Entity's labor pension reserve account held with Bank of Taiwan totaled NT\$50,802,000. Please visit the BLF website for more information such as fund yield and allocation of fund assets.

### (2) Changes in present value of defined benefit obligations

Changes in present value of defined benefit obligations for 2023 and 2022 are explained below:

	<u>2023</u>	<u>2022</u>
Defined benefit obligations as at January 1	\$ (64,653)	(69,073)
Service cost and interest in the current period	(978)	(673)
Remeasurement of net defined benefit liabilities (assets)	(1,720)	2,609
Service costs for the previous period	-	392
Payment of plan benefits	3,882	2,092
Defined benefit obligations as at December 31	<u>\$ (63,469)</u>	<u>(64,653)</u>

### (3) Changes in the fair value of pension plan assets

Changes in the fair value of defined benefit plan assets in 2023 and 2022 are explained below:

	<u>2023</u>	<u>2022</u>
Fair value of plan assets as at January 1	\$ 50,369	45,114
Interest income	652	314
Remeasurement of net defined benefit liabilities (assets)	407	3,909
Amount contributed to the plan	3,256	3,124

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

Payment of plan benefits	(3,882)	(2,092)
Fair value of plan assets as at December 31	<b>\$ 50,802</b>	<b>50,369</b>

(4) Expenses recognized in profit or loss

The Consolidated Entity recognized the following expenses in profit or loss in 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Service costs for the current period	\$ 151	197
Net interest on net defined pension liabilities (assets)	175	162
Service costs for the previous period	-	(392)
	<b>\$ 326</b>	<b>(33)</b>
Operating costs	\$ 150	165
Selling and marketing expenses	39	43
General and administrative expenses	72	(313)
Research and development expenses	65	72
	<b>\$ 326</b>	<b>(33)</b>

(5) Actuarial assumptions

Key actuarial assumptions that the Consolidated Entity had made to determine the present value of defined benefit obligations as at the reporting date are as follows:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Discount rate	1.20%	1.30%
Future salary increase	2.00%	2.00%

The Consolidated Entity expects to contribute NT\$1,655,000 to the defined benefit plan within one year from the 2023 reporting date.

The defined benefit plan has a weighted average duration of 9 years.

(6) Sensitivity analysis

When calculating present value of defined benefit obligations, the Consolidated Entity is required to exercise judgments and make estimates in order to determine actuarial assumptions as at the balance sheet date. These assumptions include the discount rate and future salary changes. Any changes in actuarial assumption may cause significant impacts on the Consolidated Entity's defined benefit obligations.

The following shows impact of changes in actuarial assumption on the present value of defined benefit obligations as at December 31, 2023 and 2022:

**Impact on defined benefit  
obligations**

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2023		
Discount rate	(1,438)	1,490
Future salary increase	1,474	(1,431)
December 31, 2022		
Discount rate	(1,560)	1,618
Future salary increase	1,603	(1,553)

The above sensitivity analysis assumes changes to one variable at a time while keeping all other variables constant. In reality, however, multiple assumptions may change at the same time and are related to each other. The sensitivity analysis was conducted using the same method as how net pension liabilities are presented in the balance sheet. Methodology and assumption for current period's sensitivity analysis are consistent with those of the previous period.

**2. Defined contribution plan**

The Consolidated Entity's defined contribution plan complies with the Labor Pension Act, in which the Consolidated Entity contributes an amount equal to 6% of employees' salaries each month to employees' pension accounts held with the Bureau of Labor Insurance. Under this plan, the Consolidated Entity is freed of additional pension obligations (whether statutory or constructive) once it has contributed the designated amount to the Bureau of Labor Insurance.

Pension expenses recognized for the defined contribution plan in 2023 and 2022 were NT\$6,848,000 and NT\$6,542,000, respectively, which have been contributed to the Bureau of Labor Insurance.

**1. Other subsidiaries included in the consolidated financial statements**

Pension expenses and retirement premiums recognized in 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Powertip USA	<u>\$ 293</u>	<u>257</u>
Powertip HK and subsidiaries	<u>\$ 292</u>	<u>265</u>
Powertip Samoa and subsidiaries	<u>\$ 21,054</u>	<u>21,234</u>

**(XI) Income tax**

**1. Income tax expenses**

(1) Below are details of the Consolidated Entity's income tax expenses for 2023 and 2022:

<u>2023</u>	<u>2022</u>
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**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

Current income tax expense	\$	14,858	38,578
Deferred income tax expense			
Occurrence and reversal of temporary difference		<u>2,661</u>	<u>3,341</u>
Current income tax expense	<b>\$</b>	<b><u>17,519</u></b>	<b><u>41,919</u></b>

2. Below are details of income tax expenses recognized by the Consolidated Entity under other comprehensive income:

	<u>2023</u>	<u>2022</u>
Items not reclassified into profit or loss:		
Remeasurement of defined benefit plan	<u>\$ -</u>	<u>1,304</u>
Items likely to be reclassified into profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>\$ (2,740)</u>	<u>3,241</u>

(1) Reconciliation of income tax expense and profit before tax for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Profit before tax	\$ 220,837	290,953
Income tax calculated by applying local tax rate of the country where the Company is located	44,167	58,191
Net investment gains/losses and tax-exempt income	(17,096)	(10,111)
Effect of tax rate differences in foreign jurisdictions	18,379	17,972
Change in unrecognized deductible temporary difference	(18,847)	(20,771)
Underestimations (overestimations) in past periods and others	(1,490)	(458)
Additional tax on unappropriated earnings	4,909	-
Tax incentive	<u>(12,503)</u>	<u>(2,904)</u>
	<b><u>\$ 17,519</u></b>	<b><u>41,919</u></b>

3. Deferred income tax assets and liabilities

(1) Items not recognized as deferred income tax liability: None.

(2) Items not recognized as deferred income tax asset

The following items were not recognized as deferred income tax asset:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Deductible temporary differences	<u>\$ 39,733</u>	<u>58,580</u>

Unrecognized deductible temporary differences were mostly attributed to losses on subsidiary investments; the Company did not recognize deferred income tax assets because they are not very likely to be realized in the foreseeable future.

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

Tax credits, as defined in the Income Tax Act, are losses certified by the tax authority in the last 10 years that can be taken to reduce current year's taxable income. Tax credits were not recognized as deferred income tax assets because the Company is not very likely to generate adequate taxable income to offset tax credits in the future.

As at December 31, 2023, the Consolidated Entity did not have any tax credits that were not recognized as deferred income tax asset.

(3) Changes in recognized deferred income tax assets and liabilities in 2023 and 2022:

	<u>Others</u>
Deferred income tax liabilities:	
Balance (and balance at end of period) as at January 1, 2023	<u>\$ 1,304</u>
Balance as at January 1, 2022	\$ -
Debit/(credit) other comprehensive income	<u>1,304</u>
Balance as at December 31, 2022	<u>\$ 1,304</u>

	<b>Exchange differences on translation of financial statements of foreign operations</b>	<b>Tax losses and others</b>	<b>Total</b>
Deferred income tax assets:			
Balance as at January 1, 2023	\$ 1,928	6,734	8,662
(Debit)/credit profit or loss	-	(2,661)	(2,661)
(Debit)/credit other comprehensive income	<u>2,740</u>	<u>-</u>	<u>2,740</u>
Balance as at December 31, 2023	<u>\$ 4,668</u>	<u>4,073</u>	<u>8,741</u>
Balance as at January 1, 2022	\$ 5,169	10,075	15,244
(Debit)/credit profit or loss	-	(3,341)	(3,341)
(Debit)/credit other comprehensive income	<u>(3,241)</u>	<u>-</u>	<u>(3,241)</u>
Balance as at December 31, 2022	<u>\$ 1,928</u>	<u>6,734</u>	<u>8,662</u>

The Consolidated Entity as a whole files income tax returns with several authorities according to local laws. Income tax returns are filed in the capacity of individual entities, and can not be filed on a consolidated basis.

4. The Company's profit-seeking enterprise income tax returns have been certified by the tax authority up till 2021.

(XII) Capital and other equity items

1. Common share capital

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

A resolution was made during the Company's annual shareholder meeting dated June 16, 2009 to increase authorized capital to NT\$2,400,000,000. This authorized capital has been legally registered.

Authorized capital as at December 31, 2023 and 2022, was reported at NT\$2,400,000,000 (13,500,000 shares were reserved to accommodate the conversion of employee warrants on both reporting dates).

### 2. Capital reserve

The following is a breakdown of the Company's capital reserve:

	<u>2023.12.31</u>	<u>2022.12.31</u>
Change in net worth of equity-accounted associated companies and joint ventures	\$ -	336
Change of ownership interest in subsidiaries	4,513	5,611
Difference between the actual price and book value of equity of subsidiaries acquired/disposed of	<u>1,113</u>	<u>1,113</u>
	<u><b>\$ 5,626</b></u>	<u><b>7,060</b></u>

According to The Company Act, balances of realized capital reserve can be distributed in shares or cash back to shareholders at the current shareholding percentage after reimbursing cumulative losses. The term "realized capital reserve" mentioned above includes shares issued at premium and gains from gifts. Pursuant to Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital reserves converted into share capital is capped at 10% of paid-up capital per year.

### 3. Retained earnings

A. The Company allocates year-end earnings, if any, in the following order:

- a. Taxation.
- b. Reimbursement of losses.
- c. 10% provision for statutory reserve, unless the balance of statutory reserve has accumulated to the same amount as the Company's paid-up capital.
- d. Provision for special reserve from current earnings in accordance with laws or relevant rules, which can be distributed only if reversed.
- e. The balance that remains after a to d is added to unappropriated earnings from previous years and is available for earnings distribution. The entirety or a portion of the residual balance can be distributed to shareholders as profit sharing at the current shareholding percentage. The final payout ratio is subject to shareholder meeting resolution according to Article 240 of The Company Act. The board of



**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

directors can be authorized to distribute all or part of the dividends or profit sharing in cash, provided that the resolution is supported by more than half of attending directors in a board meeting where at least two-thirds of board members are present, and that the decision is reported in the upcoming shareholder meeting.

**B. Dividend policy**

The Company is still in the growth stage given its business activities and industry involvement, and therefore has significant needs for capital to support major investments and expansion plans in the future. For the consistency of dividend payouts, the board of directors may choose to pay more than 70% of distributable earnings as dividends, with no less than 20% of dividends being cash, after taking into consideration the Company's business prospects and capital availability. The board may also opt to pay a higher percentage or the entirety of dividends in cash if capital can be sourced through alternative means or at times of abundant liquidity, and thereby avoid over-diluting earnings per share.

**(1) Statutory reserve**

The Company may distribute statutory reserve in cash or in shares in the absence of cumulative losses, subject to resolution of a shareholders meeting; however, only the amount of statutory reserve that exceeds 25% of paid-up capital is distributable.

**(2) Special reserve**

In accordance with the regulations of the Financial Supervisory Commission, when distributing available surplus, the Company shall make a special reserve from the current year's net profit after tax and the items other than the current year's net profit after tax for the difference between the net deduction from other shareholders' equity for the current year and the special reserve appropriated as stated above. For any subsequent reversal of the deduction from other shareholders' equity, the amount reversed may be distributed from the surplus profit derived from the reversal. If the amount debited to other shareholders' equity is reversed afterwards, the reversed amount may be distributed as earnings.

**(3) Earnings appropriation**

On March 21, 2023 and March 18, 2022, the board of directors resolved a decision on the amount of cash dividends in the 2022 and 2021 earnings appropriation plan that includes the following dividends to be paid to shareholders:

<b>2022</b>		<b>2021</b>	
<b>Stock dividends per share (NTD)</b>	<b>Amount</b>	<b>Stock dividends per share (NTD)</b>	<b>Amount</b>

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

Dividends distributed to  
ordinary shareholders:

Cash	\$	0.70	<u><u>113,521</u></u>	\$	0.19	<u><u>30,813</u></u>
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On March 12, 2024, the board of directors resolved a decision on the amount of cash dividends in the 2023 earnings appropriation plan that includes the following dividends to be paid to shareholders:

		<u>2023</u>	
		<u>Stock</u>	<u>Amount</u>
		<u>dividends per</u>	
		<u>share (NTD)</u>	
Dividends distributed to ordinary shareholders:			
Cash	\$	0.50	<u><u>81,087</u></u>

(XIII) Earnings per share

1. Basic earnings per share

Basic earnings per share of the Consolidated Entity for 2023 and 2022 were calculated based on net income attributable to common shareholders of the Company totaling NT\$203,318,000 and NT\$249,034,000, respectively, and weighted average outstanding common shares of 162,173,000. Detailed calculations are explained below:

	<u>2023</u>	<u>2022</u>
Current net income	<u>\$ 203,318</u>	<u>249,034</u>
Weighted average outstanding shares (thousand shares)	<u>162,173</u>	<u>162,173</u>
Basic earnings per share (NTD)	<u>\$ 1.25</u>	<u>1.54</u>

2. Diluted earnings per share

Diluted earnings per share for 2023 and 2022 were calculated based on net income attributable to common shareholders of the Company totaling NT\$203,318,000 and NT\$249,034,000, respectively, and weighted average outstanding common shares after adjusting for dilutive effect of all potential common shares, which were 163,115,000 and 163,427,000 shares in the respective years. Detailed calculations are explained below:

	<u>2023</u>	<u>2022</u>
Current net income	<u>\$ 203,318</u>	<u>249,034</u>
Weighted average outstanding shares (thousand shares)	162,173	162,173
Dilutive effect of potential common shares		
Effects of employee remuneration paid in shares	<u>941</u>	<u>1,254</u>
Number of weighted average outstanding shares (after adjusting for dilutive effect of potential common shares)	<u>163,115</u>	<u>163,427</u>
Diluted earnings per share (NTD)	<u>\$ 1.25</u>	<u>1.52</u>

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

(XIV) Revenue from contracts with customers

1. Breakdown of income

	<u>2023</u>	<u>2022</u>
Main regions and markets:		
Taiwan	\$ 142,283	231,913
USA	321,450	380,704
Germany	539,800	616,521
Brazil	33,232	159,106
Sweden	170,327	182,930
Mainland China	95,806	145,835
Japan	86,592	93,547
Other countries	318,903	343,197
	<u><b>\$ 1,708,393</b></u>	<u><b>2,153,753</b></u>
Main products:		
LCD display modules	\$ 1,656,301	2,116,757
Others	52,092	36,996
	<u><b>\$ 1,708,393</b></u>	<u><b>2,153,753</b></u>

2. Contract balance

	<u>2023.12.31</u>	<u>2022.12.31</u>
Notes and accounts receivable	\$ 200,146	304,781
Less: loss provisions	-	-
Total	<u><b>\$ 200,146</b></u>	<u><b>304,781</b></u>
Contract liabilities (presented as other current liabilities)	<u><b>\$ 33,050</b></u>	<u><b>39,356</b></u>

Please refer to Note 6(3) for disclosures on notes and accounts receivable and impairment. The opening balances of contract liabilities on January 1, 2023 and 2022 were recognized as revenue in 2023 and 2022 are NT\$16,798,000 and NT\$12,050,000, respectively. The changes in contract assets and contract liabilities mainly arose from the difference between the time when the Consolidated Entity transferred goods or services to customers to fulfill its performance obligations and the time when customers paid.

(XV) Remuneration to employees, directors, and supervisors

According to PTC's Articles of Incorporation, 5% and no more than 1% of the annual profits, if any, should be allocated as employee remuneration and director remuneration, respectively. However, if the Company has accumulated losses, it shall reserve in advance the amount to make up the losses beforehand. Employee remuneration, as mentioned above, can be paid in

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

shares or cash to employees of affiliated companies that satisfy certain criteria. This criterion is determined by the board of directors.

The Company has estimated 2023 and 2022 employees' remuneration at NT\$11,189,000 and NT\$14,300,000, respectively, and directors' remuneration at NT\$2,238,000 and NT\$2,860,000, respectively. Both figures were estimated by multiplying profit before tax and employee/director remuneration with the respective percentages stated in the Company's Articles of Incorporation, and have been recognized as 2023 and 2022 operating costs or operating expenses, respectively. If the board of directors decides to pay shares as remuneration to employees, the basis for calculating the shares as remuneration shall be based on the average trading price of the common stock on the day before the resolution of the board of directors.

There is no difference between the amount of employees' and directors' remuneration distributed by the above-mentioned board of directors' meeting and the estimated amount in the 2023 and 2022 consolidated financial statements. The relevant information can be obtained from the Market Observation Post System.

### **(XVI) Financial instruments**

#### **1. Credit risk**

##### **(1) Amount of maximum credit risk exposure**

For financial assets, the book value represents the maximum credit risk exposure.

##### **(2) Concentration of credit risk**

The customers whose purchases account for 10% or more of the Consolidated Entity's operating revenue accounted for 20% and 18% of its sales revenue for 2023 and 2022, respectively. As of December 31, 2023 and 2022, the accounts receivable of said customers accounted for 13% and 18% of its total accounts receivable, respectively, resulting in a significant credit concentration risk. Please refer to Note 6 (17) for the Consolidated Entity's credit risk management policy for more details.

##### **(3) Credit risk of receivables**

For credit risk information on notes receivable and accounts receivable, please refer to Note 6(3).

Other financial assets carried at amortized cost include other receivables and time deposits. The Consolidated Entity provided an allowance for losses on the above financial assets with low credit risk based on the 12-month expected credit loss. As of December 31, 2023 and 2022, no credit impairment loss on the allowance was expected.

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

### 2. Liquidity risk

The following chart shows contract maturity date for financial liabilities, including the effect of estimated interest.

	<u>Book value</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>
<b>December 31, 2023</b>					
Non-derivative financial liabilities					
Accounts payable	\$ 117,420	(117,420)	(117,420)	-	-
Long-term borrowings (including current portion maturing in one year)	53,629	(54,091)	(42,874)	(11,217)	-
Other payables	111,723	(111,723)	(111,723)	-	-
Guarantee deposits received	2,420	(2,420)	(2,282)	-	(138)
	<u><b>\$ 285,192</b></u>	<u><b>(285,654)</b></u>	<u><b>(274,299)</b></u>	<u><b>(11,217)</b></u>	<u><b>(138)</b></u>
<b>December 31, 2022</b>					
Non-derivative financial liabilities					
Accounts payable	\$ 244,176	(244,176)	(244,176)	-	-
Long-term borrowings (including current portion maturing in one year)	86,529	(87,894)	(33,844)	(42,835)	(11,215)
Other payables	130,492	(130,492)	(130,492)	-	-
Guarantee deposits received	2,436	(2,436)	(2,298)	-	(138)
	<u><b>\$ 463,633</b></u>	<u><b>(464,998)</b></u>	<u><b>(410,810)</b></u>	<u><b>(42,835)</b></u>	<u><b>(11,353)</b></u>

The Consolidated Entity does not expect cash flows in the maturity analysis to occur at any earlier time, or in amounts that differ significantly, except for certain long-term borrowings that may be repaid early depending on capital availability.

### 3. Market risk

#### (1) Exchange rate risk

The Consolidated Entity had the following financial assets and liabilities that were exposed to significant foreign currency/exchange rate risk:

Unit: thousands of foreign currency

	<u>2023.12.31</u>			<u>2022.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
Financial assets						
Monetary items						
US Dollar	\$ 13,137	USD/NTD =30.755	404,028	19,592	USD/NTD =30.76	602,650
US Dollar	11,212	USD/RMB =7.0669	344,825	12,910	USD/RMB =6.9389	397,112
US Dollar	447	USD/HKD =7.7684	13,747	521	USD/HKD =7.7520	16,026
Financial						

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

liabilities

Monetary items

US Dollar	11,775 USD/NTD =30.755	362,140	6,807 USD/NTD =30.76	209,383
US Dollar	16 USD/RMB =7.0669	492	4 USD/RMB =6.9389	123
US Dollar	47 USD/HKD =7.7684	1,445	98 USD/HKD =7.7520	3,014

(2) Sensitivity analysis

Exchange rate risks associated with the Consolidated Entity's monetary items arise primarily from the conversion of cash, cash equivalents, notes receivable, accounts receivable, other receivables, accounts payable, and other payables denominated in foreign currencies. Conversion of foreign currency-denominated amounts gives rise to gains/losses on exchange. The following analysis shows the effect on profit before tax for 2023 and 2022 if NTD, RMB, and HKD weakened/strengthened against USD by 5% as at December 31, 2023 and 2022, using the same basis of comparison while all other factors remained unchanged:

	<u>2023</u>	<u>2022</u>
USD (relative to NTD)		
Strengthened by 5%	\$ 2,094	19,663
Weakened by 5%	(2,094)	(19,663)
USD (relative to RMB)		
Strengthened by 5%	17,217	19,849
Weakened by 5%	(17,217)	(19,849)
USD (relative to HKD)		
Strengthened by 5%	615	651
Weakened by 5%	(615)	(651)

(3) Exchange gain/loss on monetary items

Due to the extensive variety of functional currencies used in transactions, the Consolidated Entity has opted to disclose gains (losses) on exchange of monetary items on a collective basis. Gains (including realized and unrealized) incurred on exchange of foreign currencies in 2023 and 2022 are explained below:

	<u>2023</u>	<u>2022</u>
Foreign exchange gain	<u>\$ 22,633</u>	<u>54,591</u>

4. Interest rate risk

Interest rate risk exposure concerning the Consolidated Entity's financial assets and financial liabilities has been explained as part of liquidity risk management in this footnote.

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

The following sensitivity analysis has been prepared based on interest rate risk exposures of derivatives and non-derivatives as at the reporting date. For assets and liabilities that bear floating interests, the analysis is conducted by assuming that the amount of assets and liabilities outstanding as at the reporting date remained outstanding throughout the entire year. Interest rate sensitivity analyses are reported to the management by applying a variance of 0.25% above and below. This variance conforms with the management's expectation about the possible and reasonable range of interest rate variation.

If the interest rate increased/decreased by 0.25% while other variables remained unchanged, the Consolidated Entity's profit before tax would have increased/decreased by NT\$1,548,000 and NT\$1,705,000 in 2023 and 2022, respectively. This potential change is primarily the result of the Consolidated Entity's floating-interest rate borrowings and demand deposits.

### 5. Fair value information

#### (1) Category and fair value of financial instruments

Financial assets/liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. Book value and fair value of financial assets and liabilities are shown below (categorized by level of fair value input; however, it is not required to disclose fair value information for lease liabilities and financial instruments that are not subject to fair value assessment and where the book value resembles the fair value):

<b>2023.12.31</b>					
	<b>Book value</b>	<b>Fair value</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Non-derivative financial assets mandatory to be carried at fair value through profit or loss					
Structured deposits	\$ 5,222	-	5,222	-	5,222
Financial assets carried at amortized cost					
Cash and cash equivalents	879,631	-	-	-	-
Notes and accounts receivable - net	200,146	-	-	-	-
Other receivables	6,591	-	-	-	-
Other financial assets- current	2,500	-	-	-	-
Guarantee deposits paid (presented as other non-current assets)	641	-	-	-	-
Subtotal	<u>1,089,509</u>				
	<u><b>\$ 1,094,731</b></u>				
Financial liabilities carried at amortized cost					
Accounts payable	\$ 117,420	-	-	-	-

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

Other payables	111,723	-	-	-	-
Long-term borrowings (including current portion maturing in one year)	53,629	-	-	-	-
Guarantee deposits received	<u>2,420</u>	-	-	-	-
Total	<u><b>\$ 285,192</b></u>				

  

<b>2022.12.31</b>					
	<b>Book value</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Non-derivative financial assets mandatory to be carried at fair value through profit or loss					
Structured deposits	<u>\$ 8,866</u>	-	8,866	-	8,866
Financial assets carried at amortized cost					
Cash and cash equivalents	773,869	-	-	-	-
Notes and accounts receivable - net	304,781	-	-	-	-
Other receivables	8,928	-	-	-	-
Other financial assets- - current	2,500	-	-	-	-
Guarantee deposits paid (presented as other non-current assets)	<u>1,418</u>	-	-	-	-
Subtotal	<u>1,091,496</u>				
	<u><b>\$ 1,100,362</b></u>				
Financial liabilities carried at amortized cost					
Accounts payable	\$ 244,176	-	-	-	-
Other payables	130,492	-	-	-	-
Long-term borrowings (including current portion maturing in one year)	86,529	-	-	-	-
Guarantee deposits received	<u>2,436</u>	-	-	-	-
Total	<u><b>\$ 463,633</b></u>				

There was no change of fair value input during 2023 and 2022.

(2) Fair value assessment techniques for financial instruments carried at fair value

Non-derivative instruments

Financial instruments that are openly quoted in an active market will have fair value determined at the openly quoted price. Fair values of public-listed (OTC-traded) equity instruments and debt instruments openly quoted in active markets are determined based on market prices quoted on major exchange and OTC center for actively traded government bonds.



## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

A financial instrument is deemed to be openly quoted on an active market if reliable quotations (that are representative of transactions actually and frequently taking place in a fair market) can be obtained from stock exchange, brokers, underwriters, industry associations, pricing institutions, or the authority on a timely and frequent basis. A market is deemed inactive if it fails to satisfy the above conditions. In general, increasing or excessive bid-ask spread and lack of transaction volume are considered signs of inactive market.

Except for financial instruments traded in active markets, as described above, fair values of all other financial instruments are obtained either by applying valuation techniques or by making reference to counterparties' quotations. Fair value by valuation technique may be obtained by making reference to the prevailing fair value of financial instruments that share similar terms and characteristics or using valuation techniques such as the discounted cash flow method in conjunction with market information available as at the balance sheet date.

### **(3) Change between level 1 and level 2**

There had been no change in levels of fair value input when assessing financial instruments during 2023 and 2022.

## **(XVII) Financial risk management**

### **1. Summary**

Use of financial instrument exposes the Consolidated Entity to the following risks:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This footnote discloses exposure, assessment, and the Consolidated Entity's management goals, policies, and procedures for the abovementioned risks. For further quantitative disclosures, please see notes to the consolidated financial statements.

### **2. Risk management framework**

The board of directors has been fully empowered to establish and supervise implementation of risk management framework within the Consolidated Entity. The management is responsible for the development and control of risk management policies within the Consolidated Entity, and reports to the board of directors on a regular basis.

The Consolidated Entity has established its risk management policy to identify and analyze the risks associated with business activities, to set appropriate risk limits and controls, and to monitor risk exposures as well as compliance with various risk limits. The risk management policy and system are regularly examined to reflect changes in market

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

condition and the Consolidated Entity's operations. The Consolidated Entity develops a disciplined and constructive control environment through training, management guidelines, and operating procedures, so that all employees are able to comprehend their roles and duties. The board of directors regularly reviews compliance of risk management policies and procedures within the Consolidated Entity, as well as the appropriateness of the risk management framework that the Consolidated Entity has adopted in response to the risks encountered. The Consolidated Entity has internal audit personnel in place to assist the board of directors with supervisory duties. These personnel conduct regular and ad-hoc reviews over existing risk management controls and procedures, and report their findings to the board of directors.

### **3. Credit risk**

Credit risk refers to the risk of financial loss the Consolidated Entity may incur due to its customers or financial instrument counterparties being unable to fulfill contractual obligations. Credit risk mainly arises from customers' accounts receivable.

#### **(1) Accounts receivable and other receivables**

Credit risk exposure of the aforementioned accounts varies from customer to customer. The management also takes into consideration common factors including default risk of customers' industries and countries, as these risks are also likely to affect credit risk. The Consolidated Entity monitors customers' financial position and recoverability of accounts receivable to minimize credit risks.

The Consolidated Entity has established its own credit policy, which requires every new customer to have credit rating analyzed before being awarded standard payment and delivery terms. The Consolidated Entity also obtains timely data from external sources, such as contact with rating agencies and banking partners, as part of its review. The Consolidated Entity assigns credit limits to customers on a case-by-case basis; these limits represent the maximum amount of transactions that can be undertaken on credit without the management's approval. These limits are reviewed on a regular basis. Customers that do not meet the Group's basic credit rating requirements may transact with the Consolidated Entity only on a prepaid basis.

#### **(2) Investments**

Credit risks associated with bank deposit and other financial instruments are assessed and monitored by the Consolidated Entity's Treasury Department. The Consolidated Entity transacts and deals only with banks of strong credit standing and financial institutions of investment grade and above, hence there is no material concern in terms of contract fulfillment or credit risk exposure.

## **Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)**

### **(3) Guarantees**

According to internal policies, the Consolidated Entity may only offer financial guarantee to subsidiaries in which it holds more than 50% voting interest and companies it has business dealings with. No endorsement or guarantee was offered among members of the Consolidated Entity as at December 31, 2023.

### **4. Liquidity risk**

Liquidity risk represents risk of the Consolidated Entity being unable to settle financial liabilities with cash or other financial assets, or being unable to fulfill relevant obligations. The Consolidated Entity maintains adequate position of cash and cash equivalents to support group operations and to mitigate effects of cash flow variation. The management constantly monitors use of bank limits and makes sure that borrowing terms are duly complied.

Bank borrowing constitutes a main source of liquidity for the Consolidated Entity. The Consolidated Entity had undrawn short-term banking limits of NT\$346,595,000 and NT\$348,504,000, respectively, as at December 31, 2023 and 2022. Please see Note 6 (9) for details of undrawn long-term banking limits.

### **5. Market risk**

Market risk refers to the effect a change of market price may have on the income or value of financial instruments held on hand, whether it is an exchange rate instrument, interest rate instrument, equity instrument or otherwise. The goal of market risk management is to control market risk exposure within a tolerable range while optimizing investment returns.

#### **(1) Exchange rate risk**

The Consolidated Entity is exposed to exchange rate risks arising from sales, purchases, and borrowings that are denominated in non-functional currencies. NTD represents the Consolidated Entity's main functional currency; other functional currencies include USD and RMB.

For monetary assets and liabilities denominated in other foreign currencies, the Consolidated Entity buys in or sell off foreign currencies at the spot exchange rate whenever a short-term mismatch arises, and in doing so ensures that the net exposure is kept within the tolerable level.

#### **(2) Interest rate risk**

The Consolidated Entity constantly monitors changes in market interest rate and maintains close relationship with financial institutions to secure the most favorable rate. Short-term, medium-term, and long-term credit limits are drawn in a manner that minimizes interest expenses.

### **(XVIII) Capital management**

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

The Consolidated Entity makes capital plans for the Company after taking into consideration the characteristics of the given industry, future prospects of the Company, and changes in the external environment. Capital management ensures that the Company has the financial resources and operational plans needed to support future working capital, capital expenditure, research and development projects, debt repayment, and dividend payment. The management primarily uses debt-to-equity ratio and interest-bearing-liabilities-to-equity ratio to determine the optimal capital structure for the Consolidated Entity. The management also strives to optimize debt and equity balances while maintaining strong capital structure for improvement to shareholders' returns.

The Consolidated Entity regularly examines its debt-to-equity ratio as a way to manage capital. Capital of the Consolidated Entity is represented by "Total equity" shown on the balance sheet, which equals total assets less total liabilities.

Debt-to-equity ratio as at the reporting date is shown below:

	<b>2023.12.31</b>	<b>2022.12.31</b>
Total liabilities	\$ 353,639	556,933
Total equity	1,861,676	1,790,671
Interest-bearing liabilities	53,629	86,529
Debt-to-equity ratio	19%	31%
Interest-bearing-liabilities-to-equity ratio	3%	5%

There had been no change to the Consolidated Entity's capital management approach as at December 31, 2023.

### (XIX) Non-cash investing and financing activities

The non-cash transaction investment and financing activities of the consolidated company in 2023 and 2022 are as follows:

	<b>2023.1.1</b>	<b>Cash flow</b>	<b>2023.12.31</b>
Long-term borrowings (including current portion maturing in one year)	\$ 86,529	(32,900)	53,629
Total liabilities relating to financing activities	<b>\$ 86,529</b>	<b>(32,900)</b>	<b>53,629</b>
	<b>2022.1.1</b>	<b>Cash flow</b>	<b>2022.12.31</b>
Long-term borrowings (including current portion maturing in one year)	\$ 124,862	(38,333)	86,529
Lease liabilities	379	(379)	-
Total liabilities relating to financing	<b>\$ 125,241</b>	<b>(38,712)</b>	<b>86,529</b>

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

activities

### VII. Related party transactions

#### (I) Name of related party and relationship

Related parties that transacted with the Consolidated Entity during the period covered by the consolidated financial statements:

<u>Name of related party</u>	<u>Relationship with the Consolidated Entity</u>
Powertip Image Corp.	Associated company of the Consolidated Entity
Jiangsu Powertip Image Co.,Ltd.	Subsidiary of Powertip Image Corp.
Mr. Shih-Yue Wang	Chairman of the Company

#### (II) Significant transactions with related parties

##### 1. Leases

For the years ended 2023 and 2022, the Consolidated Entity generated NT\$ 1,416,000 and NT\$1,350,000, respectively, of rental income from leasing plant, equipment, and office premise to associated companies, and collected NT\$138,000 of rental deposit as of both December 31, 2023 and 2022, which were presented as guarantee deposits received and others. Furthermore, NT\$1,098,000 and NT\$1,010,000 of proceeds were paid/collected on behalf of associated companies for electricity, networking, and management expenses incurred on the leased plant, equipment, and office premises.

##### 2. Related party receivables

Details of related party receivables are shown below:

<u>Presentation account</u>	<u>Type of related party</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Other receivables	Associated companies	<u>\$ 370</u>	<u>364</u>

#### (III) Transactions involving key management personnel

##### 1. Compensation to key management personnel

Compensation to key management personnel includes the following:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 13,233</u>	<u>13,855</u>

##### 2. Offering of guarantees

The Consolidated Entity's short-term and long-term credit facilities as at December 31, 2023 and 2022, were guaranteed by key management personnel.

### VIII. Pledged assets

Book value of assets pledged by the Consolidated Entity is explained below:

<u>Name of asset</u>	<u>Collateral</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Time deposit (presented as other financial	Security for import	\$ 2,500	2,500

**Notes to consolidated financial statements of Powertip Technology Corporation  
and subsidiaries (continued)**

assets - current)	customs duty		
Land	Security for long-term borrowing	184,079	184,079
Right-of-use asset - land use rights (presented as other non-current asset)	Security for short-term credit limit	3,914	4,122
Buildings	Security for short-/long- term borrowings and credit limits	259,263	274,004
		<u>\$ 449,756</u>	<u>464,705</u>

**IX. Major contingent liabilities and unrecognized contractual commitments**

(I) Major unrecognized contractual commitments:

L/C issued but undrawn by the Consolidated Entity:

	<u>2023.12.31</u>	<u>2022.12.31</u>
L/C issued but undrawn	<u>\$ -</u>	<u>1,741</u>

**X. Losses from major disasters: None.**

**XI. Major post-balance sheet date events: None.**

**XII. Others**

(I) Summary of employee benefit, depreciation, depletion, and amortization expenses by function:

Function  Nature	2023			2022		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
Employee benefit expenses						
Salary expenses	191,217	118,196	309,413	222,784	117,040	339,824
Labor/health insurance premium	17,331	9,575	26,906	17,406	8,745	26,151
Pension expense	22,157	6,656	28,813	22,303	5,962	28,265
Other employee benefit expenses	9,452	5,080	14,532	16,917	4,345	21,262
Depreciation expenses	30,441	8,943	39,384	34,622	11,192	45,814
Amortization expenses	-	1,182	1,182	-	1,205	1,205

(II) Seasonality of operation:

The operations of the consolidated company are not significantly affected by seasonal or cyclical factors.

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

### XIII. Other disclosures

#### (I) Information related to significant transactions

Significant transactions in 2023 that require further disclosures under Regulations Governing the Preparation of Financial Reports by Securities Issuers are as follows:

1. Loans to external parties: None.
2. Endorsement/guarantee to external parties: None.
3. End-of-period holding position of marketable securities (excluding investment in subsidiaries, associated companies, and joint ventures):

Unit: thousand shares

Holder	Name and type of securities	Relationship with the securities issuer	Presentation account	End of period				Highest interim holding position		Remarks
				No. of shares	Book value	Shareholding percentage	Fair value	No. of shares	Shareholding percentage	
The Company	Everest Technology Inc.	None	Financial assets at fair value through other comprehensive income - non-current	3,730	\$ -	5.49%	\$ -	3,730	5.49%	

4. Cumulative purchase or sale of any single marketable security that amounts to NT\$300 million or more than 20% of paid-up capital: None.
5. Acquisition of real estate amounting to NT\$300 million or more than 20% of paid-up capital: None.
6. Disposal of real estate amounting to NT\$300 million or more than 20% of paid up capital: None.
7. Sales and purchases with related parties amounting to NT\$100 million or more than 20% of paid-up capital:

Name of buyer (seller)	Name of counterparty	Relationship	Transaction summary				Distinctive terms of trade and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	As a percentage to total purchases (sales)	Loan tenor	Unit price	Loan tenor	Balance	As a percentage of total notes and accounts receivable (payable)	
The Company	Powertip (Jiangsu)	Wholly-owned subsidiary - Powertip C.I.'s wholly-owned subsidiary	Purchase	1,273,234	93%	No significant difference from ordinary transaction	Incomparable due to the special nature and differences of the products involved	Monthly settlement, 90 days	Accounts payable (344,286)	(88)%	Note 1 and 2
Powertip (Jiangsu)	The Company	Wholly-owned subsidiary - Powertip C.I.'s wholly-owned subsidiary	(Sale)	(1,273,234)	(93)%	No significant difference from ordinary transaction	Incomparable due to the special nature and differences of the products involved	Monthly settlement, 90 days	Accounts receivable 344,286	95%	Note 1 and 2
The Company	Powertip USA	100%-held subsidiary of the Company	(Sale)	(158,254)	(10)%	No significant difference from ordinary transaction	Incomparable due to the special nature and differences of the products	Monthly settlement, 90 days	Accounts payable -	-%	Note 2

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

							involved				
Powertip USA	The Company	100%-held subsidiary of the Company	Purchase	158,254	100%	No significant difference from ordinary transaction	Incomparable due to the special nature and differences of the products involved	Monthly settlement, 90 days	Accounts receivable -	-%	Note 2

Note 1: Accounts payable by Powertip (Jiangsu) to the Company includes purchase and sales transactions that have been offset in a merchandising trade.

Note 2: The above transactions have been fully eliminated when preparing consolidated financial statements.

### 8. Related party receivables amounting to NT\$100 million or 20% of paid-up capital or above:

Companies presented as receivables	Name of counterparty	Relationship	Balance of related party receivables	Turnover rate	Overdue balance of related party receivables		Amount of related party receivables collected after the balance sheet date	Loss provisions provided
					Amount	Treatment		
Powertip (Jiangsu)	The Company	Corporate shareholder with 100% holding interest	344,826	4.77	-	Debt claims are offset against debt obligations each month with proceeds collected or paid depending on capital availability	93,843	-

Note 1: It is based on data as of January 17, 2024.

Note 2: The above transactions have been fully eliminated when preparing consolidated financial statements.

### 9. Derivative transactions: None.

### 10. Business dealings and key transactions between parent company and subsidiaries:

Serial No. (Note 1)	Name of transacting party	Transaction counterparty	Relationship with the transacting party (Note 2)	Transaction summary			
				Account	Amount	Transaction terms	As a percentage of consolidated total operating revenues or total assets
0	The Company	Powertip USA	1	Sales revenue	158,254	No significant difference from ordinary transaction	9.26%
0	The Company	Powertip USA	1	Unearned sales revenue	6,059	No significant difference from ordinary transaction	0.27%
0	The Company	Powertip HK	1	Sales revenue	25,751	No significant difference from ordinary transaction	1.51%
0	The Company	Powertip HK	1	Accounts receivable	1,449	No significant difference from ordinary transaction	0.07%
0	The Company	Powertip (Jiangsu)	1	Sales revenue	41,007	No significant difference from ordinary transaction	2.40%
0	The Company	Powertip (Jiangsu)	1	Operating costs	1,273,234	Incomparable due to the special nature and differences of the products involved	74.53%
0	The Company	Powertip (Jiangsu)	1	Accounts payable	344,826	Incomparable due to the special nature and differences of the products involved	15.57%
1	Powertip (Jiangsu)	Powertip Samoa	3	Sales revenue	5,285	No significant difference from ordinary transaction	0.31%

Note 1. Use of serial number is explained below:

1. 0 denotes parent company.

2. Each subsidiary is numbered in sequential order starting from 1.

Note 2. Relationship with the transacting party is denoted as follows:

1. Parent to subsidiary.

2. Subsidiary to parent.

3. Subsidiary to subsidiary.

Note 3. The above transactions have been fully eliminated when preparing consolidated financial statements.

## (II) Information related to business investments:

Information about the Consolidated Entity's business investments in 2023 (excluding Mainland investees):

Unit: thousands of NTD or foreign currency/thousand shares



## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

Name of investor	Name of investee	Location	Main business activities	Sum of initial investment		Period-end holding position			Highest interim holding position		Current period profit/loss of the investee	Investment gains/losses recognized in the current period	Remarks
				Current period-end (Note)	Previous period-end (Note)	No. of shares	Percentage	Book value (Note)	No. of shares	Percentage			
The Company	Powertip HK	Hong Kong	Processing and manufacturing of LCD display modules	166,570	166,570	39,500	100.00%	30,465	39,500	100.00%	3,810	3,810	Subsidiary (Note 2)
The Company	Powertip USA	California, USA	Trading of LCD display modules, electronic parts, and computer peripherals	53,135	53,135	155	100.00%	74,754	155	100.00%	1,132	1,132	"
The Company	Powertip Samoa	Samoa	Holding company	729,232 (US\$23,711)	729,232 (US\$23,711)	23,711	100.00%	731,079	23,711	100.00%	76,223	76,223	"
The Company	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts and optical instruments	50,466	50,466	9,575	23.38%	189,907	9,575	23.55%	251,913	58,314	Equity-accounted investee
The Company	Ta Cheng	Taichung City	General investments	24,546	24,546	2,454	100.00%	34,690	2,454	100.00%	9,978	9,978	Subsidiary (Note 2)
The Company	Ta Ho	Taichung City	General investments	24,548	24,548	2,454	100.00%	34,708	2,545	100.00%	9,994	9,994	"
The Company	Ta Yang	Taichung City	General investments	20,100	20,100	2,010	100.00%	23,522	2,010	100.00%	7,166	7,166	"
Less: unrealized gain/loss on associated companies								(2,011)				-	
								<u>1,117,114</u>				<u>166,617</u>	
Powertip Samoa	Powertip C.I.	Cayman Islands	Holding company	728,217 (US\$23,678)	728,217 (US\$23,678)	23,678	100.00%	719,975 (US\$23410)	23,678	100.00%	69,275 (US\$2,220)	Recognized according to the shareholding percentage of Powertip Samoa	Investee accounted by subsidiary using the equity method (Note 2)
Ta Cheng	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts and optical instruments	27,500	27,500	1,638	4.00%	32,490	1,638	4.03%	251,913	Recognized according to the shareholding percentage of Ta Cheng	"
Ta Ho	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts and optical instruments	27,500	27,500	1,638	4.00%	32,490	1,638	4.03%	251,913	Recognized according to the shareholding percentage of Ta Ho	"
Ta Yang	Powertip Image Corp.	Taichung City	Manufacturing of electronic parts and optical instruments	19,873	19,873	1,184	2.89%	23,475	1,184	2.91%	251,913	Recognized according to the shareholding percentage of Ta Yang	"

Note 1: Converted into NTD using exchange rate as at the reporting date (1 USD : 30.755 NTD).

Note 2: The above transactions have been fully eliminated when preparing consolidated financial statements.

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

### (III) Information related to investments in Mainland China:

#### 1. Name, main business activities, and relevant information of Mainland investments:

Unit: thousands of NTD/foreign currency

Name of Mainland investee	Main business activities	Paid-up capital (Note 4)	Method of investment	Opening cumulative balance of investment capital invested from Taiwan (Note 4)	Investment capital contributed or recovered during the current period		Closing cumulative balance of investment capital invested from Taiwan (Note 4)	Current period profit/loss of the investee	The Company's direct or indirect holding percentage	Highest interim holding position		Investment gains/losses recognized in the current period (Note 1)	Closing investment book value (Note 4)	Investment gains recovered to date
					Invested	Recovered				No. of shares (in thousands of shares)	Shareholding percentage			
Powertip (Jiangsu)	Processing of LCD devices and electronic components	707,365 (US\$23,000)	Indirect investment through Powertip Samoa	707,365 (US\$23,000)	-	-	707,365 (US\$23,000)	69,275 (US\$2,220)	100.00%	-	100.00%	69,275 (US\$2,220)	719,975 (US\$23,410)	-
Powertip (Dongguan)	Processing and manufacturing of LCD devices and electronic components	39,590 (HK\$10,000)	Indirect investment through Powertip HK (Note 5)	-	-	-	-	1,524 (HK\$380)	100.00%	-	100.00%	1,524 (HK\$380)	13,065 (HK\$3,300)	-

#### 2. Approved limit on Mainland investments:

Unit: thousands of foreign currency

Company name	Closing cumulative balance of investment capital transferred from Taiwan into the Mainland	Investment limit authorized by the Investment Commission, Ministry of Economic Affairs	Limits authorized by the Investment Commission, Ministry of Economic Affairs, for investing into Mainland China
The Company	790,711 (US\$25,710)	792,741 (US\$25,776)	No limit (Note 2)

Note 1: Gains/losses of investees for the current period were recognized based on audited financial statements of the parent company in Taiwan, except for Dongguan Jiuzheng, which were recognized based on their unaudited financial statements.

Note 2: According to the rules on Mainland investment limits stipulated by the Investment Commission in the revised "Review Principles for Investment or Technological Collaboration in the Mainland Area" on August 29, 2008, the Company has already obtained proof of operational headquarters from the Industrial Development Bureau, Ministry of Economic Affairs, and therefore is not subject to the Mainland investment limit.

Note 3: Dongguan Jiuli, one of the Company's business investments, was de-registered on January 7, 2009; the cumulative amount of investment outstanding at the end of the current period included USD 2,710 thousand of realized losses that were attributed to Dongguan Jiuli.

Note 4: Converted into NTD using exchange rate as at the reporting date (1 USD: 30.755 NTD; 1 HKD: 3.959 NTD).

Note 5: Powertip HK contributed proprietary funds and machinery and equipment in lieu of capital to the investment.

Note 6: The above transactions have been fully eliminated when preparing consolidated financial statements.

Through Powertip HK, a business located at a third location, the Company established Dongkeng Jiuzheng Photoelectric, a processing plant for LCD devices and electronic components, in Dongguan, Mainland China, for a sum of HKD 9,024 thousand; this project was approved by the Investment Commission, Ministry of Economic Affairs, on November 20, 2002. Powertip HK later made an indirect investment into the Mainland and founded Powertip (Dongguan) Photoelectric Co., Ltd. by contributing HKD 5,792 thousand of its funds and the electronics plant of Dongkeng Jiuzheng Photoelectric, an existing investment approved by the Investment Commission, Ministry of Economic Affairs, valued at HKD

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

4,208 thousand for a total share capital of HKD 10,000 thousand. This project was approved by the Investment Commission, Ministry of Economic Affairs, on July 13, 2012 and completed on April 25, 2013.

### 3. Significant transactions:

Please refer to "Information related to significant transactions" in the consolidated financial statements for more details on direct and indirect significant transactions between the Consolidated Entity and Mainland investees in 2023 (which have been eliminated when preparing the consolidated financial statements).

### (IV) Information on major shareholders:

Name of major shareholder	Shares	Number of shares held	Shareholding percentage
Bright LED Electronics Corp.		19,020,148	11.72%

Note: (1) Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter; and included parties holding book-entry common and preferred shares (including treasury stock) for an aggregate ownership of 5% and above. Share capital reported in the Company's financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

(2) Shareholders who placed shares under trust are disclosed in trustors' sub-accounts held with various trustees. Shareholders with more than 10% ownership interest are subject to insider equity reporting, according to Securities and Exchange Act. Insider equity includes shares held in own name and any shares placed under trust that the insider has control over. Please access Market Observation Post System for reports on insider equity.

## XIV. Segment information

### (I) General information

The Consolidated Entity has only one reported segment: the LCD display module segment. Its main applications include industrial products, monitoring systems, cashier systems, office machines, cellphones, toys, home appliances, and oscilloscopes.

The Consolidated Entity measures profitability of its operating segments in terms of pre-tax operating profit (excluding non-recurring gains/losses and exchange gains/losses). The same measurement is used for performance evaluation. The Consolidated Entity does not allocate assets or liabilities to the reported segment for operational decision-making. Amounts reported for the operating segment are consistent with the amounts used by the management for decision-making. Accounting policies adopted by various operating segments are consistent with those described in Note 4 - "Summary of significant accounting policies."

### (II) General corporate profile

#### 1. Product information

Please refer to Note 6(14) for more details on revenues generated by the Consolidated Entity from external customers in 2023, distinguished by product category.

#### 2. Regional disclosure

## Notes to consolidated financial statements of Powertip Technology Corporation and subsidiaries (continued)

Disclosure of regional information is as follows. Income location is determined based on customers' geographic presence, whereas location of non-current assets is determined based on the asset's physical presence.

(1) Revenues from external customers:

Please refer to Note 6(14) for more details on revenues generated by the Consolidated Entity from external customers in 2023, distinguished by region category.

(2) Non-current assets:

<u>Region</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
Taiwan	\$ 465,134	471,085
Mainland China	59,575	70,588
Other countries	23,111	25,102
	<u>\$ 547,820</u>	<u>566,775</u>

Non-current assets include property, plant, equipment, right-of-use asset, intangible asset, and other non-current assets, but exclude non-current financial instruments and non-current deferred income tax assets.

3. Information on major customers:

	2023		2022	
	Amount (in NT\$)	As a percentage of net consolidate d revenues (%)	Amount (in NT\$)	As a percentage of net consolidate d revenues (%)
Company D	\$ 344,199	20	387,925	18